

KALEIDOSCOPE 2.0

YOUNG MINDS ON SECURITY

Compiled and Published by



Forum for Integrated National Security

**KALEIDOSCOPE 2.0
YOUNG MINDS ON SECURITY**

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Contents

Sr. No.	Name of the Topic	Page No.
1.	Introduction to FINS	V
2.	Foreword	VII
3.	A Similitude of Challenges to National Security: Correspondence of Khalistan and Kashmir <i>By: Mr. Ahaan Vaidya and Dr. Rajiv Gupte</i>	1
4.	Currency Wars - Arrangements and Alignments in the Current Geopolitical Context. <i>By: Ms. Ramya Udaiyar and Dr. Nitin Kulkarni</i>	39
5.	The Future of India Middle East Relations <i>BY: Mr. Prathamesh Yemul and Prof. Liyakat Khan</i>	171
6.	Addressing the Gaps in the United States' Indo-Pacific Strategy: A Case for Indo-US Cooperation in the Western Indian Ocean <i>BY: Mr. Shashank Khopkar & Prof. Manish Srivastava</i>	241
7.	G-20 and Global South: Cooperation and Consensus <i>BY: Ms. Surabhi Dadhich and Dr. Rashmini Khoparkar</i>	273

Sr. No.	Name of the Topic	Page No.
8.	Causes and reasons for the Russian invasion of Ukraine <i>BY: Ms. Devashree Bhonsale & Vice. Adm. A R Karve</i>	289
9.	Deconstructing the Operational Structure of Pakistan's Anti-India Terrorist Network <i>BY: Ms. Anushka Chavan and Shri. Praveen Dixit</i>	323
10.	India's soft Power in Sports <i>BY: Mr. Soham Awhad and Prof. Anand Limaye</i>	359
11.	About The Mentor Contributing Co-Authors	395

Introduction to FINS

Forum for Integrated National Security (FINS) is a non-profit organisation. As a policy research institution, we study national security challenges and policy-related issues. FINS is a platform for experts to share their perspective and ideas with civil society. The idea about FINS came when defence experts thought that 'compartmentalized approach' in matters of national security needs to be replaced with 'Integrated National Security (INS) approach'. Such an approach will be more effective in dealing with future challenges. Furthermore, the Integrated National Security approach will strengthen our ability to achieve the desired national objectives.

For more information visit - www.finsindia.org

Foreword

I must Compliment FINS to provide an excellent platform to young minds to contribute towards National Security, Kaleidoscope 2.0 is an outcome of that endeavour. The Young Minds have applied themselves extremely intelligently to the Challenges faced towards National Security by rising India. Kaleidoscope will definitely surprise the readers by the insights that the young writers provide, their analysis of the problem, the options that the nation has and the Way Forward is really very appreciative.

The article on Kashmir and Khalistan by Ahaan Vaidya focuses on how a State plays an indispensable and indisputable role in resolving conflict be it to resolve terrorism in the Valley or to prevent Khalistani forces from raising their ugly head. The young Ramya writes with great insight covering Dollar weaponisation and its disproportionate impact on the Global South.

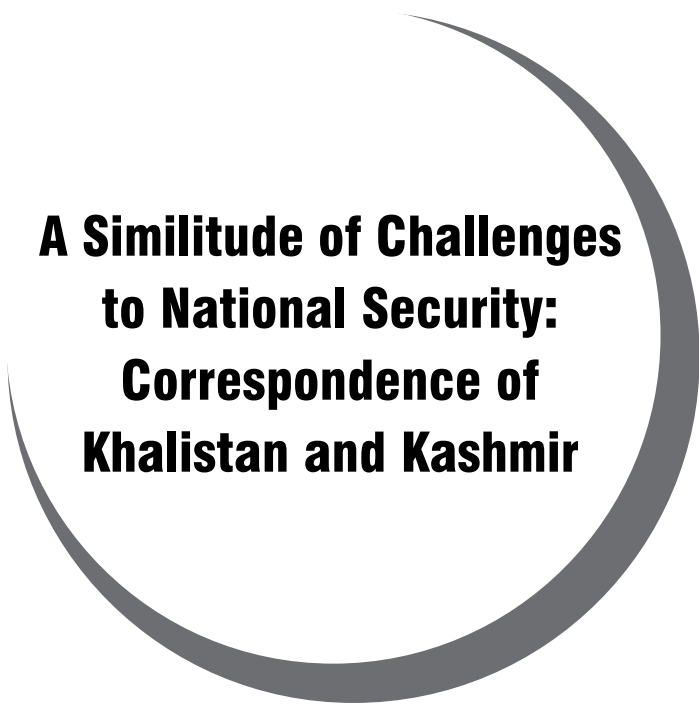
Prathamesh covers the Future of India - Middle East relations very critically and recommends more proactive interaction since China is making deep inroads. His concern got addressed with India - Middle East- Europe Economic Corridor, in the just concluded G 20 hosted by India. Shashank covers in detail the growing Chinese assertion in what the World addresses as Indo Pacific and China refers to it as Asia Pacific thereby the need to develop Credible deterrence and not just be a ' Leading US Partner ' is recommended by the young researcher.

Surabhi beautifully captures G 20 and the leadership that India can provide to Global South keeping in mind the relevance of Vasudhaiva Kutumbakam. The ability to take everybody along was displayed in the Delhi declaration. The ongoing Russia - Ukraine conflict along with causes and reasons has been covered in detail by Devashree.

Anushka deconstructs the operational structure of Pakistan's Anti India terrorist network, her concern of Female terrorists in combat role cannot be ignored as Deep State has one point agenda to bleed India with a thousand cuts and in that context, Pakistan uses terrorism as an instrument of State Policy. China and Pakistan will perpetually prevent India from rising Economically. India's soft power in Sports highlighted by PM Modi has been articulated very well by Soham Awhad. His contention that India can capture the World's attention by excelling in Sports is very relevant today.

I am positive the readers will find Kaleidoscope very informative and I once again Compliment FINS for their contribution in igniting Young Minds. Preparation is the best form of Defence and the Young Minds tell us Forewarned is forearmed. Jai Hind.

Lt Gen Sanjay Kulkarni,
PVSM, AVSM, SC, SM, VSM (Retd)



**A Similitude of Challenges
to National Security:
Correspondence of
Khalistan and Kashmir**

By: Mr. Ahaan Vaidya and Dr. Rajiv Gupte



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His areas of interest include Indian politics, culture and history.

Chapter I

The Perplexity That Is Punjab

Introduction

The Sikh Morals were at the core of the ideological code of the erstwhile Punjab province. They refer to the Sanatan Sanskriti, or India's civilizational identity, and the factors that shape Sikhism not only as a belief system but as what is essentially a way of life.

Sikhs remained concentrated in the erstwhile Punjab province which acted as an entry gate to India's northwestern frontier. Most of the invasions that destroyed India came through this entrance gate. Sikh Culture thus evolved as a strong and valiant community, which took up arms against such invasions. Samarpan and Seva are some of the values that Sikh communities fosters. The partition, however, was an attack on the geographical identity of Sikhs. Punjab was pushed into a bloodbath, families were separated and people had to migrate leaving their property and homeland behind.

This religious conflict was accompanied by a linguistic conflict as the demand for a 'Punjabi Suba' was taking shape. The Punjabi-speaking population of the state, which comprised most of the Sikhs, found themselves caught in a fix with the creation of Haryana and subsequent water-sharing agreements. They feared the loss of prosperity and wealth.

During this time, the politics in Punjab was bipolar with the seat of power being sought after by the Congress and the Akali Dal. Congress, in an attempt to challenge the Akali Dal in religious politics, ended up supporting the voices which propagated religion fiercely. This voice and face, to be specific, was Jarnail Singh Bhindranwale.

Bhindranwale was the head of Damdami Taksal and was becoming popular, especially amongst the rural Sikh community, largely considered to be an Akali vote bank. However, his popularity overshot Congress. He took control of Sri Harmandir Sahib, waging a war against the state (in effect, against the nation). All the negotiations failed, prompting the government to use force against him and his associates.

Under Operation Blue Star, the armed forces entered the premises of the Golden Temple, using ammunition to eliminate the Khalistani terrorists. This incident is still debated over - whether the government put an end to the Khalistan Movement by doing so or fueled latent anger in the minds of the Sikh Community, which keeps the notion of anger and alienation amongst them.

The latter proposition is complemented by the fact that governments of the past did little to educate the concerned sub-sections of society about the reality of the issue or to try to assimilate them into the mainstream completely. This anger was reflected in the unfortunate assassination of Prime Minister Smt. Indira Gandhi by her own Sikh bodyguards.

This was followed by anti-Sikh riots in the country which worsened the situation, The Punjabi society faces a bipolarity today- On one hand, Khalistani elements are very much active in India while on the other the state of Punjab has the largest per capital contribution to the armed forces.

Chapter II

The Kashmir Conundrum

Like the rest of India, Kashmir's history and civilizational identity have been contested. The culture and identity of Kashmir find their roots in the *Sanatan Sanskriti*, India's civilizational identity. 'According to a tradition the drainer of this (a vast mountain lake called *Satisar*) lake was an ascetic named Kashyapa; hence the reclaimed land was called Kashyap-pur or Kash-yap-mar and later Kashmir.¹ Kashmir also became the center of political actions during the reign of Lalitaditya Muktapida. The Islamic Sultanates ruled Kashmir during medieval times. Arguably, the cultural conflict that the people of Jammu and Kashmir find themselves in stems from this exchange of power.

Jammu and Kashmir, under the rule of Maharaja Hari Singh, was a princely state when India attained its independence in 1947. The ruler tried to maintain the supposed independence of his kingdom by merging with neither India nor Pakistan. Invaders from and supported by Pakistan invaded the northwest frontier of the erstwhile princely state. The region was under siege as a helpless Hari Singh signed the Instrument of Accession on 26 October 1947, thus merging the Jammu and Kashmir state as an integral part of the newly formed Republic of India.

Pakistan made several unsuccessful attempts to win Kashmir, including the Indo-Pak war of 1965. Ever since Pakistan began financing terrorism in India and especially in the Kashmir Valley. Organizations like Hurriyat, Hizbul Mujahideen, Lashkar-e-Toiba (LeT), Jaish-e-Mohammed (JeM), and Jammu and Kashmir Liberation Front (JKLF) to name a few, started receiving help and guidance from the Pakistani forces including its Inter-Service Intelligence (ISI).

1 (Bamzai, Culture and Political History of Kashmir, 1994)

The onset of the 1980s saw rising militancy in the valley. JKLF under the leadership of Yasin Malik rose as one of the prime offenders of Human Rights and National Integrity in the valley. They were responsible for the kidnapping of Rubaiya Sayeed, the daughter of the then Minister of Home Affairs (and Former Chief Minister) Mufti Mohammad Sayeed. Islamic Terrorism in the valley forced the minorities in the valley, primarily the Kashmiri *Pundits* to leave the valley. The reverberations of militancy were felt much beyond the valley. This is amplified by the fact that the terrorist organization Jaish-e-Mohammed (JeM) managed to attack the *temple of democracy* - The Parliament of India in 2001.

The span between 2011-16 saw a crucial turn of events in the valley. The regime in Delhi changed during this time-span and so did the Indian policy against insurgency in the valley. In this background, Burhan Wani rose as one of the youngest yet most popular militants. A commander of the Hizbul Mujahideen, Burhan Wani was one of the most popular militants amongst the youth in Kashmir. This was reflected in the incidents wherein his death caused a massive uproar in the valley.

Democracy in Kashmir faced much contention in the valley. 1991 General Elections were not held in the state due to insurgency. Prior to this, Farooq Abdullah and National Conference's victory in the 1987 Legislative Assembly Elections was much scrutinized for election malpractices. In a historic decision, the Parliament of India amended (abrogated) Article 370 of the Indian Constitution in August 2019. This decision, along with the bifurcation of the then state of Jammu and Kashmir into the Union Territories of Jammu & Kashmir and Ladakh came into effect on 31st October 2019.

Ever since both the Union Territories have set out on

the path of progress and development. Appointment of Former Union Minister Shri. Manoj Sinha as the Lieutenant Governor of Jammu and Kashmir (August 2020) has been seen as a move to re-establish the political systems in the valley. In that sense, democracy in Jammu and Kashmir has had its first step, with the District Development Council (DDC) elections held in November 2020.

With years of conflict and conundrum, both of these Union Territories, especially Jammu and Kashmir, are seeing a wave of change in terms of their internal situation as well as external and international perceptions. These point to a change that has been diametrically opposite - From it being a constant anarchic battlefield to being one of the probable venues for G20 meetings during the Indian Presidency.

Chapter III

Two Sides And The Same Coin - Khalistan And Kashmir Conflict

Before evaluating the two conflicts brought under discussion in this research project, viz. In the Khalistan conflict and the Kashmir conflict, it is imperative to deliberate upon the nuances and intricacies of how both of these case studies arose, existed, and turned out. While both cases have paramount importance and relevance in the history of independent India and threats to India's national security and integrity, one cannot pass them off as identical or even similar case studies.

However, one cannot ignore the commonalities underlying these kinds of movements. This research project will establish certain commonalities between both the case studies and how the state action impacts and supersedes the nature of these movements. It will also refer to the systemic intervention that shapes the fate of such movements. Finally, this research project will also put forth some suggestions for mentioned points of conflict.

It is to be noted that this research project is not a comparison between the Khalistan and Kashmir conflict but an attempt to examine the correlation in reference to the above mentioned case studies. The analogy given in the chapter title thus exhibits the fundamentally same coin (to be covered under theory). This is only considering both cases to be distinct and opposite sides.

Chapter IV

State, System, And Solution

Disputes that alter the prevailing national societal conditions in a negative sense, also calls for an intervention by the state and the system. The system, here, refers to the various existing structures and their power dynamic. To begin with, societal structure plays a crucial role in determining whether the conditions will pacify or aggravate. It is the society or the people per se, which can enable the integration of a societal section into the mainstream. This can turn out to be more effective vis-a-vis any state policy or action.

However, to make conditions fit for integration, state intervention becomes necessary. The state needs to use tact and eventually force when lawlessness becomes a norm and resolution to the conflict goes beyond negotiation and agreements. It is not just to eliminate a potential threat, but also to keep the sovereignty of a state intact - not just external, but internal as well. The elected government of any nation has the responsibility to ensure the management of the security sector is in line with democratic best practices and the provision of security as a public good.¹

This factor of 'Public Good' is a discourse that is naturally non-prevalent across states, owing to the disproportionate distribution of power and authority. It thus becomes mandatory for governments to ensure order and equity.

It is thereby the action/intervention by the government/state that determines the fate of the movements that create an upheaval and its impact on the society at large.

¹ (Role of Government, Security Sector Integrity)

Chapter V

Genesis Of Counter-Extremism

Oxford Dictionary defines terrorism as ‘the use of violent action in order to achieve political aims or to force a government to act.’ On the other hand, it defines extremism as ‘political, religious, etc. ideas or actions that are extreme and not normal, reasonable or acceptable to most people.’ The very reasoning behind citing the definitions is to create a demarcation between the terms ‘terrorism’ and ‘extremism’, which are often used interchangeably in public discourse.

While terrorism is a direct and violent synthesis of ideological and political goals, extremism may just be ideological. However, it has been seen that extremist ideas (which portray themselves as advocators of justice and freedom) resort to direct or indirect violent measures to propel their ideology. Much like terrorism, this violence is to incite fear - amongst the people, society, and system. In such cases, the gap between extremism and terrorism narrows down. Intra-state terrorism thus evolves from violent extremist movements.

Over the years, governments have noted this fact, propelling them to take action against extremist organizations. In the context of Punjab, the Government of India has declared organizations like Babbar Khalsa International, Khalistan Commando Force, and Khalistan Zindabad Force as Terrorist Organisations and have been banned under the Unlawful Activities (Prevention) Act, 1967 (UAPA)¹.

Stringent Action taken on such organizations prevents the possibility of them turning into active terrorist outfits

1 (Banned Organisations, Ministry of Home Affairs)

within the territory of the country. The state does take actions to prevent terrorist organizations from functioning within and beyond the state. Simultaneously, it also keeps track of various extremist endeavors that are potential threats.

Chapter VI

State Intervention In National Security

Chapter-V of the introduction stresses the cruciality of state intervention to curb extremism and terrorism. Simultaneously, it is also important to understand that State action/intervention is not only an endeavor to prevent the potential threat, but also an instrument to change the pre-existing concerns and conflicts.

The case studies in the scope of research for this project - Khalistan and Kashmir, do tend to fall in a coinciding pattern/sequence of events. This does not indicate or imply that these movements are equivalents or similar in any kind. However, it is to be noted how the State Action in both case studies impacted them differently. The state action in this sense was not just military-based but policy-based as well. Political Assassinations have also been key elements of both of these movements. Both matters were never inherently political but were politicized vehemently.

The incumbent governments saw them as instruments to facilitate electoral triumph. It was only a matter of time before the fringe elements found themselves growing politically and grew out of the shade of their overlords (or simply, supporters). The ambitions of these fringe elements, which became extremist and terrorist outfits, grew out of control and led to State/Government intervention, in the dual fashion mentioned above.

This research project will propose '*The Intersection Theory of State Intervention in National Security.*'

Secondary Research Methodology

The methodology implemented for the secondary research is diverse. It primarily includes excerpts from books, research papers, and articles - written by Retired Army Officials, Journalists, Researchers, and so on.

In matters of State Policy and the propositions made by the stakeholders in case studies (for instance, the Anandpur Sahib Resolution), official texts of the bill/resolution have been referred to. Interpretations of these texts from third sources have been avoided.

Dictionaries, primarily the Oxford Dictionary have been referred to for definitions. This is to consider the authorized, popular and prevalent definitions of words and their implications. Parliamentary Records were also referred to during the research process.

Assumption

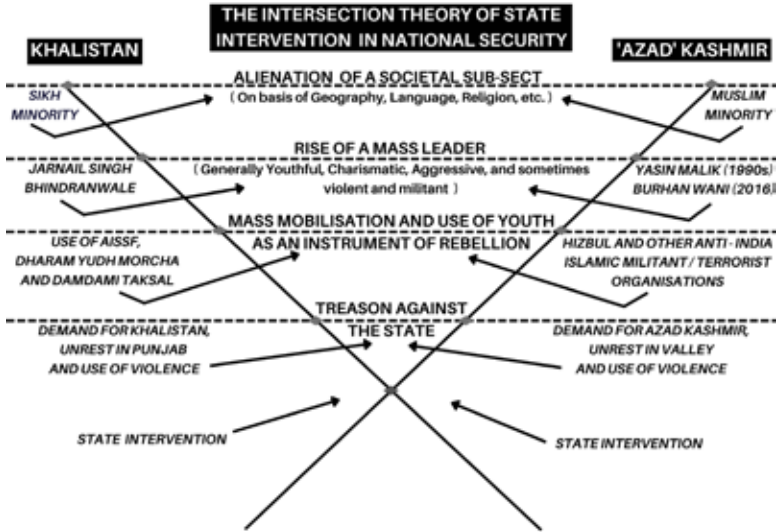
Statement - 'In matters of conflicts that pose a threat to internal and external national security, the intervention by the state becomes a necessity that determines the face and fate of such movements.

Critical Analysis

Prelude

The Oxford Dictionary defines intervention as an 'action taken to improve or help a situation'. State/government here thus refers to the intervention that is made to address issues that pose a challenge to national security and integrity. As a part of the analysis under the scheme of this research project, the author would like to propose a theory - 'The Intersection Theory of State Intervention in National Security.'

The Intersection Theory Of State Intervention In National Security



Introduction To The Theory And Note To The Visual Graphic

The theory visualized through the diagram has multiple layers. Every layer denotes a pattern in the two movements or conflicts brought under study for this research project. Reiterating what has been mentioned in this research project previously, this theory in no manner attempts to put the two case studies on the same pedestal. It is an attempt to analyze certain similarities that may arise in the movements or conflicts of this nature, and shall not be interpreted otherwise.

The graphic that has been utilized to visualize the theory contains two lines - each of them symbolizing the conflict/movement of Khalistan and the supposed Azad Kashmir respectively. The content written for every layer between the two lines refers to the commonality. The mentions on either side of the line refer to the specific instances or

details that amplify or justify the existence and correlation of the commonality with the respective movements.

Alienation Of A Societal Sub-Sect

The primary reason for any society or a sub-section of society to oppose the prevailing order can be accredited to the alienation they face. This 'alienation' may arise due to sectarian policies of the establishment, ostracization, or simply the feeling of being discriminated against. It is often the leaders of a particular sub-sect that support such notions that play a pivotal role in the formation of such movements.

Khalistan

In the context of the Khalistan conflict, the notion of alienation holds a duality, as to how the movement arose and unfolded. Partition had its worst impact on the erstwhile Punjab state, which was divided into two parts and two different nationalities thereon. Ever since, there was a demand for a Sikh state, sometimes vocal and sometimes latent. The Punjab Reorganisation Act, of 1966 led to the creation of the state of Haryana and a water-sharing agreement between these two states.

The reasoning behind opposition to this agreement was simple - the affluent farmers of Punjab worried losing their source of prosperity, water. Any such possibility was deemed unacceptable by the people of Punjab, a close-knit and influential stakeholder in Indian agriculture. This points towards the fact that the initial resistance faced in Punjab was purely due to economic reasons, supplemented by the baggage that the partition had left behind.

The alienation, in this context, was of the Punjabi community, sometimes on the polity level, and sometimes on the policy level. Thus in the case of Punjab, the geography of the state (and its division during the partition and the Punjab Reorganisation Act of 1966), the religious

angle (attempt at Sikh polarization), and language (Punjabi vs Hindi, that was one of the foundational grounds for the formation of Haryana) were used effectively to fabricate a sense of alienation amongst the masses.

One cannot disregard the ignorance of the then establishment towards this issue (until it blew out of proportion). The Haryana Government under the leadership of Chief Minister Bhajan Lal took a rational step by taking appropriate security majors in order to prevent protests and disruption that could pose a threat to the 1982 Asian Games. However - "No Sikh, whether a Congress member of Parliament or a retired army general, was allowed to pass through Haryana without being humiliated in one way or the other. Many ordinary Sikh lost not merely metaphorically his 'honour' but literally his turban."¹ This action was thus not seen against a particular political party or ideology, but the Sikh community in general. In the words of renowned journalist Kuldeep Nayar - 'from that day their feeling of alienation has been increasing.'²

Kashmir

The Kashmir valley, on the other hand, has been a center for unrest ever since the independence of India and Pakistan. Pakistan has been claiming its stake in the region ever since its inception. The valley has been one of the worst-affected regions across the globe by state-sponsored terrorism. 'To sustain the Kashmir movement at minimal cost, the ISI plans to cause disaffection and alienation, play the Islam-in-danger card, highlight the non-performance of the elected government and atrocities allegedly committed by the security forces.'³

The conflict in Kashmir thus has formed its ground due to several factors and has caused a sense of alienation amongst

1 (Grewal, *The Sikhs of the Punjab*, 2008)

2 (Nayar and Singh, *Tragedy of Punjab: Operation Bluestar & After*, 1984)

3 (Kanwal, *Proxy War in Kashmir: Jihad or State-Sponsored Terrorism?*, 1999)

the citizens of that region. The geographical location of the valley, landlocked between three nuclear powers makes the region volatile. One cannot overlook the internal linguistic differences between Jammu, Kashmir, and Ladakh regions.

The inconsiderate homogeneous approach over the years could not eliminate this disparity. Lastly, communal dynamics have been used as a tool of propaganda by stakeholders within the country and beyond. These factors have created a sense of alienation amongst the masses in the valley.

It is therefore seen that - Various situations and conditions are used to create a gap between sections of society, including but not restricted to themes like geography, religion, language, etc.

Rise of A Mass Leader

Every movement sustains and thrives on the basis of its leadership. 'Leaders are critical to social movements: they inspire commitment, mobilize resources, create and recognize opportunities, devise strategies, frame demands, and influence outcomes.'⁴ Every movement has one or more leaders who utilize their power - ranging from authority established by a public office or simply by their charisma and persona to engage mass involvement towards the cause. Leadership may not necessarily be positive in nature.

Khalistan

In the case of Punjab, the autonomy of the state had been a contentious issue since its independence. However, the failure in negotiations transpired into a conflict infamously known as the Khalistan conflict. This movement reached its zenith during the 1980s, coinciding with the career and popularity trajectory of Jarnail Singh Bhindranwale.

4 (Morris and Staggenborg, Leadership in Social Movements, 2002)

Undoubtedly, Bhindranwale posed the biggest threat to the nation during his active years. His emergence also brought the movement to the center stage, in a negative light.

Being a young man in his early/mid-thirties, he rose to the limelight during his tenure as the Jathedar of Damdami Taksal. He toured villages, building a rapport and establishing a direct connection with the grassroots, though, not directly for the cause which he later became (in) famous for. The movement saw larger involvement of the masses during Bhindranwale's active years, as opposed to the former years, which saw leaders middle-aged or those in the twilight of their lives leading the cause.

Kashmir

In the case of Kashmir, militancy has always been the primary mode of resistance. The modus operandi has always involved the glorification of militancy, especially to encourage the direct involvement of youth in it. This has also included the eulogization of those who lead such militant activities. In the valley, Yasin Malik's rise coincided with the intensity of militancy in the valley. The time period in which Yasin Malik and other terrorist organizations openly advocated violence was also the time when militancy was at its peak in the valley. Similarly, Burhan Wani became the face of militancy in the valley briefly in 2015-16. His death made situations tense in the valley, causing uproar.

Yet again, both cases follow the template of young leadership leading movements into or during their zenith. These aggressive militant leaders with charismatic authority changed the fate of the respective movements.

Mass Mobilisation And Use Of Youth As An Instrument Of Rebellion

Public involvement is an essential aspect of movements. Those in control often shape public perception through

propaganda tools. It is often the youth that gets actively associated with such movements. This makes an aggressive approach to the movement one of the feasible/possible options. Both, the Khalistan and Kashmir conflict rose due to the mass involvement of people in the movement. While the reasoning and tactics that enabled mass mobilization and participation call for an independent assessment, it is noteworthy how these movements challenged the incumbent establishments due to the power it derived from its supporters.

Khalistan

The trajectory of the Khalistan movement, especially under Bhindranwale, attracted massive support from the masses when the movement was at its zenith. His mass resonance hailed from his connections with Damdami Taksal, which helped him establish a direct connection with the masses. His messaging - that of Sikh-centric ideals made him popular amongst the masses. Similarly, the All-India Sikh Students Federation also played a pivotal role in building public sentiment.

Prior to this, the Anandpur Sahib Resolution (1978) had already become a turning point, in the context of the series of negotiations and violence that would follow thereafter. The Akali Dal launched the Dharam Yudh Morcha in 1982, in a bid to succeed in their demands. They collaborated with Bhindranwale, who already had an outpouring of support from AISSF, the Youth Wing of the Akali Dal itself. It was thus young militants, under the leadership of a much younger leader Bhindranwale, who gave this movement a violent turn. It would be unfair to call this polarisation unilateral, as the sense of alienation that formed over the years was a major contributor to the mobilization. The feeling of 'insulting' alienation made the mobilization irreversible, amongst the then-active generation which closely saw the Khalistani movement.

It is to be noted that this movement struck resonance with the Sikh diaspora abroad. In fact, external influences fueled the subsistence and upscaling of this movement. Addressing this concern, the then Prime Minister Smt. Indira Gandhi noted in a Press Conference on 10 August 1981, - "So far, Khalistan existed only in Canada and perhaps in the USA also, but it does not mean that we would lower our guards and not exercise the utmost vigilance."⁵

Kashmir

The mobilization in Kashmir stems from the mistrust that was built between the people and the Central Government, effectively, the Indian state. The reasoning behind categorically not calling out the role of the state government is simple - The political parties of the state have had a hypocritical stance on the Kashmir issue. Historically, the regional parties have maintained close ties with the Central Government, entering into alliances with them and even bearing offices in the government. However, they have also maintained a stance of no compromise when it comes to autonomy for Kashmir, thus securing their image amongst the people.

The Kashmir issue thus stands on the anti-establishment sentiment. Interestingly, it is the youth that drives the separatist movement in Kashmir. 'Islamic militant groups in the valley are seen differently by unemployed and underdeveloped youth, who silently respect the militants because they die for a cause. Youth are told that Muslims of the outside world are fighting for Kashmir's independence and dying for them.'⁶ This, mobilizes the masses against the state by use of misinformation, with the youth being a primary target. Lack of education, opportunities, and development transpires into militancy against the state.

5 (Sidhu, The Khalistan Conspiracy: A Former R&AW Officer Unravels the Path to 1984., 2020)

6 (Oberoi, Ethnic Separatism and Insurgency in Kashmir)

Treason Against The State

This research project has attempted to establish a distinction between ‘terrorism’ and ‘extremism’ in the previous sections of this research project. Both, the Khalistan and the Kashmir conflict have seen elements pertaining to extremism and terrorism. The trajectory of both conflicts has turned into violent and anarchic separatist movements, essentially treason against the state.

Khalistan

The Khalistan movement under Jarnail Singh Bhindranwale pushed Punjab into anarchy. There was a state of absolute lawlessness and the resentment against the state took a violent turn. This further widened the gap between the Hindus and the Sikhs, who have had harmonious relations with each other.

“The starting point was the emergence of Jarnail Singh Bhindranwale as a leader. He used vituperative language against the Hindus. He exhorted every Sikh to kill 32 Hindus to solve the Hindu-Sikh problem. Anyone who opposed him was put on his hit list and some eliminated.”⁷

Lala Jagat Narain, the founder of the Hindi Samachar media group and a strong critic of the Khalistani movement, was assassinated on 9 September 1981. Bhindranwale was swiftly arrested in connection to this but was later released. It was believed that Dal Khalsa was responsible for this attack.⁸

This goes to show that people including prominent individuals were not safe to voice their opinions and a reign of terror prevailed.

Kashmir

One of the foundational basis for the extremist movement in Kashmir has been the idea of an ‘Azad’

7 (Singh, Khushwant, Oh, That Other Hindu Riot Of Passage, 7 November 2004)
8 (Dressler and Arvind, Secularism and Religion-Making, 2011)

Kashmir. The separatist nexus that has been functioning in the valley over the years, has had close links with the terrorist outfits. In fact, leaders like Yasin Malik claimed to have given up violence and living by practicing Gandhian principles. However, their involvement in nurturing and expanding terrorism in the valley remains to be the truth. He was sentenced to life by a Special NIA Court in Delhi, in connection to Terror funding.⁹

There has been no dearth of such examples in which these separatist leaders have had direct or indirect involvement in terrorism-related activities. Thus, in the case of the Kashmir conflict, the saga of terror financing and separatist movements has shaped it as an anti-state activity.

Other Factors And Conditions Specific To The Movement

It is to be understood that the above mentioned stages provide an outline of how a movement gains its relevance. However, there are a few other factors that may not apply to certain movements but might be the defining factors for some. For instance, the reaction and position of the international community have been essential in both of the case studies.

The Khalistani outfits present within the Sikh diaspora across the globe (primarily in Canada and the United Kingdom) have kept this conflict alive internationally. In contrast, the Khalistan movement has lost its traction in Punjab. However, one cannot rule out the possibility of the ideology being a potential threat, considering the recent socio-political developments.

In the case of Kashmir, the direct presence of Pakistan and China in the region makes the region volatile. The issue

9 “After dropping weapons, I have followed principles of Mahatma Gandhi. Since then, I have been following non-violent politics in Kashmir.” (Yasin Malik in Court on 25 May 2022, as reported by India Today)

had been internationalized way back in 1947, The United National Security Council also passed and adopted the UNSC Resolution 47 in April 1948.

Similarly, assassinations of individuals have defined the severity of both the case studies brought under research. These assassinations show a duality. Firstly, it put forth a clear demarcation between the parties/ stakeholders who were to be at odds with each other, secondly, these assassinations have been recognized beyond the scope of the movement itself and have, in fact, become reference points for these movements.

In the case of the Khalistan conflict, the murder of Lala Jagat Narain gave a clear signal that the extremist had no tolerance for anti-Khalistani views. Similarly, the assassination of the then Prime Minister Smt. Indira Gandhi depicted the rage that existed post-Operation Blue Star and that the ideology may not have been decimated like and with Bhindranwale.

In the case of Kashmir, the ruthless killing of Bal Krishna Ganjoo is an example of the treatment given to Kashmiri Pundits in the valley during the 1990s. Likewise, the assassination of four Indian Air Force officials by the JKLF was one of the landmark moments in what is a series of events and activities that weren't just anti-state but anti-humanity as well.

State Intervention

In coherence with the various stages of a movement mentioned in the above sections, it is to be noted that state intervention can determine the movement's fate and its impact on the socio-political dynamics of the country. Governments need to act tactfully before taking major decisions, so as to not hurt the social fabric of a community or the nation at large. State action, straightforward and armed state actions, have an enduring impact on the concerned region(s), people, and the national sentiment on those issues.

State Intervention in the Khalistan Conflict

As cited in the earlier sections of this research project, it is evident that the Khalistan conflict gained weightage due to the political situation in Punjab. The government then ruling at the centre never acted against increasing extremism as it was gaining direct electoral benefits from it in Punjab. However, it was unsuccessful in foreseeing the problems and complications that the rise of Jarnail Singh Bhindranwale would lead to. It also failed to cut short Bhindranwale's growing influence as it kept going out of their control. The executive was unsuccessful in preventing him from entering Sri Harmandir Sahib (1982).

He along with his militant cadre went on to occupy, fortify and inhabit the Akal Takht in 1983. While his violent actions kept on increasing, his occupation of the holy Sikh shrine prevented any military consequences against him. The executive had clearly missed the opportunity to track and arrest him before his inhabitation of the Golden Temple.

This conflict saw its watershed moment with Operation Blue Star being carried out by the Indian Army in June 1984. The operation was undoubtedly a military success for the Indian Army. This operation under the leadership of General Arunkumar Vaidya and (then) Major General Kuldeep Singh Brar successfully eliminated the major perceivable leadership of this movement. This included Former Indian Army Officer (and pillar of strategic strength to the Khalistani side) Shabeg Singh, The president of AISSF - Amrik Singh, and Jarnail Singh Bhindranwale.

However, this military action backfired as the military intervention within the premises of Sri Harmandir Sahib hurt the religious sentiment of the Sikh community. This was reflected in the assassination of Prime Minister Smt. Indira Gandhi by her own Sikh bodyguards on 31st October 1984. The Khalistani terrorists also assassinated General Arunkumar Vaidya on 10th August 1986 in Pune.

The anti-Sikh riots that broke out after the assassination of Prime Minister Smt. Indira Gandhi remains a scar in the history of modern India. The then establishment also failed to address the grievances pertaining to the riots. The then Prime Minister Rajiv Gandhi said - "When a big tree falls, the earth shakes."¹⁰

'Supercop' Kanwar Pal Singh (KPS) Gill, who was the Director General of Police in Punjab from 1988-90 and then from 1991-95 played a crucial role in eliminating militancy from the state. He also commanded Operation Black Thunder in May 1988, which aimed at eliminating the militants hiding in the Golden Temple. By the time of his retirement from service (in 1995), the maximum militancy in the state had become defunct.

However, the support for Khalistan from the diaspora has been overwhelming over the years. Organizations like Sikhs for Justice (SFJ) in the United States of America, under the leadership of Gurpatwant Singh Pannun, have been continuously mobilizing against the security and sovereignty of India. It is to be noted that most of the Khalistani organizations overwhelmingly demand the region of Indian Punjab to be declared as Khalistan, while conveniently excluding the Pakistani Punjab territory.

In very recent times, it was alleged that the Khalistani outfits infiltrated the Farmers' protest against what was famously known as the 'Three Farm Laws'. This claim was made by Attorney General K K Venugopal in the honorable Supreme Court on 12 January 2021. Citing inputs from the Intelligence Bureau.¹¹

While the Farmers' protest in itself was a significant socio-political issue in the state of Punjab, there is another

10 (DNA, When a big tree falls, the earth shakes: How Rajiv Gandhi justified 1984 anti-Sikh riots, 17 December 2018)

11 (The Indian Express, "'Khalistanis' have infiltrated farmers protest, will show IB inputs: Centre tells SC.", 12 January 2021)

electoral result that suggests that the sentiment in favor of the Sikh state may not have been eradicated completely. The President of the Shiromani Akali Dal (Amritsar), Simranjeet Singh Mann won the Sangrur Lok Sabha Constituency Bye-election (that was vacated after the resignation of the sitting MP Bhagwant Mann as he became the Chief Minister). He polled 35.61% votes in this 2022 Bye-election.¹²

Issues like drug abuse and brain drain are still very much pertinent amongst the youth in Punjab. It is essential to ensure development and opportunities for the youth of the state, the lack of which compels them to seek newer avenues outside the country. Assessing the necessity of Operation Blue Star, Former DGP KPS Gill noted - "The police could have dealt with it, if more power was given to them and if they had cooperation from all concerned, including the government and society."¹³

While the positionality of the experts on the timing and nature of military action in Punjab is variable, the acceptance of the idea of comprehensive development remains to be constant. While the people of Punjab have arguably, not forgotten Operation Blue Star and its aftermaths, one cannot question their patriotism and allegiance to the nation. The policy of State Intervention in Punjab was thus effective in solving the militancy conflict in the region, having its own ill effects as well.

State Intervention in the Kashmir Conflict

India's first attempt at military intervention in Kashmir was closely followed by the internationalization of the Kashmir conflict during the reign of India's First Prime Minister Jawaharlal Nehru.¹⁴ Despite having an advantage in the given scenario, the government of India took this decision.

12 (Election Commission of India, BYE ELECTION TO PARLIAMENTARY CONSTITUENCY TRENDS & RESULT JUNE-2022, 27 June 2022)

13 (Hindustan Times, Operation Bluestar was not necessary: Gill, 17 November 2013)

14 (Sultanat, Internationalizing the Kashmir Problem, 8 July 2002)

The state of Jammu and Kashmir got considerable autonomy since the adoption of the Indian Constitution, via Articles 370 and 35A. During this while, the relations between the political power in the state and at the centre remained volatile. Former Prime Minister of Jammu and Kashmir, Sheikh Abdullah was arrested in the Kashmir Conspiracy case in 1953 and was in prison until 1964.

Sheikh Abdullah regained power in the state during the 1970s. After his death on 8 September 1982 (in office), his son Farooq Abdullah took charge as the Chief Minister. His election in 1987 was alleged with election fraud and malpractices. It was during this term that militancy and violence increased in the valley.

With Rajiv Gandhi losing the 1989 General Elections and the short-lived tenures of V P Singh and Chandra Shekhar, the Central Government was in a state of disarray, not only politically but economically as well. When P V Narasimha Rao became the Prime Minister in 1991, the core focus was on the aftermaths of the assassination of Rajiv Gandhi, India's New Economic Policy (1991), and the Shri Ram Janmabhoomi movement. The Kashmir conflict thus took a backseat, enabling the deterioration of conditions in the valley.

The number of militant deaths was at an all-time high between 1999 and 2004. The number of militancy incidents has been decreasing in the valley ever since. However, India's resolve to solve the Kashmir dispute took a backstep during the tenure of the United Progressive Alliance Coalition.

In the words of Former R&AW Chief Amarjit Singh Dulat - "The solution to the India-Pakistan-Kashmir Gordian knot was given to Dr. Manmohan Singh on a platter in 2004. When he left office in 2014, he had not accomplished what was within his grasp. No wonder Kashmiris call his tenure their 'lost decade.'¹⁵

15 (Aditya Sinha and A.S. Dulat, Kashmir: The Vajpayee Years, 2016)

The change of regime in 2014 brought a paradigm shift with respect to India's foreign policy towards Pakistan, in effect, evolving India's Kashmir policy as well. India's non-tolerance to terrorism was seen in the Surgical Strike (after the 2016 Uri attack) and the Balakot Air Strike (after the 2019 Pulwama attack). The watershed moment for the Indian approach in Kashmir came in the latter half of 2019.

The Jammu and Kashmir Reorganisation Act was passed in August 2019. The political processes saw a brief hiatus after this decision. Elections were conducted for the local-self-governments within a few months. The state intervention in Kashmir and the said abrogation of Article 370 have accelerated the process of integration and established rule of law.

Conclusion

Both the case studies, Khalistan and Kashmir were militancy-driven conflicts. The first and foremost impact of state intervention in these cases was thus the direct reduction or termination of violence in the respective regions. In Punjab, armed initiatives like Operation Black Thunder and the able administration of 'Supercop' KPS Gill had a great impact in curbing militancy in the state. On the other hand, in Jammu and Kashmir, the state campaign against militancy is prolonged and ongoing. This is because Pakistan still manages to actively sponsor and support insurgency.

Data Collection And Analysis

Graphical Representation Of Data

Illustration 1 - Number of Militancy incidents per year in Jammu and Kashmir Insurgency¹⁶

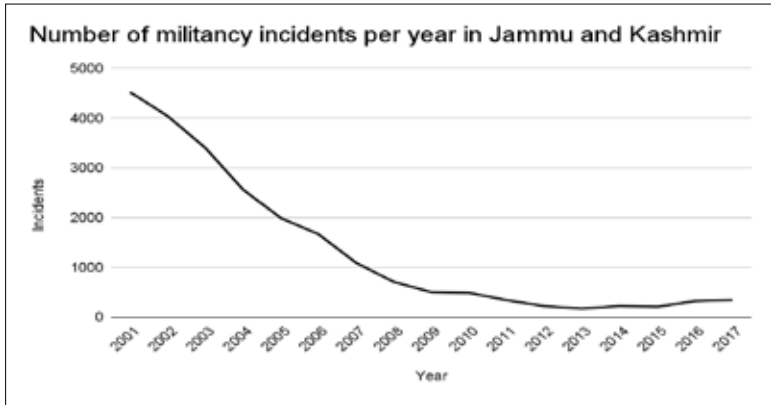
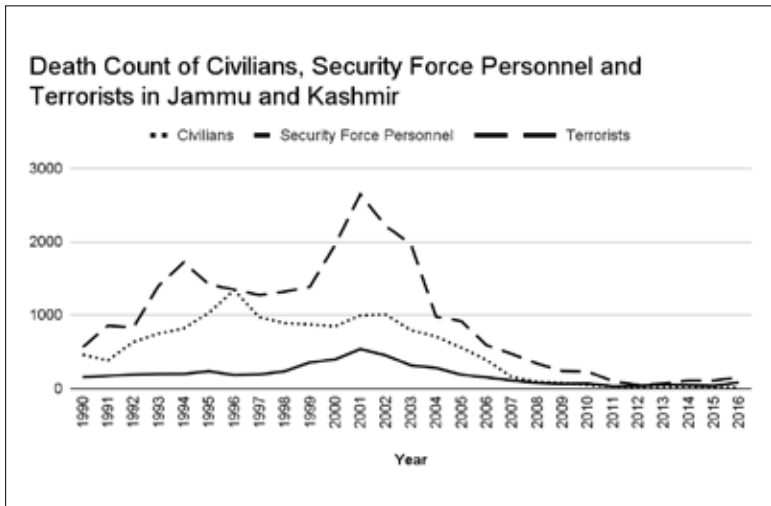


Illustration 2 - Death Count of Civilians, Security Force Personnel, and Terrorists in Jammu and Kashmir Insurgency¹⁷



16 (SATP, Fatalities in Jammu and Kashmir: 1990-2017-MHA Data)

17 ibid

Illustration 3 - Death Count of Terrorists, in comparison to the death count of Civilians and Security Personnel in Jammu and Kashmir Insurgency¹⁸

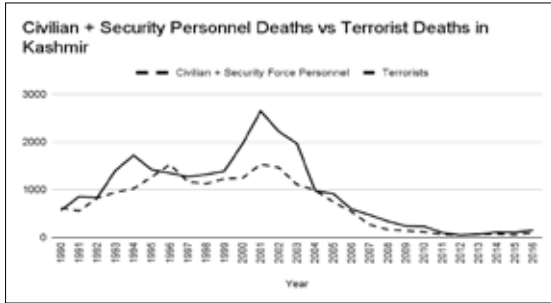
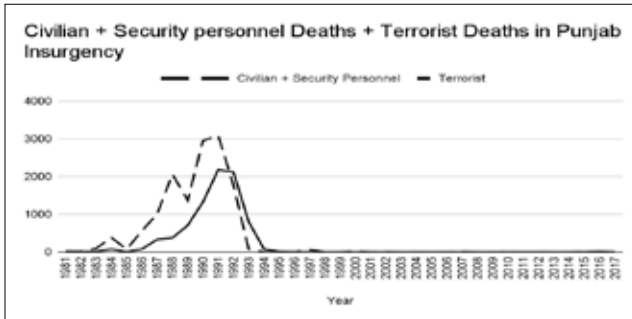


Illustration 4 - Death Count of Civilians, Security Force Personnel and Terrorists in Punjab Insurgency¹⁹



Illustration 5 - Death Count of Terrorists, in comparison to the death count of Civilians and Security Personnel in Punjab Insurgency²⁰



18 ibid

19 (SAPT, Datasheet - Punjab)

20 ibid

Analysis Of The Data

Khalistan

The statistical progression of the Khalistani movement in India has been represented in the above graphics (Illustrations 4 and 5). It is apparent that the movement gained momentum during the 1980s and reached its zenith in the 1990s.

One of the most critical aspects of fatalities was a large number of civilian deaths. The Khalistani movement resulted in 13,548 registered deaths. This included the death of 11,787 civilians and 1,761 security force personnel. 8,117 terrorists were also killed during this period.²¹

Kashmir

The statistical progression of the Kashmir conflict has been represented in the above graphics. (Illustrations 1, 2, and 3). It is evident from the graphics that the frequency of incidents have seen a steady decline since the beginning of the 21st century.

The Kashmir conflict has seen 19,110 deaths between 1990 and 2017. This includes the death of 13,979 civilians and 5,131 security forces personnel. 25,457 terrorists were also killed during this period.²²

Ethical And Social Impact

Khalistan

The Khalistan conflict has left a considerable ethical and social impact, not only on the people but the government and governance as well. The Khalistan movement included one of the rare occasions wherein a military operation was conducted in a religious site. The government since then has

21 ibid

22 (SATP, Fatalities in Jammu and Kashmir: 1990-2017-MHA Data)

been extra careful not to hurt any religious sentiments even in military operations and missions of utmost sensitivity and importance. For instance, the second phase of Operation Rakshak in Kashmir was designed while ensuring the upholding of the sanctity of religious sites.²³

Another ethical aspect that the governments back then failed to recognize were the series of events, which the Sikh community perceived as annihilation of their identity. The balance between maintaining internal security and public sentiment was not maintained. This only made the Khalistani sentiment stronger. The riots broke out after the assassination of Smt. Indira Gandhi only added up to the already burning fire.

It is important to note that historically, the Sikh Gurus had always been protectors of Hinduism and Hindus. However, the Khalistan conflict was perpetually an artificially created Hindu vs Sikh conflict - represented as a fight for Sikh self-determination against a Hindu-majority state.

While this thought has melted into the social fabric of India that emphasizes '*Sarva Dharma Samabhav*', some members of the community still hold on to these fabricated differences. The Punjabi Sikh community contributes immensely to the diaspora, a platform that overseas Khalistani organizations tap into to unleash their propaganda.

While the region and an overwhelming majority of people in Punjab are past the notion and narrative of Khalistan, it still remains to be a contentious issue. It will just take another burning issue or incident to reignite the wildfire that was extinguished with tact and power years ago.

Kashmir

Kashmir and its people were always caught in an identity crisis - Between India and Pakistan, attempting to keep

23 (Kanwar Sandhu for India Today, In the second phase of Operation Rakshak, army tries to avoid mistakes of its earlier operations in Punjab, 15 March 1991)

their essence of '*Kashmiriyat*' intact. The region has always been conflict-ridden and heavily militarized. Moreover, the supposed autonomy given to the region by constitutional provisions has acted against any possibilities of integration and development.

Which deprived the valley of job opportunities & social interaction outside the valley. The lack of opportunities misguided the youth into militancy. The fact that youth saw taking up arms against the establishment as a feasible option, denotes the success of the terrorist outfits and the failure of the system to provide them with enough opportunities. The youth thus channelizes their frustration in the wrong direction.²⁴

Yet again, the separatist and terrorist organizations backed by Pakistan were successful in projecting the Kashmir conflict as the deprivation of a 'Muslim-minority region' by the Indian Republic. While this narrative gains some momentum in the valley, it further deepens the identity crisis that a common Kashmiri might face on a day-to-day basis.

Conclusion And Parallels

Punjab and Kashmir, both separatist conflicts were fueled on communal grounds and had their own trajectory. While on social grounds, both affected 'minority in majority' communities - Sikhs in Punjab and Muslims in Kashmir respectively, felt alienated at some point in time, it is the state policy that impacted and impacts their perspective, both, positively and negatively.

Suggestions And Recommendations

Exploring Common Solutions

The first step where the state lacks massively is the narrative. It is astonishing when a state remains unsuccessful

24 (Narain, Revival of Violence in Kashmir: The Threat to India's Security, 2016)

in communicating the reality of conditions with its own citizens. The anti-state powers fabricate an effective narrative that en-captivates the gullible. These people are then radicalized against the state.

The above mentioned suggestion does not refer to or encourage government propaganda. However, it is essential for the state to assert the reality, as the silence of complacency is perceived as the first sign of 'acceptance of guilt.'

Secondly, education and development are necessary. Development in this sense may not necessarily be economic. Social development, bringing about social trust, harmony and acceptance are essential to the syncretic and secular fabric of India.

This factor is interrelated to the first suggestion, as most of the sectarian clashes are premised upon prejudices and portrayals. The establishment needs to act as a mediator in such conflicts. It is to be noted that such social disagreements and conflicts cannot be resolved by a top-down approach unilaterally. It needs to be a synthesis of the top-down and the bottom-up approach - the intent of the establishment and the involvement of the masses.

The Punjab Problem

The Punjabi youth today finds itself in a confusing scenario. Generations in Punjab were destroyed by the menace of drug addiction. Simultaneously, the youth in the state is increasingly preferring to move out of the country for better future prospects.

Resolution to the drug menace is one of the fundamental steps to prevent the entirety of youth from moving out. This has to be complimented by the creation of opportunities within the state. This does not necessarily indicate towards direct creation of job openings. Punjab already has a booming agriculture sector. Similarly, encouraging self-employment in the state can do wonders.

Ushering Kashmir Into A New Era

Kashmir had been deprived of quality educational institutions, developmental institutions, and industries all these years. Thus, the youth in Kashmir faces difficulty in getting quality education within the state which deprives them of employment opportunity outside the state. Simultaneously, the lack of industries within the state leaves them jobless,

Hence, the first and the most important step in Kashmir is a systemic overhaul. In recent times, top educational institutions are been set up in the state. This will also invite an inflow of students from outside states. This will facilitate interaction and communication, an essential step for national and community integration.

Conclusion

This research project attempted to bring Khalistan and the Kashmir conflicts under the scope of research, to assess both movements individually while exploring similarities associated with these movements. While both the movements have their independent and diverse trajectory as to how they arose and transpired, a common set of patterns were derived from their process.

This assumption; that is ‘The Intersection Theory of State Intervention in National Security’ has been established in this research project. It attempts to embolden the fact that the state and its government play an indispensable and undisputable role in resolving conflicts that impact the security and sovereignty of the nation.

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**Currency Wars -
Arrangements and
Alignments in the Current
Geopolitical Context**

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Abstract

Upon the onset of 2022, one could have never fathomed to witness a full-blown war in the 21st century. The cataclysm of the unceasing Ukraine-Russia war coming close to the heels of COVID-19 and their ripple effects can be felt across every nook and cranny of the world which has resuscitated the importance of peaceful dialogue and unabashed foreign diplomacy like never before. While the geo-economic, social and geo-political repercussions of the war have been largely discussed, the inconspicuous angle of the budding global animosity towards Dollar-weaponization with the ferocity of Western economic sanctions on Russia and its cut-off from the SWIFT network needs urgent attention. This in turn has prompted many countries to pushback against the US dollar and look for possible alternatives to circumvent any sanctions. Thus, this paper focuses on the evolution and effectiveness of economic sanctions, their disproportionate impact on the Global South, growing sentiments for a more inclusive and representative global system, and a brewing reverse currency war in retaliation to the Fed's monetary policy tightening. It further elucidates

China's ambitions for internationalizing Renminbi to thwart dollar's ascendancy and RBI's vision for internationalization of rupee as envisioned in its vision document – 'Payments Vision 2025' and the steps taken since, for instance, RBI's July 2022 mandate on INR trade settlement, growing UPI popularity and the launch of a pilot trial for Digital Rupee for wholesale settlement of G-secs along with the feasibility of a petro-rupee. Moreover, the possibility of a Plaza Accord 2.0, in order to weaken a sweetening greenback and the iteration of the 1980s "Volcker shock", is also analysed accommodating the changed geo-economic status calling for a multi-currency international monetary system.

Keywords: *De-dollarization, reverse currency war, Plaza Accord 2.0, Petro-rupee, internationalization of domestic currencies, multi-polar international monetary system.*

Introduction

In this era of globalization where it is preposterous to imagine any economy to be dissociated with the rest of the world, it is prosaic that the Russian invasion of Ukraine will eventually leave the world economy in doldrums especially when many countries are still reeling from the aftermath of the pandemic. The last few years have been witnessing a gradually evolving multi-polar world with a vigour to contain the unrivalled American ascendancy, with China and Russia currently acting as a harbinger in this front. However, some new realities have come to the surface because of the ongoing Ukraine-Russia war. One of them being the draconian effects of the Western sanctions on Russia, particularly by the US and the EU, and Moscow's seclusion from the financial arteries of the world. Russia's mass scale corporate exodus and cancellation of contracts by countries in support of Ukraine have crimped Russia's economy further. In retaliation, Russia has threatened to ban energy exports to countries that abide by the G-7's carefully decided price-cap (Agencies and Bloomberg inputs, 2022)⁽³⁰⁾. (Slav, 2022)⁽³¹⁾ and has turned towards the East due to a strong demand from Asia. (Tayeb, 2023)⁽³²⁾

Hitherto, the US has or had imposed economic sanctions on roughly 40 countries world-wide which it had been unleashing multiple times to flex its financial muscle to its adversaries. These sanctions have tightened the noose around countries like Iran, Cuba, North Korea, Russia, Turkey, Venezuela, Chinese and countless others, affecting more or less half of the world's populace (Ministry of Foreign Affairs of the People's Republic of China, 2023)⁽¹⁵⁶⁾. The governments of all these countries can attest to the fact that dollar sovereignty has been weaponized in the present context. The looming threat of 'secondary sanctions' have disrupted the trade for other countries and their companies

for whom the trade with these blacklisted countries could have otherwise brought an economic avalanche of benefits. Such as in case of India, Iran was India's cheapest source of oil imports but unfortunately, these ties were severed after the US failed to grant a CAATSA waiver to India to buy Iranian oil. This in turn has led to growing deterrence among the emerging economies to find new financial avenues reaffirming the urgency of alternatives to the dollar's dominance.

On top of that, the United States has historically dominated the Belgium-based SWIFT financial messaging system. Given the strength of this evidence, many countries have started to intuitively lean towards international monetary experimentation to hedge their economic risk. Maybe of surprise to some, but the emerging economies of BRICS are the frontrunners in this race for alternative finance mechanisms. After the annexation of Crimea in 2014, Russia was met with a huge backlash from the West which led to its exploration of an alternative SWIFT mechanism. It dubbed it as SPFS which can be translated as System for Transfer of Financial Messages. Over the years this alternative started gaining momentum, with the central bank of Venezuela considering to switch to SPFS in anticipation of further US sanctions since 2019 and with the Russia-led Eurasian Economic Union figuring out technical options to fuse with the SPFS. Even Iran seeks to develop a joint alternative to SWIFT. Russia also started expanding the role of its indigenous card payment system MIR in international transactions and bolstered the stronghold of its own financial transactions clearing house in recent years. Despite the sanctions on Russia, a major chunk of global economies still import oil from Russia. In the absence of SWIFT, Russia has been trying to work out different arrangements with importers to resume economic exchange. (Liu and Papa, 2022)⁽⁵²⁾

Speaking of China, Chinese state lenders started drawing contingency plans in 2020 in anticipation of US penalizing its banks for lending to officials implementing the new national security law in Hong Kong (BW Online Bureau, 2020)⁽¹⁵⁷⁾. Also, after sanctions were imposed by the US, the EU, Britain and Canada on Chinese officials for their alleged human rights abuses in the Xinjiang province (Emmott and Brunnstrom, 2021)⁽¹⁵⁸⁾, in addition to Huawei, China resilience has only strengthened. It has been dramatically reducing its dependence on the greenback and is enthusiastically pushing the agenda of internationalization of the yuan. To this end, it has been promoting the adoption of trade in yuan in its Belt and Road initiative and has signed local currency swap lines with the participating countries to catalyze yuan's use. Like Kremlin, Beijing also has its own homegrown alternative to the SWIFT known as the CIPS (Cros-Border Inter-bank Payment System) which processed around yuan (CNY) 80 trillion (US\$11.91 trillion) in 2021. In a recent data released by SWIFT, with a share of 2.14%, the yuan retained its fifth position as one of the most actively used currencies for global payments by value in April 2022. According to the Central Bank of the Russian Federation, Russia and China have also increased the use of their local currencies in bilateral trade to reduce dependence on dollars. (China Power Team, 2020)⁽¹⁰¹⁾

Promoting a similar message, Marco Fernandes, a Brazilian researcher at the network Tricontinental: Institute for Social Research, reaffirmed the urgency of alternatives to the dollar's dominance, in the 14th BRICS Business Forum, triggered by the US and the EU's seizure of more than US\$300 billion of Russia's reserves followed by the confiscation of a vast amount of dollar-denominated reserves and assets of non-conformists like Iran, Afghanistan and Venezuela. (GT staff reporters, 2022)⁽¹⁵⁹⁾

Straying away from the BRICS, countries in South-East Asia have also chosen to join the bandwagon as the Central banks of five of Southeast Asia's largest economies – Indonesia, Thailand, Singapore, Malaysia and the Philippines have inked an MOU on Cooperation in Regional Payment Connectivity (RPC) on 14th November 2022 in Bali, on the side-lines of the G20 Leaders' Summit. (Monetary Authority of Singapore, 2022)⁽⁵¹⁾

The central bank has embarked on a mission towards the internationalization of its products. In a slew of initiatives as per the ambitious document, Payments Vision 2025, RBI announced that it will look to scale up Structured Financial Messaging Solution (SFMS), its homegrown alternative to messaging system SWIFT, as part of its broader goalposts for the year 2025. It said that the SFMS could provide faster, more convenient and cost-effective direct payment channels with other jurisdictions. (Thathoo, 2022)⁽¹⁶⁰⁾

With the aftermath of banning Russia from SWIFT, the global payments messaging system, over its invasion of Ukraine, New Delhi has taken an aggressive stance to take SFMS global. The central bank also plans to ramp up the global outreach of RTGS, NEFT and RuPay cards. It also plans to shore up UPI infrastructure which has won rave reviews from across the globe. On this wise, India and Singapore have decided to link their respective fast payment systems - UPI and Pay Now in September. (Department of Payment and Settlement Systems RBI, 2022)⁽¹⁰⁶⁾

The document also said that the RBI would seek inclusion of the Indian Rupee in the Continuous Linked Settlement (CLS), which provides protection for cross-currency settlement in 18 currencies in hopes that a mechanism for international INR settlement through CLS Bank would help increase global acceptance of INR (RBI, 2022)⁽¹⁰⁶⁾. Now with Russia's access to the greenback cut-

off, India-Russia have considered reviving the Rupee-Rouble settlement mechanism, first conceived in 1953 under the Indo-Soviet Trade Agreement (Karthikeyan, 2022)⁽¹⁰⁾. As per RBI's July 2022 circular (RBI, 2022)⁽¹⁰⁷⁾, an arrangement for International Trade Settlement mechanism in INR has been facilitated with willing countries. It is essential to factor that the RBI came up with the rupee settlement mechanism to counterbalance a steadily falling rupee, hoping to help India pay for its imports using and thereby reduce its reliance on USD to save precious forex reserves. (Perumal, 2022)⁽¹³⁹⁾ Many countries have been showing their interest for the new rupee arrangement especially the ones with severe forex shortages. The growing fame of UPI overseas (Janvi, 2022)⁽¹³⁶⁾ (Jayaprakash, 2022)⁽¹³⁷⁾ and the launch of RBI's own virtual currency, e-Rupee (Perumal, 2022)⁽¹³⁹⁾ for wholesale settlement of government-securities will further promote the internationalization of rupee. Also leveraging the present circumstances and several enabling factors in India's end the feasibility of introducing a petro-rupee should be explored. (Bhandari, 2019)⁽¹⁴²⁾ (Singh, R. and Singh, S., 2022)⁽¹⁴¹⁾

As a further top up, central banks worldwide had adopted quantitative easing monetary policy to rebuild their economies post the deadly pandemic. This had led to growing inflationary pressures far and wide (Carson and Mohsin)⁽⁷⁷⁾. However, in order to curb a four decades high inflation in the US, the Fed resorted to rapid quantitative tightening by increasing interest rates. This led to depreciation of all other currencies against the US dollar at breakneck. This led to widening current account deficits and dwindling of forex reserves. The "dollar vigilantes" or central banks in a desperate move started to hike their interest rates to check the nose-diving of their respective currencies. Thus, brewing a reverse currency war and swirling debates over a possible Plaza Accord Style intervention changed (Carson

and Mohsin)⁽⁷⁷⁾, (Bhusari, 2022)⁽⁷⁰⁾. The incessant rate hikes by the Fed also led to concerns of a repeat of the 1980s “Volcker shock” that led to subsequent periods of recession. (Matthews, 2022)⁽⁹⁰⁾ (Rugaber, 2023)⁽⁹¹⁾

The report is therefore divided into four chapters each focusing on Russia-Ukraine war and sanctions by allied partners, Dollar Weaponization, Rising value of Dollar and Reverse Currency War, and Internationalization of domestic currencies.

Research Methodology

This report principally revolves around qualitative and quantitative approaches based on existing secondary data. The quantitative data in terms of charts, maps, dendrograms, graphs, timelines, snapshots, etc. sourced from secondary sources were analyzed for the purpose of exacting relevant information pertaining to their respective sub-themes. Videos, working papers, books, briefing papers, circulars, vision documents, etc. have been critically probed for deducing important observations. The secondary sources are collated from a multitude of books, organizational reports, journals, working papers, briefing paper, print media articles, editorials and online articles by various organizations, government websites, central bank websites, blogs etc.

Future scope of research

This report heavily revolves around a few significant players in International Relations like the US and its allies, the EU, Russia, China, India and at times the ASEAN nations. The scope of the research can be widened if countries from Africa, the Caribbean, Latin America, Micronesia and other regions of Asia are included to evolve a better global perspective regarding the issues concerning sanctions’ disproportionate effects, de-dollarization movement,

reverse-currency-war and internationalization of domestic currencies and towards the larger picture of a multi-polar currency international monetary system and a more representative and inclusive global system.

CHAPTER - I

Russia Ukraine war and effectiveness of sanctions by Allied partners

“In this context, there were promises to our country not to expand NATO even one inch to the east. I repeat – they deceived us, in other words, they simply conned us... After all, such cheating behaviour contradicts not only the principles of international relations, but above all the generally recognised norms of morality. Where is justice and truth here? Just total lies and hypocrisy.”

- **Excerpts of Putin’s speech declaring war (Al Jazeera staff, 2022)⁽¹⁾**

“Remove Russia as an aggressor and a source of war, so it cannot block decisions about its own aggression, its own war.”

- **Ukrainian President Volodymyr Zelensky called on the UNSC, which aims to ensure international peace and security (Times of India, 2022)⁽²⁾**

“Not only for the Soviet Union but for other European countries as well it is important to have guarantees that if the United States keeps its presence in Germany within the framework of NATO, not an inch of NATO’s present military jurisdiction will spread in an eastern direction.”

- **Then US secretary of state James Baker assured Russian President, Mikhail Gorbachev, regarding NATO’s expansion (Hao, 2022)⁽³⁾**

The year 2022 was hoped to offer the desperately needed respite coming close on the heels of COVID-19 pandemic but what followed was a ghastly predicament of one of the world’s largest forced displacements in human history. Coming February, it will be one year since the war broke out in February 24 of 2022. Putin’s affront undergirds the offence taken with NATO’s

eastward expansion but with war comes punitive action and the West and its allies have definitely left no stone unturned with the sweeping sanctions spanning strategic sectors devised to blow Russia completely out of the water.

1.1 Significance of Ukraine’s economic riches

The West and its allies did not shy away from imposing new broad multi-lateral sanctions in response to Russia’s assault on Ukraine which can be seen from the speed with which it was imposed. Despite Putin’s mawkishness for Ukraine being the casus belli of Ukraine conflict, it cannot be ignored that the stimulus had deeper solipsistic hues as pointed out by Sebastian Shehadi, political editor at Investment Monitor (Shehadi, 2022)⁽⁴⁾. He rightfully designates that, “Russia’s ongoing invasion of Ukraine is not just about irredentism, but also long-term economic interests that Putin probably hopes will offset what is sure to be a very costly military campaign, complete with unprecedented Western sanctions on Russia.” Sebastian then went forward to detail the strategic ‘economic allure’ of Ukraine which can be seen by the global rankings of its key natural resources and exports position. (Check Figure 1.1a, Figure 1.1b and Figure 1.1c) as listed by (Shehadi, 2022)⁽⁴⁾.



Figure 1.1a

Ukraine’s global ranking in agricultural sector
Source: Investment Monitor (Shehadi, 2022)⁽⁴⁾



Figure 1.1b

Ukraine’s global ranking in industry –
 Source: Investment Monitor (Shehadi, 2022)⁽⁴⁾



Figure 1.1c

Ukraine’s global ranking in natural resources –
 Source: Investment Monitor (Shehadi, 2022)⁽⁴⁾

1.1.1 Crippling effects of Ukraine Conflict on trade

In another article for Investment Monitor, Sebastian draws attention upon the fact that regardless of being only the 37th largest exporter in the world, there is a strong inelastic demand for its goods due to 24 commodities having substantial comparative advantage out of its 96 commodities analyzed (Barklie, 2022)⁽⁵⁾. The global wheat shortage due

to supply-chain disruptions as Ukraine is the second largest exporter of cereals in the world has even triggered a global food crisis. Check Figure 1.1.1a for Ukraine’s biggest export partners and commodities exported to them (in billion dollars) and Figure 1.1.1b for Ukraine’s biggest import partners and commodities imported (in billion dollars) as listed by (Barklie, 2022)⁽⁵⁾.



Figure 1.1.1a

Ukraine’s biggest export partners and commodities exported (Barklie, 2022)⁽⁵⁾

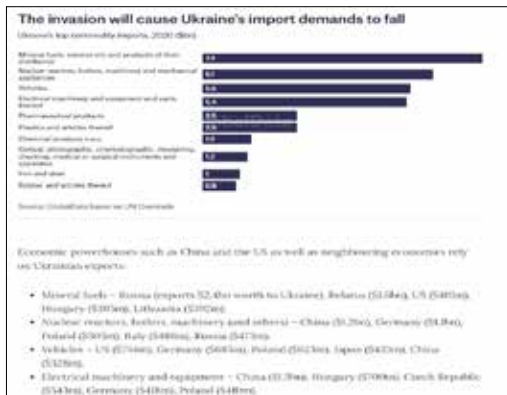


Figure 1.1.1b

Ukraine’s biggest commodities imports and import partners (Barklie, 2022)⁽⁵⁾

This paints a grave picture of the debilitating economic consequences of the unfolding conflict on Ukraine's trading partners and dependent neighbouring countries. This has exacerbated the global supply chain disruptions already decimated during COVID-19 and worsened inflationary pressures and investor sentiments.

1.2 Overview of sanctions against Russia

1.2.1 Slew of sanctions against Russia by the West post 2014 Crimean invasion

(Check Figure 1.2.1a) According to European Parliamentary Research Service document 'Western Sanctions and Russia: What are they? Do they work?' (Russell, 2022)(6) , EU and its allies primarily the U.S. have been closely co-operating in imposing sanctions against Russia for the 2014 Crimean invasion. These sanctions for the most part covered three strategic sectors – Defence, Energy and Finance but there were instances of its use for human rights abuses, chemical weapons, cyber-attacks and corruption (only US). In fact, the U.S. has been more proactive as it started sanctioning Russian officials two years before the EU in 2012 under the Magnitsky Act for human rights abuses and corruption charges. It is essential to note that albeit the sanctions targeted individuals and organizations like Russian elites, officials, Russian banks, etc. the citizens of Russia did feel the brunt of it all as it created crippling effects on the Russian economy. A brief history of the sanction's timeline imposed by the US and the EU before the 2022 Ukraine invasion is as follows.

surprising that EU's energy sanctions against Russia were carefully measured until this point given its heavy reliance on Russian gas and oil exports. The document further states that EU's bilateral trade is at least 10 times higher than that between Russia and the US. 43% of EU's gas imports were sourced from Russia which shows the inelasticity of its demand. With respect to finance, EU nationals and companies were restricted from lending exceeding a period of 30 days to five-major Russian state-owned banks.

1.2.2 Western superpowers co-ordinated sanctions attack post 2022 Russian invasion of Ukraine

Hitherto, EU has imposed Ten Packages of sanctions against Kremlin, the latest being on 25th February, 2023 (European Council, 2023)(7) along with few auxiliary ones in response to Putin's irredentist bid over the Donbas region of Eastern Ukraine. Vice Admiral Girish Luthra, Distinguished Fellow for ORF (Luthra, 2022)(8) adroitly observed that prior to the Russo-Ukraine war of 2022, the international system was able to attain high-levels of adaptation to sanctions due to the limited scope and graduated application of them by the West and few other partners as. Notwithstanding, given the never-before-seen broad embargo over Russia and DNR and LNR regions of Ukraine, it is expected that this adaptability to sanctions will soon wither down with the global economy in the doldrums.

In a gist, Western countries and their partners have enforced several tranches of restrictions (Sidley, n. d.)(9) (European Council, no date)(10)

- Financial sector chiefly targeted – so far 10 Russian banks and 4 Belarusian banks have been banned from the SWIFT network and a full transaction ban has been imposed on the Russian Regional Development Bank. All transactions with the National Central

Bank of Russia w.r.t. the management of the Central Bank's reserves and assets have been prohibited and hence, stand frozen. As per estimates, more than half of Russian foreign reserves in the EU and allied countries (the US, Canada and the UK) are frozen. Euro-denominated banknotes are also prohibited by the EU for their sale, supply, transfer and export to Russia. Similar sanctions apply to Belarus.

- The new export controls on many commercial items (including dual-use goods) previously outside of U.S. and EU jurisdiction.
- Russian energy sector by the U.S. and the EU – The U.S. has enforced an imports embargo on crude oil, petroleum, liquified natural gas, coal, and related products of Russian origin and has prohibited new investments in the sector by a U.S. person. EU restrictions will cover roughly 90% of Russian oil imports to Europe by the end of 2022.
- New investments in Russia, ban on FDI in crucial Russian sectors, restrictions on certain purchases of Russian debt and equity.
- Ban on several services by the EU like – business-relevant services, auditing, book-keeping, tax-consulting, accounting, lobbying, IT consultancy, architecture, legal advice, engineering services, advertising, market research and public opinion polling services, product testing and technical inspection services.
- Ban on transport sector spanning road, aviation and maritime with few grant derogations.
- Ban on certain Russian media outlets spreading propaganda and conducting disinformation campaigns. (For more in-depth explanation about EU sanctions on Russia visit [EU sanctions against Russia explained](#))⁽¹⁰⁾.

- Ban of semi-conductors exports to Russia by Taiwan and South Korea (Williams, 2022)⁽¹¹⁾.

In order to ensure the effectiveness of sanctions sustains momentum with a broad consensus against Russia, the EU has collaborated with other like-minded allies to adopt a statement reserving the right to stop treating Russia as a most-favoured-nation (MFN) within the WTO framework. The EU and its partners will also ensure that the accession of Belarus to the WTO will be kept under suspension. Furthermore, to disable Russia's prospects of obtaining funding from international financial institutions, the EU is jointly working with the OECD, World Bank Group, the European Bank for Reconstruction and Development, etc. To ensure smooth co-ordination in sanctions implementation in collaboration with all the like-minded partners, the EU and the G7 nations have newly formed the Russian Elites, Proxies and Oligarchs (REPO) Task Force.

A detailed synopsis of sanctions imposed by the US and the EU and Russian counter-sanctions for the months February-September 2022 along with the timeline of Ukraine-Russia conflict escalation can be found here. (Luthra, 2022)⁽¹²⁾

1.3 Success and effectiveness of economic sanctions

1.3.1 Types and evolution of economic sanctions

An article written by Yoto Yotov, Erdal Yalcin, Aleksandra Kirilakha, Constantinos Syropoulos, Gabriel Felbermayr for CEPR VoxEU (Yotov et al., 2020) (13) titled "The Global Sanctions Database" provides some insightful datasets for economic sanctions imposed in the world for the period between 1950 to 2016. It covers all the bilateral, multilateral and plurilateral sanctions used as a foreign policy tool. They define economic sanctions as, "...a form of foreign policy

tool aimed at altering the behaviour of governments or political actors in targeted nations who violate international norms and treaties or threaten the interests of sanctioning countries.” Different types of sanctions and their frequency for the aforementioned period are as follows:



Figure 1.3.1a

New vs Existing sanctions (1950 - 2016) Source: Global Sanctions Database (GSDB) (Yotov et al., 2020)⁽¹³⁾

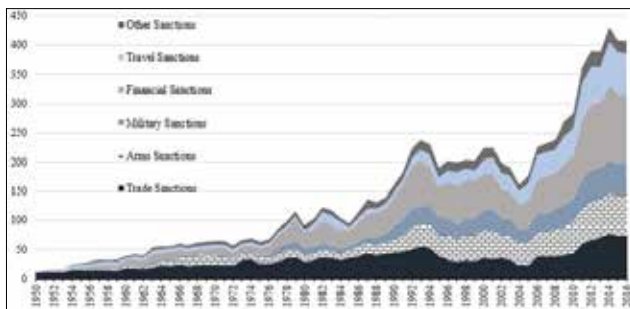


Figure 1.3.1b

Frequency of sanctions by type (1950-2016)-Source: Global Sanctions Database (GSDB) (Yotov et al., 2020)⁽¹³⁾

The above figures clearly indicate a spike in the number of imposed sanctions post the Cold War era. It is particularly pronounced for trade and financial sanctions. This phenomenon is well explained by (Morgan et. al, 2014) and (Whang and Kim, 2015) as cited in (Walentek et al., 2021, 417-448)⁽¹⁴⁾ in ‘Success of economic sanctions

threats: coercion, information and commitment’, “The use of economic sanctions has been increasing since the end of World War II (Morgan et. al, 2014), arguably because they allow for flexible use of economic power to coerce states in a world where options for military intervention are limited (Whang and Kim, 2015).”

1.3.2 A look at which regions sanctions whom?

The arrows in the following radial dendrograms point the direction of regions imposing bilateral economic sanctions on their respective targets for the years 1950 and 2015.

For the year 1950, the frequency of sanctions is sparse and is mostly exchanged between the Eastern and Western blocks. In stark contrast, for 2015, the largest number of sanctions were imposed by North-western Europe to African region but not a single sanction was imposed vice versa. Intriguingly, almost every region had imposed trade sanctions on East and South Asia.

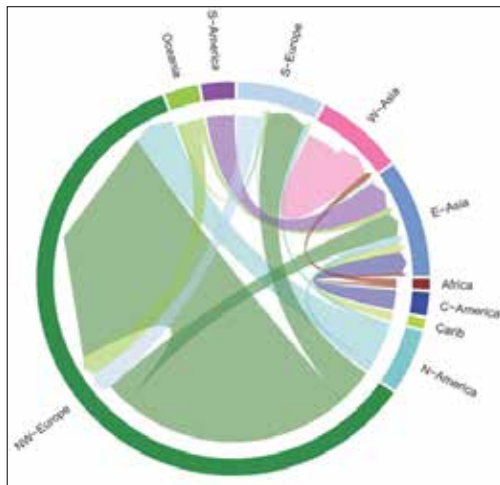


Figure 1.3.2a

Bilateral structure of sanctions for the year 1950-

Source: GSDB (Yotov et al., 2020) ⁽¹³⁾

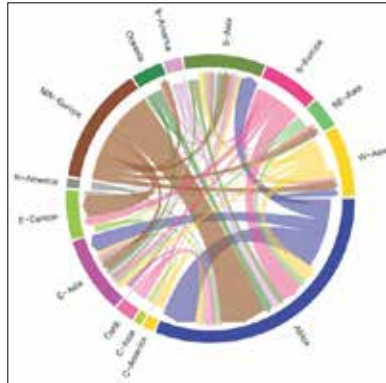


Figure 1.3.2b

Bilateral structure of sanctions for the year 2015 Source: GSDB (Yotov et al., 2020) ⁽¹³⁾

Note: Regions are classified as per the UN Geoscheme. Source: GSDB (Yotov et al., 2020) ⁽¹³⁾

1.3.3 Success of sanctions

The following figure shows the status of sanctions effectiveness for the period 1950-2016. GSDB collates this data using official government statements and implicit confirmations from international press briefings.

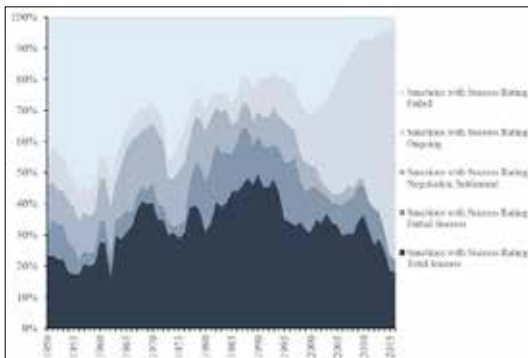


Figure 1.3.3a

Evolution of policy outcomes for all sanctions (1950-2016) – Source: GSDB (Yotov et al., 2020) ⁽¹³⁾

Overall, in the initial period up to the 1960s round about 50% sanctions had met with failure while only upwards of 20%-30% were totally successful. Post that, the success rate sees an undulating trend with a gradual rise till it peaked to 40% in the 1990s and then it started plunging till it squared back to the initial levels of 20% in 2016. It is interesting to note that, subsequent to the Cold War era, it has become difficult to ascertain the success of the policy outcomes since a majority of the sanctions imposed are still ongoing. (Yotov et al., 2020) ⁽¹³⁾

1.3.4 Effectiveness of sanctions

The world in the 21st century is even more closely knitted due to global supply chains, multinational companies and FDI and FII flows. In such a symbiotic economic scenario, it is pertinent to carefully assess the attendant economic costs of such sanctions that may have lasting shock-waves. It is a double-edged sword as the critics of economic sanctions are sceptical about the failure to achieve the desired objectives in the context of a malapropos policy tool. Conversely, the supporters view it to be the only plausible and cost-effective option to safeguard national interests without relying on military intervention as posited by van (Bergeijk, 2012) and (Blackwill and Harris, 2017) as cited in (Yotov et al., 2020) ⁽¹³⁾.

As reported by Dawid Walentek, Joris Broere, Matteo Cinelli, Mark M. Dekker & Jonas M. B. Haslbeck (2021) ⁽¹⁴⁾, 'Success of economic sanctions threats: coercion, information and commitment, International Interactions'; in many instances simply a sanctions threat can coerce the target nations into extracting policy concessions. They have formulated three hypotheses to attest to the success of sanctions threat that focus on three mechanisms:

- **Coercive hypothesis** - the prospective economic costs for the target nation

- **Informational hypothesis** – the ambiguity of the sender’s resolve for the target nation
- **Public commitment hypothesis** – the level of democracy in the sender nation and political pressure from the citizens for solicited election outcomes

They conclusion postulates that the effectiveness of threats of economic coercion will directly depend on the target nation’s potential economic costs of sanctions. For the informational hypothesis, they figure that strength and distance of the diplomatic network between the sender and target nations determine the level of information lacuna. Lastly, for the public commitment hypothesis, the more democratic a sender, the more effective is the threat of economic sanctions. They further observe that, “scholars note a higher effectiveness of economic sanctions introduced through international organizations (IOs) (Bapat and Morgan, 2009), which are very frequently multilateral, too (Morgan, Bapat, and Kobayashi, 2014). IOs appear to help to address the problems associated with multilateral efforts: the need for coordination and supervision to reduce the chance of free-riding among the senders and breaches of the sanction regimes.”

Hence, it will be gripping to note the workings of the recently established REPO Task Force as all eyes will be on it to ensure the current momentum of sanctions doesn’t lose its steam.

1.4 Impact of sanctions on Russia and Russia’s countersanctions

The Russian invasion of Ukraine for territorial claims ensued by retaliatory sanctions unprecedented in terms of speed, scope and co-ordination has sent the world into a tailspin since the past one year. Although sanctions have been traditionally used as a foreign policy tool to extract

relevant political outcomes, the multilateral sanctions against Russia is significantly on a different scale, as we are talking about an economy that was once the 11th largest in 2021 before the tremors of war quivered the deeply interwoven global economy. As reported by the Congressional Research Service in 'The Economic Impact of Russia Sanctions' (Nelson, 2022)⁽¹⁵⁾ "In addition to its oil and natural gas exports, Russia has been a key global supplier of several metals (titanium, aluminum and nickel), chemical gases used in semiconductor production, wheat, and fertilizers, among other commodities. Many U.S. and international firms had also established factories, joint ventures, and retail operations in Russia, and face losses as they exit the Russian market." Additionally, Allied sanctions on Russia and Belarus (henceforth, mentioned as Russia+) have markedly increased transaction costs for the non-sanctioning economies executing international trade deals with Russia+ and made them cumbersome after its discontinuance from the SWIFT network and seizure of billions of its foreign reserves and assets in the vaults of the sanctioning countries. This has enormously diminished its foreign exchange. As stated by the authors Kornel Mahlstein, Christine McDaniel, Simon Schropp, Marinos Tsigas in the working paper 'Estimating the Economic Effects of Sanctions on Russia: an Allied Trade Embargo'(Mahlstein et. al., 2022)⁽¹⁶⁾ "Low reserves impair settlement of international contracts, most of which are denominated in US dollar or Euros. Once Allies pile on further sanctions, a considerable share of Russia's trade with non-Allies (mainly China and India) may even be executed in the form of barter trade deals in the near future.³³ Next, transportation costs are going to increase since Russia's infrastructure corridors into East Asia are underdeveloped, and since more and more shipping companies will discontinue service in and out of Russia."

The IMF's assessment report released in October 2022, estimated that for the year 2022, Russia's economy would contract by only 3% which is less than the disruption caused to its economy during the 2008 global financial crisis. Insofar, it further suggests that the spurt in inflation and shrinking import volumes will be temporary as Kremlin's revenues from the pivot of Russia's crude exports to non-sanctioning countries exempt from the sanctions surges. However, critics (Nelson, 2022)⁽¹⁵⁾ (Shehadi, 2022)⁽¹⁷⁾ have questioned the methodology and assumptions made by IMF and accused it to giving into Putin's propaganda. Further, the December 5, 2022 set of oil-sector sanctions fixing global oil price caps along with the EU's pledge to phase out Russian oil imports by 90% is going to impose a serious blow on Russia's government revenues, thereby aggravating budgetary pressures resulting from pumping the war.

The following infographics from (European Council, n. d.)⁽¹⁸⁾ (Figure 1.4a) compiles predictions by IMF, OECD and World Bank for Russia's GDP, inflation and performance of Russian capital markets in 2023. As per the chart, in 2022 World Bank estimates Russian GDP to fall by 4.5%, OECD by 3.9% and IMF by 3.4%. While for 2023 it is they estimate it to fall by 3.6% (World Bank), 5.6% (OECD) and 2.3% (IMF). In other words, the Russian economy is soon going to be in doom if this trend persists.

Note: By the time of finishing this report, the estimates were revised (Check Figure 1.4b) and now as per the revised estimates the Russian GDP will drop by 3.5% as per World Bank, OECD kept it unchanged, and by 2.2% as per IMF in 2022. For 2023, the revised estimates are unchanged for OECD and by 3.3% according to the World Bank. However, only IMF forecasts it to grow by 0.3% in 2023. This improvisation of performance shows that despite the unprecedented sanctions by the West, the Russian economy has found out

the loopholes and improved the economic performance through stringent capital controls and diversion of trade to non-sanctioning countries especially to Asia.

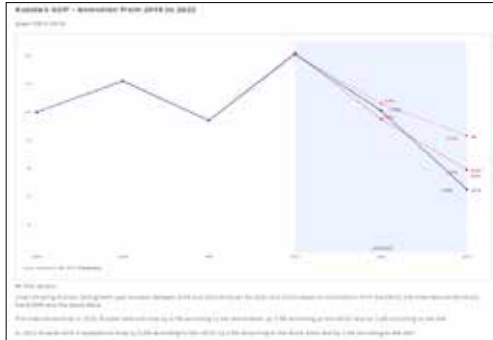


Figure 1.4a

Estimates for Russia's GDP by IMF, OECD and World Bank – Source: European Council infographics⁽¹⁸⁾

The working paper by (Mahlstein et. al., 2022)⁽¹⁶⁾ had made some compulsive estimates about the economic effects of Russian sanctions. They are as follows:

➤ **A co-ordinated allied trade embargo will be costly for Russia:**

The exodus of Allied FDI will create the biggest dent in its economy. This will be exacerbated with Allied restrictive measures on imports and exports which will force Russia towards autarky and reallocation of resources. The pivot to non-allies for trade may seem attractive but will come at a hefty cost with deteriorated role in terms of trade. It makes an important observation in this regard, “Moreover, any rational non-Allied trade partner will seek to exploit Russia+’s weak negotiation position and demand sizable discounts on imports from Russian+, as well as surcharges for exports into Russia+, respectively. According to various sources (including Reuters and CSNBC) Russia is already forced to sell its oil at a 20% discount to China and India.”

The sanctioning countries are disproportionately impacted by the sanctions:

Certain EU economies like Germany, the Netherlands and Central/ Eastern Europe are heavily integrated with the Russian economy. On the other hand, well-resourced countries like Australia, Canada and Norway benefit from the trade diversion and reap huge economic gains. It therefore recommends burden-sharing plans between the Allied economies to prevent an economic fallout and potential trickle-down effects on the global economy. This can also prevent in fizzling out the co-ordinated attack and to reduce trade barriers among themselves.

➤ **It's a gamble for non-Allies:**

The temporary trade diversion will come at a heavy cost of increased transactional costs and will result in heavy economic losses in term of GDP.

➤ **Countersanctions by Russia+ will be at best be self-sabotage:**

With the help of its modelling, it concludes that a combined countersanctions by Russia+ will further decimate the Russian economy. It will also lead to huge GDP losses to the Allied economies over and above the existing losses from the Allied trade embargo.

➤ **Withdrawal of FDI will hit the bull's eye:**

The paper lists out some important data, "Russia has attracted an annual average of \$24.1 billion in FDI during 2015-2019, down from an annual average of \$36.3 billion pre-Crimean annexation during the 2010-2014 periods. According to the Central Bank of Russia, more than 95% of annual FDI flows had originated from Allied countries during the period 2010-2018; this share has dropped more recently to 85% (2019-2021). Total FDI stock in 2021 was \$505 billion, \$449 (or 88%)

of which originated from Allied countries.” Moreover, it had estimated that the withdrawal of FDI will create a colossal damage to the Russia without largely affecting the Allied economies. It even goes as far as to say that the domestic MNCs investing in Russia must be incentivized politically, socially or through regulatory measures to exit Russia with immediate effect in return for compensation or adjustment packages by the respective governments. Withdrawal of FDIs will also make it difficult to replace the brain-drain, technology gap and disorient supply-chains.

1.4.1 Yale study posits a grisly scenario

A summer study conducted by the Yale University (Sonnenfeld, 2022)⁽¹⁹⁾ about the impact of Allied sanctions creates a bleak picture. The paper is led by Professor Jeffrey-A

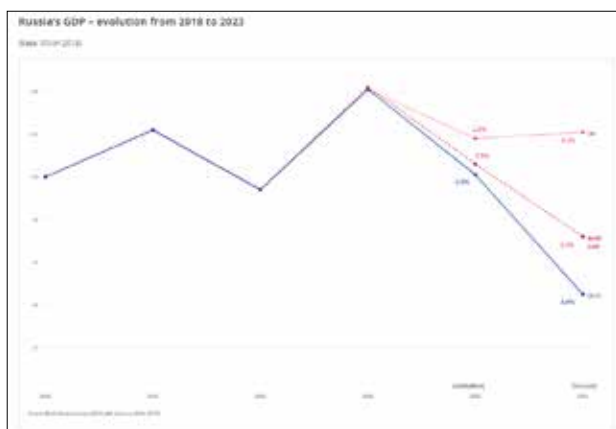


Figure 1.4b

Revised Estimates for Russia's GDP by IMF, OECD and World Bank –
Source: European Council infographics⁽¹⁸⁾

Sonnenfeld, along with a team of 42 researchers by the Yale School of Management speaking 12 languages. The team of experts use unconventional data sources such as

“high-frequency consumer data, cross-channel checks, releases from Russia’s international trade partners and data mining of complex shipping data – to provide a highly comprehensive and authoritative take on the state of the Russian economy” (Shehadi, 2022)(20). It makes some striking revelations (Shehadi, 2022)(21). The following data is based on US Secretary of State Antony Blinken’s recent statement backed on Yale’s data:

➤ **Russia does not have the capacity to produce domestic versions of products it once bought internationally.**

Due to unfavourable living conditions and amid uncertainty, experts have estimated a hegira of hundreds and thousands of Russian skilled labour force including academicians, tech experts, artists, entrepreneurs, etc. Hence, even if Russia attempts for import substitution, the labour force required to stimulate the economy have fled the country in droves.

➤ **Russia is struggling to find new suppliers and customers for goods it once bought and sold globally.**

Russia imports have literally slumped by more than a half. At this point it is scrambling to find suitable alternatives for strategic inputs for which Russia’s production capacity is inept. For instance, a recent episode from the battlefield drew attention on the use of computer chips designed for refrigerators and dishwashers on the Russian military equipment. (Whalen, 2022)(22)

➤ **Russia is heralding its bonhomie with China to make up for import and export shortfalls. In reality, it is an unequal relationship.**

As of 2021, China was Russia’s largest import partner whereas Russia was only the 11th largest exporter of Chinese goods.

- **Russian officials tout that it can easily pivot its energy exports to non-sanctioning countries, but exporting large quantities of natural gas beyond Europe is inconceivable for even medium-term.**

Russia supplies more than 90% of its natural gas via pipelines to Europe. Despite, the ongoing operations for constructing and connecting expensive pipelines to Asia (with the help of Power of Siberia 1, Power of Siberia 2 and the Central Asia- China pipeline), it will still take years to operationalize these pipelines. Moreover, the operational capacities of these Asian pipeline networks even at full-swing contain only a fraction of the capacity supplied through the traditional pipelines to Europe. (Sheppard, Hume and Mitchell, 2022)⁽²³⁾ (Sassi, 2022)⁽²⁴⁾

- **The Kremlin has enacted strict capital control measures in order to artificially increase the performance of the rouble.**

After Russia's war of aggression, the Kremlin banned citizens from sending remittances abroad, suspended the sale of bank dollars, forced businesses to repay their foreign debt in domestic currency and coerced exporters into exchanging 80% of their earnings into roubles. This led to increasing the demand for roubles and boycotting its sales which affects both the citizenry and Russian businesses.

- **Average Russian citizens already see the effects of the Kremlin's war on Ukraine in their daily lives.**

Inflation has become the bane of their everyday crises for Russia's citizens with the numbers escalating by more than 40-60% for import-reliant sectors. Consumer confidence in the economy has almost vanished as the new car sales figures dropped by 84% in May 2022. Due to import disruptions and diversion of government revenues in continuing the war has

seriously eroded the daily lives of Russians. To quote an example, Russian car manufacturing companies have stopped manufacturing cars' airbags or anti-lock braking systems due to a paucity of necessary components thereby endangering the lives of Russian citizens.

- **Approximately 1,000 Companies Have Curtailed Operations in Russia. (Sonnenfeld & Yale Research Team, 2022)⁽²⁵⁾**

The mass retreat of over 1,000 international corporations spanning a wide array of sectors have led to losses worth 45% of GDP (Shehadi, 2022)⁽²⁶⁾.

- **Revenue from energy represents 60% of total Russian government revenue, so Russia's commodity exports are comparatively more important to Russia than the rest of the world.**

If you consider the natural gas exports to EU for instance, the well-connected and extensive pipelines to the West transferred an annual average of 150 billion cubic metres (bcm) of natural gas before the war commenced. Out of the total gas exports of Russia, 83% was shipped to Europe and Turkey, 13% to Commonwealth of Independent States and remaining 4% to China. Whereas, Europe's natural gas imports from Russia amounted to 40% before the war commenced. Now, Russia's market share of natural gas to Europe has shrunk to less than 9% (Abay, 2022)⁽²⁷⁾. On top of this, the 26th September sabotage of both the Nord Stream pipelines has further destroyed Russia's prospects of supplying the crucial gas to EU in future. Russia has hence decided on a last alternative of establishing a natural gas hub in Turkey for its gas supplies to Europe. The strategic importance of LNG in Russia has been growing in recent years but it is now affected as the industry was heavily dependent on equipment supplies from Europe.

- **Russia is facing a simultaneous crisis of imports, which made up (pre-invasion) 20% of the country's GDP.**

Data from Russia's top trade partners suggests that Russian imports 50% in the initial months following the invasion. "Despite Putin's delusions of self-sufficiency and import substitution, Russian domestic production has come to a complete standstill with no capacity to replace lost businesses, products and talent; the hollowing out of Russia's domestic innovation and production base has led to soaring prices and consumer angst," says the Yale paper.

- **Anecdotal reports reveal, affluent Russians are fleeing the country in hordes, and seeking exile in Dubai.**

The influx of Russian capital in Dubai has inflated post the flight of Russian elites which many local real estate experts assume to be the reason for Dubai's ballooning real estate values in the past few months (Shehadi, 2022)⁽²⁰⁾.

- **Putin has released a decree that legalizes intellectual property theft from "unfriendly countries".**

"[As a result of Russia's economic fall], Putin is resorting to patently unsustainable, dramatic fiscal and monetary intervention to smooth over these structural economic weaknesses, which has already sent his government budget into deficit for the first time in years and drained his foreign reserves even with high energy prices – and Kremlin finances are in much, much more dire straits than conventionally understood," writes Yale. (Shehadi, 2022)⁽²⁰⁾

- **Russian financial markets were the worst performing markets in the entire world in 2022 (Elbahrawy, 2022) (28).**

Despite strict capital controls, and the country's meaningful isolation from international financial

markets, Russia's stocks have plunged to record lows. As financial markets are good indicators for predicting a country's economic performance, the tumbling stocks and overall grim performance of the financial markets paint a dismal picture.

➤ **Foreign international behemoths have become hostage to Western sanctions and Russia's capital controls via presidential decree (Shehadi, 2022)⁽²⁹⁾.**

International companies are unable to divest their assets in Russia due to Kremlin's presidential decree announced on March 1, 2022 that tentatively limits foreign investor's ability to go short on their foreign securities. In order to prevent capital flight, Moscow has further shut its bourse – MOEX, furthering tying the hands of the MNCs.

Albeit, global headwinds and jeopardizing domestic interests amid concerns of soaring inflation and rumbling recession, the G-7 nations has decided to swallow the hard pill and cut-off its own crude imports from Russia. After a failed attempt by the POTUS at negotiating with Saudi Arabia to export crude at cheaper rates amid supply disruptions from Russia, the OPEC+ alliance disregarded it and went forward with withholding supply to benefit from steeper margins. To soften the blow, the G-7 nations on December 5, 2022 announced its endorsement to cap Russian sea-borne Urals (oil) price at \$60 level (Agencies and Bloomberg, 2022)⁽³⁰⁾. This will help the G-7 nations to forestall backlash by voters by keeping the energy flowing while also curbing the revenues for Russia. Its stricter sanctions also ban companies providing insurance services to transport Russian oil anywhere in the world with exemptions granted to Japan for whom Russian crude is irreplaceable and vital to sustain the economy. However, it remains to be seen how this transpires as Putin has issued

a retaliatory presidential decree that bars Russian crude exports to countries including the price cap clause in its contract which will come into effect from February 1, 2023 (Slav, 2022)(31). Additionally, China and India have declined to join the bandwagon and take utmost advantage of the discounted Russian oil to hoard their refineries. In fact, Russia has now turned into one of India's biggest suppliers of crude in 2022. Russia has also announced to seal up the sabotaged Nord Stream pipelines to Europe with no plans of repairing them. This further confirms Russia's pivot to Asia at the backdrop of a strong Asian demand. (Tayeb, 2023) (32).

1.5 Concerns of the Global South because of coordinated sanctions by the Allied partners

Following on from the pandemic, the Ukraine war and the corresponding sanctions have put at risk the nascent post-COVID economic recovery. A humanitarian crisis is brewing in developing countries and LDCs owing to rising food and fuel prices. The imposed sanctions have been lambasted to serve the geo-political interests of select few countries.

To conclude, Vice Admiral, Girish Luthra, perfectly captured this disservice in a brief titled 'The Russia-Ukraine War, Economic Sanctions, and Global Headwinds' for ORF (Luthra, 2022)(8), "Steps to limit the economic fallout on the 'sender' countries and lack of coordination to limit the impact on developing countries have raised doubts about the response mechanisms. Concerns have also been expressed about susceptibility of foreign exchange reserves. There is no commonly accepted framework for sanctions and their extensive usage by the developed world is likely to undermine efforts to move towards a rules-based order."

Chapter II

Weaponization of Dollar

“Even today, they actually occupy Germany, Japan, the Republic of Korea, and other countries, and at the same time cynically call them allies of equal standing.”

➤ **Extract from Putin’s speech at annexation ceremony (Reuters, 2022)⁽³³⁾**

A tsunami of Western sanctions has ruptured not only the targeted country but the spill-overs have had tumultuous far-reaching consequences on the geo-economic and geo-finance of the world, with the effects on the Global-South being more pronounced. Rephrasing the words of Lance Davis and Stanley Engerman, *‘History Lessons Sanctions: Neither War nor Peace, Journal of Economic Perspectives, American Economic Association (Davis and Engerman, 2003)⁽³⁴⁾* the cohort of countries that have been imposing sanctions have historically been more both larger, economically and militarily formidable than their targets. They further base the efficiency of sanctions on the notion of “sanctions-paradox”, and conclude that the sanctions are less-effective when imposed on a non-compliant aggressor country in contrast to if imposed on allied countries that fear souring of ties. According to a special report for Observer Research Foundation by Haans J. Freddy, *‘Sanctions as a Weapon of War: The European Experience’ (Freddy, 2022)⁽³⁵⁾*, US had imposed sanctions 117 times either independently or as a part of a sanctions’ coalition between 1970-1998 and since the turn of this century, over 25 countries have been targets of US sanctions, sometimes including even non-state actors like terrorists and drug traffickers. Other multiple cases of economic sanctions were imposed by the West like by the UK and the EU, by China and even the UN to realize their foreign policy aspirations. He further goes on to comment

that, “Of the three anti-civilian weapons air strikes, gas wars, and economic blockades it is the latter that have far greater consequences and are deadlier than the other two.” This was reiterated by former RBI Governor, Raghuram Rajan in his article for Project Syndicate, *‘Economic Weapons of Mass Destruction’*, 2022, where he candidly termed economic sanctions as “economic weapons of mass destruction”. (Rajan, 2022)⁽³⁶⁾.

Supply-chain disruptions following the pandemic have been exacerbated by the Russia-Ukraine conflict and China’s zero-COVID policy. All these factors have slowed down the global economic recovery due to surging input costs, inflated commodity prices and transportation costs, energy prices are skyrocketing, tightening of monetary policies, supply and demand side shocks, etc. (Mulder, 2022)⁽³⁷⁾ (Luthra, 2022)⁽¹²⁾ Though no fault of their own, due to the imported inflation, poorer countries are bearing the brunt of the Russia-NATO war, putting a dent on their dwindling foreign reserves acutely magnifying their debt-servicing obligations. This has triggered wide-spread demonstrations and domestic turmoil worldwide from Peru to Sri Lanka (Chellaney, 2022)⁽³⁸⁾. The uncalled for freezing of Russian foreign reserves by the West, undermined the free-market fundamentals of financial markets, ultimately eroding the trust in the international rules-based order that’s ironically been the clarion call of the West (Luthra, 2022)⁽¹²⁾.

Notwithstanding, the gains of increasing integration of global trade due to globalization, there has been a growing clamour among economic experts and policy analysts that globalization has spiralled out of control with stark inequalities effectuated on developing countries (Sen, J., 2019)⁽³⁹⁾. Uncertainty about supply-chain bottlenecks, cyber espionage, sabotaging primary trade choke points, cascading effects of sanctions and sabre-rattling of militarily

proWess by few countries can be disproportionately carried forward to developing countries already grappling with their domestic woes.

2.1 Dollar’s “Exorbitant Privilege”

The then French finance minister, Valery Giscard d’Estaing, was the first to coin the phrase “exorbitant privilege” to describe the global hegemony of dollar, when the French President General Charles de Gaulle was addressing a gathering of journalists on February 4, 1965, on the special status conferred to dollar under the Bretton Woods system. Exploiting a slew of window of opportunities, the dollar has cemented its current global position as the world’s supreme currency. Using this dominant privilege, the US has engaged in economic warfare or in benign terms - economic statecraft to advance its foreign policy objectives because of these three primary functions of the dollar – a unit of account, a store of value and a medium of exchange. This has led to other countries scramble to break free of the dollar’s clutches. The world’s financial arteries are all connected to the US banks through the SWIFT (Society for Worldwide Interbank Financial telecommunications, based in Belgium) and the CHIPS (Clearing House Interbank Payments System) network. If denied access to these infrastructures by garnering the wrath of the US, it would lead to institutional failures and financial isolation of the corresponding organization, thereby crippling the economy (The Economist, 2020)⁽⁴⁰⁾.

The recently released Currency Composition of Foreign Exchange Reserves data⁽⁴¹⁾ by IMF for the third quarter of FY2022-23 has revealed another slump in global foreign exchange reserves. The decline for the quarter was as a sharp \$500 billion, that would mark the cumulative decline since third quarter of FY2021-22 to a whopping \$1.3 trillion (Smith, 2023)⁽⁴²⁾. Since, the onset of this century, the dollar

weightage in the forex reserves have dropped by more than 10 percentage points from 71% to 60% as per the latest data. IMF reasons portfolio diversification by a large number of central banks behind this drop and highlights that much of this shift away from the dollar is towards the currencies previously assumed to have insufficient scale and liquidity to be certified for international forex reserves. But it is crucial to note that as per the Bank of International Settlements triennial survey⁽⁴³⁾ released in September 2019, 88% of foreign exchange trading is conducted in dollars whereas the euros share marginally expanding to 32% and yen declined by 5 percentage points to 17%.

A wide array of literature is available that predict dissimilar prognosis about the future of dollar ability to remain a dominant currency. But for the purpose of this report, we would focus on only two books both of which were published in 2015. The first one is by James Rickards (Rickards, 2015)⁽⁴⁴⁾, who is an American lawyer, economist, investment banker, speaker, media commentator, and author on matters of finance and precious metals—*The Death of Money: The Coming Collapse of the International Monetary System*, Penguin Group (USA) LLC, 2015. According to him, the new financial system will not revolve around dollars because “China, Russia oil-producing countries, and other emerging nations will collectively insist to the end of U.S. monetary hegemony and the creation of a new monetary standard.” This is because the financial imperialist nature of the US government has forced other countries to look at ways to escape from excessive dollar-dependence. He later adds that China, Russia and oil-producing nations of the Persian Gulf have amassed groups of countries having common military, economic, foreign policy and monetary ambitions. Rickards, despite a critic of the IMF, makes an important observation about IMF’s vision of a “reconstituted SDR as

a global reserve currency”. He states that, “The next global liquidity crisis will shake the stability of the international monetary system to its core; it may also be the catalyst for the realization of the IMF’s vision” of a replacing dollar to SDRs as a global reserve currency and promotes these SDRs to be backed by gold.

The second book is by Eswar S. Prasad (Prasad, 2015⁽⁴⁵⁾), who is the Tolani Senior Professor of Economics and Trade Policy at Cornell University and a Senior Fellow at Brookings Institution. He was previously chief of the Financial Studies Division in the IMF’s Research Department and, before that, was the head of the IMF’s China Division. In his book, *‘The Dollar Trap: How the U.S. dollar tightened its grip on global finance,’* Princeton University Press, 2015, he opines that despite the declining power of the US, the dollar will continue to dominate international finance on the basis of capital flows, currency management and global central banks’ clinging to dollar’s status as a safe-haven. The growing volatility of global financial markets due to self-centred policies by countries on capital controls and currency manipulation, has led to emerging markets holding huge dollar reserves as a cushion against financial crises. He gives the instance of the aftermath of the 2008 financial crisis, when despite the weakening confidence in US policies and flawed international monetary system, without an ultimate replacement for the dollar, it paradoxically sealed the importance of dollar even further. He gives three paradoxes for this behaviour - First, the biggest importers of capital are the developed countries and not the emerging economies. Second, the developing economies tendency to look at dollar as a safe-haven currency in times of domestic capital outflows and lastly, the huge dollar reserves held by the central banks of emerging economies whose decline will lead to catastrophic losses on countries’ balance sheets.

2.2 How did dollar became so notoriously popular?

While the world was engaged in a complex web of alliances during one of the deadliest bloodsheds of World War 1 and World War 2, the dollar was clandestinely strategizing to become the centre-stage of the world. Dollar's meteoric rise can be attributed to three important phases as detailed by this video by (Think School, 2022)⁽⁴⁶⁾

First phase - The story dates back to the 1940s, when other countries were trying to rebuild their economies and the then dominant super-power, the British empire was almost bankrupt with their arrears growing to 130% of their GDP at 7.8 billion pounds in 1930. Meanwhile, the US government engaged in these wars first as war merchants and then as war participants. To elucidate, when all the big empires of the time were busying investing all their manpower and resources towards warfare, the US was using its capital and manpower to become the major suppliers of cotton, wheat, brass, rubber and hundreds of other commodities to the rest of the world. This led to an all-time high economic boom in the US with the total value of US exports growing from USD 2.4 billion in 1913 to USD 6.2 billion in 1917 and the same was repeated during World War 2. By capitalizing on the some of the most expensive wars in world history, the US had amassed 75% of the world's monetary gold.



Figure 2.2a

When the US held most of the gold bullion on earth after World War 2

Source: GoldChartsRUs (Think School, 2022)⁽⁴⁶⁾

Figure 2.2a shows how the gold reserves of the US went from a little under 2000 tonnes in 1910 to a stupendous ~20,000 tonnes in 1940. This is when the US took the opportunity to sign the historic Bretton Woods agreement in 1944 whereby, 44 countries agreed to peg their official currencies to the US dollar while the dollar was backed by gold such that 1 ounce (28.35 grams) of gold would be worth USD 35. This is how the US took its first step to vanguard the dollar.

Second phase—When the global forces were preoccupied by World War 2, the Arabs in Saudi Arabia were oblivious that they were sitting on the largest black gold mine in the world. During that time, the British and the American companies were among the few with the technology and acumen to extract oil and use it for industrial development and world trade. In 1938, that an American owned oil-well in Saudi Arabia drilled got its hands on a massive source of oil-reserve. The gulf nation was just starting to produce oil during the war, when Italian forces dropped bombed American facilities in Saudi Arabia which hampered their ability to produce oil at full-capacity. The Arab nation was desperately in need for strategic security and this is when the then US president, Franklin D. Roosevelt one of the most important meetings in world history with the Saudi King, Abdul Aziz Ibn Saud, on the USS Quincy in the Suez Canal. Here, they forged the foundation of a time-tested long-relationship – America’s pledge to security guarantees for the Saudi kingdom in exchange for affordable energy supplies. In 1973, the petrodollar system was formulated between the leaders of the US and Saudi Arabia to standardize oil in dollars. By 1975, other OPEC countries followed suit and consented to export oil against USD. By the end of the decade, the US-Saudi Joint Commission on Economic Cooperation sealed the deal for petrodollar recycling.

Third phase – After the collapse of the Bretton Woods system in 1973, countries were free to adopt any exchange rate arrangement with the exclusion of pegging it to gold. Since, the US dollar had a competitive edge of buying oil, most of the countries by default started holding on to their dollar reserves to buy oil from the Arabs. The surplus dollar reserves remaining after conducting Exim trade is later invested by countries in US Treasury securities.



Figure 2.2b

Major foreign holders of US Treasury securities as of July 2022

Source: (Statista Research Department, 2022)⁽⁴⁷⁾

As per Figure 2.2b, in total, the US has more than 7 trillion dollars held by foreign and international investors under the US g-secs. The lion’s share belongs to Japan of over \$1.2 trillion closely followed by China at just under \$1 trillion. India is the 13th largest holder of US treasury securities. With such enormous liquidity, the US has an unfair advantage to build its economic might and sustain its hegemony making it the most powerful nation on the planet.

2.3 Weaponization of dollar

In the words of Jeffrey Frankel, an international macroeconomist, “the ‘**weaponization**’ of the dollar generally refers to the US government’s exploitation of the currency’s global dominance in order to extend the extraterritorial reach of US law and policy” (Frankel, 2019⁽⁴⁸⁾). For instance, the decision of the Trump administration to unilaterally withdraw from the JCPOA to double on its sanctions against Iran for a treaty it was not violating and was a respite in terms of pathway towards normalisation (Frankel, J., ‘How a weaponized dollar could backfire’, Project Syndicate, 2019)⁽⁴⁸⁾ (Sen, J., 2019)⁽³⁹⁾. This goes on to show just the many policy tools they can wield in order to facilitate their agenda. After the 1997 Asian financial crisis, the Asian economies had learnt it the hard way to maintain large reserves of international currencies, particularly dollars, to sequester themselves from further financial shocks. However, this led them to increase their exposure to dollar, including China which holds the second largest reserves of dollar in the world (Sen, J., 2019), further elevating their vulnerability to weaponization.

Weaponization of finance might uphold the argument. As per an article by Gary Smith for OMFIF, ‘*Central banks are reassessing foreign exchange reserves*’, 2023, “The World Gold Council reported that gold purchases by central banks in 2022 were the highest for 50 years – a trend highlighted by OMFIF in 2016. No doubt the spike in global inflation rates helped the buying trend in 2022, but the biggest (undeclared) buyers were probably Russia and China. The largest named buyer in 2022 was Turkey, a NATO nation with a complex relationship with the US friendship circle. The other large named buyers in 2022 were Uzbekistan, India, Qatar and Egypt. It seems clear that politically inspired

buying of gold was a factor in 2022.” (Smith, 2023)⁽⁴²⁾

(Sen, J., 2019) emphasizes that such a weaponization of dollar can lead to protectionist economies by designing policy responses to hedge the risk of over-exposure to dollars. According to him, these “policy responses will likely come in five principal areas viz. monetary, fiscal, trade, investment and domestic economic management.” A brief overview to state at least two policies from each of these areas (in no particular order):

Monetary

- Reinstatement of capital and currency controls
- Stockpiling of precious metals like gold, silver and aluminum in particular

Fiscal

- Cutting international borrowing and diversification away from dollar-denominated debt
- Expansionary fiscal policies to narrow the gap in infrastructure expenditure, domestic consumption and growth requirements

Trade

- Increasing inattention to WTO rules and their national application obligations
- Deconstruct the domestic commitments to the Agreement on Trade-Related Investment Measures (TRIMS)

Investment

- National security considerations in approving foreign investments and M&As
- Selective approach to preferred investors and the currency of investment

Domestic policy management

- Weakening of international IP protection on national interest/security grounds
- Immigration controls on professional and skilled workers

2.4 Nations excoGITATING to soften the blow from dollar hegemony

Speaking at the Valdai Club, Vladimir Putin criticized **the US weaponization of finance** that was *“undermining trust in the dollar as a universal payment instrument and the main reserve currency”*.

Vladimir Putin speaks during a session of the annual Valdai Discussion Club in Sochi, Russia Oct. 18, 2018. (Reevell, 2018)⁽⁴⁹⁾

It is only natural for developing countries to take steps towards preventing their economies to be at the receiving end of the Western sanctions. If any nation was previously critical about decoupling from dollar, the expropriation of billions of Russia’s foreign reserves by the US and its allies has only reinforced their will towards accelerating this decoupling. On July 2022, IMF released a working paper on *‘Reducing Dollarization in the Caucasus and Central Asia’* (Cakir, et. al., 2022)⁽⁵⁰⁾. Taking into account the region’s decades-long association with dollar, the countries in the Caucasus and Central Asia (CCA) have come a long way in reducing its dollar share in their respective average deposit and loan dollarization. Compared to the past decade when the figures were 61 and 81 percent respectively, by the end of 2020, these shares of dollar were reduced to a drastic 39 percent and 37 percent respectively. The IMF survey also revealed that all countries in the region have adopted specific de-dollarization measures. In contrast to domestic currency liabilities, all countries also apply high reserve

requirement quotient for liabilities denominated in foreign currencies. IMF recognizes that for countries dollarization in credit exceeds deposit dollarization, there is still room for enhanced regulatory oversight to alleviate risks associated with forex lending. An important observation made was how increased exchange rate appreciation played a pivotal role in accelerating the process of de-dollarization in CCA. Few measures were recommended to further promote de-dollarization in the region such as absence of fiscal dominance, increasing depth of financial markets to enhance investor trust and provide long-term avenues for investing, credible monetary and exchange rate frameworks, etc.

On the side-lines of the G20 Leader's Summit at Bali in 2022, an MOU on Cooperation in Regional Payment Connectivity (RPC) (Monetary Authority of Singapore, 2022)⁽⁵¹⁾ was signed on 14 November 2022. Five central banks from the ASEAN region belonging to Indonesia, Malaysia, Philippines, Singapore and Thailand, keeping in spirit with the G20's established Roadmap for Enhancing Cross Border Payments to accelerate economic and financial digitalization, agreed to strengthen and intensify cooperation on payment connectivity for "faster, cheaper, more transparent, and more inclusive cross-border payments." They also hinted towards a likely future expansion to include other ASEAN countries and a possible partnership with countries outside the region. The RPC is expected to bolster regional economic recovery while simultaneously promoting inclusive growth thereby fostering stronger regional economic ties.

Conspicuously, even the US allies are re-evaluating their stance on dollarization. The previous president of the European Commission, Jean-Claude Juncker, had decried the dollar's dominance in Europe's energy trade an "aberration", considering that only 2% of its imports came from the US (The Economist, 2020)⁽⁴⁰⁾. The EU established a special purpose

vehicle, Instrument in Support of Trade Exchanges (INSTEX), on 31 January 2019. Its primary mission is to facilitate non-sanctioned humanitarian exchange in terms of barter trade between the Europe and Iran. It has been structured to aid non-USD and non-SWIFT transactions with Iran to avoid America's wrath. However, fearing secondary sanctions, the EU is yet to enlarge its scope beyond this barter mechanism. European powers are also exploring the idea of a network of Central Bank Digital Currencies (CBDCs) that could serve as a global invoicing currency. (The Economist, 2020)

- A recently released book by Cambridge University Press, *'Can BRICS De-dollarize the Global Financial System?'* (Liu and Papa, 2022)⁽⁵²⁾ authored by Zongyuan Zou, Zoe Liu and Mihaela Papa, in March 2022, focuses on the work of BRICS coalition as a de-dollarization bloc, as its origin lays with transformation of "traditional power structures, such as the World Trade Organization, but also served as the foundation for broader developing-country coalitions to challenge US hegemony (Hopewell, 2017)." Some key take-aways from the book are: (Check Figures 2.4a and 2.4b for a snapshot of the final analysis from the book)
- Analysis of pathways to de-dollarization of countries in the BRICS bloc with "go-it-alone" and "reform-the-status-quo" de-dollarization strategies.
- For enabling rapid progress in fintech sector, BRICS has conceptualized a common BRICS Pay system for inter-linking regional payments and transactions among member countries.
- More de-dollarization initiatives have been taken at the sub-BRICS level with China and Russia at the forefront of this move, considering the larger stakes involved for both the countries that have a frosty relationship with the West, particularly the US.

- Conception of the brainchild of BRICS - New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) to be counterweights of World Bank and the IMF. Materialized in 2014, the institutions resulted from the members combined frustration in their progress for reforming the Bretton Woods institutions and were designed to reduce their dependence on the USD-denominated financial aid. However, CRA's limited capacity provides the members with the first line of defence rather than being a lender of last resort like the IMF.
- BRICS de-dollarization comes at a cost of self-imposed isolation from the existing system, significant increase in cross-border transactions cost, capital-raising will become more expensive to compete with the dollar-based global markets, reduced competitiveness of their firms in foreign markets, etc.
- BRICS countries are deliberating a BRICS digital currency, BRICS Coin, in the field of digital de-dollarization.
- Russia's push for de-dollarization was not voluntary. In a meeting with the heads of world news agencies organized by TASS in 2021, Putin said, "Russia did not want to give up the dollar as the reserve currency or means of payment, but it was forced to do it." (TASS, 2021)⁽⁵³⁾
- The international role of the euro has been stagnating since the past two decades, despite being the second-most global used currency. Similarly, renminbi's capacity in challenging the dollar is limited considering China's tight capital controls, lack of financial market depth and size.
- A de-dollarization coalition is likely to emerge due to growing dissatisfaction of members of the existing dollar-based system with the purpose of demanding a

change in “the international status-quo as they seek to increase their influence and status, aspiring to become rule-makers and agenda-setters in global finance (Cohen, 2005a, 2005b, 2018).” (sic)

- Under Russia’s 2020 BRICS chairmanship, the members reiterated their commitments for de-dollarization by jointly issuing the Strategy for BRICS Economic Partnership 2025. It identified a few “priority areas of partnership” including local currencies in mutual payments, strengthen BRICS cooperation on payments systems, collaborate on the development of new fintech, continue cooperation on setting up the BRICS Local Currency Bond Fund, facilitating the expansion of local currencies use in NDB’s development financing instead of the current dollar-based fund, to advance the CRA mechanism. (BRICS Russia, 2020)⁽⁵⁴⁾
- Even the recent India-China border skirmishes did not prevent the said countries from deepening their economic partnership under BRICS.
- The increase in the share of BRICS member currencies will not be at the expense of dollar but it would rather erode the global market share of other already existing dominant international currencies.
- **Brazil** – Former Brazilian President, Lula da Silva’s comments on BRICS, “BRICS was not created to be an instrument of defence, but to be an instrument of attack. So, we could create our own currency to become independent from the US dollar in our trade relations. The United States was very much afraid when I discussed a new currency and Obama called me, telling me, ‘Are you trying to create a new currency, a new euro?’ I said, ‘No, I’m just trying to get rid of the US dollar. I’m just trying not to be dependent’ (Escobar, 2019)⁽⁵⁵⁾. However, given Brazil’s close trade ties with

China but its economy's heavy dependence on the US dollar makes it unable to overtly champion its de-dollarization initiatives under the BRICS but it ready to follow through the bloc's plan.

- **India** – India was at the forefront in promoting BRICS financial cooperation and building BRICS Development Bank. It was at Indian finance minister's behest that in 2012 BRICS constituted a joint working group to study the prospects of setting up a BRICS Development Bank, which later led to the birth of the NDB. India's trade invoicing is heavily denominated in dollars; hence it is in its advantage to support BRICS initiatives that promote the use of local currencies. Since, unlike China and Russia whose relations with the US are nose-diving, America considers India a strategic partner in the Indo-Pacific, additionally India has the largest trade surplus with the US, hence India is far-fetched at conniving with all the ideological agendas of Sino-Russia behind de-dollarization in BRICS and rather consent to only advancing the use of local currencies while reducing dependence on dollar.
- **South Africa** – Upholds that BRICS members could protect themselves from exchange rate volatilities and benefit extensively by using their own local currencies by cutting out unstable international convertible currencies like the US Dollar (Brand South Africa, 2011)⁽⁵⁶⁾. South Africa has accepted the broader use of Chinese Renminbi in its direct payments and forex reserves to diversify its basket and hedge against currency risk.
- **China** – Launched Cross-border Interbank Payment System (CIPS), its alternative to SWIFT, in 2015 for on-shore renminbi clearance and settlement to promote its greater use and eventually renminbi internationalization. "By the end of 2020, the number

of CIPS' direct participants reached a total of 43, and the number of indirect participants reached 1159, 867 of which were in Asia – including 522 Chinese mainland indirect participants – 147 in Europe, 26 in North America, 20 in Oceania, 17 in South America and 39 in Africa (CIPS World Service, 2020a) ... However, CIPS has not yet departed from SWIFT. It currently uses SWIFT and its standards for cross-border financial messaging to connect with the global system. CIPS also adopted the ISO 2022 international payments messaging standard in order to make it interoperable with other payments systems as well as with correspondent banks around the world... (SWIFT, 2016)". Launched in 2002, UnionPay – China's central bank-approved independent bank card network to rival Visa and Mastercard, has achieved a significant popularity extended to 180 countries and regions. Yuan oil future is trying to gain an edge by providing the facility to swap oil into gold with the renminbi serving as an intermediary. "If BRICS had their own pricing benchmark for gold - rather than being subject to London or New York's pricing – this infrastructure would potentially complete the goal of de-dollarizing the global oil trade, making it possible to trade oil using gold with minimum exposure to exchange risk."

- **Russia** – Russia's de-dollarization journey commenced in the wake of US sanctions after its annexation of Crimea. MIR cards, its alternative to payments giants like Visa and MasterCard, is also welcomed in sanctions-hit Crimea, where Western banks have been restricted from operating. It developed its own financial messaging system called "System for Transfer of Financial Messages (SPFS)", alternative to SWIFT. SPFS has been introduced to Eurasian Economic Union,

an agreement has been signed with Turkey in 2019 for a rouble-lira cross-border payments and settlements, “greatly increasing the possibility of connecting Turkish banks and companies to SPFS and using Russian MIR cards in Turkey (Reuters, 2019b). Besides the EEU region and Turkey, Russia also expressed interest in linking SPFS with other countries in the Middle East and European region (Chaudhury 2019b; Reuters, 2019a; Russia Business Today, 2019).”

- “While India currently does not have its own domestic financial messaging system, it has plans to link a service that is currently under development with Russia’s SPFS, which could possibly be linked with China’s CIPS. Once this is materialized, this linked system would cover most parts of the world (Hillman, 2020, p. 5).”
- BRICS members would support the establishment of a common payments system at BRICS level, known as “BRICS Pay” system that is currently under development. Its biggest advantage is touted to be the proposed integration of payment systems of member’s national currencies for direct exchange of external payments, disabling the requirement of conversion into US dollars, currently under place.
- BRICS has been exploring the use of blockchain technology to build its own BRICS digital currency and have agreed upon a blockchain R&D cooperation.
- “BRICS Plus expands the BRICS platform to bring in other countries and regional integration institutions, such as the Mercosur, the SCO, EEU, South African Customs Union, South Asian Association for Regional Cooperation, and ASEAN + China. BRICS Plus brings together thirty-five countries to form an expanded platform that can coordinate policies with BRICS’ regional partners across the four continents. As such, it

provides a convenient venue for de-dollarization policy coordination and non-dollar financial infrastructure construction.”

- BRICS efforts at reforming the existing system has met with limited success due to abysmal percentages of their combined voting rights at the World Bank, the IMF and their total SDR quota which are all below 15% of the total. This has been one of the major hurdles in advancing their voice and representation in the present global system.



Figure 2.4a

Snapshot by the authors of BRICS role as a de-dollarization coalition

Source: (Liu and Papa, 2022) (52)

Further, Argentina and Iran have expressed their interest to join the BRICS group after the 2022 BRICS Summit (PTI, 2022)⁽⁵⁷⁾. At the recent SCO Summit in Uzbekistan, Iran also acquired full-membership and became the 9th member of the Shanghai Cooperation Organization. After Saudi Arabia refrained from increasing the supply of oil on America’s request and announced along with its OPEC partners to cut oil production by 2 million barrels, the POTUS threatened of unspecified consequences, even going as far as to propose the “NOPEC Bill” challenging the security of the Arab nation, thereby heeding a warning to violate its part of the Petro-dollar agreement, for which every forthcoming US President

has always courted their Saudi counterparts. Considered, to be in retaliation to the US' threats, in a strategic move.

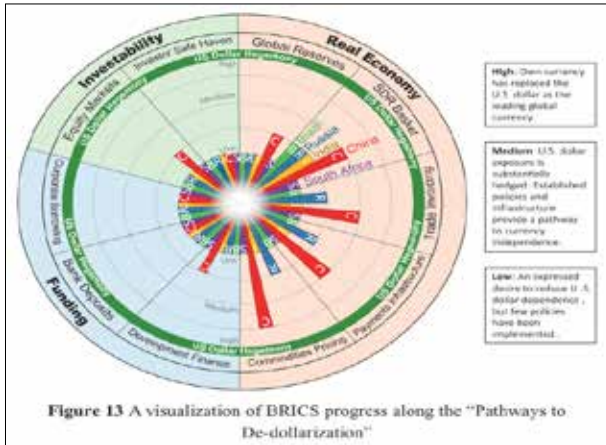


Figure 2.4b

Snapshot by the authors of BRICS progress along the “Pathways to De-dollarization” Source: (Liu and Papa, 2022^[52])

Saudi Arabia has requested to join the BRICS alliance. South African President Cyril Ramaphosa broke this news to the world (Chaudhury, ET Bureau)⁽⁵⁸⁾. According to an article by Nazia Sheikh, a Research Officer at Centre for International Strategic Studies, AJK, for Pakistan Today - “Saudi Arabia joining BRICS: A strategic game changer”, (Sheikh, 2023)⁽⁵⁹⁾, “Saudi Arabia is seeking to reduce its reliance on any single country and to increase its influence on the global stage. This can be seen as an effort to move away from a traditional role as a provider of raw materials and towards a more active role in shaping global events.” This is crucial when you consider that the BRICS and the SCO are generally considered to be counterpoises of NATO.

According to another video by (Think School, 2022⁽⁶⁰⁾), Saudi’s decision to join BRICS has the potential to shift the world order. Since the past few years, the kingdom’s relationship with the US has been deteriorating after the

US president accused Saudi Crown Prince for the alleged murder of a Saudi journalist, Jamal Khashoggi in 2018. Additionally, Saudi holds a grudge for US' lack of support during the Yemen crisis and recently it has been considering to lift its sanctions on Iran. This has led to its tilt towards China with which it has already brokered defence deals for ballistic missiles (Malsin, Said and Strobel, 2021)⁽⁶¹⁾ and signed a Military Cooperation Agreement with Russia (RFE/RL, 2021)⁽⁶²⁾. Saudi has also been considering the acceptance of yuan instead of dollar for its direct oil sales to China (Said and Kalin, 2022)⁽⁶³⁾. (Check Figure 2.4c) The oil consumption of the BRICS countries can be another reason behind its move to join the alliance as China, India and Brazil are the 2nd, 3rd and 7th largest oil consumers in the world. Although, it is to be noted that the data published by the EIA, albeit being the latest, was gathered in 2017 but the consumptions of China, Saudi Arabia, India and Brazil likely have higher figures than the ones shown below but the global positioning still remains unchanged.



Figure 2.4c

Top 10 Oil consumers as of March, 2020 Source: Energy Information Administration (EIA) (Info please Staff, 2020)⁽⁶⁴⁾

Another quintessential point made in the video is - experts opine that the new BRICS reserves can be backed by gold, which is further testified by Andy Corbley in his article

for World at Large (Corbley, 2022)⁽⁶⁵⁾. This is considering the huge stockpiling of gold reserves by all the BRICS countries, specifically by Russia and China. Figure 2.4d shows that the combined gold reserves of Russia and China had reached 4,247 tonnes by February 2022 and between 2000 to February 2022, it had peaked four times with drastic surge in stockpiling in the 2009 and 2015 following the episodes of the 2008 financial crisis and 2014 Russian invasion of Ukraine.

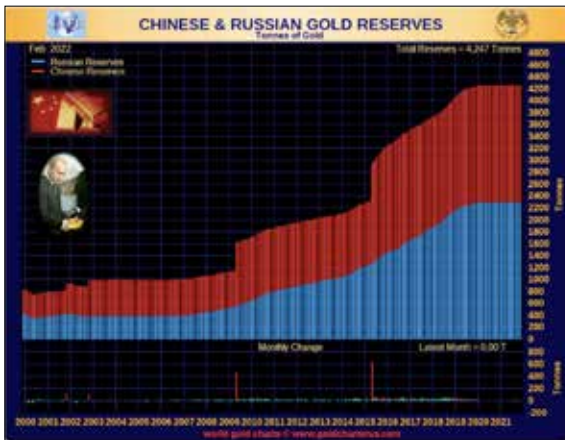


Figure 2.4d

Chinese and Russian gold reserves as on February, 2022

Source: GoldChartsRUs (Reese, 2017)⁽⁶⁶⁾

In the article for World at Large (Corbley, 2022), Corbley notes, “By buying as much physical gold as possible, the BRICS nations may be actively removing paper gold from being turned into physical gold by western banks.” Hence, if Saudi joins BRICS, according to the video (Think School, 2022)⁽⁶⁰⁾, the two of the most valuable commodities on the planet will back the BRICS alliance and their new reserve currency making it a force to reckon with in the coming decades.

Chapter III

A sweetening dollar and a reverse-currency-war, a recipe for global recession

“When America Sneezes, the World Catches Cold”

Anonymous (Nicholas, 2018)⁽⁶⁷⁾

Another acute phenomenon that has been discerned since roughly around May 2021 is the continued appreciation of dollar (Matschke and Sattiraju, 2022)⁽⁶⁸⁾. However, the situation soon became intractable with dollar rising to its highest level since 2000 by October 2022 (Gopinath and Gourinchas, 2022)⁽⁶⁹⁾. This appreciation was so sharp that dollar reached parity with the euro for the first time in twenty years (Bhusari, 2022)⁽⁷⁰⁾. By October 2022, the dollar had appreciated 22% against the yen, 13% against the Euro and 6% against emerging market currencies since the start of 2022. According to the Gita Gopinath, the First Deputy Managing Director of the IMF, and Pierre-Oliver Gourinchas, the Economic Counsellor and Director of Research of the IMF, such a sharp strengthening of the dollar within relatively few months can have sizable macro-economic implications for almost all countries, taking into account the predominance of dollar in international trade and finance.

Across the globe, countries have been already reeling under the stress of fighting inflation, now the depreciation of their currencies against a strengthening dollar has made their fight harder. It is estimated that, on average, for a 10% dollar appreciation the pass through-rate into inflation is 1%. According to (Pollard and Cherry, 2022)⁽⁷¹⁾, “The degree to which exchange rate changes affect core inflation - which excludes volatile factors like food and energy is called the pass-through rate”. Emerging markets with higher import dependency and greater share of dollar-invoiced imports will be the biggest losers if the trend persists (Gopinath and

Gourinchas, 2022). One of the reasons cited behind this huge spike in dollar exchange rate is the US Federal Reserve's continuous interest rate hikes, for its federal funds, to tame the nation's worst bout of inflation, as the Consumer Price Index numbers escalated to a four decades high of 9.1% in June 2022, which is way beyond its inflation target of 2%. In 2022 alone, Fed raised its interests 7 times, with way more expected in 2023 (Helhoski and VanderKnyff, 2022)⁽⁷²⁾.

This led to a havoc among the general public and in India, the finance minister had to clarify that, "First of all I would look at it as not rupee sliding, I would look at it as dollar strengthening, dollar strengthening incessantly," (PTI, 2022)⁽⁷³⁾. As maintained by Jeffrey Frankel, this widening interest rate differential between the US and other major economies makes dollar-denominated assets more alluring to global investors (Frankel, 2022)⁽⁷⁴⁾. This might lead to a flight of capital from other economies into the US. To top it off, the greenback's appreciation would result in higher debt-servicing costs in local currencies for dollar-denominated debts. The weakening of all other currencies is quite jarring because to recover their economies from COVID-19, central banks worldwide had adopted expansionary monetary policies to drive economic growth. Due to this, they were already agonized by its residual inflation. To make matters worse, the Russia-Ukraine conflict has aggrandized the commodity prices sending shock-waves far and wide. Japan is paying a price for flirting with the US, as the Japanese yen, which is the third most traded currency in the world, sunk to a 20 year low against dollar. Ironically, despite being cut off from the Western financial institutions, Russia's rouble fiercely recovered due to their stringent capital control measures (Chellaney, 2022)⁽³⁸⁾. Let's take a look at how the dollar surge impacted the currencies of select advanced and emerging economies. (Figure 3a) As per Figure 3a,

only Brazil's currency, real, performed better than other currencies since July because, even before the Fed, Brazil's central bank had raised interest rates from 2% to a whopping 13.75%, within a span of 18 months, to put a brake on a two decades high inflation averaging 9.3% in 2022. (Tandon, 2023)⁽⁷⁵⁾

The future looks bleak and as per Frankel's claims (Frankel, 2022)⁽⁷⁴⁾, "A stronger US dollar may also encourage other countries to attempt to strengthen their own currencies. In that case, the world might enter a period of "reverse currency wars". There might even be calls for governments to intervene in the foreign-exchange market to bring the dollar back down to Earth, as the US, the UK, France, West Germany, and Japan did when they concluded the Plaza Accord of 1985" More on this on subsequent sections.

3.1 "Currency Wars" aka Competitive Devaluation

The term "currency wars" was coined by then finance minister of Brazil, Guido Mantega, in 2010, in a visceral attack against wealthier nations resorting to quantitative easing to stimulate economies still tottering from 2008 financial crisis (Eichengreen, 2013)⁽⁷⁵⁾ (Pollard and Cherry, 2022). He criticized the unconventional monetary policies of the Fed to be "beggar-thy-neighbour". The Encyclopedia of the World Economy describes "Beggar-thy-neighbour policies are those that seek to increase domestic economic welfare at the expense of other countries; welfare." (Eichengreen, 2013)⁽⁷⁵⁾.

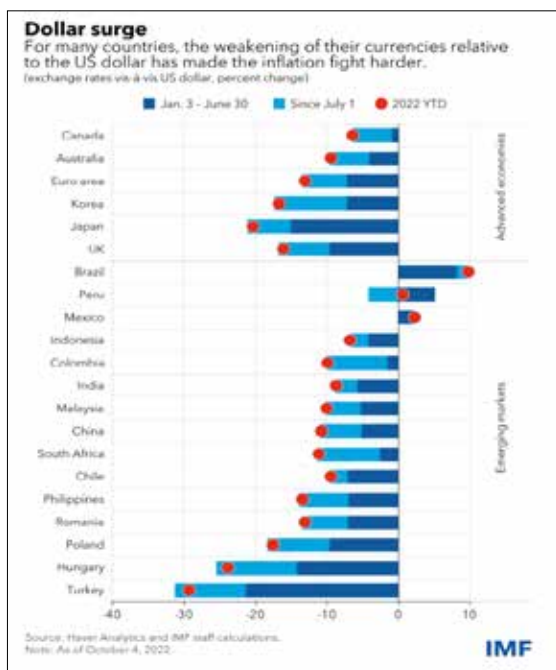


Figure 3a

Dollar surge for select advanced and emerging economies as on October 4, 2022 Source: IMF Blog (Gopinath and Gourinchas, 2022) ⁽⁶⁹⁾

(Pollard and Cherry, 2022) ⁽⁷¹⁾ describe a “currency war” as, “if a country’s currency falls in relation to other currencies, that can help its economy. Its exports become cheaper relative to competitors, boosting demand from abroad, while higher import prices spur domestic consumption of more homegrown products and services. And both of these provide support to local producers.” Countries like China have often resorted to manipulation of their currencies for export competitiveness by devaluing the value of renminbi in the past. Such episodes of currency wars have flared up from time to time, especially during times of economic pandemonium. However, a so-called reverse currency war is as rare as hen’s teeth.

3.2 Rumbles of a reverse currency war

“It’s our currency, but it’s your problem.”

- **Richard Nixon’s treasury secretary, John Connally’s message to U.S. trading partners perturbed by the dollar’s then weakness in 1971 (Ashworth and Bloomberg, 2022)⁽⁷⁶⁾**

If a currency war is competitive devaluation, then a reverse currency war is competitive appreciation. (Pollard and Cherry, 2022) describe it as a situation in which countries strive to make their currencies stronger. The purpose being to curb inflation rather than injecting growth momentum, since a strong currency makes imports relatively cheaper. However, such a tweaking of the system will likely hurt the profit margins of America’s exporters and MNCs worldwide. Exports-dependent countries and developing countries will also run in deep trouble as their balance-of-payment will run the risk of increasing deficits and rapidly depleting forex reserves. A Bloomberg article (Carson and Mohsin)⁽⁷⁷⁾ divulged that the greenback’s surge has further driven up the cost of food imports that triggered the debt crisis of Sri-Lanka and led to huge losses for investors worldwide. The drumbeats of a reverse currency war are getting louder. Even before the Fed started tightening its monetary policy, the emerging markets were raising interest rates to curb the rising food inflation, hence, the dollar surge simply amplified their existing woes. The combined effects of monetary policy divergence and enduring risk averse sentiments favored a stronger US dollar, leaving limited policy options for the emerging markets who are later compelled to intervene the forex markets or even resort to capital controls (Allianz SE, 2022)⁽⁷⁸⁾. At this rate, eleven major emerging markets - Argentina, Chile,

Colombia, Egypt, Ghana, Kenya, Tunisia, Pakistan, Hungary, Romania and Turkey - are jeopardized of a balance-of-payments (BoP) crisis, of which seven (Argentina, Egypt, Ghana, Kenya, Tunisia, Pakistan and Turkey) are speculated to have a swelling sovereign default risk (Allianz SE, 2022).

This has left central banks world over in a tight spot, who are wary of being labelled as currency-manipulators, like the US Treasury has done many times in the past. Albeit domestic pressure has led them to become forthright about this link between exchange rate and inflation (Pollard and Cherry, 2022)⁽⁷¹⁾. Never before seen spectres have emerged as the Swiss National Bank in a surprising move, raised its policy interest rate for the first time in 15 years, with a promise of further hikes if the inflationary pressure on commodities prices and services, that was previously impervious to supply chain disruptions resulting from the pandemic, sustains, (Revill and Koltrowitz, 2022)⁽⁷⁹⁾. Among its peers in the G-10 economies, the Japanese yen was the worst performer, which led to discontent among the Japanese households and companies who bemoaned the rising inputs and energy prices. This was obvious, since the yen depreciated as much as 20% against the dollar breaching a psychological level of 145. Therefore, in a decisive move, Japan directly intervened to prop up its currency for the first time since the Asian financial crisis in 1998, when the exchanged rate had peaked around 146. The move was crucial because its central bank raised serious questions about further deterioration by sticking to the ultra-low interest rates, when its global partners hiked. Being notorious for purposely weakening its currency to drive exports, the statement by the top currency official, Masato Kanda, to support yen was largely appreciated as evidenced by its exemplary performance within hours of the announcement (Mogi and Chen, 2022)⁽⁸⁰⁾ (Bloomberg, 2022)⁽⁸¹⁾.

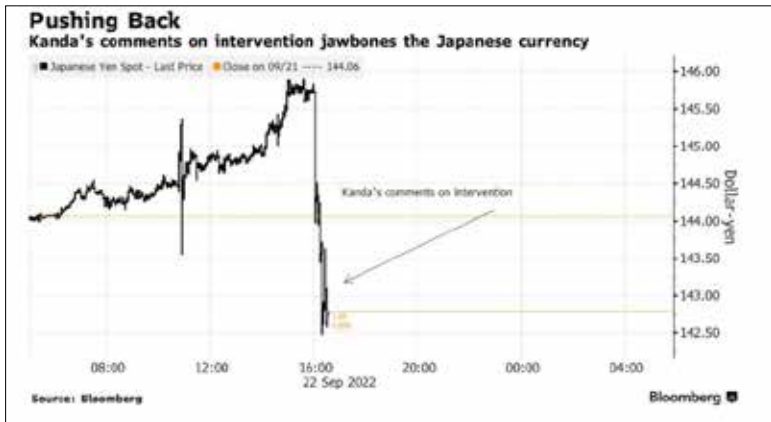


Figure 3.2a

Japanese yen recovers dramatically after announcement of intervention
 Source: Bloomberg (Mogi and Chen, 2022)⁽⁸⁰⁾

Further, European Central Bank official, Francois Villeroy de Galhau, said that a continuously weak euro would go against the ECB's price-stability objective. Meanwhile, Catherine Mann of Bank of England went as far as to highlight how a faster pace of quantitative tightening could support the pound (Pollard and Cherry, 2022).

While speculation is rife of the present currency market in many ways being reminiscent of a similar situation in the 1980s, leading to debates about a possible Plaza Accord style intervention to reverse this incessant dollar surge, there's little sign that such a solution will be forthcoming as the realities have drastically changed (Carson and Mohsin)⁽⁷⁷⁾, (Bhusari, 2022)⁽⁷⁰⁾.

3.3 What exactly is the Plaza Accord?

"The most imposing dictate of power can never effect anything in contradiction to the economic laws of value, price, and distribution; it must always be in conformity with these; it cannot invalidate them; it can merely confirm and fulfill them."

➤ **Eugen von Böhm-Bawerk (Stöferle, 2019)⁽⁸²⁾**

Before venturing into debates of the possibility of a Plaza Accord style intervention for the present exchange rate crisis, let's try to understand a similar line of event that happened way back in the 1980s that led to the then 5 major industrialized powers coming together for an unprecedented coordinated foreign exchange intervention, to undermine the value of a soaring dollar, culminating into a Plaza Accord, 1985.

Around four decades ago, in the 1980s. the US dollar had propped up significantly with no signs of respite, due to macroeconomic excesses (reasons explained in the subsequent section), against the most important currencies of that time. The surge was as high as 150% against the French franc, almost 100% against the Deutschmark, and 34.2% against the yen. The US Dollar Index, which is an index consisting of the major US trading partners that are weighted according to share of US trade, reflected this acute appreciation of the US dollar against these partners, a can be seen in the Figure 3.3a. (Stöferle, 2019)⁽⁸²⁾

As the crisis spiraled out of control, the exigencies forced the G5 leaders of the US, Germany, Japan, France and Great Britain, to meet in September 1985 at the Plaza Hotel in New York under the aegis of then US Treasury Secretary, James Baker, to coordinate their economic policies. Their joint aim was to shrink the current account deficit of the US, by jointly taking steps to weaken the overvalued US dollar. Additionally, to provide a booster to affected export industry of the US, America had urged Germany and Japan to strong-arm their domestic demand by expanding their budgetary deficit. Such an unparalleled teamwork was made possible when cooperation made sense. "Deviation from fundamental economic conditions" was cited as the rationale behind the joint initiative. The aim was to devalue the US dollar with

a 10%-12% target, relative to its September 1985 level, in the short term. The desired outcome was realized as immediately one week after the signing of the Plaza Accord, the German mark and the French franc gained 7.8 % each, the British pound 2.8% and the Japanese yen gained 11.8% against the US dollar.

(Check Figure 3.3a and Figure 3.3b) (Stöferle, 2019) At this point, it is important to indicate that the discussions around currency coordination that finally materialized into the Accord arguably started way back in 1982.



Figure 3.3a

Real trade-weighted US Dollar Index, 03/1973=100, 01/1980–12/1989
Source: Federal Reserve St. Louis, Incrementum AG (Stöferle, 2019)⁽⁸²⁾

Hence, you can see that the USD had started to correct its value against the aforementioned currencies even before the Accord finally came to fruition, as noted by a team of economists and strategists at Morgan Stanley (Check Figure 3.3a)(Chen, V., 2022)⁽⁸³⁾. By 1987, the intended objectives of the Plaza Accord were almost realized and the US government was not inclined towards a further weakening of the dollar. Hence, with the motive of stabilizing the exchange rates and checking the decline of US dollar, a second agreement, the Louvre Accord, was

signed between the previous partners in 1987 to partially reverse the policies undertaken through the medium of the Plaza Accord. As you can see from Figure 3.3b, after the Louvre Accord, all the currencies value started plateauing. Accordingly, all the monetary pledges were kept with a forewarning by all the G5 nations of intervening in case if their currencies deviated from a set range.



Figure 3.3b

USD exchange rate vs. DEM, FRF, JPY, GBP, 01/01/1980=100, 01/1980–09/1985 Source: fxtop.com, Incrementum AG (Stöferle, 2019)⁽⁸²⁾

However, the Plaza Accord was not without any ramifications as an unintended consequence of the Plaza Accord was it helped propagate the “Lost Decade” in Japan. The strong yen sent shockwaves across the Japanese export-based industries and in order to offset this, Japan took off a massive expansionary monetary and fiscal policy campaign to foster growth in the domestic economy. Unfortunately, this ended in an equally massive credit in Japan’s financial market and asset price bubbles in its real estate sector that continued through late 1980s. After the bubble burst, Japan experienced a prolonged period of deflation and low growth that lasted through the 1990s and 2000s. (Chen, J., 2021)⁽⁸⁴⁾

3.4 Plaza Accord 2.0, a pipedream

As observed by the narration of events above, the problems in currency markets facing us now are in many ways evocative of the situation in 1980s, however the solutions are unlikely to be. One cannot get past the fact that, in the medium to long term, exchange rates are mainly determined by market fundamentals, “exchange rates can change substantially only if underlying macroeconomic conditions (real interest rate differentials, trade and current account balances, the investment climate, and budget balances) change,” how powerful a government or how watertight an international agreement is, does not matter. (Stöferle, 2019)

If the two events are apposed for comparison, it is perceived that inflation was high, and some central banks shied away from hiking rates while others dared to do so. (Bhusari, 2022)(70). Bhusari notes that, “in both the early 1980s and early 2020s, major fiscal spending and rapidly tightening monetary policy generated conditions that facilitated a surge in the dollar’s value.” In the early 1980s, in order to stimulate the economy in the aftermath of the 1979 Oil crisis, tax cuts were implemented in the US to stimulate the economy by the government. To top it off, the Fed hiked interest rates to tame hyperinflation. But the situation was antithetical in other economies, as central banks in other major countries slashed were slashing their interest rates. Between 1980 and 1984, The Bank of Japan trimmed its policy rates from 9% to 5% and the Deutsche Bundesbank from 9.5% to 5.5%. In a similar fashion, as a pandemic response, Biden had undertaken similar expansionary fiscal policy under the “American Rescue Plan”. Later, an upward price spiral led Fed to deploy quantitative tightening monetary policies by raising interest rates. But the response by other central banks has not been in tandem with the

speed and extent of the Fed response. This led to a sharp demand for dollar and capital flight as a result of panic of an impending recession due to the dollar’s status of a safe-haven drew investors in droves. A comparison chart for both the time periods is given in Figure 3.4a. You can see a very similar pattern of other major currencies’ pitfall against the dollar in both the periods.

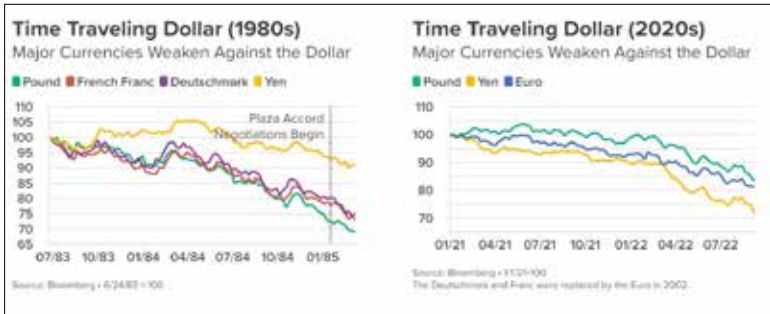


Figure 3.4a

Comparison chart of soaring dollar scenario for the periods 1950s and 2020s Source: Bloomberg (Bhusari, 2022)(70)

Presently, “dollar-vigilantes” or foreign central banks from Tokyo to Santiago are in near constant firefighting mode to assuage the effects of a strong greenback to their economies. “It’s an ‘every man for himself’ scenario right now because the world is much more fragmented today than in the 1980s. The chances of global coordination to weaken the dollar are close to zero expect to see more reverse currency wars” said George Boubouras, a three-decade markets veteran and head of research at hedge fund K2 Asset Management”. (Carson and Mohsin) We have also come a long way in terms of sheer size of forex trading nowadays compared to back in the 1980s. The balance of power has changed and now China has emerged as one of the largest trading partners of the US, the UK, Japan and the EU.

Earlier it was easier to achieve the desired objectives because of conformity of interests between the partners but today it is implausible to broker an agreement without an effective participation by China factoring its engagement in a larger share of trade with those countries. China certainly has no good reason for engagement, as the yuan is far from distressed levels that would coerce it at the negotiating table. Above all, there is a jarring absence of US' political will to correct an overvalued dollar. Even other original participants of the Accord are unlikely to comply as since 2013, the G7 has committed to no-intervention in currency markets, with a further reaffirmation of commitment in May 2022. "Dollar strength is a by-product of its tight monetary policy and efforts to weaken the dollar would be contradictory to its interest-rate and quantitative-tightening policies," remarked Jane Foley, a strategist at Rabobank in London. (Carson and Mohsin)⁽⁷⁷⁾ (Bhusari, 2022)⁽⁷⁰⁾

3.5 "The Volcker Shock" and an impending global recession

In August of 1979, as a replacement of William Miller, President Jimmy Carter had appointed Paul Volcker as the new Fed Chairperson. Volcker was renowned for his hawkish outlook among then members of the Fed committee. Due to a decade long of unceasing hyperinflation, in order to turn the tide, he quickly set about changing the course of US monetary policy. The "Volcker Shock" is shorthand for the rapid rise in interest rates, during the first three years of Volcker's term, precipitated by his decision to raise the central bank's key interest rate. This prompted a deep recession and joblessness and propelled debt defaults among developing countries that had borrowed in US dollars. This led to subsequent recessions in 1981-1982. (Statista, 2022)⁽⁸⁵⁾ (Mullins, 2019)⁽⁸⁶⁾ subsequent%20recessions%20in%201981%2D1982"

Even so, there is a catch. “If there is one obstacle to the Fed’s hopes to slay inflation (and also to the desire for the US to weaken its own currency), it’s the obdurate American consumer. Helped by a robust labour market and a formidable supply of pandemic savings and stimulus checks, they’re still spending,” remarked John Authers, a British financial journalist and finance author, who spent almost three decades reporting at the Financial Times, before moving to Bloomberg in 2018. But Luca Paolini, chief strategist at Pictet Asset Management quips that, “Inflation is rising more than incomes, and the savings that consumers accumulated during COVID are still high but declining. The outlook of the consumer is better than the outlook for businesses... but I think we shouldn’t overestimate the fact that the labour market is the last thing to drop. In every recession, the labour market is strong before it gets worse.” (Authers, 2022)⁽⁸⁷⁾

The signals are mixed but according to a Taylor Tepper, a Forbes advisor staff and an award-winning journalist covering personal finance topics, have devised a recession tracker that monitors 15 important economic indicators, with unequal weightage for each data point, in the US to check for the case of an impending recession and although the economy may not be officially in a recession at the moment, considering the results from the tracker, there are definite reasons to worry about one brewing in the foreseeable future. (Tepper, 2023)⁽⁸⁸⁾

In recent years, inversion of the bond yield curve has become a strong leading indicator for prediction of recessions, if such an inversion lasts for several months. As reported by Udit Misra, Deputy Associate Editor for Indian Express, that since the past few weeks of July, 2022, such inversion has been happening repeatedly in the US, indicating that a recession is in the wings. The obstinate

raising of short-term interest rates by the Fed, will further bump up the short-end of the yield curve while depressing economic activity. (Misra, 2022)⁽⁸⁹⁾

If the Fed doesn't stop its fixation of subduing interest rates with its rate hikes, there is a high chance that it may result into an iteration of the "Volcker Shock" in the US. As persistent higher rates will steadily result in more expensive mortgages, auto loans, credit card borrowing and business credit. This will restrain companies from making decisions regarding capital expansion and cancel new ventures and less consumer spending, ultimately leading to less inflation, but also slower growth. (Matthews, 2022)⁽⁹⁰⁾ (Rugaber, 2023)⁽⁹¹⁾

As if to fan the flames, the IMF and World Bank further corroborated that a global recession in 2023 is nigh. "We expect one third of the world economy to be in recession," as the US, EU and China see their economies slow, said Kristalina Georgieva, the IMF Head said on a CBS news programme. In October IMF had cut its previous growth outlook for 2023 (Tewari and Hoskins, 2023)⁽⁹²⁾. This was followed by World Bank when it slashed its economic growth projection for 2023 from an earlier 3% to 1.7% in January, 2023. Its downgraded projection adjustments for various regions are – 0.5% from earlier 2.4% for the US, 4.3% from 5.2% for China, 1% from 1.3% for Japan, and for Europe and Central Asia to 0.1 % from 1.5%. (Lee, 2023)⁽⁹³⁾

The following year is going to be bleak but the naysayers have been already jettisoning to sweeten the pill.

Chapter IV

Internationalization of domestic currencies

“The desirable goal of reforming the international monetary system, therefore, is to create an international reserve currency that is disconnected from economic conditions and sovereign interests of any single country.”

Zhou Xiaochuan, then PBoC governor in his speech titled ‘Reform the International Monetary System’ against the backdrop of the 2008 financial crisis (BIS, 2009)⁽⁹⁴⁾

Geopolitics and financial force majeure have impelled countries to work out ways to promote foreign trade in domestic currencies to save precious foreign reserves and save on transaction costs. A number of countries including China and India have been considering the use of their own currencies to circumvent US dollar’s hegemonic role in settling international transactions. In the words of Kanad Bagchi, Doctoral Research Fellow at Max Planck Institute, “International monetary and currency relations are among the most glaring manifestations of imperial power in contemporary society. Money is necessarily a crucial attribute of state sovereignty and yet power over money is not equally shared. As one moves from the (financial) Centres to the periphery, state control over money is significantly limited by the respective position within the hierarchy of the international monetary system,” (Bagchi, 2022)⁽⁹⁵⁾. The share of the US in the global economy has eroded from 40% to 20%, therefore it is illogical for the US dollar to represent two-thirds of all financial and trade transactions which is partially sustained due to geopolitics. This weaponization of the greenback disguised to fulfill its national security and foreign policy objectives, makes the adversaries and even some of its allies in the Middle East or in Asia for that matter, a tad bit queasy about that, commented Nouriel Roubini,

professor emeritus at Stern School of Business, New York University. (Sharma A. and ET Now, 2023)⁽⁹⁶⁾

The seeds were laid way back in the aftermath of the 2008 financial meltdown. Since then, it has been a major monetary policy objective of PBoC and China's Politburo to internationalize the Chinese renminbi or the 'redback' to create an international role for its currency equivalent to the role currently played by the US dollar (Brookings, 2015)⁽⁹⁷⁾.

4.1 Renminbi Rivaling the US Dollar

At this point, it is important to highlight few points from the book, *"Currency Internationalization and Macro Financial Risk Control"* (International Monetary Institute, 2018)⁽⁹⁸⁾ by the International Monetary Institute at Renmin University which is China's foremost think-tank on issues relevant to currency internationalization, currency flows, central banking and affiliated topics. The book published in 2018, presents for the first time in English, the Chinese perspective on internationalization of Renminbi as it collates expert opinions, research and risk assessments from within the Chinese financial policy establishment for this purpose.

Set in the backdrop of November 30, 2015, when the IMF announced the inclusion of Renminbi (RMB) into the SDR basket of currencies, which later entered into force on October 1, 2016, with a weightage of 10.92% in the new currency basket. Although it was a watershed moment that officially marked RMB's journey as a "freely usable currency", the Chinese policymakers were aware of the fact it wasn't the ultimatum. The final destination is to match the currency status with China's economic and trade status in the global stage. They note that to be the issuer of a major international currency a few conditions need to be met—the integrated economic strength, trade status, currency stability, and free movement of capital and macro-management capacity. Out of these, the first few factors

perform soundly in China but its macro-management that might plague the existing advancement in the long run as it affects other factors such as currency stability and free flow of capital.

In this context, the 'RMB Internationalization Report' themed at the topic of the book, carefully studies the macro-management issues and relevant macro-financial policy adjustments and the potential macro-financial risks setting the next stage for RMB internationalization. The report recommends the macro-prudential policy framework to be built keeping in mind the national strategic perspective, to stave off systemic financial crisis and provide an assurance for the steady growth of the Chinese economy with the RMB internationalization as the overarching goal. Keeping in mind that after its inclusion in the SDR basket, China has entered a sensitive climacteric of policy adjustments essentially in the macro-management area. Hence, it is imperative to not enforce the policy adjustments hastily; rather, the exchange rates and capital account should be liberalized only after the real economy, financial market and management departments are fully operational and perfectly willing. Thereby, transitioning the macro-financial policy mix from the existing "partial independence of monetary policy + managed floating exchange rate + limited liberalization of capital account" to "independent monetary policy + floating exchange rate + free flow of capital." (International Monetary Institute, 2018) ⁽⁹⁸⁾

Forasmuch as the sheer volume of global goods exported from China but are invoiced in USD, insofar would represent a considerable upgrade in China's standing in global trade. China has been pulling out all the stops to expand RMB use since the past decade and a half, like the ones discussed in the previous chapters. Plus, its creation of the off-shore renminbi (CNH), endeavors to augment RMB in trade settlements – from the issue of dim sum bonds to establishment of Free

Trade Zones. With ongoing multilateral initiatives like the RCEP and China's own BRI into the bargain in furtherance of promoting RMB in an unprecedented manner. (iBanFirst Blog, 2022)⁽⁹⁹⁾ Since China's capital markets are not open, RMB has different roles in domestic (CNY) and international markets (CNH). In consonance with Anthony Man's feature for Currency-cloud (Man, 2022)⁽¹⁰⁰⁾, "Using Hong Kong as an example, the offshore RMB (CNH) market is where the exchange rate floats freely (though this could change if there were regulatory changes in mainland China). There is no buying or selling restrictions. The CNH can be traded by Hong Kong residents, non-Hong Kong residents and some mainland China residents. The regulatory authority is the Hong Kong Monetary Authority." Additionally, between January 2009 and March 2020, China had signed currency swap agreements with 33 foreign governments. Other initiatives include allowing inbound and outbound FDI clearance in RMB and establishing the London as the biggest RMB trading hub outside mainland China. All these undertakings combined have tangibly improved RMB's international standing. (China Power Team, 2020)⁽¹⁰¹⁾

China's grandiose plan of the 21st century Silk Road alias, Belt and Road initiative has been largely the driving force behind the initial success of CIPS, its home-grown substitute for SWIFT, in countries associated with the BRI. This means that the crowning jewel is already contributing to RMB internationalization. There is further scope of penetration according to some Chinese officials who had recently in 2017 acknowledged that there were more than 50 BRI-linked economies with downwards of 5% proportion of renminbi usage in their cross-border transactions. Stronger economic association between China and BRI's participating economies could thrust the RMB to become the preferred currency choice for many BRI economies. (China Power Team, 2020)⁽¹⁰¹⁾

4.1.1 China's another strategic move with Project mBridge

Apart from the flagship BRI, in a calculated move, China has unleashed Project mBridge, with the grand scheme of connecting economies through Central Bank Digital Currencies (CBDCs). It is a revolutionary project implemented in collaboration with the BIS innovation Hub at the Hong Kong centre, The Hong Kong Monetary Authority, the Bank of Thailand, the Digital Currency Institute of People's Bank of China and the Central Bank of the U.A.E. The platform which is built by central banks is based on a new blockchain – the mBridge Ledger - to support real-time, peer-to-peer, cross-border payments and forex transactions using CBDCs. "It also ensures compliance with jurisdiction-specific policy and legal requirements, regulations and governance needs," as mentioned in the joint report by all the parties (BIS Innovation Hub, 2022)⁽¹⁰²⁾. So far, 20 banks in Hong Kong, mainland China and the UAE have used the mBridge platform involving 164 real corporate transactions payments and USD 22 million forex transactions. (Think School, 2022)⁽⁶⁰⁾ (BIS Innovation Hub, et.al report, 2022)⁽¹⁰³⁾ (BIS Innovation Hub, 2022)⁽¹⁰²⁾

4.1.2 Saudi considers pricing Chinese Oil Sales in yuan instead of US dollars

Saudi officials have been on and off in talks with China over yuan-priced oil contracts since the past six years but have put pedal to the metal this year with Saudi's growing discontent with US's lackluster attitude in its decades-old security commitments to defend the kingdom. This would be a profound shift considering the majority of the global oil sales are invoiced in dollars which is close to 80%. It is huge coming from the kingdom that has traded oil exclusively in dollars since Nixon administered a deal in 1974 with the Saudis in exchange for security guarantees. China had introduced yuan-oil contracts in 2018 in a bid to

internationalize RMB, but haven't been able to cut back on USD's dominance in global share. China has been courting the Arab nation since several years like helping Saudis build their own ballistic missiles, announced several joint nuclear programmes and began investing in the Saudi Crown Prince's pet projects such as Neom, etc. US' imports from the oil nation have fallen to less than 5,00,000 barrels a day as of December 2021 whereas China's oil imports have been swelling at the same time due to its expanding economy. (Said and Kalin, 2022)⁽⁶³⁾

However, this has been a bone of contention between Prince Mohammed's aides. Those against the move are wary about Riyal's peg to dollar that might rattle the economy for if millions of barrels of oil trade need to be converted from dollars to yuan every day. Plus, China's tight capital controls make it less appealing for international investors making the value of yuan less stable and unpredictable. They also warn about the possible risks of Saudi's revenues tied with the US treasury bonds and the lack of yuan's availability outside China. Conversely, those officials and economists in favour of the decision opine that it can lead to diversification of Saudi's revenue base that could in due course lead a repeg of riyal to a basket of currencies, in a similar fashion to Kuwaiti dinar. Others claims that the kingdom can use a portion of the revenues in yuan to repay Chinese contractors involved in massive domestic projects that could help avoid currency risks associated with a volatile yuan. It could also allow Saudis more bargaining power with the Chinese who can in turn offer multi-billion-dollar investments incentives to Saudi. A bonhomie between them can also assist in reducing Beijing's support for Iran. (Said and Kalin, 2022)⁽⁶³⁾

4.1.3 Renminbi internationalization is easier said than done

The biggest cause of deadlock for China is its immature financial market. Harsh capital controls are holding back

the potential of its financial market and restrict RMB's movement across the world. Despite easing some controls on capital and RMB exchange rate, China's capital account still remains one of the least open in the world. There are also apprehensions about exposure of China's real economy to greater volatility if all the capital controls are liberalized as it might trigger huge bouts of capital flows in and out of China specifically because of Beijing's impoverished financial system. (China Power Team, 2020)⁽¹⁰¹⁾

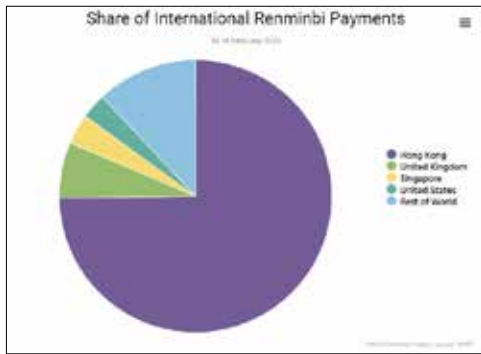


Figure 4.1.3a

RMB's share of international payments as of February 2020 Source: SWIFT and CSIS China Power Project (China Power Team, 2020)⁽¹⁰¹⁾

As a global financial hub, Hong Kong remains the chief constituent for RMB's internationalization and investor confidence on China's financial market (Check Figure 4.1.3a). Hence, increasing domestic turmoil and political instability in Hong Kong that led to widespread demonstrations could rattle the economy and expedited the decline in the RMB's share of global payments. Sustained political turbulence within the Asian financial powerhouse could tarnish the international stature of the RMB. (China Power Team, 2020)⁽¹⁰¹⁾

4.2 Russia pegs Rouble to Gold

In a clever mover, on 30th March, 2022, Russia decided to peg rouble to gold. This would immensely reduce dollar'

role on rouble and this is how Russia's plans to implement the plan. (5paisa Research Team, 2022)⁽¹⁰⁴⁾

1. Russia has fixed a price for exchanging rouble with gold at which it would be lucrative for Russian banks to carry out the exchange. Currently, it is fixed at 5,000 rouble for 1 gram of gold.
2. Russia will be insisting its partners to make energy payments in either rouble or gold. This will let Russia to increase its existing stockpile of gold and thereby enhance the value of Russian rouble.
3. Russia will eventually adopt the gold standard with the rouble becoming a sustainable substitute for gold at a fixed rate.

To materialize its objectives gradually, Russia has already EU to make payments for Russia's energy in gold or roubles instead of in dollars or euros, for all its future purchases. In the long run, Russia will become the biggest hoarder of gold since most of the European central banks have large reserves of gold in their vaults, which Russia has been eyeballing since a long time. Given EU's overdependence on Russia's energy imports, this could come at a huge price of the EU's economy, unless it reduces its dependence on Russia. EU countries have already started drastically cutting off their imports from Russia with their ambitious REPowerEU (it is European Commission's proposal to end EU's reliance on Russian fossil fuels before or by the end of 2023) and look for possible alternatives in the Middle East. Moving to a gold standard, would significantly erode dollar's international standing as some countries like China and those in the Middle East would be keen to shift too. (5paisa Research Team, 2022)⁽¹⁰⁴⁾

4.3 An opportunist India planning for Rupee internationalization

"Internationalisation would make domestic monetary policy more challenging but the alternative of compromising on growth by playing it safe is clearly not an optimal choice."

- **RBI Deputy Governor T Rabi Sankar, during a FEDAI event in Mumbai (RBI, 2022)⁽¹⁰⁵⁾**

4.3.1 RBI's Payment Vision 2025

On 17th June, 2022, RBI came out with “Payments Vision 2025” (RBI, 2022)⁽¹⁰⁶⁾ with the primary objective of providing every user with safe, secure, fast, convenient, accessible and affordable e-payment options. RBI and the Indian government have been taking several steps towards enhancing outreach, customer centricity, cyber security and digital penetration which would be further consolidated and built upon through the five goalposts of the Payment Vision 2025. The five anchors of the 2025 vision document are – “Integrity, Inclusion, Innovation, Institutionalization and Internationalization”. The documents further broaches that, “Payments Vision 2025 leverages India’s efforts and builds on the focus of G-20 to enhance cross-border payments by addressing the four key challenges of cost, speed, access and transparency. Given the dynamic space of payment systems in the financial services space, efforts shall be conditioned by developments and readiness of the ecosystem to accept and further these initiatives.”

The document further considers it opportune to showcase India’s accomplishments at the international arena, furthering increased engagement in discussions of global standard setting bodies, including interlinking fast payment systems with other jurisdictions with focus on proximate corridors. This could improve trade and commerce and lower expenditure associated with cash or near-cash substitute’s usage, thereby enhancing the digital payments share to GDP and improve transparency in transactions. For the purpose of this report, will be only focus on the internationalization segment of the vision document.

- **Active engagement and involvement in International for discussions of standard-setting bodies:** RBI has been representing India in various such global standard-setting organizations, viz. Financial Stability Board (FSB), Committee on Payments and Market Infrastructures (CPMI), etc. that are pertinent to payment systems and valuably contributing in working groups, task forces, etc. established for the purpose of enhancing payments ecosystem. RBI aspires to continue its meaningful involvement in such fora and assume a leading role in metamorphosis of payment ecosystems worldwide capitalizing on India's G20 presidency in 2023.
- **Globalizing the reach of UPI, RTGS, NEFT and RuPay cards:** RBI needs to actively promote such internationalization initiatives to expand the footprint of domestic payment systems by working jointly with Central banks of other jurisdictions, BIS, World Bank, other relevant stakeholders, etc. Exploring feasibility of settling transactions in major foreign currencies like USD, Pound, Euro, etc through RTGS through bi-lateral or multi-lateral arrangements. The viability of other central banks maintaining their current and settlement accounts with RBI in INR shall be explored to facilitate payments between these jurisdictions through Central Payment Systems (CPS). Call for action to emulate the Indo-Nepal Remittance Facility Scheme to extend cross-border remittance facilities to other countries.
- **Widen SFMS and INFINET frameworks across other sovereigns:** The Indian Financial Network (INFINET) is a membership-only Closed User Group network made up of the RBI, CPS (viz. NEFT, RTGS, etc.) member banks and other financial institutions. It delivers financial messaging services to all the RTGS participants through its Member Interface extension. Whereas, Structured Financial Messaging Solution (SFMS) akin to SWIFT,

is backed by the INFINET's communication medium. The document further mentions, "The feasibility of providing membership / technology of INFINET to other jurisdictions shall be explored. Further, it shall be explored to expand the framework of SFMS to provide a domestic payment system platform to other jurisdictions."

- **Two factor authentication for cross-border transactions:** To safeguard international transactions done using cards issued in India and promote user confidence in digital payments, implementation of Additional Factor Authentication for cross-border transactions shall be explored.
- **Solicit inclusion of INR in Continuous Linked Settlement (CLS):** CLS is a measure to address the Herstatt risk (the risk of loss in forex trading that results from the counterparty financial institution failing to transpire its end of the contract) in settlement of forex trades. Currently, CLS provides cross-currency settlement protection in 18 currencies and India's Clearing Corporation of India Limited (CCIL) is at the moment participating as a third-party member. "Internationalisation of domestic currency is gaining importance in recent times with many countries pursuing efforts in this direction. With excellent Financial Market Infrastructures (FMIs) already in place and deepening of forex and financial markets, a mechanism for international INR settlement through CLS Bank would help increase global acceptance of INR. RBI shall initiate dialogue for including INR as a currency in CLS," the document further notes.
- **Introduction of domestic and cross-border CBDCs:** The 2021 BIS Survey revealed that CBDC has been gaining popularity in recent years with 86% of the central banks

worldwide reviewing its feasibility for cross-border transactions as well as for domestic benefits. CBDC is also one of the prerogatives of G20 under its priority initiative to enhance cross-border payments. Hence, RBI has been working towards introduction of CBDC in India. (RBI has launched e-Rupee on December 1 but more on this on subsequent sections)

4.3.2 RBI's announcement allowing international trade settlement in INR

On July 11, 2022, RBI released a circular allowing trade settlements between India and other countries in INR. "In order to promote the growth of global trade with emphasis on exports from India and to support the increasing interest of the global trading community in INR, it has been decided to put in place an additional arrangement for invoicing, payment, and settlement of exports/imports in INR," to lay out RBI's statement verbatim International Trade Settlement in Indian Rupees (RBI, 2022)⁽¹⁰⁷⁾. As per the latest Triennial Central Bank Survey, the rupee accounts for a negligible 1.7%, underlining the need for a greater push towards rupee internationalization. (Madhusoodanan, 2022)⁽¹⁰⁸⁾

However, this is not the first time, RBI has allowed for international INR trade settlements. Previous examples include – Indo-Soviet Trade agreement of 1953, UCO bank functioned as the official payment bank for imports of oil settlements from Iran facing Western sanctions, fossil fuels imports and S-400 Triumf air defense system payment settlements with Russia on a semi-informal basis through rupee payments using Vostro accounts of Russian banks in India, in the aftermath of Crimean invasion, and the external commercial borrowings in INR through masala bonds, etc.

The RBI circular permits Authorized Dealers to open Special Rupee Vostro Accounts (SRVA) after prior approval

from the central bank. Such SRVAs would be opened in the corresponding banks of respective trading partner nation in India. The idea of trading In INR germinated in the face of sanctions imposed on Russia and the impounding of its forex reserve assets denominated in dollars. (Shah N., 2022)⁽¹⁰⁹⁾ As a further top up, the denial of SWIFT network to Russian banks meant the possibility of nearly \$500 million export payments due from Russia to India being blocked. In the context of the conflict, India increased its oil imports from Russia, and awaits delivery of sensitive military equipment from Russia. The conflict had caused capital flight from India along with a widening Current Account Deficit could have resulted in further downgrading of rupee against dollar. For this very reason, the Indian government had recently hiked import duties on gold and levied export duties on petroleum products.

While talking about advantages of rupee internationalization, RBI's Deputy Governor, T Rabi Sankar said that this will help reducing the need for holding forex reserves, which has been a cause of concern for stakeholders in recent months. In a distressed attempt to check rupee's record nosedive, RBI had to exhaust \$114 billion of its reserves since September 2021 to October 2022. He also added, "While reserves help manage exchange rate volatility and project external stability, they impose a cost on the economy...Assuming an interest differential of 2%, on a Reserve base of say USD 600 billion, the cost of reserves would work out to USD 12 billion, annually. This cost represents a transfer of income from India to AEs. Reducing the requirement of reserves would save some of this this loss of income." (AEs here presumably mean advanced economies) (ET Online, 2022)⁽¹¹⁰⁾ (FE Bureau, 2022)⁽¹¹¹⁾. Additionally, he declared that the Asian Clearing Union is also exploring a scheme to use domestic currencies for payment settlements.

Earlier Authorized Dealers (ADs) didn't need permission to open vostro accounts. But now RBI has mandated ADs to secure prior approval from the regulars to open Special Rupee Vostro Accounts (SRVAs). This is likely for RBI to understand which countries are showcasing interest in this mechanism and whether the accounts are being used for their intended purpose. (Kumar B., 2022)⁽¹¹²⁾ Under this mechanism, banks in India will open SRVAs (an account that an Indian bank will hold on behalf of another bank) of correspondent banks of the partner trading country for trading. Importers in India can make their import payments in INR into these accounts. These earnings received from Indian importer can then be used to pay exporters in India in INR. Unlike ordinary Vostro accounts, INR balances can be held in these SRVAs instead of them being only transit accounts like regular counterparts (Mishra, 2022)⁽¹¹³⁾. The trade payments are denominated in the currency of the importer, as one country will deliver goods/services and the other has to make the disbursements. Another advantage for Indian banks is that there is no currency risk involved for them. The foreign banks will take the currency risk every day. For instance, in case of the RUB-INR exchange rate changes, the profit/loss is borne by the Russian banks. (Shenoy, 2022)⁽¹¹⁴⁾

In case of countries with which India has a trade deficit, RBI has allowed the surplus rupee balances in these countries correspondent bank accounts in India, to be invested in Indian government securities to popularise the new mechanism (PTI, 2023)⁽¹¹⁵⁾. The exchange rate for such transactions will be market-determined and no interest will be paid on such holdings in these SRVAs. Advance payment to exporters in India is allowed on the condition that the fund is first used to clear payments for already executed export contracts or export payments in the pipeline (Financial Express-Print, Mumbai edition, 2022)⁽¹¹⁶⁾.

4.3.3 Steps taken to enhance the INR trade settlement

To encourage exporters to be ambitious, the new Foreign Trade Policy (2022-27), was expected to be released by the Director General of Foreign Trade (DGFT) by September end. The announcement is likely to feature a 'vision statement' laying a blueprint to increase India's contribution in world trade to 10% of total global trade by 2047 and 3% by 2027 from the present 2.1%. As per a presentation made by the Commerce Department at the recent Board of Trade meeting, other goals mentioned in the new FTP, to be achieved in the Amrit Kaal (period from 75 years to 100 years of India's independence) include, building 100 Indian brands as global champions, secure 10% share in creative economy and niche products, aiding setting up of economic zones globally outside India as an extension of 'Atmanirbhar Bharat' initiative and creating Customs 'ONE' to deliver import/export clearance within one hour of arrival at entry points/custom ports, etc. (Sen A., 2022)⁽¹¹⁷⁾

Nevertheless, the government had to extend the release of the new FTP for another six months w.e.f. October 1, 2022. The decision comes following the requests from Export Promotion Councils (EPCs) and exporters in the light of global uncertainties and currency fluctuations (Express News Service, 2022)⁽¹¹⁸⁾. Instead, on 9th November, 2022, the DGFT made amendments to the existing FTP. According to these amendments, exporters settling trade in INR will now be eligible for sops like access to export incentives or duty rebates. Prior to the amendment, incentives to exporters such as duty drawbacks, export promotion capital goods incentives and advance authorization scheme were available only if the export realization were in freely convertible currencies viz. USD, EUR, GBP and JPY. According to a study by Federation of Indian Export Organizations (FIEO), India's

apex body for trade promotion, this decision could increase India's shipments to sanction-hits hit Russia by another \$5 billion once the INR trade settlement arrangement becomes operational. (Anand and Seth, 2022)⁽¹¹⁹⁾.

4.3.4 The rupee settlement arrangement has been garnering positive response

A great deal of developing countries in Asia, Africa and Latin America are a hairsbreadth from severe currency crises with inexorable hard currency shortages and volatility. Higher imported inflation and rising interest rates are pushing these economies into a pitfall of stagflation (Madhusoodanan, 2022)⁽¹⁰⁸⁾. Accordingly, a number of countries grappling with forex deficit like Sri Lanka, Maldives, Nigeria, Zimbabwe, Sudan, Argentina, Bangladesh, Nepal, Myanmar, etc. have shown interest in switching to INR settlement with India (Sen A., 2022)⁽¹¹⁷⁾ (Pattanayak, 2022)⁽¹²⁰⁾. Apart from countries with hard currency shortages, other countries like Russia, UAE, Saudi Arabia, Cuba, Luxembourg, multiple South-East Asia nations, Tajikistan, and many others from Asia, Scandinavia and Africa have expressed their interests towards exploring bilateral trade through rupee payment mechanism. (Sen A., 2022)⁽¹¹⁷⁾ (Nandi, 2022)⁽¹²¹⁾ (Mishra, 2022)⁽¹¹³⁾ (Pattanayak, 2022)⁽¹²⁰⁾ (Sharma U., 2022)⁽¹²²⁾

India had reached out to Sudan regarding the rupee settlement mechanism. Sudan is yet to take a decision but if successful, India will be able to import crude oil from Sudan in return for payment in INR. This is crucial because until now, India has not been importing oil from the African nation and Sudan is India's 75th largest trading partner with whom India has a trade surplus and the total trade between the two standing at \$1.21 billion during 2021-22. (Nandi, 2022)⁽¹²¹⁾

In the middle of February, 2022, the Director General of Foreign Trade (DGFT) Santosh Kumar Sarangi disclosed

that so far 20 Russian banks, including Sber Bank, VTB, Gazprombank, Rosbank, Tinkoff Bank, Centro Credit Bank and Credit Bank of Moscow have opened Special Rupee Vostro Accounts (SRVA) with partner banks in India. He also added that all major domestic banks have shared a list of their nodal officers to sort out exporters' issues pertaining to these accounts (FE Bureau, 2022)⁽¹²³⁾ (PTI, 2023)⁽¹²⁴⁾ (Ghosh, Sa., 2023)⁽¹²⁵⁾. As on 21st December, 2022, 17 SRVAs were opened with 9 Indian banks viz. UCO Bank, IndusInd Bank, Union Bank of India, Canara Bank, HDFC Bank, Yes Bank, State Bank of India, IDBI Bank, Indian Bank, JSC VTB (India branch), Sberbank (India branch) (Nandi, 2022)⁽¹²⁶⁾.

Bangladesh has been considering currency diversification and other measures to prevent dollar shortage. In this context, a rupee loan line and rupee settlement for trade with Bangladesh is currently negotiation between both the countries. Accordingly, a bilateral loan denominated in INR can be used by Bangladesh to pay for its Indian imports. (Ghosh, Su. and ET Bureau, 2022)⁽¹²⁷⁾. Furthermore, under SAARC's Currency Swap Framework, RBI has signed a currency swap agreement with the central bank of the republic of Maldives i.e., Maldives Monetary Authority, to provide a backstop line of support for short term forex liquidity crunches. (Capital Market, 2022)⁽¹²⁸⁾

India has also approved Sri Lanka's request to designate the INR as a foreign currency. This will allow Lankans to hold \$10,000 worth of INR in physical cash. "Another significant development is that offshore banking units (OBU) of Lankan banks have been permitted to accept savings, time and demand deposits from non-residents. According to sources familiar with the development, all current account transactions including exports, imports, and remittances can be undertaken between Lankan residents and non-residents. Transactions between Sri Lankan residents can only be done through banking channels and only for permitted activities,

bankers said,” according to an article written by Manojit Saha for Business Standard. The neighbouring island nation has already designated 15 foreign currencies so far including US dollar, Great Britain Pound, Chinese Renminbi, Swedish Kroner, Swiss Franc and Thai Baht (Saha, 2022)⁽¹²⁹⁾. Sri Lanka has also asked RBI to aid and further trade as well as tourism in the SAARC region. (Sharma U., 2022)⁽¹²²⁾

India and UAE are also in the final run of technical discussions to finalize a Rupee-Dirham trade mechanism to build on their existing Free Trade Agreement-Comprehensive Economic Partnership Agreement - that was signed by the two countries in 2022 (Laskar, 2023)⁽¹³⁰⁾. Looking at the surge of interest for the INR trade settlement, Nouriel Roubini, professor emeritus at Stern School of Business at New York University, mentioned in an interview for ET Now that, “One can see how the rupiah could become for some of the trade that India does with the rest of the world, especially South-South trade could become a vehicle currency. It could be a unit of account, it could be a means of payment, it could become a store of value. Certainly, rupiah over time could become one of the varieties of global reserve currencies in the world.” (sic) (Sharma A. and ET Now, 2023)⁽⁹⁶⁾

4.3.5 Rupee-Rouble Mechanism

After the US cut off Russia’s access to the US dollar and EU banned Russian financial entities from using euro-denominated banknotes in the backdrop of Russia-Ukraine war, in order to continue its trade with Russia, India decided to revive the Rupee-Rouble mechanism that was previously adopted in 1953. The Rupee-Rouble (R-R) mechanism is an alternative payment mechanism to settle payments in INR to circumvent the use of the erstwhile US dollars or Euros. This idea was first mooted in 1953 after the two countries signed the Indo-Soviet Trade Agreement. The fundamental facets of the agreement included – participation only by the state-

trading units, previously agreed upon fixed exchange rates by trade partners, and the choice of offering credit by trade surplus countries to countries with trade deficit. During that time, Soviet Union's credit to India led to the establishment of the Bhilai steel plant, several industrial units, oil refineries and pharma companies which were all controlled by India's public sector entities. Post the dissolution of the Soviet Union, the agreement ended in 1991. (Sen S., 2022)⁽¹³¹⁾

Since the earlier protocol, India has come really far as today India's GDP as well as its credit rating is higher than Russia's (Shah N., 2022)⁽¹⁰⁹⁾. Possible advantages of the R-R mechanism are – depreciated rouble allowing for discounts and cost savings, saving transportation time with the use of multi-modal routes, trade expansion in sanctions-hit regions of Russia. Taking advantage of India's trade deficit with Russia and its cut off from Western countries, it can ask Russia to increase its imports from India for pharmaceuticals, electrical machinery and other country-specific requirements. (Sen S., 2022)

However, it is a double-edged sword, as rupee and rouble are both volatile currencies, willingness of the financial entities to conduct trade in INR especially with a sanctions-affected country, official concerns about the US' reaction for continuing the purchase of S-400 missile defence system despite its nod for the equipment purchase. Sunanda Sen further marks that, "Moreover, the deals between India and Russia, especially on oil, can be considered by the West as 'indirect back door support' — as India is importing Russian crude at 30% discount, processing at refineries in Gujarat which include Reliance, and then exporting those to the West. As reported by the Economic Times (June 13, 2021), such exports amounted to \$1.5 billion per day in May 2021. These companies are exporting to the West with 'robust refining margins', as Alex Lawson mentions in The Guardian

(June 22),” (Sen S., 2022). Not only that, Russia is unwilling to accept oil payments in INR for India’s crude imports as it is worried about mushrooming trade imbalance between the two countries. Moreover, Russia does not have the option to offload any surfeit rupee reserves from its trade surplus with India on to other economies as even they may not want to import much from India. Therefore, Moscow has demanded India to pay in either US dollars or euros and dirhams for its oil purchases (Perumal, 2022)⁽¹³²⁾ (BS Web Team, 2022)⁽¹³³⁾. Regarding Russia’s request to make payments in euros or dirhams, an official had told to ET that, “If we must replace the dollar, it should be the rupee. Why should we strengthen the euro or dirham?” As according to official sources, the US government is weighing on ways to block transactions in dirhams too. (BS Web Team, 2022)⁽¹³³⁾

On the Indian side too, banks, especially the giants, were previously hesitant to initiate the R-R mechanism with their correspondent banks from Russia for fear of attracting secondary sanctions from the West. Their apprehensions are valid as their trade with Russia is less than 2% of the total trade so they are unwilling to invite sanctions for such a meagre business with Russia. To relieve their grievances, RBI and finance ministry officials had a meeting with bankers in September 2022, wherein the government assured its support to banks and allayed their fears about possible sanctions. An FIEO official had divulged that, “We are expecting government to come up with a standard operating procedure to deal with the issues arising from the rupee trade,” (Vyas and Mathew, 2022)⁽¹³⁴⁾. In December, 2022, State Bank of India (SBI), India’s largest public sector bank, had changed its earlier stance to start facilitating rupee settlement with sanctions-affected Russia, in line with HDFC Bank. Before its arrangement with Russia, the RBI had previously allowed SBI to start INR trade settlements with Mauritius and Sri Lanka. To further

motivate banks, the finance ministry asked banks to only deal with their correspondent Russian banks untouched by sanctions and not blocked from the SWIFT network for carrying out the rupee settlement mechanism. In the same month, Russia had shared a list of hundreds of items such as auto parts, textiles, pharmaceuticals, chemicals, etc. with India's commerce ministry for Indian imports. The ministry had further forwarded the list to the concerned Export Promotion Councils and exporters and contemplate if they can make those shipments possible to Russia. (PTI, 2022)⁽¹³⁵⁾

4.3.6 India has its work cut out for Rupee internationalization

An internationalized rupee would make the domestic monetary policy more challenging and limit its ability to have fixed or highly managed exchange rate regime. Domestic currency may become extremely volatile responding to the sentiments of the Foreign Institutional Investors (FIIs). Currently, still plays a pre-eminent role in international trade settlement and it would be difficult to see an immediate erosion in this share anytime soon. This also due to the fact that generally central banks in developing countries debase their currencies at a faster rate. This explains the brisk devaluating in the value of rupee in recent decades against the currencies of the developed world. Thereupon, explaining the poor acceptability of the currency as a global reserve money. The problem of surplus rupee balances in the accounts of countries having a trade surplus with India may not be appetizing for such countries which may prevent them from considering such a mechanism. Also, India's financial markets currently lack the depth for its currency to become truly international. Promotion of rupee-based settlement must extend beyond trade to include financial markets and foreign exchange market for currency swap agreements should be further strengthened. Moreover,

stronger economic fundamentals, improved financial sector health followed by an ascending credit rating for the country can solidify the confidence in rupee and attract more global players. These nagging problems need to be solved with increased attention for India to realize its vision for a globalized rupee. (Madhusoodanan, 2022)⁽¹⁰⁸⁾ (ET Online, 2022)⁽¹¹¹⁾ (Perumal, 2022)⁽¹³²⁾

4.3.7 Rocketing affinity for UPI and usher in India's Digital Rupee

The Unified Payment Interface is among India's most successful of its digital adventures. India has processed 2.7 times more instant payment transactions as China and 6.5 times as many as the US, Canada, the UK, France and Germany taken together. UPI is India's most favoured digital payment system. It has been trying to grow globally and has previously collaborated with various entities in Japan, China, UAE and Nepal. NPCI International, a foreign division of its domestic counterpart NPCI (an umbrella organization for retail payment systems in India), has signed an MoU with Lyra Network, a French SNS platform, to adopt RuPay Cards and UPI infrastructure in the country. At the moment, payments made using UPI are accepted in Singapore, UAE, Bahrain, Saudi Arabia, Bhutan, Nepal, including Singapore, Malaysia, Thailand, the Philippines, Vietnam, Cambodia, Hong Kong, Taiwan, South Korea, and Japan (in partnership with Liquid Group). NPCI International is exploring to extend the reach of UPI services in West Asian and European nations. Discussions are currently underway in the US and on 4th October Oman formally joined the league of some of the predecessor Gulf Nations to adopt UPI and RuPay cards. Russia and Australia are also in advanced talks to integrate UPI into their respective national equivalents. (Janvi, 2022)⁽¹³⁶⁾ (Jayaprakash, 2022)⁽¹³⁷⁾ (ThePulseIndia, 2022)⁽¹³⁸⁾

On the other hand, on 1st November, 2022, RBI became

one of the first few major central banks in the world to start a pilot trial for its own Central Bank Digital Currency. On the said day, it notified the decision to launch the pilot project of the **e-Rupee or Digital Rupee** to be used in the wholesale segment for the settlement of government-securities. 9 major banks will participate in this experimental project viz. State Bank of India, Bank of Baroda, Union Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, IDFC First Bank and HSBC and the virtual currency can be used for person-to-person and person-to-merchant transactions. The e-Rupee is based on the block-chain technology, that RBI recognizes as a legal tender, is similar to the physical fiat currency that residents hold in their wallet with the exception that this e-rupee is held electronically in a digital wallet that is governed by the RBI. Because of being a legal tender, it cannot be refused by anyone in the country as a medium of exchange. However, unlike the bank deposits that accrue interest, the digital rupees in the e-wallet are not paid any interest by the RBI. These deposits held in banks can be free converted into physical cash anytime and vice-versa. (Perumal, 2022)⁽¹³⁹⁾

The benefits of the CBDC are a better store of value as fiat currencies steadily lose their value over time due to debasement by central banks. The digital rupee is also easier and cost-effective to produce in comparison to physical cash notes. Relative to physical currency, its digital form has a longer lifeline as it cannot be torn, burned or physically damaged. Above all, transactions conducted using digital rupees are easier to track by central authorities in contrast to offline transactions that reduce the volatility risk associated with other decentralized cryptocurrencies. (Perumal, 2022)⁽¹³⁹⁾

Then again, critics argue that the digital rupee has the potential to disrupt the banking system. There is a likeliness to convert the bank deposits into virtual currency during

periods of low interest rates. Such a shift can hinder the banks' capacity to create credit as the cash holdings of the banks diminish. An increased use of the e-Rupee can in the long run emancipate banks from having to maintain cash deposits before expanding their credit. Also, it grants unbridled powers to the central bank to monitor transactions. This could hinder economic growth if genuine economic activities are labelled illegal by governments (Perumal, 2022) ⁽¹³⁹⁾. Despite all the above, experts exude confidence about the recent decision and say that it can "catapult the national currency onto the global stage." Saket Dalmia, president of the PHD Chamber of Commerce and Industry, remarked w.r.t. (e₹-W) that India's G20 presidency can bolster the global efforts to accelerate cross-border payments and contour the global priorities and frameworks on CBDCs. (Kumar H., 2022)⁽¹⁴⁰⁾

4.4 Time is ripe for Petro Rupee

"The oil market, and by extension the entire global commodities market, is the insurance policy of the status of the dollar as reserve currency. If that block is taken out of the wall, the wall will begin to collapse."

Gal Luft, economist, co-director of the Washington-based Institute for the Analysis of Global Security who co-wrote a book about de-dollarization. (Said and Kalin, 2022)⁽⁶³⁾

Now that India has been manoeuvring into internationalization of its currency, there's no time like the present to take this journey forward, from transactional de-dollarization to a higher gear. It's time to get mileage out of negotiating future oil contracts in rupee, in other words, petro-rupee. Saudi Arabia is already in talks with China about servicing Chinese oil sales in petro-yuan. In the same vein, India should leverage on being the third largest oil consumer in the world and thus having a great bargaining power, to

propose the adoption of petro-rupee to its oil exporters. Capitalizing on its young populace, India's economy is set to grow manifold with a corresponding rise in energy demand hence India should use this fact as a trump card to bring its crude suppliers like Iraq, Saudi Arabia, Russia, the UAE, Nigeria and now Sudan to the negotiating table to discuss about rupee-denominated oil contracts. It is also important to note that the oil demand of the West has been flattening over the years, whereas it is definitely going to grow upwards for India. In its next leg, India can make a cogent argument to other oil suppliers like Indonesia, Oman, Qatar and Kuwait as India's energy market dilates. (Singh, R. and Singh, S., 2022)⁽¹⁴¹⁾

The current geopolitical crisis and expanding economy clout has ascended India's profile as a central figure, further enhanced with India's 2023 G-20 presidency. As India seeks a higher profile on the world stage, including in primary assemblages like the UN and the WTO, and in Bretton-Wood's offspring like the IMF and the World Bank, India postulates that these institutions represent an archaic world order. Hence, presses for revolutionary reforms to reflect the changed realities. This should hold true even for the global oil markets. To illustrate, the two widely popular oil benchmarks – West Texas Intermediate (WTI) and Brent – are representative of the oil grades produced in the US and the UK respectively. Gone are the days when the West was the major face in the oil markets. But that is no longer the case, China and India have surpassed these players in terms of their oil demands. For that reason, India should explore oil price discovery from Indian exchanges instead of the Western benchmarks. (Bhandari, 2019)⁽¹⁴²⁾ (Singh, R. and Singh, S., 2022)⁽¹⁴¹⁾

The paper by Amit Bhandari, Senior Fellow, Energy, Investment and Connectivity at Gateway House –'Petro Dollar. Petro Yuan. Petro Rupee?', makes a provocative case

for considering petro-rupee. Some of the key points made are as follows: (Bhandari, 2019)

- **Enabling factors for petro-rupee:** India straddles some of the important world's sea-routes that carries oil to three other major players in East Asia. Plus, its close proximity to the world's top oil exporters and its important position as one of the major exporters of refined petroleum products [especially in the current context when India's place in the global oil market is magnified for meeting West's twin goals of shrivelling Russia's energy revenue while simultaneously preventing a disastrous supply shock for oil (Chin and Sharma, 2023)⁽¹⁴³⁾], making it a suitable location for an international physical trading hub. India has also started investing in oil fields of some of the Gulf nations and some of them are investing in India's downstream energy infrastructure.
- When compared to China, India has relatively well-functioning and well-regulated financial markets without much heavy government interference. Also, India also doesn't hold a grip over its private sector, which now dominates several sectors of its economy, and most importantly, the rule-of-law is applied judiciously in India. On the commodities exchange front, these exchanges were well-functioning and the markets regulator, SEBI, has also removed all restrictions on commodity options.
- **Nonetheless there are a few hurdles:** As an oil consumer, India mostly has oil buyers and very few oil sellers. For an energy market to be successful, more sellers are needed. Unpredictable government interference in financial markets or with regulatory structure, to cite, Vodafone and Cairn India were sued in the retrospective tax cases filed against them – can keep away traders. India's oil and gas sector is

dominated by the public sector that have little incentive to use financial markets as they are naturally hedged. On the other hand, private players are more willing to use market mechanisms to hedge their risks.

- Presently, natural gas produced in India is earmarked to priority sectors like fertiliser and City Gas Distribution – and the price is not market-determined but is set by the government. A market cannot function without free pricing. Without a freely-convertible currency, it makes little sense for FIIs to participate on an Indian exchange due to complications with profits remittance. To back it, the trade for crude oil and natural gas is entirely speculative like in China.
- **The paper also provides following recommendations:** The first three prudent recommendations proposed are - inviting private participation in creating a Strategic Petroleum Reserve (SPR), using this to create a vibrant market in oil futures/options and introducing new products. These recommendations are highly achievable in case of India. The subsequent recommendations are - bringing in foreign players, reducing the role of government in the oil sector and hedging the government's risk from oil prices. The success of these recommendations is dependent on the achievements of the former in combination with a political will to execute the above.
- Comparatively open financial markets, rule-of-law and a credible oil benchmark in future are some of the arenas where India can outshine China.

Bhandari concludes by saying that, "If it does act (now), the petro-rupee could become a reality and India will take its rightful place as a leading player in global financial markets, alongside the petro-dollar and ahead of the petro-yuan."

Critical Analysis

The global headwinds, offshoots of global supply chain bottlenecks, Russian invasion of Ukraine, and a tsunami of Western sanctions coming close to the heels of a pandemic have reiterated the conviction that - Realpolitik is the need of the hour. A recalcitrant nation bringing us as at the brink of a nuclear warfare in this turn of the century has provided a hard learnt lesson that irredentist and nationalist ideologies of a few sitting in the Duma can spawn neo-imperialist tendencies even in these ultramodern times. The ferocity and speed of the Western backlash to this unprovoked invasion by imposing unprecedented sanctions on Russia, almost seems like we have entered a repackaged version of the erstwhile Cold War.

Whether the sanctions have been successful in bringing Russia and Ukraine to the negotiating table and collapse the Russian economy? At the time of writing this, it is already past a few days since the first anniversary of the war in Ukraine and the situation still remains indifferent with a few hits and misses on both sides but a large number of human losses for both the countries. Russia's economy has been surely dented but not to the extent predicted and expected by the West and its allies. But it won't remain the same in the long run because of the largest ever corporate exodus of more than 1000 foreign companies, leaving the ones still dilly-dallying about leaving or choosing to continue their operations in Kremlin with an ethical dilemma.

Many MNCs, especially from the pharma and food industries justifying their stay for humanitarian reasons and moral obligations to consumers and upholding their decision by donating profits to organizations supporting Ukrainians is a tone-deaf response and driven by profiteering (Karadima, 2022)⁽¹⁴⁴⁾. Since many of them are from Western origin, it clearly displays the hypocrisy of the West. From fear of inviting

secondary sanctions, many countries have also chosen to end their contracts with Russia, further handicapping its ability to manufacture without quintessential raw materials. Of course, Russia has also retaliated with threatening to cut energy supplies to countries that follow the G-7's price cap clause in their contracts. Ukraine is definitely bleeding but is continuing to defend its sovereignty with support from NATO's continued supply of arms and ammunitions. Russia has also pivoted to the East for its energy supplies and FDI requirements. China and India have emerged as the biggest beneficiary of this move due to receiving discounted oils from Russia and increased exports of these countries to Russia.

The evolution of sanctions shows mixed results about their effectiveness to exact relevant policy coordination from the targeted country especially if it is an adversary. Biden's prognosis that "this war could continue for a long time" (Chellaney, 2022)⁽³⁸⁾ is further backed by Chairman of the Joint Chiefs of Staff, General Mark Milley, "I do think this is a very protracted conflict, and I think it's measured in years. I don't know about decade, but at least years for sure" (Watson, 2022)⁽¹⁴⁵⁾. Keeping in mind the fallouts of the protracted war to both the developed and the developing nations although disproportionately, it is definite that "Ukraine fatigue will set in" in the foreseeable future (Chellaney, 2022)⁽³⁸⁾. Hence, just how India has been ingeminating since the start of the war, "dialogue and diplomacy" if not the only plausible solution, should still be definitely given a shot at the moment because we all know by now what the battle of "iron fists" has gotten us so far.

"To be an enemy of America can be dangerous, but to be a friend is fatal."

- **Henry A. Kissinger was referring to then president of South Vietnam, Ngo Dinh Diem, who was supported by the US and was later assassinated by his own military after the US removed its support. (Grey, 2022)**
(146)

The war has also magnified the woes of the developing economies who were already crippling even before the onset of the war, with many showing signs of a balance-of-payment crisis. Even including the allies of the US, despite flirting their way with US' foreign policy decisions are all the sore losers of this war because of a deepening energy crisis and growing public demonstrations day-by-day. To top it, the impounding of Russia's forex reserves by the West has shattered the confidence of the world due to the West's paradoxical move on its clarion call for a "rules-based order". Banning Russia from all the financial arteries of the world, has confirmed the weaponization of dollar due to its "exorbitant privilege", leaving other countries at the mercy of US' foreign policy objectives. The fear of secondary sanctions and an economic embargo has started the race towards de-dollarization. From China, Russia, India, Brazil, South Africa, Caucasus and Central Asian region, ASEAN nations to even the EU, everyone is accelerating the gear to decouple from an overly-dependent dollar. BRICS as a coalition has achieved tremendous progress in this direction, individually as well as in the form of inter-linkages of various initiatives between the member countries. Further, a lot of countries are showing their interests to join the BRICS and SCO which are generally considered to be the counterweights of the NATO. BRICS' brainchild NDB and CRA were conceived to be alternatives of the World Bank and the IMF, resulting out of the frustrations of the BRICS members being unable to reform the Bretton-Wood brothers.

The unrelenting strengthening of the US dollar since 2021, exacerbated by the Fed's subsequent rate hikes to tame

record-levels of inflation, an aftereffect of an expansionary monetary policy by the US government to recover from pandemic, sent shockwaves across the world. As other economies were not quick enough to tighten their monetary policies after a period of following an accommodative stance to rebuild their economies crimped due to COVID-19. This led to all these currencies plummeting against the dollar at a faster pace, making imports of already inflated food and commodities rise to exorbitant levels. These also led to the fast depleting of precious forex reserves and higher debt-servicing obligations for debts denominated in US dollar. In a desperate move, central banks worldwide started hiking their interest rates to buttress their currencies against a sweetening dollar echoing the drumbeats of a “reverse-currency war”. Drawing parallels to a similar event in the 1980s, when dollar had peaked to historic highs ultimately leading to an unprecedented coordinated foreign exchange intervention by then G5 economies – the US, the UK, France, Germany and Japan – who signed the Plaza Accord, 1985. Those reminiscent of the 1980s are now speculating about a possible Plaza Accord style intervention to mend the current surge of dollar value.

However, the realities have changed and China is now the largest trading partner for all the original participants. Without China’s will, nothing can be materialized. But China has little incentive to do so as its RMB has not depreciated to an alarming level for it to be coerced at the negotiating table. A continued absence of US’ political will and other original participants due to their commitment to non-intervention in the currency market makes the chance of a global coordination to weaken the dollar next to zero. The obdurate consumer spending and labour market strength has made the task of the Fed to curb inflation within the desired levels even more difficult. With the situation not improving, the Fed is headstrong about continuing the rate

hikes even in 2023 with a renewed vigour raising fears of an iteration of the “Volcker Shock” (a period of expeditious rise in interest rates followed by subsequent periods of recession in 1981-82) in the US. IMF and World Bank’s global economic outlook for 2023 is also bleak and testified that a global recession is nigh.

Along with dollar deterrence, the trend for internationalization of currencies is also in vogue against the backdrop of the Russia-Ukraine war. All in order to diversify the currency risk exposure, circumvent the risk of secondary sanctions with belligerent nations, save transactions costs and invaluable forex reserves. Since the aftermath of the 2008 financial crisis, China has been taking steps to internationalize Chinese Renminbi (RMB). From including it in the SDR basket in 2015 to focusing on macro-management issues and relevant macro-financial policy adjustments. Insofar, it has established an offshore renminbi market in Hong Kong, issue of dim sum bonds, establishment of FTZs in mainland China, constituting London as the biggest trading hub for RMB, signing currency swaps agreements with 33 countries and multi-lateral initiatives like the RCEP, m-Bridge prototype for connecting economies through CBDCs and promoting RMB penetration through BRI. Saudi is also in talks with China to sell oil in petro-yuan for Chinese oil sales. However, the stringent capital controls and lack of financial markets depth and maturity and a highly managed currency with in general impoverished financial system have limited the pace of RMB internationalization. In a strategic move, Russia pegs rouble to gold at a fixed exchange rate and has already asked EU to pay for its energy imports in either rouble or gold. This might lead to hoarding of gold reserves by Russia since the European central banks have large reserves of gold in their vaults. Unless EU reduces its dependence on Russian energy, for which it has already taken steps in the form of an ambitious drive to REPowerEU

and looking for substitutes in the Middle East, the doom of EU's economy is confirmed.

Another strong contender is India that had recently announce INR trade settlement mechanism to continue trade with Russia. Following the Rupee-Rouble mechanism, many countries have been enthusiastically welcoming RBI's decision and are in talks to benefit from the same. Specifically, countries facing a severe forex shortage might see this as a light at the end of the tunnel. RBI's Payment Vision 2025 also provides a roadmap for further internationalization of rupee. Export sops have been extended to such INR trade settlements to encourage exporters. Nevertheless, large banks having limited business with Russian correspondent banks compared to the West, have been reluctant to open Special Rupee Vostro Accounts in apprehension of inviting sanctions. Also, Russia has refused to accept payments for Indian energy imports in rupees due to problem of surplus rupees. Although, RBI has allowed for investing of surplus rupee reserves in Indian government-securities. To further motivate exporters and banks, awareness programmes have been conducted to redress their grievances and Indian banks have been strictly asked to deal exclusively with Russian banks untouched from sanctions. Moreover, the increasing popularity of UPI overseas and the launch of a pilot project for RBI's own e-Rupee or Digital Rupee for wholesale settlements of G-secs will stimulate the adoption of rupee internationally. Time is of the essence to contemplate the launch of petro-rupee due to a lot of enabling factors especially India's bargaining chip due to it being the third largest consumer of crude and one of the largest exporters of refined petroleum products. A comparatively open financial market, rule-of-law, less government interference, a credible and representative new oil benchmark in the future and proximity to West Asia in comparison to China should motivate the regulators to introduce petro-rupee.

Conclusion

“Geopolitical manoeuvres by world powers have further aggravated the Ukrainian crisis.

➤ **An editorial for Economic & Political Weekly in 2014 had noted.** ⁽¹⁴⁷⁾

At this point, it seems beneficial for Russia along with other initial members of Minsk Agreement to come to the table and undo the damage propagated by them and to halt Ukraine’s annihilation and particularly, the developing economies worsening quandary who have been forced to bear the brunt of something they never indulged into. In a recent interview for Germany’s Zeit magazine, former German Chancellor, Angela Merkel divulged that the Minsk agreements were an attempt to “give Ukraine time” to build up its defences (Hildebrandt and di Lorenzo, 2022)⁽¹⁴⁸⁾ which was further echoed by Ukraine’s ex-President, Petro Poroshenko in an interview for Financial Times (Reed, 2022)⁽¹⁴⁹⁾. To which in a smouldering riposte, Putin retaliated that Russia would likely have to negotiate about Ukraine in the future, but felt betrayed by partners who cheated in the past (Reuters, 2022)⁽¹⁵⁰⁾.

Time and again, the West have entered and created proxy wars and meddled in domestic politics of other countries to advance their political objectives (Singh T., 2022)⁽¹⁵¹⁾ (Chiacu and Mohammed, 2014)⁽¹⁵²⁾ whereas, a recalcitrant Russia has been annexing territories portending to an imperialist logic and a hostile China in the Indo-Pacific needs to be controlled. The actions of a handful countries who are also among the P-5 nations of the UNSC, having unbridled veto powers, point to a grave problem of failure of global institutions, like the UN, formed for the sole purpose of upholding international peace and security. It is because of the quagmire hierarchical structure that is barely representative of all the nations on this planet. Even in the

midst of a full-blown pandemic, the UN failed to prevent the Armenia-Azerbaijan dispute. (Singh T., 2022)⁽¹⁵¹⁾

“There is no alternative to the UN. It is still the last best hope of humanity.”

Kofi Annan, former UN Secretary General in 1997, in his address to the UN staff (UN archives, 1997)⁽¹⁵³⁾

Hence, structural UN reforms are needed to increase representation beyond the current 15 member-council to allay concerns of the Global South that the UN is being governed by a tinge of colonial mind-set (Singh T., 2022)⁽¹⁵¹⁾. Also, the relevance of NATO as a military alliance needs questioning. NATO has been adding fuel to the ongoing fire raging in Ukraine. Leaders of NATO countries had several times in the past decried that it would not extend an inch eastward. However, the promise was broken which became a convenient excuse for an ultra-nationalist Russia to invade Ukraine. This constant fear mongering by an obstreperous Russia would keep influencing its neighbouring ex-Soviet nations to join NATO like Ukraine or even like some erstwhile neutral spectators viz. Finland and Sweden who have recently joined NATO after the Russian aggression. This would also increase militarization going forward and countries would increase their defence budget that could have otherwise been apportioned to other important developmental expenditures. As this article (Lalitha, Nair and Kumar, 2022)⁽¹⁵⁴⁾ rightfully points that, “NATO’s expansionism, seen as an aggressive act by Russia, threatens to derail the cooperation of Russia with the West and further push the country towards China, which is a threat to the US hegemony in the Asia Pacific or countries like Iraq, Syria, and North Korea, further destabilising global order. Whether it is the Russian invasion of Georgia, the annexation of Crimea, or the recognition of Donetsk and Luhansk, the role of NATO in provoking action cannot be ignored. NATO has become a flashpoint in several

conflicts in Eastern Europe. It is time to recognise its non-relevance in the present global order and dismantle it to maintain peace and security in the world.”

Another important issue that points consideration is diversification of the international monetary system to become inclusive. (Shagina, 2022)⁽¹⁵⁵⁾. Since the world is increasingly adapting to multi-polarity, it is important to reflect this multi-polarity even in currency markets. The pushback against dollar is aggravating because of overuse of sanctions and in the long term, financial decoupling will definitely precipitate in the countries ensconced in the de-dollarization movement like Russia, China, India, Iran, Turkey, Venezuela and Saudi Arabia. A salient point is made by this article that “The international financial system is likely to undergo fragmentation in line with the dynamic of a multipolar world order. It can be structured around rival blocks, in which the use of currency is determined by geopolitical alignments, not economic considerations.” It is noteworthy that India’s quest for INR trade settlement and ultimately to transactional and financial de-dollarization is not a fight or flight response triggered by geo-economic ambitions but rather by an imbroglio of economic sanctions. It is manifested to create a multi-polar, inclusive and sustainable global order for both the developing and the developed. (Singh, R. and Singh, S., 2022)⁽¹⁴¹⁾

The conceptualization and implementation of sanctions also warrant a relook. A commonly accepted framework for sanctions as mentioned by (Luthra, 2022)⁽⁸⁾, could be the first step in this direction. Sanctions need to be carefully designed to minimize their fallout on the sender countries and those not included in the war that would otherwise have to bear the consequences of such ill-implemented sanctions like the Global South and the developing world in the current circumstances (Luthra, 2022)⁽⁸⁾. To conclude,

“The world is at a crucial juncture today, and the future will be determined by our ability to construct a more inclusive global system.” (Singh T., 2022)⁽¹⁵¹⁾

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The Future of India- Middle East Relations

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Abstract

The Middle East is currently experiencing previously unseen political shifts. With America involving itself less in the region, and China's entry into it, the winds are shifting from the unipolar American dominance of the past two decades. Alongside this, Iran has emerged as a major regional power through its extensive influence through proxies and allies. In these circumstances, India must formulate a future that both can use these opportunities, and also avoid these changes negatively affecting its energy security and strategic interests. This report through research and analysis aims to formulate what that future can be. This report also aims to analyse India's existing relationship with the Middle East. It looks at India's partnership with Israel as well as its relationship with Iran.

Through the research this report concludes that India must be more proactive in the region and should focus on preserving its energy security, increasing economic and defense ties, and providing a diplomatic role as a neutral mediatory state. It should focus on maintaining and increasing its ties with Israel while remaining neutral on Palestine. Regarding Turkey India should maintain a

carrot and stick approach to avoid negative relations. India should use humanitarian aid in Syria and Turkey in its diplomacy to gain goodwill in the region. India should make sure that it does not allow China to completely take control of the vacuum left by America, instead providing a diplomatic alternative. North Africa for India represents a major potential for investment in technology and education which should be promoted, focusing on Egypt, Morocco, and Algeria. India's future in the Middle East should rely on energy security, soft power, and defensive partnerships.

Glossary

GWOT - Global War on Terror

UN - United Nations

KSA - Kingdom of Saudi Arabia

IRI - Islamic Republic of Iran

IRGC - (*Islamic Revolutionary Guard Corps of Iran*) - A branch of the Iranian military whose task is to protect the Islamic Revolution.

Quds Force - Branch of the IRGC whose task is to operate Iran's extraterritorial military and intelligence operations.

Artesh - (*Islamic Republic of Iran Army*) - Iran's Conventional Military

Sepah-e-Pasdaran - Farsi name for the IRGC

Axis of Resistance - (*Mehvar-e-Moqavemat*) - Iran's alliance of states and proxies around the Middle East such as Syria and Hezbollah.

Hezbollah - (*Party of God*) - Lebanese Shia Islamist militant and Political Organization aligned with Iran.

Houthis - (*Ansar Allah*) - Yemeni Insurgent Organization widely seen to be an Iranian Proxy.

SAA - (*Syrian Arab Army*) - Armed Forces of Syria

Hashd al Shaabi - (*Popular Mobilization Forces*) - Coalition of Iraqi mostly Shia militias aligned with Iran.

SDF - (*Syrian Democratic Forces*) - Predominantly Kurdish, Arab, and Assyrian militia coalition in Northern Syria.

YPG - (*People's Defense Units*) - Kurdish militia, the main member of SDF.

Peshmerga - Iraqi Kurdish Militia.

IDF - (*Israeli Defense Forces*) - Israel's Army

Mossad - Israel's External Intelligence Agency

De-Ba'athification - Policy enacted by the American's in

Occupied Iraq which removed and blocked any members of Saddam Hussein's Ba'ath Party from holding any government job.

Saudi ARAMCO - (*Saudi Arabian Oil Company*) - State-Owned Oil Company of the Saudi Arabian Government.

GNU - (*Government of National Unity*) - UN Recognised Government of Libya in Tripoli

Hamas - Militant Islamist Palestinian Organization proscribed as a terrorist group by Israel, The United States, and others.

Izz ad-Din al-Qassam Brigades - The Military Wing of Hamas, proscribed as a terrorist group by the European Union, the United Kingdom, Australia, and New Zealand.

Fatah - The Primary Social-Democratic Palestinian Nationalist Group in the PLO led formerly by Yasser Arafat.

PLO - Palestine Liberation Organization

PNA - (*Palestinian National Authority*) - The Authority administering parts of the West Bank, controlled primarily by Fatah.

GNA - (*Government of National Accord*) - Faction in the Libyan Civil War.

POLISARIO - (*Popular Front for the Liberation of Saguia el-Hamra and Rio de Oro*) - Nationalist Movement in Western Sahara fighting against the Moroccan Army.

SADR - (*Sahrawi Arab Democratic Republic*) - The name claimed by the areas in Western Sahara that the POLISARIO controls.

GCC - Gulf Co-Operation Council

CHAPTER - I

Introduction and Literature Review

1.1 Introduction

If there is one region that has geopolitically defined the 21st Century, it is the Middle East. The region has consistently seen conflict, instability, and the actions of foreign powers like the United States and Russia. With the Global War on Terror, (GWOT) declared in 2001, foreign involvement and instability in the region grew even more so. Today, the Middle East stands in a flux, with multiple conflicts raging on, and with foreign and domestic actors attempting to establish hegemony over the region. The region is entering a new phase that has come as a consequence of the events that have happened in the early 21st century. Even though the eyes of the world recently have drifted towards Europe, the Middle East still stands as an important region that affects the whole world, and that which any geopolitical analyst cannot ignore. As the world and especially the West is focusing on Ukraine and Europe, the Middle East has become an unstable battleground for competing local actors and has seen the rise of new more powerful states. It is imperative for India to not ignore developments in the region.

This report attempts to provide an overview of how India can potentially work geo-politically and diplomatically in the Middle East. It also intends to look into the factors and circumstances that have led to the current regional order in the Middle East, and also how India can either capitalize on local developments or at the least keep their presence in the region adequate.

For the sake of Research, this report will use the terms Middle East and West Asia interchangeably. It will consider

the Middle East as not only the general geographical region but also the geopolitical groupings which extend culturally and politically outside it including the MENA (Middle East and North Africa) region also called the Maghreb, along with Turkey and in certain cases Sudan and the Horn of Africa. This is because these regions, although not directly a part of the Middle East, are geopolitically interlinked to it and hence they should be looked at together.

1.2 Literature Review

Hezbollah: A Short History, by **Augustus Richard Norton**, provides an informative look into the origins of Hezbollah as well as their development into the current organization that holds major control over Lebanon. It delves into Hezbollah's position in Middle Eastern politics, as well as their relationship with Iran. It particularly gives a view into Hezbollah's relationship with the IRGC. Norton gives an idea that Hezbollah is a strong military and foreign affairs tool for Iran which it has been cultivating since the 1980s. He also gives an ideological background of the Shia Internationalist movement which unites Iran and Hezbollah, and how this impacts their modern political leaning. He also delves into their relationship with Israel, and how Hezbollah is among Iran's ways of more closely combating Israeli interests, from the very beginning of Hezbollah's formation during the Israeli occupation of Southern Lebanon.

Two books written by **Patrick Cockburn**, "**The Rise of the Islamic State**", and "**The Jihadis Return: ISIS and the new Sunni Uprising**", provide a deep and enlightening look into contemporary politics in Iraq, Syria, and to an extent Lebanon. They provide the thesis, that the current political setup of both Syria and Iraq, resultant of the rise of ISIS and its subsequent downfall through Iranian and Russian support, is the culmination of events started by America's 2003 invasion of Iraq and the toppling of the Saddam Hussein

regime. The author states that major events today including Iran's rise and the situation in Iraq and Syria are resultant of the chaos and power vacuum caused by Saddam's downfall and the failure of the Americans to create a stable regime in Iraq. According to the author, specific American policies such as De-Ba'athification and the disbanding of the Iraqi army led to major instability in Iraq and by extension the region, providing fuel for insurgency. He also attributes the polarization of sectarian politics and identity on a smaller level to the actions of the American "rebuilding" of Iraq which was not received well by Sunni who were comparatively neglected by the new Shia-dominated government supported by the Americans.

The book, **"The East Moves West: India, China, and Asia's Growing Presence in the Middle East"**, by **Geoffrey Kemp** provides valuable insight into China's interests and India's relationship with the region in the past.

"India's Israel Policy" by **P.R. Kumaraswamy** gives a rundown of India's past relationship with Israel and hence its stance on Palestine. It provides context to India's movement towards Israel in previous decades as well as the drastic change from post-independence perceptions of the Zionist state.

Two documentary news films by **Vice News** were used for their value in interviews and live footage. These are **"Inside the US-Iran Shadow War for Control of the Middle East"**, and **"The Islamic State and Hezbollah Fight for Lebanon."** The interviews in the first film especially with Hussein Amir-Abdollahian (Foreign Minister of Iran), and Hadi Al-Amiri (Iraqi Member of Parliament, and high ranking leader in the PMF militias).

Along with these, multiple research reports, news articles, and similar resources were used which are mentioned in the references.

1.3 Research Methodology:

The Research conducted for this report will be qualitative in nature, relying mostly on research articles, news reports, editorials, published books, etc along with some official statements. It will also utilise information from interviews from news and documentaries. The main method of research will be qualitative with analysis and conclusion playing a major role. It will also utilise comparative analysis.

1.4 Research Questions:

The Questions this report will mainly aim to answer are:

1. What are the drivers of India's relationship with the Middle East?
2. What is the future of India's relationship with the Middle East?
3. What policy should India aim for with regard to future diplomacy in the Middle East

Chapter II

Navigating the Iran-Saudi Arabia Cold War

2.1 Introduction

The contemporary Middle East, especially after the Arab Spring has been heavily dominated by the growing proxy conflict between Iran and Saudi Arabia. These two countries jostling for regional hegemony have gotten involved in multiple proxy wars in Syria, Yemen, Lebanon, and to an extent Libya. Both nations claim the title as the military, political, and religious leaders of the Islamic world in different ways. This has put them at odds with each other.

Alongside this, there is also a religious angle which pits Saudi Arabia which sees itself as the leader of the Sunni world against Iran which sees itself as the leader of the Shi'a world. Many of the proxies across the Middle East are divided along these sectarian lines with Saudi Proxies often being Sunni and Iranian ones, Shia. Many of the Gulf countries such as the UAE and Qatar are influenced by Saudi Arabia which is in many ways *primus inter pares* among them.

For India, this creates a major dilemma. India has had a long and historic relationship with Iran. Until recently, Iran was one of India's largest suppliers of oil, as well as being historically the most positive among Middle Eastern nations. On the flipside, Saudi Arabia has been a long term Western Ally, which brings pressure from the West to favour it over its adversary. Alongside this, India has large amounts of migrant workers in Saudi Arabia and its allied states such as the United Arab Emirates (UAE), Qatar, and Bahrain. Along with this, since India stopped relying on Iranian oil it has had a major economic relationship with the above countries by buying oil from them instead. Iran has since been heavily

lobbying India to ignore Western sanctions and start buying their oil again.

This has put India in a position of dilemma, not wanting to choose a side in this conflict. Iran has increasingly alienated the West and most of the region having to rely on Russia and China for support. Iran's relationship with China also strains Indian views on it. But in contrast to this, the Gulf monarchies have historically been supportive of Pakistan and skeptical of India. While in recent times, this has lessened in the face of Realpolitik, India has to choose between historical ties with Iran which would alienate itself from the West, Israel and the Gulf monarchies, or to take a new but untested relationship with the Saudi Arabia and the Gulf states, with the potential for better relations and support from the West.

If India wants to maintain an effective diplomacy in the region it cannot ignore the Cold War between these two countries and their proxies. Especially as now both Iran and Saudi Arabia move closer towards China.

2.2 The Pros and Cons

There are benefits and detriments for India to choose either side

As mentioned before, partnership with the Islamic Republic of Iran brings a historically reliable relationship but at the cost of losing much support from the West and other nations. It would also hamper Indian relations with Israel, a major enemy for Iran. Along with this, Iran has not been completely supportive of India. Due to its religious theocratic ideology, the Supreme Leader of Iran has many times spoken in support of Pakistan on the Kashmir issue and Iran's support for radical Islam abroad threatens India too in the long run. As Iran stockpiles more Uranium and enriches it, it gets closer to developing a nuclear weapon.

This has alarmed many in the West and across the Middle East Supporting Iran in the region would mean tacitly if not implicitly supporting this. This would heavily alienate India from valuable allies such as Israel. Alongside this, Iran has also lost much foreign goodwill through its violent suppression of Women's Rights protests. To top this off, Iranian-made missiles and drones have been used by Russian forces invading Ukraine. This has made Iran a pariah in the eyes of the West and a large component of West Asia. Resuming Oil trade with Iran or supporting it on a proxy issue would cause major problems for India with the west and Israel whose support it requires for multiple reasons.

Backing the Kingdom of Saudi Arabia (KSA) in this cold war has its own issues as well. While supported by the West, Saudi Arabia and the Gulf monarchies have their own issues with human rights and radical Islamic terrorism. Historically, these countries have been pro-Pakistan on issues such as Kashmir. This leaves India at a position of historic suspicion and coldness regarding Saudi Arabia. Saudi Arabia's support of Zia Ul Haq, the military dictator of Pakistan who vitalized radical Islamic insurgency in Kashmir has also left past relations rough. In recent times, with India having to cut off Iranian oil supplies, and Saudi Arabia more focusing on realpolitik as opposed to religious ideology in diplomacy, a better relationship has formed between both countries but it is untested. This has coincided with the Kingdom improving ties with Israel, a longterm collaborator of India. While Saudi Arabia has drifted away from USA and the West, between it and Iran, it still stands as the West's choice. Improving relations with the KSA would be received positively by the West but further cooperation with it would be a gamble. Especially when the Kingdom has not explicitly made steps to deal with the proliferation of radicalization through it and its citizens.

Alongside this there is a large factor, i.e the Indian migrant population of Saudi Arabia. As of 2019, there were 312,918 Non-Resident Indians in Saudi Arabia. This large migrant population plays a major role in India's policy towards the country. They earn there and remit money as well as taxes to India. Alongside this, they enable trade between both countries. This has made relations between both countries better and worse at times. There have been conflicts over the treatment of these migrants which has previously soured relations. Their presence is a factor that means India cannot ignore nor alienate the Kingdom too much. This applies to its Gulf allies as well who hold equal or even bigger proportions of Indian migrants, especially the UAE. Picking a side in this conflict would affect the trade and presence of them as well.

2.3 The Question of Energy Security

For India, arguably the most important component of Middle Eastern diplomacy is energy security. In a situation where India's already relatively low Oil sources are getting lesser, it is integral for it to maintain a steady and reliable supply chain for oil from international sources. This has been the main reason for its engagement with both Iran and Saudi Arabia.

In the past, due to the positive relationship with Iran, it was a major steady supplier of Oil to India along with Russia. In the face of American pressure India has had to stop oil imports from Iran and move to countries like UAE and Saudi Arabia, With the War in Ukraine, India has been able to get cheap supplies of Oil and Natural Gas from a desperate Russia with few remaining customers. But this is not a steady source which is dependent heavily on international politics and also comes at a cost of western relations. The West has put India in a tough position regarding energy security, having problems with both Iran and Russia as suppliers. While it has

not stopped imports from Russia that could happen in the future. It would be better for India to have a more neutral and reliable supply of oil. This is where Saudi Arabia comes in. India has increased Oil imports from the Kingdom in recent years, and is looking into equity based Oil deals using it's large potential for refinement as a bargaining chip.

While India's domestic oil sources are low, it has huge potential for refinement including the world's largest Oil Refinery at Jamnagar in Gujarat. India currently has an oil refining capacity of 249 Million tonnes per year, with this expected to climb by 298 Million tonnes by 2025.

It would be in India's interests to use this chip more widely in the Middle East and at least with regard to energy security try to work more with Saudi Arabia. While the Kingdom has it's own substantial refining capacity, there is still a benefit for them to work with Indian refineries especially if they intend to move beyond regular clients like America which has been reducing it's oil imports in recent years. As America reduces it's need for oil, India can develop a partnership with the Gulf countries through the gap that's left. Saudi ARAMCO (the state owned Saudi Oil company) has before the Ukraine conflict been India's largest oil supplier already.

Through better relations and hence a more steady and reliable deal with the Kingdom, India would also be able to pry it slightly away from China. With the expansion of OPEC into OPEC+, the Middle East becomes even more integral to energy security to India.

Narendra Taneja, the Chairman of the IEPI (Independent Energy Policy Institute) has stated, that the expansion of OPEC to include Russia and America has the capability to make energy importers like India extremely anxious.

India's long hopeful TAPI pipeline project which aimed to bring oil from Turkmenistan through Afghanistan is in

a state of extended limbo due to the Taliban takeover of Afghanistan. While the Taliban has stated that work on the pipeline will soon begin, even if the project comes to fruition, it is not a politically steady supply chain for oil. Oil would have to pass through two countries with whom India would not have the best diplomatic relations, i.e Pakistan and Afghanistan and would be dependent on them, giving them major leverage over India. Previously this system made sense with a friendly government in Afghanistan, but now it is just as unreliable in the long-term. This leaves the Gulf countries as the other option. In circumstances like this, the few leverages India has are it's capacity to refine oil and it's position as a large market. It is important in the face of even more cartelization of Energy for India to secure a steady, politically reliable supply of oil using these.

Unfortunately, Iran does not provide this. The Islamic Republic has regularly been lobbying India for resuming oil imports and ignoring western sanctions. But Iranian oil would have more problems than benefits due to the circumstances mentioned in the previous section. This leaves the Gulf countries led by Saudi Arabia, it's hegemonic opponent as the better option for India to secure said supply.

This does not mean India should abandon or alienate Iran but until relations between Iran and the West as well as Israel thaw, it is too costly and unreliable to rely on Iran for oil. One option for maintaining relations and oil supply from Iran for India could be to trade through countries under the Iranian sphere of influence like Iraq. (More in **Chapter VI**)

If push comes to shove, India needs to prioritize the Gulf countries more as they provide a more stable supply. This means votes and international policy must be undertaken with the above factors in account. India should remain neutral but not at the cost of losing a supply line for oil. It must increase it's engagement in the region, and in order to do so, it will potentially have to deprioritise Iran.

2.4 Conclusions

In conclusion, the situation India finds itself in between both countries is a tough one. India must maintain a balancing act but even then should increase engagement especially with the Gulf countries. It might be in India's better interests in order to protect ties with the West as well as Israel to move further from Iran. With Iran along with Russia increasingly becoming global antagonists closer to China, India must look for a more politically reliable source of energy. Indian ability for refinement can be used to this benefit by utilising equity deals to refine oil in return for steady supplies. India is already heavily dependent on Gulf and Saudi Arabian oil, in order to make this more reliable it might be in India's interests to de-emphasize relations with Iran.

In recent times, China has been stressing on a detente between Iran and Saudi Arabia in order to reduce their proxy conflict. While this has seen some success. It seems unlikely to concretely remove competition or conflict between both states as their interests and ideologies clash contrarily too far for them to completely reconcile. In case of even a temporary detente between Iran and Saudi Arabia India should take advantage of this situation to pursue their own regional partnerships. India should not rely solely on the conflict between both states to achieve its own goals but should focus on an independent diplomacy in the region.

Better diplomatic relations and outreach with these countries will allow India to invest and increase its stake in their energy sectors and hence stabilize and make reliable their supply of energy to itself.

Chapter III

Turkey - Partnerships or Hostility?

3.1 Introduction

In the last decade, Turkey has become a major player in the Middle East . Under the consecutive regimes of Reccip Teyyep Erdogan, it has grown to extent regional pressure, and has become a more individually inclined actor operating it's own foreign policy interests.

Throughout the cold war and before, Turkey has attempted to maintain first neutral and then a strongly NATO and Western Bloc aligned posture. In contrast to this, since the rise of Erdogan Turkey has taken up a strong regional policy which has made them a regional actor. Ever since the war in Syria across their southern border erupted, Turkey has used it to attempt to increase their influence in the region and form proxies. It has also attempted to move beyond its longstanding relationship with NATO as a member and move towards an individual power bloc in the Middle East. The Republic of Turkey has extended its reach by extending armed operations beyond its borders into Syria and has also funded and supported Rebel factions in the Syrian civil war. Alongside this, Turkey has also moved towards a more positive relationship with Russia exemplified by their purchase of S400 Anti-aircraft missiles, and their mediation of the Russia-Ukraine conflict as a neutral faction rather than aligning with their NATO allies. It has moved beyond being a very close ally of the United States to form it's own foreign alignment. This has made Turkey an important factor in the Middle East which India would have to take into account as an individual power and not a proxy.

3.2 The Main Drivers of Turkish Foreign Policy

Today, Turkish foreign policy is driven by three main drivers which their policy has focused on more than other aspects. These are:-

1. The intent to make Turkey a regional power which exerts influence in the Middle East.
2. Their constant conflict with Kurdish rebels in Turkish Kurdistan which have led to Turkey having a strong dislike of Kurdish rebel groups even outside their borders, and have led to Turkey operating beyond these borders to fight Kurdish militant organizations.
3. Their attempts to legitimize and receive recognition for the Turkish Republic of North Cyprus.

These three factors are the main issues on which Turkey has operated its policy, and through which most nations in the region interact with them. They have intersected with and caused Turkey's involvement in the Syrian conflict as well as other regional conflicts. Alongside this, a strong policy component for Turkey is juggling between their position as a NATO member and longtime American ally, and improving relations with Russia and others. This can be seen through the negotiations that came after Turkey's deal with Russia for the S400 missile system, which led to America withholding F-35 Fighters destined for Turkey. These factors are all important for India and any country dealing with Turkey to keep in mind.

Erdogan has in recent times, stressed on his intentions to move beyond the western sphere and improve relations with other countries. He has previously stated his belief in "not leaving the fate of the world in the hands of a handful of countries who won the second world war." This points towards a change in Turkish inclinations towards non NATO aligned countries.

With respect to the Kurdish issue, Turkey has for decades faced an armed insurgency in its Kurdish dominated regions which it has fought with strong military measures. This conflict has in the past escalated to terrorist attacks as far as Istanbul itself. This has caused Turkey to be extremely

sensitive to any occurrences that involve Kurds, and to be extremely proactive and aggressive in dealing with Kurds. It has led to Turkish foreign policy being hostile not only to the Kurdish rebels inside Turkey, but those outside of it. This has only escalated as the Syrian Civil War has led to the Kurdish regions of Syria and Iraq becoming de facto independent. To combat this, Turkey has supported proxies such as the Free Syrian Army, who for a while had become an extension of their policy implementation. It has carried out multiple military interventions in support of this.

Turkey, a Sunni majority country is skeptical of Syria's Shia Alawite ruled government, and it's benefactor the Islamic Republic of Iran (which is a Shia theocracy). Iran's escalation of involvement in Syria has led to Turkish concerns and more escalation of military interventions on their side. In this, the Turks share goals with NATO and the West to counter Iran. Turkey intends to build a regional influence around its borders, and increased Iranian presence nearby worries it.

Finally, with regard to the Cyprus issue. The Cyprus issue is one of Turkey's largest foreign policy issues, and one where they are at conflict with both the West and have not been able to gain major support elsewhere. The Cyprus issue stems from the origins of the island which lies south of Turkey in the Mediterranean Sea. Cyprus was ruled by the Turkish Ottoman Empire until the 19th century. This has led to the majority being ethnic Cypriot Greeks, but with a sizeable majority in the North being ethnically Turkish people from this time of rule. When after its Independence, Greeks in Cyprus were attempting to unify the island with Greece as a part of it, Turks in the island got concerned as did Turkey. When the Greek military government sponsored a coup in Cyprus, this led many Turks to believe the new Cypriot government would join with Greece. In response to this, and multiple rounds of communal violence between Greeks and Turks, Turkey invaded Cyprus in 1974 and

occupied the Northern Turkish dominated part. They declared this region to be an independent “Turkish Republic of Northern Cyprus”. But only Turkey recognises this, and the rest consider the north to be a legal part of Cyprus. A large foreign policy goal and a point of contention for Turkey is to get North Cyprus recognised. Turkey has troops stationed in North Cyprus and it’s recognition is a diplomatic issue for Turkey. For countries dealing with Turkey, this issue is an important point to retain.

3.3 Opportunities and Concerns for India:-

As an important regional player in the Middle East , Turkey is important for any Indian policy plan involving the region. With its integral strategic position controlling the Bosphorus straits, it is important for Indian naval routes. Alongside this, Turkey is a relatively strong military and economic actor for the region.

As well as this, Turkey has historically and is still to an extent a strong ally of Pakistan. Providing them with weapons, technology, and funding. For India to achieve positive diplomacy in the Middle East , it would be integral to reduce Turkey’s strong ties with Pakistan. Alongside this, Turkey also has the potential for economic and defense partnerships with India in the future. Turkey is a strong player in the field of Drone technology and this could be beneficial for India. On the flipside, it might be important to attempt to prevent the availability or access of such drone technology as Bayraktar TB2 drones to Pakistan (who currently buy them from Turkey) or possibly China.

Along with this, Turkey’s constant support of Pakistan in the UN over the Kashmir issue is a thorn in the side for India attempting to build positive diplomacy in the Middle East. Turkey is still on positive terms with Pakistan and diplomatically in favor of them, even when Pakistani relations have deteriorated with others.

When dealing with Turkey, for India a carrot and stick approach might be helpful. While Turkey is a strong actor for the region, in recent times they have faced major economic woes and have seen their currency crash. It might be beneficial for India to extend a helping hand to Turkey, with provisions beneficial to us. Turkey also wants recognition for its client state of North Cyprus which is another bargaining chip.

Alongside this for the stick, the very same Cyprus issue can be used to bargain with Turkey. Currently, India supports Cyprus on the issue, and Turkish support for Pakistan's claim on Kashmir can be responded to with pressure on Turkey's own Cyprus issue. Minister of External Affairs Dr Jaishankar has already done this in recent times through his statements raising Cyprus in response to Turkey's statements on Kashmir. The severity of diplomatic pressure can be escalated especially in the UN, in order to reduce Turkish support of Pakistan. The advantage India has in this, is that Turkey has little international support for North Cyprus, and hence with enough pressure would have to back down to avoid raising the issue too much. Alongside this, another aspect through which diplomatic pressure can be extended is Turkey's treatment of its Kurdish minorities which has seen accusations of gross human rights violations and breach of sovereignty of other states. Such a position also would not be too strongly opposed by the West which shares concerns about Turkey's policy with regard to the Kurds.

On 6th February 2023, Turkey and Syria were racked by a massive 7.8 Magnitude Earthquake. India has been among the first and most recurrent in supplying aid to Turkey even with the past negative relations. This is a chance for India to promote a positive image worldwide, and also improve its relations with Erdogan. Pakistan has not been able to match or contest India's aid to Turkey due to its own domestic problems. Instead, it has only been able to attempt to hinder Indian attempts by blocking aid flights from using

Pakistani airspace. India should continue in providing aid to Turkey in the aftermath of the disaster, as it provides a basis for improving Indian relations with Turkey while drawing them away from Pakistan's orbit. Erdogan will need to rebuild stricken areas, and the earthquake will have a major economical and infrastructural impact on Turkey. India can create both international goodwill, and also provide us with diplomatic currency with regards to Turkey. At the least, Indian aid to earthquake stricken parts of Turkey, especially in face of the lack thereof from Pakistan will prevent or reduce instances of Turkey criticizing or opposing Indian interests at the world stage.

A balance of the carrot and stick would be needed for future Indian policy to make sure that Turkey should both know the negative consequences of Anti-Indian policy as well as the benefits of a Pro-Indian policy. While Turkey as a collaborator would be beneficial to India in the region, we should at least attempt to make sure wherever possible that it does not oppose Indian interests both regionally and internationally.

3.4 Conclusions

Turkey currently is a neutral actor with regards to India, but leans more towards policies and actions which are negative to us. India while having cooperated with Turkey in the past stands against them on many issues because of their continued cooperation with Pakistan. For a long term proactive plan in the Middle East it would be integral to reduce Turkish animosity for India through the above means and if possible make them into a regional partner. This would also remove a major supporter of Pakistan which would be in India's foreign policy interests. While Turkey stands on the borders of the Middle East, it is important to the region and India's diplomacy in the region should take this into account.

Chapter IV

The Israel Question

4.1 Introduction

The State of Israel is one of the most defining factors of modern Middle Eastern politics, and also the elephant in the room which every country intending to initiate or extend diplomacy in the region cannot ignore. Israel has for most of its history had strained relations with the rest of the region due chiefly to the Palestine issue. It has been at war multiple times with many of its neighbours such as Egypt, Syria, Iraq, and Jordan. Other states such as Iran, Saudi Arabia, and the other Gulf states have been either in indirect proxy conflicts with Israel or have provided assistance to their military opponents. Some of these, such as Iran continue to do so to this day. The roots of Israel's conflict with the rest of the region stem from its establishment after the second world war. The arrangement made for this split the former British Mandate of Palestine into Israel and Palestine.

Most if not all Middle Eastern states refused to recognise this and insisted on no Zionist state being allowed to exist in the region, instead calling for a singular Palestine. When Israel declared Independence on 14 May 1948, its neighbours Jordan, Syria, Egypt, Iraq, Lebanon, Saudi Arabia, and Yemen declared war on it. Through multiple factors, Israel achieved a victory in this war, a precedent which would continue in the subsequent wars. After this, there were more wars between Israel and the Arabs in 1956, 1967, and 1973. The Palestine issue was problematic as for the longest time, the Arab nations refused to accept a two-state solution (i.e. the existence of both Israel and Palestine.) In the aftermath of the 1967 Six Day War, Israel occupied the two areas which were supposed to go to Palestine in 1948, the Gaza Strip and the West Bank. It also occupied the Sinai Peninsula,

legally a part of Egypt. It returned this in 1982, but still occupies to varying extents the Gaza strip and West Bank. This has become the new bone of contention between Israel and the Muslim countries as Israel refuses to leave the areas, as they claim to have a security risk from said areas. Recently, increasing tensions have grown between these countries due to allegations of Israeli human-rights abuses in the occupied territories, and of mistreatment of Palestinians, as well as the Israeli government's support of establishing Jewish colonies there, often evicting native Palestinians in the process. Along with this, relations have been strained due to Arab support of organizations such as the Palestine Liberation Organization (PLO), Hamas, and Fatah. Israel considered these for a long time as terrorist organizations, and still considers Hamas to be one. Many of Israel's domestic counterinsurgency and counterterrorism efforts are against Hamas itself.

These are a simplified version of the main points of conflict between Israel and the Arab countries.

Israel's negative relations with The Islamic Republic of Iran constitute the other half of its controversial position in the region. The Islamic Republic ever since the Iranian revolution of 1979, and its takeover of power has been strongly ideologically opposed to Israel. It has been called the Lesser Satan by Iran's first Supreme Leader Ayatollah Khomeini, (The United States being called the Greater Satan). Iran has long been involved in supporting militant organizations against Israel, namely Hamas in Palestine and Hezbollah in Lebanon. It has diplomatically been a major critic of Israel and has also conducted missile and drone strikes against Israel at times. Even though Israel and Iran both share common enemies, it has in recent times become the largest State-Actor posing a threat to Israel. Israel has also in retaliation conducted many military operations in

Iran, and has especially focused on hampering and stopping Iran's Nuclear Weapon's Program.

Hence politically, Israel is somewhat isolated in the region, and has conflicts with many and few local allies. Diplomacy conducted with Israel has to factor this in.

4.2 Changing Winds in the Region

The Aforementioned situation has dominated Israeli politics for the longest time in the region, but now factors have been changing. Due to Iran's surge in power and influence in the aftermath of the American withdrawal as well as America's push to get its Arab allies to have better relations with Israel, the Jewish state now has seen a thawing of relations with Arab states. Many of them have normalized relations and others are on the path to it. Due to the threat of Iran's growing network of allies, many Arab states as well as Israel see it as a bigger concern. Due to this, their enemies' enemy becomes their friend, at least for the time being.

This has been put slightly into question, as the new Cabinet recently announced by Benjamin Netanyahu has a fairly substantial Far-Right presence. This cabinet has not been popular with regional actors, and has raised questions in the international community as well. But as of yet there have been no concrete signs of a new break between Israel and the Arabs, and diplomatic traffic between the two parties point towards more detente in the future. Saudi Arabia, the foremost of the Arab states has also been one of the few to not normalise relations with Israel, but this seems to be on the path to change. On 20th January 2023, the Saudi Foreign Minister, Prince Faisal Bin Farhan Al Saud, said "True normalization and true stability will only come through... giving the Palestinians a state". This contrasts deeply with previous stands which ruled out a two-state solution entirely, and insisted on not recognising Israel's

existence. The Arab countries ostracized Egypt under Anwar Sadat when it was the first to normalize relations with Israel under American mediation. But now, they are more and more either normalizing relations or are open to the possibility of it.

Iran and its proxies / allies surround many of the Arab states as well as Israel. Groups like Hezbollah in Lebanon, Hamas in Palestine, Assad's administration in Syria and the Pro-Iranian government in Iraq with their aligned militias, as well as the Houthis (Ansar Allah) in Yemen all provide a launchpad for attacks into Israel and the Gulf countries. They form a tightening noose, which Iran can choose to exploit if needed. Along with this, this vast network also threatens to incite and support domestic opposition within. In the case of Israel, it already does so through Iranian and Hezbollah support of Palestinian Islamist militants. Iran's Islamic Revolutionary Government is ideologically opposed to the existence of Israel which it has often referred to as the little Satan. Iran and Israel have been at odds for a long time. Iran helped fund and form Hezbollah primarily in order to fight the Israeli occupation of South Lebanon in the 80s and 90s. Israel is alarmed the most by Iran's missile and nuclear weapon's program, which the former has carried out a covert operations campaign to hamper and stop. Israel has carried out drone strikes on Iranian missile and nuclear facilities in Syria and Lebanon, and has also allegedly been responsible for the deaths of multiple Iranian nuclear scientists involved in the program such as most recently Mohsen Fakhri-zadeh, the at the time Chief of the Program.

In terms of military strength, Israel is also the only nation in the region, strong enough to stand up to Iran and its proxies due to its technological advantages. The Arab countries, long reliant on American security, would find it tough to fight Iran on their own.

These factors have brought Israel closer and closer to the Arabs and hence resulted in a major shift in regional politics. As Iran continues to operate and strengthen its network of proxies and its own military strength, Israel and the Arabs will co-operate more especially on defence issues.

This can be seen in the resurgence of calls for a regional defense alliance comprising of the Arab states and Israel. There have been many statements especially by American policymakers calling for such an “Arab NATO.” While this has not concretely materialized, the fact that such an idea has been floated speaks to the shift in Arab perceptions of who the bigger threat is.

The most recent major instance in June 2022 of Defensive Co-operation between the Arabs and Israel has been then Israeli Defence Minister Benny Gantz stating that Israel and other as of yet unnamed countries in the region, have formed a regional Middle Eastern Air Defence Alliance (MEAD), in order to counter Iranian drone and missile attacks collectively. While neighbouring Arab countries have not publicly attached themselves to this plan yet, possibly out of fear of backlash, Gantz claimed the system had already foiled Iranian missile attacks before announcement. Arab states like Jordan have been supportive of the idea but have not claimed to be a party to the alliance.

This shows if nothing, that Israel has a vested interest with detente with its neighbors in favour of an alliance against Iran which it sees as a bigger threat.

4.3 How India should deal with Israel

Israel has been since the 1990s, a very important Defence and Technological partner for India. As both countries face similar problems regarding domestic and cross-border terrorism, they have many avenues to work together. Israel is important to India as both a defence partner vis a vis joint military exercises as well as an important military

technology supplier. India is the largest purchaser of Israeli Weapons and Defence systems, spending more than \$1 Bn per year.

For most of the 20th Century, until 1992, India did not have diplomatic relations with Israel, and was relatively neutral on the Palestine issue. It had relations with the Palestine Liberation Organization (PLO), including having its leader Yasser Arafat, visit India in 1980 before an Israeli leader had ever visited. The PLO, under Arafat was a strong supporter of India especially on the Kashmir issue. But as Arafat and his Fatah party lost their leadership of the Palestinian movement and the Palestinian National Authority, to Hamas, a more militant Islamist organization, India has shifted closer to Israel. This has increased more so in the 21st century with the Global War on Terror.

This defense partnership has grown exponentially ever since Prime Minister Narendra Modi's election with around 42.1% of all Israeli Weapons exports coming to India since his election in 2014. According to Sipri, weapons deliveries to India from Israel increased by 175 percent between 2015 and 2019. Hence in the current day, Israel is an extremely important defence partner for India. Along with this, the dwindling of the Palestine issue on the global scale has resulted in India being able to get closer to Israel without repercussions to their neutrality. While India's voting in the UN regarding the issue has been relatively neutral, it is clearly to India's defensive benefit to pick Israel in this conflict.

PM Modi especially has good ties with the Israeli PM Benjamin Netanyahu who recently got re-elected. This personal relationship has also resulted in the defence partnership's growth.

India's positive relations with Israel are another reason for it to distance itself from Iran, which as mentioned

previously is hostile to Israel. Israel can provide much more in terms of Defence and Technological partnership than Iran. In India's pursuit of drone technology, Israel is very integral. Israeli drone and UAV (Unmanned Aerial Vehicle) technology can help India to combat cross-border terrorism sponsored by Pakistan. This has already seen success in India's 2019 surgical strikes against terrorist camps inside Pakistan. India should try to increase and improve this partnership, specifically focusing on the IAI Heron Drones as well as Missile Defense Technology. Israeli defence technology is very important for India as it is among the best in the world. Both countries also have similar situations of being constantly at threat from terrorism both inside and across borders.

Alongside this, in view of Modi's Make in India program focusing on domestic independence of manufacturing and less reliance on imports, Israel is a good ally for India to help develop its domestic defence manufacture capabilities. This again has already begun, with IWI (Israel Weapons Industries), working with the Indian corporation Punj Lloyd to establish a small-arms manufacture plant in Malanpur, Madhya Pradesh. India needs to focus on creating more such partnerships with IWI. Domestic manufacture and sourcing of small-arms has been a longstanding issue for India, and such partnerships can help solve it. Alongside this, as sanctions and international hostility increase towards Russia, which has been India's longterm weapons provider, it is prudent to reduce the load from Russian sales by relying more on Israel.

It is important for these purposes to keep Israel as a strategic and defensive partner. In view of issues with China and Pakistan, India does not have many reliable security partners and Israel is one of the few major scale ones. Indian policy with regards to Israel should focus on retaining Israeli goodwill and deepening co-operation with them.

But, inspite of all this, India should attempt to maintain international neutrality and abstention in face of the Israel-Palestine issue. India will need to keep their partnership with Israel going without concretely picking a side. If India were to fully back Israel in the Palestine issue, it would alienate much of the Muslim world and face major domestic backlash. Hence it is important to maintain neutrality on that specific issue. In order to build a strong diplomatic framework in the Middle East , India needs regional allies and as of now, Israel is their best bet. Israel can provide security for Indian trade-lines through the Red Sea area if they are cultivated as a defence partner. Israel provides both a diplomatic as well as technological benefit as a military partner.

India should aim at improving not only defense ties, but economic and technological ones. While Defense is the integral focal point of Indian relations with Israel, there should also be attempts at furthering trade relations. India should focus on working with Israel towards a free-trade agreement. This would heavily improve economic relations and help bring in Israeli investment to India's burgeoning Information Technology Sector. Alongside this on a somewhat lesser point, India should also focus on improving ties with Israel with regards to the Education Sector. This can be done through more government aided partnerships between Indian and Israeli Universities. India should also focus on co-operation with Israel with regards to Renewable Energy. Israel is aiming to shift as much as possible to renewable energy and India with it's large scale renewable energy programs and projects can help with this. India has hosted the G22 summit in 2022 with the agenda of Green Energy and hence Israel is a strong potential partner for this. India can provide technological partnerships and experiance in this endeavor. There have already been plans previously with this aim and this should be pursued

vigorously. Indian corporations gaining contracts for Israeli renewable energy programs and joint ventures between both countries are imperative to maintain.

Another factor to keep in mind relating to both the Palestine issue and India and Israel's co-operation in counterterrorism initiatives is the case of Hamas. It would be in India's interests to proscribe Hamas as a terrorist group as Israel and the US have done. In interest of not completely committing to a side, it might be better to proscribe only Hamas's military wing, the Izz Ad-Din al-Qassam Brigades, for a time being before committing to denouncing the entire organization. Due to Hamas's terrorist activities and their avowedly militant radical Islamic ideology there is scant chance that India can or should truly co-operate or recognise the group without major changes in their ideology and tactics. Classifying them as a terrorist organization would also better relations with Israel both on a general level, and also importantly help increase co-operation and intel sharing with regards to global terrorism.

As Israel also improves relations with the Arabs, and America seeks to withdraw from the region, India can be a valuable extra-regional actor for these states. India can provide an economic, as well as security co-operation role.

Due to the major shifts in regional politics and America's withdrawing of its major presence in the region, now Russia and China are attempting to carve out a sphere of influence for themselves. China has engaged in technological partnerships with Israeli Corporations and seems to be intent on increasing their presence in Israel. It is integral for India to make sure that this does not succeed. It is integral for India to preserve itself as a more valuable partner for Israel and a better option than China. Having a partner like Israel gives India a strong power projection in the region, and this can help reduce China's own power projection.

4.4 Conclusion

In the region, Israel is probably currently India's most important regional partner. It is important to make sure it stays this way. The defence and technological benefits it brings are too important to ignore, and any regional diplomatic framework that India builds will have to have Israel as the premier client or one of the premier clients.

India's current diplomacy with Israel is going well, and India needs to pursue the same, improving relations and partnership with them. In view of the global sanctions and criticism of Russia, Israel can be a more politically reliable and acceptable weapons supplier for India. In order for India to have reliable partners in the area, Israel is integral.

That said, India will have to walk a tightrope of maintaining neutrality on the Palestine issue as well as avoiding being linked to any criticism that the new Netanyahu government receives. Israel has an important spot for India as a defensive partner but India needs to make sure it does not get drawn into geopolitical or diplomatic issues through this partnership.

Chapter V

Egypt and the Maghreb

5.1 Introduction

Northern Africa constitutes a major component of the Middle East. While it is not as dominant in Middle Eastern politics as before it is still a large sub-region which needs to be accounted for in forming a regional diplomatic plan. Egypt especially as well as Libya are integral as they are the site of major regional conflict as well as diplomatic maneuvering between regional actors. Egypt has faced major political instability as well as attempts of regional actors like Turkey, and the Arab states to exert influence. Libya has been embroiled in a civil war since Muammar Gaddafi's overthrow by the Libyan Revolution in 2011. This civil war quickly escalated into a proxy conflict with states such as Egypt itself as well as Turkey, France, Russia, and others picking sides to back. This war was de-jure ended in 2020, but the country still has major political violence, and tensions between factions run high threatening the war to resurge. Ever since the Arab Spring, both Egypt and Libya have been defined by this political instability.

In contrast to these, the Western Maghreb countries such as Morocco, Tunisia, and Algeria have been relatively stable and have been able to weather the Arab Spring. These nations, especially Morocco are for the region economically and politically powerful and a potential asset for India. The North African Arab states, in the view of a larger Middle Eastern policy are not as relevant as the others, but should still be considered within India's plans. The Western Maghreb states show a potential for trade and defence partnerships, as does Egypt but the instability in Libya points towards negligible gains for India. The Wars in Libya, and the political instability in have been largely forgotten by the rest

of the world in the face of other issues. While Egypt has also faced similar major issues especially with regards to Islamic Terrorism in the Sinai Peninsula, it has potential for defence and counterterrorism partnerships with India. An Indian plan for North Africa must keep these factors in mind and focus on those areas which are best suited for partnership and stay away from those embroiled in the quagmire of war and political instability.

5.2 Egypt

Egypt faced major political instability and regime changes in the aftermath of the Arab Spring. The current regime of Abdel Fattah El Sisi, has held power since 2014. It has been classified by many as an authoritarian regime and a dictatorship. In contrast to these allegations, it has also been a relatively stable state in the region even with a war in neighbouring Libya, and insurgency in the Sinai Peninsula. Egypt is important geographically as it contains the Suez Canal which is extremely important for Trade coming and going to and from the West. Egypt also is connected to the Red Sea which connects to the Indian Ocean, thus it is an important region for maritime concerns. In order to secure a stable and safe supply line for Oil for India, Egypt would be important in maintaining maritime security in the North-Eastern Indian Ocean Region.

India has close relations with Egypt stemming back to the close relationship between both countries under Jawarlal Nehru in India, and Gamal Abdel Nasser in Egypt. This period saw close co-operation during the Non-Cooperation Movement. Nasser is still a very well respected and loved figure across the Middle East and especially in Egypt. This positive history makes Egypt important as a potential partner in the region. India views Sissi's regime as a moderate Islamic country in the region which is more reliable than more radical minded regimes. This means

Egypt is a good client and partner for India with regards to Defence and Counterterrorism. Sissi seems to be on track to stay in power for the immediate future, having granted himself the ability to run once more in 2024 without term limits which previously hampered this. Even though Egypt is an authoritarian regime with allegations of abuses and political suppression of the opposition, it is important strategically. In January 2023, India and Egypt declared a strategic partnership, intending to focus on among other things Defence and Counterterrorism, Both nations share similar issues with Terrorism. This partnership can be exemplified by the recent instance of both countries holding a meeting for a “Joint Working Group on Terrorism”. This is one of the largest common factors bringing both countries together. India with it’s experience in Counterterrorism can provide Egypt with it and in return gain a valuable diplomatic foothold in a strategically important region. Egypt is also a very important investment spot for Indian corporations. Sissu is open to large scale Indian investment and this can help India’s economy. India currently has invested more than 3.15 Million USD, in Egypt and increasing this can help India’s economy grow. Egypt is also a major potential partner for India in the education sector, Furthering current plans to establish IIT, affiliated institutes in Egypt should be pursued. Along with this, it would be in India’s interest to promote foreign students from Egypt in India, which due to Egypt’s comparatively lesser education system is a lucrative market. Egypt is a potential market for many such instances in sectors such as Education and Health. India can posit a relatively low-cost foreign location for better healthcare and better education. Both these combined with previously mentioned defence ties make Egypt extremely important for India in North-Africa.

Egypt has also reiterated it’s commitment to Non-Alignment as recently as January 2023. This means that in

Egypt India can try to form a local partner which does not change with the demands of regional power-bloc politics. It can be a help to India's insistent attempts to make sure they do not get swept in any singular power bloc. Egypt can be helpful regionally speaking in Indian attempts to maintain a multipolar world order. This can be immensely helpful in sight of Pakistan hampering Indian policy in the region, as it often previously has by gathering the Arab states behind it through the language of a Pan-Islamic bloc. Egypt staying non-aligned can immensely help break Pakistan's ability to create such widespread diplomatic opposition for India.

While pursuing this course of action, it is important to make sure that India does not get embroiled in Egypt's foreign geopolitical endeavors such as their former involvement in the Libyan Civil War. It is important for India to maintain a neutral stand in such cases unless absolutely required. Cairo is important for India strategically and is also a great potential economic partner. Indian policy should focus on furthering these ties and partnerships. Egypt is very important in the regional context for India.

5.2 Libya

Libya has seen extremely tumultuous times in the 2010s. From the 2011 Libyan Revolution that ousted longtime ruler Muammar Gaddafi, until 2020, the country was caught up in one way or the other in a long civil war. While a Treaty signed in 2020 brought peace and formed a Government of National Unity, this has not brought true stability to the nation. In March 2022, a Parallel Government of National Stability was established by opposition factions in Sirte, and both have functioned simultaneously since. India does not currently have an embassy in Libya, and operates diplomatic procedures through its embassy in Tunis, Tunisia. This is due to the lingering political instability in Libya. India also has established a ban on Indian nationals travelling to Libya

due to this situation. There have been multiple clashes and protests against and between supporters of both governments, and many have expressed concern about the situation once again spilling into civil war. No single one of the two governments can exercise complete control over the country and their supporters keep clashing intermittently. This means that the nation is not stable enough for any investment or partnership.

Alongside this, the GNU enjoys close ties to Pakistan which again makes it unappealing to India. Due to the instability, Libya does not pose a viable economic, technological or defense partnership to India as of yet. It's position also does not provide much strategic value to India. Libyan Oil might be a possible benefit in the search of energy security but again the instability and relative distance mean that this is not feasible. Many in Libya in the Business and similar sectors have been calling for the allowance once again of Indian travel to Libya, this does not seem like a good idea until the political situation in Libya calms down. Libya has been a battleground for regional actors such as Turkey, Egypt, Qatar, the UAE, etc. to exercise Soft Power and Influence, but India's involvement in such is not of much benefit due to the distance and the fact that the Libyan Crisis has faded from the UN and the rest of the world's attention. The above factors reflect that it is better for India to not initiate major diplomatic involvement or economic investment until the political and security situation shows substantial signs of improvement. On the international scale, in order to avoid undue controversy and issues, India need not pick a side as to which government is legitimate, and toeing the Party Line would be adequate unless factors change. The political situation there does not seem to point towards getting better at least in the short run, but in case of a compromise between both governments and the end of political violence and instability, India should aim

to improve economic relations and investment in the long run. However that is speculation. India has been working on improving business relations and restarting them with Libya, but without proper security this would not be feasible. India should continue to initiate and invest where it can but should be wary of the situation in Libya.

Alongside this, in recent times, the GNU has condemned India for remarks made by a member of the current Indian ruling Party, the Bharatiya Janata Party (BJP). This while not a major setback is a minor one. Issues like this again point towards Libya not being very receptive towards the current Indian government and hence point towards it being tough to bring on Libya as a regional partner.

5.3 Tunisia

Tunisia has had friendly relations with India for a long time and hence the latter should aim to ensure this friendliness and collaborate with the former. Tunisia again has the potential for a lower albeit still important level of co-operation on counterterrorism and defence. India should pursue this co-operation. The current President of Tunisia, Kais Saied, has faced allegations of political repression, police brutality and judicial interference. India should aim while pursuing positive relations in the long run with Tunisia, to stay neutral on this and avoid throwing their support for a controversial ruler. Tunisia has supported India's bid for a permanent UN Security Council seat, and this support should be maintained and cultivated. Tunisia is a reliable source for India for Phosphate exports and this supply line should be maintained through positive relations. This trade relationship also points towards the possibility for more economic partnership. Indian investment in the nation should be pursued in the future, as it is being pursued now. As with all North African nations with the exception of Libya, Tunisia is a good market for the education and healthcare

sectors of India, and hence investment should be promoted for this.

5.4 Algeria

Algeria has a more important position in Indian diplomacy. India and Algeria have had friendly relations since the 1960s, when the latter got its independence. Both nations share an anti-colonial struggle in the past. While like the rest of the region, for a long time India has not invested much diplomatic or political capital in the region, Algeria is an important potential site for partnership and investment. Algeria constitutes around 95% of its exports through hydrocarbons. It has been intending in recent times to diversify these exports due to the falling and fluctuating prices of oil. India can help in this endeavour in multiple ways. India can be a reliable customer for oil and hydrocarbons as well as a large scale refiner for Algeria with its aforementioned refinement capabilities. India can also help promote other sectors in Algeria through investment and partnership with larger Indian corporations. Algeria has in recent times attempted to stimulate other sectors of the economy through liberalization and privatization oriented policies. Indian businesses can take opportunity of this. It is a beneficial position for both states. Along with this as a stable state uninvolved in regional power politics Algeria can be a stable and reliable oil supplier to India. This can massively help energy security.

Alongside this, Algeria like most nations in the region has also faced terrorism, especially cross-border terrorism from conflict ridden Libya to its east. There is more potential for counterterrorism and defence partnerships here. This should be promoted through joint exercises, training programmes, and defence sales. India has much to gain from a mutual partnership with Algeria and it should be pursued. Algeria has been supportive of India in

the past both on the Kashmir issue and India's pursuit of a permanent UNSC seat. It is imperative to maintain this support. Economic participation and higher investment can be a method of doing so. Algeria has maintained a moderate stance in regional and international politics and hence is a good partner for India in the region.

5.5 Morocco

Morocco is an important country with regards to North Africa. It is arguably the most stable, and economically strong in the region. With the exception of the issue of Western Sahara, Morocco has been relatively stable throughout the Arab Spring with the King introducing reforms and a new constitution in face of protests.

Morocco also has very good relations with India historically with India having among other things helped Morocco's re-entry into the Union of African States in 2017.

This means that Morocco is economically a good client for India. Indian Exports to Morocco in 2020 came up to about \$623M, and Moroccan Exports to India came up to \$1.39B. This is a vast amount of trade and shows the nation's importance to India. The primary exports to India from Morocco have been Phosphoric Acid, Phosphates and Chemical Fertilizers. For a country like India where agriculture plays a large role, this is important. Like Tunisia mentioned above, Moroccan fertilizer and phosphate exports are important. India's predominant export to Morocco is refined petroleum. This again shows the potential for India to use its large scale refining capacity for building trade. Morocco's exports are especially important in the face of China suspending their export of ammonium phosphate which is important for the creation of chemical fertilizers. This form of dependence on exports from countries like China with whom ties are strained is a major chink in India's supply systems. It is integral to find more stable and reliable

supplies not only of Oil as mentioned previously but of substances such as Ammonium Phosphate. It is important to prevent China or other nations with which India has issues from choking Indian imports like this. Morocco has been extremely helpful to India in this situation with its majority state owned phosphate giant, the OCP Group signing a deal to supply India with 1.7M metric tonnes of phosphate-based fertilizer across 2023. India needs to pursue and encourage similar diplomacy in Morocco with regards to trade deals.

On a similar front, is the deal for Morocco's armed forces to acquire 92 Tata Military Trucks from India. It is integral to pursue further defence exports from India to Morocco as it is a willing and responsive market. India provides for nations such as Morocco, a reliable source of defence technology at a lower cost and with less diplomatic strings attached as opposed to the usual defence suppliers such as the US, France, etc. In the view of many nations being discouraged from arms exports from Russia due to the sanctions and the political climate regarding the War in Ukraine, India should aim to some extent to fill this gap created for defence technology. Morocco is aiming to modernize and diversify its arms procurement, and India should push for a slice of the pie.

Alongside this as Morocco works to normalize and increase relations with Israel, India can use its positive relations with both countries to act as a facilitator.

It is also in India's interests to increase defence co-operation beyond exports. India should increase co-operation with Morocco through joint co-operation on issues like counterterrorism. This can also be helped by potential signing of a defence pact between both nations, in the long run having Rabat as a defensive partner will be a positive, with it having a strong military and stable state for the region.

The Elephant in the Room with regards to Morocco is the issue of Western Sahara. Western Sahara was a Spanish colony until 1975, after which it was administered jointly by Morocco and Mauritania. This led to a war between these two states and an organization called the POLISARIO Front which claimed to fight for an independent Western Sahara. Ever since 1979, Morocco has held de-facto control of two-thirds of Western Sahara while the POLISARIO has held the rest. Morocco has the support, official of the US and implicit of France in this, but the POLISARIO has received recognition from the UN as the sole representative of the Western Saharan people as well as recognition from around 46 UN Members of Western Sahara as a sovereign state. Morocco claims that Western Sahara is an integral part of their territory as the “Southern Provinces”. This occupation is considered illegal under International Law and condemned by many UN states. This makes the issue controversial and has drawn Morocco much bad press.

India has in the past recognised Western Sahara as a sovereign state but has withdrawn this. Currently India neither recognises Western Sahara as independent nor supports or recognises Morocco’s occupation. It must attempt to stay neutral, but even so, with much of western opinion moving towards accepting Moroccan control of the areas, India should sense the direction in which the winds blow and adapt accordingly. Morocco is an important regional partner for India and the Western Sahara issue should not detract from this. India should try not to get dragged into committing to one side.

Algeria has long opposed Morocco and supported the POLISARIO, and in wanting to keep positive relations with both nations India must play a balancing act of not offending or harming relations with either. Both nations are important potential defence and trade partners for India and hence it should be neutral with regards to any disagreement or

conflict between the two. There is also potential for India to have a neutral mediatory role which should be explored. It should be important for Indian diplomacy with both nations to maintain neutrality and the balance of relations with both.

5.6 Conclusions

In conclusion, India's foreign policy plan with regards to North Africa should be integrated with and with co-ordination with that of countries such as Israel, and the Gulf states. India should focus on three main focal points in the region, those being Egypt, Algeria, and Morocco. Tunisia is also important but on a secondary level. Libya should not be considered a point of importance unless the situation vis a vis security and stability improves there. Egypt, Algeria and Morocco are important trade and defence partners potentially and this should be promoted. There is a large scope for India to export services in the Education and Tech Industries in these countries and this should also be promoted. India's appeal as a neutral country with no horse in the regional politics should be emphasized to them.

Chapter VI

Dealing with Levantine Politics

6.1 Introduction

The Last regional sub-segment in the Middle East we shall cover are the three countries of Jordan, Syria, Iraq, and Lebanon. These four states roughly align together geographically in the sub-region called the Levant which also covers Israel and Palestine. The latter three states also share a commonality in that they have a heavy Iranian influence in their domestic and foreign affairs and are sometimes also considered to be client states or satellite states of Iran. Jordan is a heavily western backed state which has a unique dynamic in the region. It is important for India to focus on the Levant, as it is the focus of major geopolitical upheaval in recent times with the wars in Syria and Iraq, as well as political and security instability in Lebanon. Currently Jordan is the only stable and secure state among these. Syria has seen civil war for the last decade, which it still has not completely recovered from and which has devastated the country. The Assad government still does not control all of the country and significant regions are under control of rebels. Iraq has also faced insurgency and civil war throughout the aftermath of the US invasion and occupation. Even though it currently does not face major level insurgency, the security situation in Iraq is not stable, along with the fact that there has been widespread political instability including conflict and protests between different political factions, as well as legislative gridlock. In the aftermath of the defeat of ISIS, the Pro-Iranian militia forces which largely led this defeat have now gotten immense political and domestic influence. These Popular Mobilization Forces (Hashd-Al-Shaabi) now represent a major Iranian zone of influence in Iraq, with their political dominance being applied to pro-Iranian interests.

Lebanon has also faced issues due to the war in neighbouring Syria which has led to a large influx of refugees, and has seen the war spill into conflict between sectarian groups in Lebanon. The Lebanese government has been accused of widespread corruption and this has heavily impacted the economy causing widespread inflation. The government has seen major periods of gridlock with political factions being unable to agree on government formation. The Lebanese government is seen by many to be unable to fulfill many of its functions. Disasters such as the 2020 Beirut blast have made things even worse. In this situation, Hezbollah has emerged as an almost parallel state in Lebanon. Its armed component is considerably stronger than the Lebanese Army being the only political faction allowed to maintain its own militia. This can be seen through the fact that during the Syrian civil war, Hezbollah sent volunteers to fight in both Syria and Iraq in support of Assad and against ISIS. The Lebanese government nor army had no say in this and could not stop it. In terms of economic control, Hezbollah controls a large amount of businesses such as their own banks (called the Al Qad Al Hasan Association), hospitals, schools, and telecom channels. These organizations have in many places replaced official state institutions.

Hezbollah also has some degree of control over large parts of Lebanese infrastructure such as border checkpoints, ports, and airports. Hezbollah has managed to create a veritable parallel state inside Lebanon. Its influence is such that it has to be analyzed to some extent as its own entity apart from Lebanon. Any policy regarding Lebanon will have to consider Hezbollah first and then the government. Hezbollah is also important as a proxy or ally of Iran and a major enemy of Israel. Hezbollah has consistently stated its opposition to the existence of Israel as well as its allegiance

to Iran. It is Iran's most powerful proxy in the region and arguably also its first line of defense.

It is important for India to have a concrete policy in this region. It is the most volatile part of the Middle East, and its proximity to regional allies such as Israel makes it important. It is important for India to avoid diplomatic entanglement in this region beyond what is necessary. Along with this, it is important for India to distance itself from Iranian zones of influence, and avoid falling into the Iran-Saudi Arabia cold war.

6.2 Jordan - A Potential Regional Ally

Jordan is an important nation in the region, due to its stability and relative economic power in the region. For most of the second half of the 20th century and the 21st century it has stayed out of major military conflicts and has avoided the military coups, revolutions, and regime change that has raged across the rest of the region. It has also importantly been a vital American ally in the region. This stability and relative lack of involvement in local disputes makes Jordan a very attractive regional partner for India. There is a lot of potential for India to utilise Jordan as a trade and economic partner due to the above reasons. The Jordanian ambassador to India in 2022 stated that trade between both countries was up by 60% that year. This shows the potential. India should focus on expanding trade partnerships with Jordan as well as defense partnerships. Jordan has been hard on radical terrorism and hence shares a common goal with India in this. Alongside this, as America rolls up and reduces its involvement in the Middle East, Jordan will be in the need for outside allies who can supply defense equipment as well as provide further partnerships in this domain. India can at least partially help in this. In the face of American rollback, China will attempt to enter the power vacuum created by this, hence it is important for

India to prevent Chinese pre-eminence in the Middle East . India provides a democratic and relatively western-friendly state for Jordan to work with as it does vice versa. There is a large scope to expand Indian educational institutions in Jordan. The political and economic stability there are essentially helpful for this. Jordan should be a focal point for exporting the Indian educational sector. While it is a small state, economically and politically it outranks neighbors like Egypt. India's current policy in Jordan is well for this purpose and should be continued and strengthened.

6.3 Syria

Syria has for most of the last decade been locked in a bloody civil war which has still not completely ended. While the Assad regime now controls the majority of Syria it has not completely defeated rebel forces and does not control all of it's territory. The Syrian civil war has been a proxy battleground for many regional actors like Iran, the GCC, Turey, and international ones like Russia and the USA. The Assad regime was saved from almost collapsing due to Russian and Iranian help, it is currently a shell of it's past. Syria struggles economically and politically this being made even worse by the recent earthquakes. India does not have much to gain from the Assad government nor from the rebels fighting against it. There is not much potential in post-war Syria at least yet for economic partnership. Syria is a pariah to the west due to allegations of Chemical attacks on civillians, as well as their collaboration with Russia. It is wise for India to stay out of Syria until and unless there is a major detente between the Assad administration and the rest of the region as well as the West. In this case, there is potential for Indian assistance in rebuilding Syria, but the international optics of this currently are too risky. Assad's decision to send troops to assist Russia against Ukraine has alienated Syria even more from the Free World. Even so, in

the aftermath of the earthquake, India has been involved in Humanitarian Assistance to Syria. Like with Turkey this assistance should be pursued consistently as it brings international goodwill. India should continue with helping disaster affected Syrians but it should be stressed that this policy does not entail political support or condemnation for Assad. India should be a neutral humanitarian assister.

6.4 Iraq - An Iranian Commonwealth?

In the aftermath of the 2003 American-led invasion of Iraq which toppled Saddam Hussein's regime, there has been large scale conflict and chaos in the state. The war was followed by a long insurgency which lasted even after America left Iraq in 2011. This insurgency blew into full blown war as the neighbouring Syrian Civil War spilt over into Iraq in the form of ISIS occupying large swathes of territory. It took large scale assistance from Iran to organise a defense and which has led future Iraqi governments open to Iranian influence. In the face of the Iraqi army crumbling before ISIS, Iran organised a coalition of militia forces called the Popular Mobilisation Force (PMF) or Hashd Al Shaabi. These pro-Iranian forces and their affiliated political movements such as Kateb Hezbollah and the Badr Brigade have become major players in Iraqi politics after the defeat of ISIS. This has caused sectarian issues between Shia and Sunnis as many Iraqi Sunni's see Iranian influence as a threat. Iraq has seen major political deadlock and clashes in recent times as well.

In spite of this, India has had substantial trade with Iraq especially in the Oil sector. Iraq has substantial oil reserves which can provide India with energy security. Along with this, being a pro-Iranian state, Iraq can serve as a conduit for India to keep access to Iranian Oil without incurring negative reactions from the Western world. India has had positive relations with Iraq for a long time, and it should be kept this way. Even though it is close to Iran politically, it is

not criticised especially by the West like Syria and in fact has relatively good relations with America.

This means Iraq is also an important partner for India in the region. It can be a conduit to work with Iran without directly committing to the Islamic Republic and thereby harming relations with America. India and Iraq are both looking to diversify from the Oil sector to other sectors of trade. This can be done by India providing incentives for promoting Indian education in the region as well as regular exports such as pharmaceuticals. Alongside this, due to issues with Sectarian conflict, human rights issues, as well as worries about its friendliness to Iran, America has not been as forthcoming to supply Iraq with defense equipment as it was in previous years. Here, India can act with more leeway and fulfill any gaps left by America. Like with Morocco, Indian defense exports can help diversify Iran's defense acquisition and help when their formerly only major supplier (the USA), has second thoughts.

6.5 Lebanon and Hezbollah:-

Lebanon has as mentioned previously had a very unstable and problematic time in recent years. It is in the throes of economic crisis as well as facing issues with Hezbollah's militia. Due to its close border, and the major position of Hezbollah in regional politics, Israel is integrally tied to Lebanese politics. This is also influenced by the fact that Lebanon is one of the few Middle Eastern countries with a substantial non-muslim (namely Christian) population which has made Lebanon more receptive to Israel. Hence, Israel also supported multiple factions in Lebanon during its civil war in the 1970s, and occupied South Lebanon from 1985 to 2000.

Israel and Hezbollah often engage in skirmishes and minor conflicts across the Lebanese border. Hezbollah

has made it clear that the core of their ideology is built on opposition to Israel and that the latter is their primary enemy. But on the other hand, Israel has been improving relations with the Lebanese government, exemplified by both states signing a Maritime Deal in 2022, which allows both to utilise resources in their territorial waters. This shows that Hezbollah, and the Lebanese state are on different sides with regards to regional politics. With Lebanon facing economic problems for the predicted future, India should provide humanitarian assistance here as well. It can garner much goodwill in the region and project India as a viable partner for Middle Eastern states. India does not import heavily from Lebanon, with imports being around \$10M, in 2019 while exports amounted to \$171M. While Lebanon has issues, it is still a good market for promoting Indian investment. India can help Lebanon rebuild which will be very good for regional credibility and soft power.

With regards to Hezbollah, India should maintain its neutrality. India has not classified it as a terrorist organization and it should refrain from doing so, as it has not as of yet substantially spoken against India unlike Hamas. Proscribing Hezbollah as terrorists would also unnecessarily antagonize Iran. With the weakness of the Lebanese government and army, as well as Hezbollah's strength, we cannot entirely rule out a future possibility of Hezbollah solely ruling Lebanon. Even apart from this speculation, Hezbollah's position of power in the region entails India should stay neutral with regards to the organization. India will have to balance increasing collaboration with Israel with staying neutral to Iran and Hezbollah. India should not directly acknowledge or support Hezbollah but should avoid speaking out against it as well.

6.6 Conclusion

In conclusion, with regards to the Levantine countries India has a fair amount of opportunity but this is marred by the previous and ongoing conflicts. Jordan should be cultivated as a defensive partner and has much potential due to its stability. Syria should be a focus for humanitarian efforts, but India should maintain its distance from the Assad regime unless their international reception changes. With regards to Iraq despite its instability its proximity to Iran allows it to be a conduit for India-Iran exchanges without hampering relations with the West. India should diversify its trade with Iraq while maintaining the energy trade. Lebanon with its economic woes should also be a focus for humanitarian aid. India should focus on exports to and investments in Lebanon. Helping them rebuild will bring India much regional political credibility. India should stay neutral with relation to Hezbollah and should avoid labeling them a terrorist organization but nor should they actively support the latter. India should balance between maintaining Israel as a partner and being neutral over Hezbollah.

Due to their proximity to Israel, India should pay attention to all above mentioned nations.

Chapter VII

Saudi Arabia and the Gulf Cooperation Council

7.1 Introduction

In the whole region, perhaps the most important subregion especially economically is the Arabian Peninsula. This is due to the exceptional wealth of the Gulf countries mainly coming from Petrochemicals or trade. The nations of Saudi Arabia, Qatar, the United Arab Emirates (UAE), Oman, Bahrain, and Kuwait that comprise the Gulf Cooperation Council, are wealthy, and have been relatively politically stable in the last two decades. For the longest times these states operated as clients of America under the aegis of receiving defense equipment and international protection in exchange for Oil. This arrangement has been strained recently due to reasons mentioned in the previous chapter. The Gulf nations, led by Saudi Arabia as a *primus inter pares*, are now looking for more open options beyond America. For defense partnerships, equipment, economic investment or trade as well as markets for their oil. In the face of countries moving to renewable energy as well as the possibility of their oil reserves drying out, these states are also attempting to move on from petrochemicals to diversify into different sectors.

One of the major political and security related events that had affected this region recently has been the civil war in Yemen. As a result of the Arab Spring, in 2014 protests in Yemen escalated into a full blown civil war between the Yemeni government of Abdrabbuh Mansur Hadi, and the Houthis (Ansar Allah). The former is the internationally recognized government of Yemen backed primarily by a coalition led by Saudi Arabia and the UAE, while the Houthi rebels are an Islamist movement of the Zayidi Shia sect allegedly backed by Iran. This conflict has resulted in

widespread especially civilian casualties and has received much international condemnation. The

Coalition has enacted a bombing campaign against Houthi forces which has resulted in major civilian casualties, as well as a blockade of Houthi controlled areas (which comprise many major cities including the capital Sana'a). This blockade has resulted in a famine and immense concerns of mass starvation. Saudi Arabia and the UAE have received much criticism for this especially in the early years of the war. There has been no substantial resolution to the war and it still rages to this day. As mentioned before this conflict and the coalition involvement in it has also been a bone of contention between America and the Gulf monarchies.

This is the current situation in the Arabian Peninsula. Due to the large scale petrochemical reserves in the region as well as it's wealth it is very important to India.

7.2 India's Future with the Gulf Countries

The Gulf countries are an important opportunity to India from an economic perspective. It is important not only for energy security but also for trade and investment. India has a longstanding relationship with both countries stemming from postcolonial co-operation, India's neutrality on Palestine, as well as trade through petrochemicals. Along with this, the Gulf countries have a significant Indian diaspora comprising the largest migrant population there. The largest portion of the Indian diaspora worldwide lies in the UAE. India must increase outreach to this diaspora in their diplomacy with the Gulf States.

With respect to these countries, India must focus on using this diaspora to promote it's interests and diplomacy. India needs to increase diplomacy especially with Saudi Arabia due to previously mentioned concerns about energy security. For a long time, India's relationship with the Gulf States has not been able to reach it's full potential due to their sympathy and support for Pakistan who's foreign policy

in the region immensely focused on keeping Indian interests out of this region. But this problem has lessened now, due to Pakistan's own political and economical weakening, as well as proactive Indian diplomacy, the Gulf States are more open to working with India, independent of Pakistani policy.

India has as mentioned before large trade interests in the region, and these should be improved. India can help the Gulf countries in their aim to diversify their economies from solely oil based ones. This has been exemplified by India signing an FTA with the GCC, and this should be taken full advantage of for multiple sectors.

Along with this the Gulf countries are attempting to move out from under the American umbrella to a more independent security set-up. In this as it is currently doing India needs to work with them and increase defense co-operation. Signing defence agreements and conducting joint exercises is a good step. As these states are moving from America, they also potentially represent a market for defense equipment like the North African states.

India should aim to move beyond merely trade relationships with these countries as there is major potential for more.

Politically speaking, India can represent a neutral actor which is open for co-operation with the Gulf states without the need for power bloc politics. India can provide an alternative as a trade and defense partner that does not demand commitment to any Unipolar or Bipolar side but which is open to a multipolar Middle East. This sort of stand will be attractive to states such as the UAE and Saudi Arabia who have been moving away from America due to the commitments that the unipolar system brings.

7.3 Conclusion

In conclusion as with the region in general, the Gulf States represent an important opportunity for India. India has had longstanding relationships with the states as well as a large diaspora community which can be built on. As America withdraws from its major role with these states and their relationship with their long-term patron is strained, it is important for India to utilise this opportunity for trade and defense partnerships. As these states aim to diversify from petrochemicals India can help them in this, and gain valuable economic interests.

Chapter VIII

Great Power Politics - America, China, and Russia

8.1 Introduction

From the days of the Crusades till today, the Middle East has been a battleground for external powers to exert their influence and advance their interests. For most of the Cold War, it was a proxy field for America and the Soviet Union, with the former being the dominant external power in the region after 1991. Especially in the early 2000s, America was the regional hegemon but this has changed in recent times. In the wake of the massive cost of the 2003 Iraq War and the conflicts that came after the Arab Spring, America has been attempting to roll back its major involvement in the region. It has changed its major agenda from the more aggressive Global War on Terror (GWOT), to the more indirect Over the Horizon policy. This policy aims to replace the former aggressive policy involving troops on the ground to a policy involving more indirect operations such as drone strikes and targeted attacks. This policy change shows America's attrition of will from their long involvement in the region. They have for the longest time had a tacit agreement with the Arab states such as Saudi Arabia, Jordan and the UAE according to which America would be these states protector in return receiving a guaranteed energy supply. But as America has moved more towards renewable energy as well as domestic energy production, it does not need this arrangement as much as it did previously. Along with this, for America it has become harder to justify heavy involvement in the region in face of large scale domestic opposition. America has also had a falling out with Saudi Arabia, their closest regional partner due to American criticism of the death of Saudi journalist Jamal Kashyoggi in uncertain circumstances at the Saudi Consulate in Istanbul,

Turkey. Saudi Arabia's intervention in the Yemeni Civil War and its bombing campaign which has received criticisms for civilian deaths, as well as the fact that Saudi Arabia initiated this intervention without American consultation had also to a lesser extent strained relations between the two. While America is still present in the Middle East, its willingness to get involved in major political maneuvering is lesser than before. This has left a power vacuum that many seek to fill.

Russia has also been involved in the region after the fall of the USSR, but due to its relatively lesser resources and power as well as closer interests in the post-Soviet space, it has not been able to concretely challenge American hegemony. Russia's major involvement in the region comes from its close relationship with Syria under Bashar Al-Assad and subsequent co-operation with Iran for assisting Assad. When the Syrian civil war broke out and the Assad regime was close to falling, Russia intervened militarily sending troops and air support to the Syrian government. Russian aid, especially bombing support was integral in Assad's survival. This has left both nations extremely close. Assad receives heavy Russian support, and has in return sent troops to support Russia's special military operation in Ukraine. In the UN Russia has consistently vetoed resolutions against Assad. With respect to Russian interests in the region, Assad is the only major one. Russia has attempted to grow its zone of influence in the region but has not been able to do so due to limitations as well as its involvement in the post-Soviet space such as Ukraine (2014, 2022) and Kazhakstan (2021, 2022). Russia has worked with Iran but it will be a stretch to call them allies. Both countries share converging interests and hence have worked together in the region and supported each other in these. But this cannot be classified as a proper alliance due to both Iran and Russia in the long-run wanting complete regional hegemony.

The third major and currently rising external power that has attempted to gain influence in the region is China. Under its Belt and Road (B&R) initiative, which seeks to increase Chinese influence and power through infrastructure projects across the world, China has entered the Middle East. The region is very important for the initiative as it connects their projects in Asia, Africa, and Europe. This is a part of China's wider drive to upset America as the new global superpower. China has been involved economically in many countries such as Israel, Saudi Arabia, the UAE, Egypt, etc. It has leveraged its economic strength to gain influence in Middle Eastern countries by funding projects left and right. More importantly and some alarmingly, China has started attempting to guide regional politics directly. In March 2023, China mediated a deal between Saudi Arabia and Iran which restored diplomatic relations broken between the two since 2016. This is a substantial regional event, as it draws both nations a bit closer to reducing conflict. The most important point to take in this event is the lack of American presence. While America has been involved in mediation between Israel and Arab countries, this is the first time a nation other than itself has mediated and induced a substantial change in politics like this. It shows China's diplomatic clout and their ability to sway both Riyadh and Tehran. It is in China's interests to get both parties on a common ground, as it would allow it to take over America's incumbent role and increase its hegemony by dealing with both Iran and Saudi Arabia as a patron.

But even as many are speculating whether this will be a sign of the end of Iran and Saudi Arabia conflicting, it is not very clear yet. While China has brought both states to resume diplomatic relations, the significance of this should not be oversold. Iran and Saudi Arabia have feuded even before their suspension of diplomatic relations; they have

fought proxy conflicts long before 2016. Along with this, the sectarian divisions as well as more importantly the sharp ideological conflict between the Islamic Republic and the Gulf Monarchy are not as easy to remove. These are decades and decades of hostility and conflict which China will find hard to erase. Along with this, as both Iran and Saudi Arabia both covet the same position, of preeminent leader of the Muslim or at least the Middle Eastern World; it will be tough for them to reconcile these clashing interests. We cannot speculate properly yet as to what the long-term ramifications of this deal will be, but it has shows concretely that China has entered the region and intends to play a major political role there. This cannot be ignored.

8.2 How India must navigate these Turbulent Waters

These new circumstances and seismic changes in Middle Eastern politics have created both opportunities and conundrums for India. The power vacuum left by America, applies just as much to India as it does to China. It is just as much an opportunity for India to take an overarching mediatory role. While China has economic clout, India has a better relationship with Middle Eastern countries. It has a credibility through years of diplomacy that should be leveraged for India to project a better mediatory alternative as opposed to China. India also has good relations with Israel, which can allow India to mediate or promote deals between Israel and the Arab countries. Due to India's positive relations with Iran and Saudi Arabia both, it should not let China take the spotlight and gain a monopoly on diplomacy between the two states. The recent deal has shown that America is busy with other concerns and at times is not willing to invest in Middle Eastern politics any more. The fact that they let China take such a role shows that the ground is open for others to do so. Due to America's hostility to

China, both political and economical, it is likely they would prefer India being a mediator for Middle Eastern countries rather than China. This would be true more-so in the case of a Republican victory in 2024, (the Republicans being more overtly friendlier to India and hard on China). India, as a democracy can bring an international credibility, which amplified by it's long term neutrality can really appeal to states in the region. India's Macro focus in the region should be to take such a major diplomatic role.

In the opportunity and example created by the Chinese deal, India needs to move in and also take up a mediatory role. Saudi Arabia has still not normalized relations with Israel even though relations are better than before. This can be a golden opportunity for India to leverage it's relationship with both nations and it's neutrality to bring about normalization. The success of such an endeavor would not only increase relations with both states immensely, it would also help energy security vis a vis the Saudis.

Bringing a resolution between Iran and Saudi Arabia would allow India to get the best of both worlds. But leaving such a resolution solely in the hands of China would allow them to block India out of regional politics in a similar way to how Napoleon tried to block Britain out of Europe with the continental system. India should maintain a foot in the door if the Middle East is to move towards large scale reconciliation.

India has a major asset in the region which China does not have, which is the large Indian diaspora working and living in the Middle East. This diaspora forms a major bloc which can be used to improve perceptions of India there as well as initiate mediatory diplomacy.

For this India must work fast though, and should not let China attain a hold in the region which would leave it out. Giving China hegemony over the region would drastically

affect India's energy security and strategic concerns, allowing China to strangle India if necessary.

India has the potential to contest China diplomatically even if not economically, and this should be pursued vigorously.

8.3 Conclusion

In terms of Great Power Politics, the Middle East right now, is an open hunting ground. There is a vacuum left by America that has not existed for a long time. This gives both the opportunity for India to gain diplomatic power and hence concurrently economic and strategic interests, but also leaves open the potentiality for China to become a regional hegemon. India must use its diaspora, as well as its longstanding relationship with the region to project itself as a neutral democratic mediator. Its relationship with Israel should also be utilised as the Arab states move towards normalization with Israel. As America has left a space, India should move in to whatever extent possible, as it is likely America would prefer Indian mediation to Chinese ones. This opportunity should not be ignored.

Chapter - IX

Conclusion

9.1 Final Conclusions

From this report we can draw a few conclusions. Based on the current circumstances in the Middle East caused by major political changes, there is a diplomatic and power vacuum which India can take advantage of. There is great potential for economic, defence, as well as diplomatic partnerships across the region. The Final conclusions and recommendations from this report are:-

Israel should be the most important defense and economic partner in the region. It's technological expertise and economic prowess should be used to shore up strategic interests as well as trade. Even so, India must balance between Israel and staying neutral on the Palestine issue. Despite this, it should move towards condemning Hamas specifically as a terrorist organization.

India must also maintain a balancing act between Iran and Saudi Arabia but if it has to choose should avoid being lumped with Iran as an international pariah. Detente between both nations is unlikely but if it succeeds is a good outcome for India as it can work with both. But in this, India should make sure they have a part in any detente that occurs, and should not leave it entirely to China. It should not rely on the conflict between both and should develop an independent diplomacy.

In North Africa, India's diplomacy should focus on Egypt, Algeria, Morocco, and to a lesser extent Tunisia. These states are good opportunities for investment especially in education and technology. These states should also be pursued as defense partners both as buyers and as partners in counterterrorism.

India's position as a neutral country with no horse in regional or sectarian politics should be emphasized. The diaspora communities should be utilised for this to extend soft power.

With regard to Turkey, India should be wary and use a carrot and stick policy. Criticism from them and support for Pakistan should be responded to.

In the aftermath of the earthquake India should focus on humanitarian aid to both Turkey and Syria as this also helps with Soft Power and International Goodwill.

With America having relatively retreated from the region, India can position itself as a neutral defence partner as well as a diplomatic mediator for conflicts. India should focus on using the vaccum to do as China did and use it's positive ties with Israel to mediate between Israel and the Arab states.

India's Middle Eastern policy should focus on energy security, soft power and defensive partnerships. This will maintain their strategic interests in the long run.

Regarding the Gulf countries, India should work on economic ties and oil, but should also move to encompass a wider sphere involving strategic and defense partnerships.

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**Addressing the Gaps
in the United States'
Indo-Pacific Strategy:
A Case for Indo-US
Cooperation in the
Western Indian Ocean**

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Abstract

The growing Chinese assertion in the Indo-Pacific region has obliged India and the United States to contemplate their Indo-Pacific strategy. The present nature of the US's Indo-Pacific strategy seems incomplete as the core focus is towards Northeast Asia, south-east Asia and Oceania including the Pacific islands. In comparison to the US's strategy, India's approach to the Indo-Pacific seems to be far more inclusive as the US strategy hardly talks about Western Indian Ocean (WIO) Littoral and Island states which are geo-strategically significant considering their geographical locations. China's extensive engagement in the WIO compels me to write about it because, based on current Chinese operations in the WIO, it is clear that in coming decades, WIO might be the next theatre of conflict, similar to the South China Sea (SCS). Therefore, this study will attempt to explore India's approach towards WIO in terms of its economic and security engagements with littoral and Island states to balance the growing Chinese influence. To attain these objectives India must go away from being merely a "Leading US Partner" and should project itself as a credible, trustworthy and non-

hegemonic regional power with an aim of ensuring peace and prosperity for all in the WIO. To achieve this objective India should leverage its partnership with the US in WIO to propound an inclusive policy for the Indo-Pacific region.

Keywords: *Indian Ocean, Western Indian Ocean, Indo-Pacific region, China, India, US*

Introduction

The growing Chinese assertion in the Indo-Pacific region has obliged India and US to contemplate their Indo-Pacific strategy. The present nature of the United States' (US) Indo-Pacific strategy seems incomplete as the core focus is on Northeast Asia, south-east Asia and Oceania including the pacific islands. In simple terms U.S's Indo-Pacific extends up to India's western coast, which is also the area of responsibility of the US Indo-Pacific command (US INDPACOM). Despite being a far more comprehensive version of the Asia-Pacific concept, the US' strategy fails to mention the Western Indian Ocean littoral and island states, which are equally crucial in terms of their strategic location. Comparing Indian approach of the Indo-Pacific with the US' approach, the Indian approach is inclusive of the Western Indian Ocean Littoral and Island states. While India lacks any officially documented Indo-Pacific strategy, the 2018 Shangrila Dialogue proved to be a watershed event, with PM Modi emphasizing the region's importance as a cohesive strategic architecture encompassing the Pacific and Indian Oceans. Thus this study attempts to illustrate the importance of the Western Indian Ocean as a missing piece of the US Indo-Pacific Strategy and highlight the significance of the region for India and the US. Compared to India and US, China is largely engaging with Western Indian Ocean and this approach appears to be militarily and economically expansive. After analyzing recent Chinese developments in the WIO in particular and the Indian Ocean Region (IOR) in general, it is evident that the WIO could be the next theatre of conflict in the coming decades. Therefore, this study will attempt to explore India's approach towards WIO as a part of its Indo-Pacific strategy in terms of its economic and security engagements with littoral and Island states in the region to balance the growing Chinese influence.

Significant quantities of global marine traffic, including a major fraction of the world's crude oil supply, pass through the area, and India's strategic location at the head of the Indian Ocean lends it enormous strategic importance and aids in keeping touch with the rest of the world. It enables India to maintain close communication with West Asia, Europe and West Africa on its western shore. This study thus investigates how India can leverage its alliance with the US in the Western Indian Ocean. Washington's involvement in the WIO is mostly limited to security treaties and naval access treaties with key littoral states. Because the United States' participation in the region is limited to traditional engagements, India should interact with the US in the Western Indian Ocean, expanding beyond the traditional to novel and sometimes overlooked concerns. The People's Liberation Army Navy (PLAN) has swiftly built a near-constant presence in the region, and its active presence in the WIO is accompanied by commercial and infrastructure linkages with important coastal countries. WIO thus becomes strategically significant for both India and the US in the light of PRC's shared threat and its multi-pronged strategy for the region, which focuses not only on strengthening military presence but also on diplomatic, informational, and economic involvement.

Research Methodology

This study employs a qualitative research methodology which includes both primary and secondary data. Primary data include government news releases and original documents from the countries and nations referenced in the study. An exploratory approach has been applied for an efficient analysis with data available in open-access, articles and books which remain as secondary sources for an expansive and inclusive study.

The “Asia-Pacific concept and its transition to the “Indo-Pacific”

The term ‘Asia-Pacific’ refers to the region of Asia that lies in the Pacific Ocean, whereas the term ‘Indo-Pacific’ refers to an integrated region that includes the Indian Ocean, the Pacific Ocean, and the landmasses that surround them. It was developed and endorsed by Asia-Pacific territorial powers that were looking for a name to define their shared territory. As a result, the Asia Pacific concept took shape and came into being. This region is divided into three primary regions: North East Asia, South East Asia, and Oceania (South Western Pacific). The Asia-Pacific region is more of an economic concept than a security concept and evolved as a zone of emerging markets that enjoyed rapid economic expansion in the late 1980s. In order to consolidate the Asia-Pacific region as an Intergovernmental platform, the Asia-Pacific Economic Cooperation (APEC) was conceived in 1989. APEC was established in response to the growing interdependence of Asia-Pacific economies and the establishment of regional trade blocs in other parts of the world, to open new markets for agricultural goods and raw materials outside of Europe. The Asia-Pacific Economic Cooperation (APEC) forum, which does not include India, is the only international organization that effectively represents the Asia-Pacific region. The US, since 1989 has enforced its grip on the Asia-Pacific order by developing military and economic networks across the region and as a source of investment for countries in the region. This order, however, has been called into doubt since the beginning of the second decade of the twenty-first century as the Asia-Pacific concept had become too narrow in its scope and unable to suit the modern geopolitical and geo-economic interests of the Multi-polar world. In response to the limits of the Asia-Pacific, a slew of nations established

an alternate concept of the same region under the banner of 'Indo-Pacific'. As a result, numerous countries refer to the Indo-Pacific as a framework that has supplanted the formerly dominant Asia-Pacific Concept which is much wider and accommodative.

The Indo-Pacific region combines the Indian and Pacific oceans, as well as the land masses that surround them. Although it is still in its early stages, most experts consider it as a notion that encapsulates the shift in power and influence from the West to the East. Its geographical extent is unclear; nevertheless, it is believed to extend from the East African coast, through the Indian Ocean, and into the Pacific. The Indo-Pacific region is a geographical expanse that includes both the land and maritime spaces which includes key routes of communication that connect the Indian and Pacific Ocean littorals. The Indian Ocean is extremely important in terms of commerce and trade in general, and marine oil commerce in particular. All Pacific nations rely on the energy commerce that passes via the Indian Ocean from the Gulf region. The Indian Ocean Energy trade accounts for over 80% of global marine oil commerce and energy exchange. As a result, the Indian Ocean has emerged as a crucial corridor for trade, commerce, and energy. The Indian Ocean Region's (IOR) seas have thus become a hub for commercial advances, disputes, conflicts, and competition. All major powers, including the US, Australia, Japan, the United Kingdom, India and China, have sought stakes in IOR's security.

The US and its conception of the Indo-Pacific

The vacuum in the Asia-Pacific system and its functioning was never felt because the US had long been a hegemonic power in the region. However, in response to China's increasing and revisionist stance in the area, which has endangered US hegemony, the US has been compelled to

adopt a policy to counteract Chinese revisionism in the Asia-Pacific. Correspondingly, the Sino-American struggle for power and prestige has taken variety of forms. Some of the major rivalries are mirrored in military threats, for which the US has formed groups such as the QUAD and policies such as the Free and Open Indo-Pacific (FOIP). Since 2017, the FOIP has been largely centered on the formulation of standards and principles. Initially, they were concerned with the economic engagement between the US and other participating states in the region. Trump emphasized the need of developing fair, reciprocal, and commercial ties based on notions such as intellectual property rights respect, free trade and commerce, private property protection, fair competition among all participating nations, and open markets. Trump referred to adherence to these principles as “playing by the rules” in DaNang in 2017, with respect to the Indo-Pacific region. An ideological struggle must also be stressed, with the US’ standing as a democratic nation and China as a party-led dictatorship. The presence of an illiberal, authoritarian government in the Indo-Pacific, according to Washington, threatens the free and open international order in the Indo-Pacific region. The US Indo-Pacific strategy, which was established in early 2022, extends beyond the Asia-Pacific’s restricted Geographical Nomenclature. The territories covered range from Northeast Asia and Southeast Asia to South Asia and Oceania, which includes the Pacific Islands. The inclusion of South Asia in the official US document shows the country’s transition from the Asia-Pacific to the Indo-Pacific. According to the US Indo-Pacific Strategy, “the intensifying American focus is due in part to the fact that the Indo-Pacific faces mounting challenges, particularly from the PRC.” The US faces challenges in the Indo-Pacific because the PRC aspires to establish a sphere of influence in the area and become the world’s most powerful force, depending on its substantial economic, diplomatic, military, and technical prowess.

The PRC's coercion and aggressiveness are felt throughout the world, but they are most intense in the Indo-Pacific. From economic coercion in Australia to conflict along the Line of Actual Control with India to increasing pressure on Taiwan and bullying of neighbors in the East and South China Seas, the US allies and partners in the region bear a large portion of the cost of the PRC's harmful behavior. In this process, the PRC undermines human rights and international law, particularly freedom of navigation, as well as other values that have contributed to the Indo-Pacific's peace and prosperity. The US is protecting its interests and aspirations in the region by fortifying the international system, keeping it anchored in shared values, and improving it to meet 21st-century challenges. The US goal is not to eliminate the PRC, but to create a strategic environment in which it functions, establishing a balance of power that is most beneficial to the US, its friends and partners, and the interests and values that they share. This transformation will occur by not attacking the PRC, but by managing competition with the PRC responsibly by engaging with friends and partners such as Australia, Japan, and India, while also looking to cooperate with the PRC on issues such as climate change and nonproliferation.

Evolution of India's stand on the Indo-Pacific

India supports the US Free and Open Indo-Pacific (FOIP) strategy because it sees China's Belt and Road Initiative (BRI) as a strategic encirclement and is concerned about China's substantial military presence in the Indian Ocean (e.g. under the guise of fighting piracy). India's proactive stance on the Indo-Pacific is a result of not only the Chinese presence in the region but also to expand of its own economic prowess in the Indo-Pacific. According to the World Bank, India surpassed China in 2015 to become the world's fastest-growing major economy. Given India's emergence as an

economic powerhouse, an Asia-wide concept cannot exist without India. In the past, India has made valiant but futile efforts to join regional frameworks such as the APEC. As a result, the conception of Indo-Pacific acknowledges India's presence in the region, and such a shift would drive other regional frameworks to acknowledge India's role in growing economic and security architectures. In August 2007, when Japanese Prime Minister Shinzo Abe gave his speech in the Indian parliament on the "confluence of the two seas," the Indo-Pacific idea had one of its defining moments in India. Despite this, relatively few official and exclusive Indian documents on the Indo-Pacific region have been released so far. A more specific document, the Indian Maritime Security Strategy of 2015, refers in its introduction to a shift in global focus from the "Euro-Atlantic" to the "Indo-Pacific" and links the latter concept to India's "Act East" policy. Among other things, it calls for priority to be given to harmonizing the various views of the Indo-Pacific as a strategic framework.

India's concrete engagements in the Indo-Pacific began in June 2018 with Prime Minister Modi's keynote address at the Shangri-La Security Conference in Singapore. This speech is still regarded as a crucial reference point for an Indian understanding of the Indo-Pacific concept. The US expected PM Modi to make strong commitment to the "Free and Open Indo-Pacific" (FOIP) but instead, he focused his speech on ASEAN's centrality in the region, spoke of regional security and prosperity and underlined India's participation in regional ASEAN-centered institutions (EAS, ADMM-Plus). Along with South-East Asia, PM Modi emphasized India's transformed relationship with Japan, as well as fresh vigor in relations with South Korea, Australia, New Zealand and the Pacific Islands. He also mentioned India's improved links with Africa (Particularly East Africa). PM Modi stated that India's strategic alliance with the US

shares a vision of an open, stable, and prosperous Indo-Pacific. The relationship between India and China was described as the most complicated, with commerce on the upswing and both nations taking a responsible approach to border concerns. One key point addressed in the speech was that India does not regard the Indo-Pacific area as a strategy, nor as an exclusive club or group competing for domination or allied against a particular country. The Indian perspective on the Indo-Pacific is far more inclusive than the American perspective, and India's diplomatic engagement in the region reflects accordingly. For India, the priority is to strengthen security cooperation with the US, Japan, and Australia, as well as with several Southeast Asian states (Vietnam, Singapore and Indonesia). While India has been engaging with and counterbalancing China in the Indo-Pacific area, several of these efforts were put in action before the Indo-Pacific region became a focal point of the international world.

India's engagements in the Indo-Pacific region

To begin with, we must examine India's military and civilian leadership activities in the Indo-Pacific region. India's Maritime diplomacy is highlighted by the Indian Navy's participation in joint exercises with the resident nations of the Indo-Pacific region, including humanitarian assistance and disaster relief (HADR) operations. The Indian government pursued the Security and Growth for All in the Region (SAGAR) project as India's doctrine of maritime cooperation in the Indian Ocean region to utilize the Indian Ocean region's blue economy and to address regional issues such as disasters and piracy. Although no single formal document describing the SAGAR concept has been released, there have been several projects and maritime events that may be considered a part of it. India's free and open Indo-Pacific narrative is also closely linked to its self-interest.

Despite the free and open narrative, India withdrew from the Regional Comprehensive Economic Partnership (RCEP) in November 2019. The fundamental reason for this pullout was the concern of an even larger trade deficit with China, as well as domestic nationalist opposition. As India is critical of China's BRI, it has pursued infrastructure collaborations within the Indo-Pacific framework, particularly with Japan (projects in India and the Asia-Africa Growth Corridor). On the other hand, India joined the Blue Dot Network (BDN) in February 2020. The BDN, which has emerged as an alternative to the BRI, is increasingly pitting nations defending the liberal order against China's authoritarian regime.

The Blue Dot Network's aim is to assist smaller nations in establishing excellent infrastructure that meets international certification standards, with a special emphasis on the need to enhance transparency and openness in investment decisions. By implication, this underscored that the BRI is not transparent and does not follow international standards. India, which has rejected BRI because of its territorial violations, has suffered a significant decline in bilateral ties with China. Given the sovereignty violations and the Beijing-Islamabad connection pushed by the China-Pakistan Economic Corridor, New Delhi will not be willing to change its stance on the BRI. The BDN effectively provides India with a greater opportunity to collaborate with its QUAD partners to advance the goal of a free and open Indo-Pacific. As the US, Australia, and Japan drive the BDN project forward, India would benefit from strengthening ties with its QUAD allies through BDN. As India is critical of China's BRI, it has been pursuing infrastructure partnerships within the Indo-Pacific realm, especially with Japan (projects in India and the Asia-Africa Growth Corridor). Like the North-South Corridor (with Russia and Iran), these partnerships are designed as alternatives to BRI.

India engages in several Regional dialogues and Military exercises. To begin with such engagements, India participated in the Indo-Pacific Regional Dialogue (IPRD). IPRD 2021 was a three-day online event under the broad theme of “Evolution in Maritime Strategy in the Twenty-First Century: Imperatives, Challenges, and the Way Ahead.” Both resident and non-resident countries of the Indo-Pacific - Australia, Bangladesh, Canada, China, Indonesia, Israel, Japan, Seychelles, Singapore, South Korea, Sri Lanka, the United Kingdom, and the US participated. Another engagement of India is in the form of QUAD. Quad is a strategic security dialogue maintained by member countries that include Australia, India, Japan, and the US. The Quad has “a positive, constructive agenda,” so no country or area is singled out.” What we want, for is that peace and stability in the Indo-Pacific area be maintained.” S. K. Verma, India’s Ambassador to Japan, stated this during the recent Quad Summit in Tokyo. This reiterates India’s longstanding stance that the Quad is not “against someone” (China), but “for something.” India has long maintained that the Quad become an open, productive platform that brings together member nations’ capacity to promote regional security and stability comprehensively.

Japan since 2015 and Australia since 2020 have taken part in the maritime “Malabar” military exercise, which has been running since the 1990s and was originally conducted bilaterally between India and the US. The first Malabar naval exercise, which began in 1992, was a combined Indo-US naval drill. Expect a hiccup from 1998 to 2002 due to India’s nuclear weapons tests, Malabar naval exercise has been held every year since 2002. These interactions are bolstered by bilateral logistical agreements, Navy-to-Navy agreements, and information-sharing arrangements signed by India with several nations. India also exchanges

maritime information bilaterally with friendly nations to create Maritime Domain Awareness (MDA) in the Indian Ocean Region (IOR), which includes information on hostile/adversarial countries' military and naval assets, as well as assessments of maritime activities of mutual concern and activities related to transnational maritime-based threats. In recent years, Maritime Domain Awareness (MDA) has surfaced as a significant issue for regional cooperation, with the Navy's Information Fusion Centre for the Indian Ocean Region (IFC-IOR) establishing itself as an essential centre for it. India has also invested heavily in capacity building to assist WIO littoral states in strengthening their militaries. Likewise, while analyzing Indian engagements, China has stretched its naval footprint from Djibouti in the western Indian Ocean, where it has built a base, to the eastern edge of the western Pacific, where it claims land and sea features. India is also taking part in summits like the 2+2 Ministerial Dialogue. The 2+2 Ministerial dialogue is the highest-level institutional framework between the two nations on strategic and security concerns. It is a discussion arrangement in which defense/foreign ministers or secretaries meet with counterparts from other countries. India has a 2+2 discussion framework in place with four partners: the US, Australia, Japan, and Russia. Apart from Russia, the other three nations are also India's QUAD partners. India is also a member of the Indo-Pacific Economic Framework (IPEF), a project inaugurated by US President Joe Biden on May 23, 2022. Biden hailed this endeavor as creating new rules for the twenty-first-century economy, claiming that the arrangement will help the participating economies develop quicker and more fairly. Following the Trump Administration's departure from the Trans-Pacific Partnership, the US has made no new economic commitments in Southeast Asia, let alone the Indo-Pacific region as a whole. As a result, analysts have linked IPEF to the Trans-Pacific Partnership, from which the

US withdrew in 2017. Thus, Indian engagement in the Indo-Pacific takes the shape of political, military, and commercial activities, all of which are subject to India's national interest and security.

The conception of the Indo-Pacific region by actively participating countries

Japanese understanding of the Indo-Pacific underlines ASEAN-centrality, stating its three policy pillars of promotion of rule of law including free trade, the pursuit of economic prosperity through improving connectivity and economic partnerships, and commitment to peace and capacity building on maritime law enforcement as well as cooperation in humanitarian assistance and disaster response. It supports the US Indo-Pacific vision. Correspondingly, the Australian Indo-Pacific concept overlaps with the US Indo-Pacific Command (US INDOPACOM). Australia's 2013 Defense White Paper acknowledges trends such as China's ascent as a global force, East Asia's rising strategic weight, and India's emergence "over time as a global power" that are shaping the Indo-Pacific as a "strategic arc." Thus Australia's strategic focus remains on the sea lines of communication, which are crucial to the development of the Indo-Pacific.

The ASEAN published its Outlook on the Indo-Pacific in June 2019, which is compatible with and based on the ideals of ASEAN centrality as expressed through ASEAN-led mechanisms such as the East Asia Summit (EAS). It is not meant to create new mechanisms, but rather to improve ASEAN's Community building process and to reinforce and give new momentum to existing ASEAN-led mechanisms to better meet challenges and grab opportunities emanating from present and future, regional and global contexts. European nations are also adopting a viewpoint on the Indo-Pacific. France is a resident power in the Indo-Pacific through its chain of islands in the Indian and Pacific Oceans,

and it announced a plan for the region in June 2019, which was revised in 2021. Likewise, In September 2020, Germany adopted Indo-Pacific strategy guidelines and also the European Commission announced its 'EU Strategy for Cooperation in the Indo-Pacific' in September 2021, defining the region as spanning from "the East coast of Africa to the Pacific Island states. It is hardly surprising that the EU will issue such a policy plan, considering that the Indo-Pacific accounts for more than 35% of all European exports, making the EU the major trade partner for numerous Indo-Pacific economies. Furthermore, almost 90% of these exports transit via maritime channels in the Indian and Pacific Oceans, reinforcing the EU's geopolitical and security concerns in the Indo-Pacific.

The PRC has asserted that the US Indo-Pacific strategy will fail from the time of its inception. China continues to refer to the region as the Asia-Pacific and opposes the Indo-Pacific concept, which gained popularity during former US President Donald Trump's reign and which is vigorously advocated by his successor, Joe Biden. Many Indo-Pacific countries have territorial disputes with PRC. PRC has declared sovereignty over the South China Sea and disputed Japanese sovereignty over the Senkaku Islands. They have also devised artificial islands, airfields, and military bases in the Parcel and Spratly Islands, extending the exclusive economic zone to increase Beijing's hold in the region. The Philippines, Brunei, Malaysia, Taiwan, and Vietnam all have opposing claim lines in the South China Sea. Taiwan is still unfinished business for China, and Sino-India relations have reached a dilemma in the aftermath of the Galwan incident. Each of these skirmishes has the potential to destabilize the Indo-Pacific region. China is concerned about its strategic vulnerability in the Indian Ocean as it is the world's industrial giant and one of the world's major importers of

oil and gas. As a result, energy security is considered critical to the country's long-term growth. The vast majority of this energy trade takes place in the Persian Gulf, via the Malacca Strait, and perhaps through the Indian Ocean. To address the vulnerability of protecting its energy commerce, China launched its centerpiece Indo-Pacific program, the Belt and Road Initiative (BRI). However, the criticism surrounding BRI is fanned by a lack of openness, which makes it impossible to obtain trustworthy information on the initiative's financing, as well as the individual projects and their terms. Russia, like China, regards 'The Asia-Pacific' as a natural territory that includes both the Asian landmass and the Pacific region. It sees the 'Indo-Pacific' as a strategy to restrain China and sees no strategic relationship between the Indian and Pacific oceans. It is developing its economic pivot to the Far East, as well as relocating its air, army, and naval assets to build a strong strategic relationship with China.

As a result, the Indo-Pacific region is critical to the world's economy and security. On one side, there is the US, which has long been a dominant power. On the other side, there is China, a growing power that is regarded with suspicion because it challenges the status quo. Indo-Pacific nations are thus affected by the Sino-US competition. On one hand, the world might expect peaceful coexistence and joint development but an assertive and expansionist China, on the other hand, looks to have chosen the road of confrontation. Comparative case analyses of governments and their perceptions of the 'Indo-Pacific' have demonstrated that the term is currently employed by a diverse spectrum of players with differing foreign and security policies, beliefs, and competencies; even geographical definitions of the Indo-Pacific vary significantly from nation to nation. It is not strange, then, that despite identical usage of the phrase, meanings vary. In summary, there are significant

discrepancies between nations and their conceptions when they use the phrase “Indo-Pacific.”

India’s Indian Ocean Policy: Part of the Larger Indo-Pacific Strategy of India

Following independence, India was embroiled in territorial disputes with its two antagonistic neighbors, Pakistan and China. That is the primary reason for the Indian navy’s relative neglect of national security calculations. However, during the Indo-Pak war in 1971, the Indian Security Strategy began to see the Indian Ocean as crucial to India’s security. Following 1991, India’s Indian Ocean Policy switched from safeguarding its territorial seas to securing the global commons. What caused this shift? India’s stance on the Indian Ocean was essentially territorial throughout the Cold War period. India, as a developing country, was solely concerned with its basic marine security requirements. This above perspective has shifted in the last two and a half decades, owing to the fact that India is now an export-driven country, which has significantly increased the value of the Indian Ocean in India’s economic growth plan. Even China engages in shipbuilding and port construction across the Indian Ocean and while these enormous investments are motivated by economic objectives, it is logical to anticipate that they may eventually evolve or be repurposed for military purposes. Securing the global commons thus becomes crucial for India. Furthermore, India’s Maritime Security Strategy (IMSS) 2015, Ensuring Secure Seas, replaced India’s Maritime Military Strategy (IMMS) 2007, Freedom to Use the Seas. IMSS-2015 and its up-gradation to Ensuring Secure Seas from Freedom to Use the Seas emphasize the change from safeguarding its territorial seas to securing the global commons.

According to K.M. Panikkar, a navy is not intended for coast defense because it can be defended from the land.

The main goal of the navy is to gain control of a maritime region, preventing hostile ships from reaching the coast or interfering with trade and commerce. He went on to say that India's peninsular nature renders it dependent on the Indian Ocean. To that end, India established a naval station in the Andaman and Nicobar Islands in 2001, which was upgraded to an inter-services complex housing Air Force and Army soldiers in addition to the navy forces in 2005. On July 31, 2012, the Andaman and Nicobar command was expanded with the installation of the "Naval Air Station" in Campbell Bay (INS Baaz). Similarly, India has a stronghold in the Western Indian Ocean in the archipelago of Lakshadweep. India is also strategically located in the Northern Indian Ocean. Though India makes its presence felt across all its borders, it has a long way to go before it can be considered a serious maritime force in the growing Indo-Pacific security framework.

India also maintains strong naval diplomatic relations with other major countries. Multilateral MILAN exercises, bilateral naval exercises with extra-regional powers in the Indian Ocean, such as Konkan with the United Kingdom since 2004; Indra with Russia since 2003; Varuna with France, a resident power in the middle southern Indian Ocean, initiated in 2001; and MALABAR with the US' since 1992, as well as IBSAMAR naval exercises between India, South African, and Brazilian navies. IBSAMAR's scope has constantly grown, and it has evolved into a complex trilateral naval exercise. We may conclude from India's above-mentioned involvement in the Indian Ocean in the form of its Foreign Policy objectives that India wishes to protect the Global Commons, i.e. open maritime lines of communication, for export-oriented economic growth and energy security. As China's influence in the Indian Ocean region grows, and its vast investment in ports begins to materialize, China poses a

threat to the above Global Commons, which India opposes in a realistic manner.

In the Indian Ocean, India's policy has evolved from Nehruvian Idealism to PM Modi's Offensive Realism. The Indian Ocean's realist view may be illustrated by India's stance on the US naval installation in Diego Garcia. The Chagos Archipelago was proclaimed an overseas territory of the United Kingdom in 1965, and it was separated from Mauritius. Mauritius obtained independence from the United Kingdom in 1968. Since then, the sovereignty of Diego Garcia has been a source of disagreement between the Mauritian government on one side and the US and the United Kingdom on the other. Regarding Diego Garcia India is torn between supporting the withdrawal of the US Navy and restoring the islands to the Mauritian government and supporting US naval presence in the Indian Ocean as a stabilizing factor and deterrent to Chinese ambitions in the Indian Ocean region. Thus, what we witness now in the Indian Ocean is India's overt support for Mauritian sovereignty in their historical area and covert backing for the great power (US and UK) presence in the region to counter Chinese strength in the IOR. Thus, we witness a power balance in the area, with India portraying itself as a realist in terms of Strategy while preserving its strategic imperatives.

Another facet of India's foreign policy in the Indian Ocean is represented in the Modi government's 2015 Security and Growth for All in the Region (SAGAR) project. Although no official documentary about the SAGAR method has been released, there have been multiple efforts and countless maritime events that may be regarded as a part of SAGAR. Indian involvement in the Indian Ocean has taken the shape of the Indian Ocean Rim Association (IORA), the region's primary organization. Indian interactions also take the shape of bilateral connections with major littoral governments, as

well as India's rising commitment to humanitarian aid and disaster relief initiatives. The centre location of India in the Indian Ocean provides unfettered access to the Indian Ocean Region, which is India's biggest strength in the SAGAR initiative. The political leadership has always recognized that developing India's marine domain is one of its strongest defenses. Thus, India's vision of the Indian Ocean is not only traditional in the textbook sense, but also non-traditional in terms of natural resource security, sustainable development, natural disaster prevention, and limiting the negative consequences of marine pollution and climate change. India's involvement in the region is especially significant since China has been exerting influence in the Indian Ocean region via the 21st Century Maritime Silk Route. This is a two-edged blade since the String of Pearls strategy has both commercial and military ramifications. Keeping this in mind, the SAGAR vision is critical in combating such difficulties.

Western Indian Ocean as a strategic Pivot of India's Indo-Pacific strategy

India's inclusive stand on the Indo-Pacific can be asserted by the inclusion of the Western Indian Ocean states and the littoral states of the Indian Ocean. The Western Indian Ocean (WIO) remains a site of significant geopolitical and naval interaction between states. 38 of Africa's 54 countries have lengthy coasts - 18,950 nautical miles or 30,497 kilometers. Furthermore, because 90% of African trade is carried out by sea, the African Maritime Domain (AMD) is vital for commercial, environmental, developmental, and security reasons. Natural assets owned by the WIO are estimated to be worth \$333.8 billion. Fisheries are the most valued asset in the WIO area, accounting for \$135 billion, or 40% of total natural assets. Significant amounts of global marine trade, including a sizable percentage of the world's crude oil supply, pass through the area. The region also has a high level of

biodiversity, both in terms of species and ecosystems. As a result, African nations are becoming more conscious of the importance of safeguarding their maritime domain and promoting the sustainable use of marine resources to drive wealth creation and development. Much of India's attention has thus been focused on the WIOR, where its geopolitical and naval interests intersect. The objective for India and African littorals in the Western Indian Ocean is to identify key areas of convergence between the Indian Navy's 2015 maritime strategy and Africa's continental approach via Africa's Integrated Maritime Strategy (AIMS) 2050. They must also investigate other regional approaches to maritime security, such as the Djibouti Code of Conduct, and collaborate on these shared spaces for mutual benefit in the Western Indian Ocean Region.

While there are various understandings of the regional order in the Indo-Pacific, at the 17th Asia Security Summit, India established an Indo-Pacific vision geared toward the status quo. While emphasizing ASEAN's centrality, India emphasizes the necessity of having a free, open, and inclusive area in which all powers follow the norms. Based on international law, India advocates for equitable access to sea and airspace, as well as connectivity, while also insisting on the observance of specific norms such as transparency and debt avoidance. Such notions, however, assumed that there would be no return to great power conflict and that India's partnerships would not be "alliances of containment." criticism of China could be observed. Subtly what India thinks of the Indo-Pacific regional order, is to prevent China from commanding the area. Experts see India's stance as an important component of a counter-balancing strategy, even if India's government is at the same time signaling its willingness to cooperate with its neighbor. The fundamental dilemma of Indian foreign policy persists to strike a balance for both conflict and cooperation with China, i.e. maintaining

credibility with India's actual Indo-Pacific partners (the US, Japan, and Australia) while maintaining constructive relations with China.

Suggestions

Why US needs to widen its Indo-Pacific Strategic construct?

When compared to the US Indo-Pacific Command (USINDOPACOM), the US Indo-Pacific Strategy has an analogous Area of Responsibility. The Area of Responsibility (AOR) of the USINDOPACOM stretches from the oceans off the west coast of the US to India's western border and from Antarctica to the North Pole. The missing element of the Western Indian Ocean is identical in the USINDOPACOM and the US Indo-Pacific Strategy. The Western Indian Ocean (WIO) comprises a vast maritime region stretching from the Red Sea along East Africa's coast to the island states of the Gulf of Oman and the Arabian Sea. On the other hand, New Delhi's understanding of the Indo-Pacific extends beyond that of the US. The only distinction is that India has not released any white papers or strategy documents on the Indo-Pacific region as a whole. As a result, according to the US Indo-Pacific Strategy; the Western Indian Ocean is not given the same strategic priority as the Eastern Indian Ocean. Thus, it is vital to assess the nuanced conditions that exist in the Western Indian Ocean region. For starters, the US' Indo-Pacific policy ignores the choke points in the Western Indian Ocean, leaving them vulnerable. These choke points become significant since the majority of IORA nations' oil and LNG projects rely on the maritime route, resulting in new geopolitical issues directly related to energy transit, logistics, and storage. The Strait of Hormuz transports approximately 20.7 million barrels of oil per day, accounting for more than 60% of global marine oil commerce. The

Strait of Bab-el-Mandeb is another access point for South Asian nations. This strait is becoming a geostrategic choke point for India, US and China. It is a tiny passageway that connects the Horn of Africa to the Middle East, namely between Djibouti and Yemen.

Second, the US' Indo-Pacific policy ignores the South Western and Western Indian Ocean littoral and island states. There are fewer island nations and territories in the Indian Ocean than in the Pacific. They are roughly divided into two groups: those in the southwest Indian Ocean, which include Comoros, Madagascar, Mauritius, French Reunion/Mayotte, and Seychelles, and those in the central Indian Ocean, which include Sri Lanka, the Maldives, and British Indian Ocean Territory. Only Sri Lanka and Madagascar have official fleets among the sovereign island governments (excluding British Indian Ocean Territory, French Reunion, and Mayotte), while the others have coastguards. This reflects a lack of concern in most IO island governments about traditional state-based naval threats. Thus, security is a key concern in the littoral and island states, and security in the Indian Ocean littoral states becomes critical to ensuring regional stability. Only until the region is stable and secure can it engage in the global game. To mention a few, some of the biggest risks are: environmental security, drug trafficking, IUU fishing as a major security hazard, maritime safety, people smuggling, and violent extremism.

The third is the Western Indian Ocean littoral States' untapped service sector. They form the social tissue of the WIO, where much of them live on the shore and are an amalgam of distinct communities with different origins, a consequence of the rich and varied political history, where networks of commercial exchanges have developed a high ethnic and cultural variety. As a result, cultural legacy is significant and complements the region's natural wealth.

If the populations of the nations are not used wisely and strategically, they can become a burden for their individual governments and cause instability in the area as a whole. Because the region is already sensitive to ethnic and cultural conflict, neglecting it is not encouraged. Port-led development and other measures along these lines can help to produce jobs and stability in the region. Something along the lines of Sagarmala should be considered in order to maximize the potential of waterways and coastlines while minimizing infrastructure investments necessary to reach these aims. Some islands and littoral nations can thus become strategically crucial to the region's Great Powers. Thus, before revisionist nations attempt to change the status quo in the area, a balance must be established first. However, all of this is being neglected in the US Indo-Pacific strategy.

The fourth gap is related to China's Belt and Road Initiative (BRI). BRI may be considered China's aim to reduce its strategic vulnerabilities by diversifying trade and energy channels while also increasing political influence through increased commerce and infrastructure expenditures. When combined with China's forceful conduct in the East and South China Seas, as well as border issues with India, China's BRI in South and Central Asia and the IOR is adding to a rising rivalry between the US and India on one side and China on the other. However, because the US Indo-Pacific Strategy excludes the WIO region because it is not under US jurisdiction, the Chinese threat may create an opportunity for expanded security coordination, particularly with like-minded democracies such as the US, India, Australia, and Japan.

India's long-term Indo-Pacific approach is not aimed at any specific country. Rather, India is restating its chosen governance architecture, which combines multi-polarity

and multilateralism. China is a de facto participant in this framework, staying a vital actor in debates concerning connectivity, sustainable development, and security. Simultaneously, Delhi will support flexible state alignments to maintain regional power balances as long as they adhere to the norms of a rules-based order that combines multipolarity and multilateralism. To ensure a long-term India-US strategic relationship in the Indo-Pacific, America must acknowledge, as India has, that a multi-polar area would necessitate inclusive governance solutions.

Conclusion

India enlarged its definition of the Indo-Pacific to include the Western Indian Ocean, moving beyond the previous concept of the Indo-Pacific, which was based on India's Act East Policy. This expansion corresponded to the Western Indian Ocean's increasing strategic importance. One of the reasons for the Indian Ocean's rising importance is that it caters to about 80% of the world's energy traffic that flows via the Strait of Hormuz and Bab-el-Mandeb. China has the biggest volume of energy imports among the above-mentioned energy trade, making Indian Ocean sea lines of communication vital for China. As evidenced by China's operations in the South China Sea, the Indian Ocean might be the next theatre of conflict, given China's expanding presence in the Indian Ocean region. Taking the above circumstances into consideration, India alone, cannot put up a fight with China. India, as the first responder and provider of network security in the Indian Ocean region, is cautious about China's involvement in the region. To that aim, India has signed defense cooperation agreements, dispatched defense attaches, and assisted Indian Ocean states in building their defense infrastructure through equipment transfers. However, India's participation in the Indian Ocean region and WIO in particular pales in contrast to China's

commitment via Belt and Road Initiative. China is entering the Indian Ocean through BRI and acquiring important ports in the guise of development and infrastructure in the region. In view of the PRC's shared danger and its multi-pronged strategy for the region, which focuses not just on growing military presence but also on diplomatic, informational, and economic participation, WIO becomes strategically crucial for both India and the US in light of the Indo-Pacific concept. To address the China issue, India requires a diverse set of partners. Partnering with the small Western Indian Ocean states is a wise decision, but including the US and its technological competence at the same time is crucial for India since the Indo-Pacific is defined by the same rules and conventions in both countries. India cannot rely on small nations when its own security is jeopardized, necessitating the presence of the US in the WIO as India's contingent remedy. In order to do this, Indo-US cooperation must go beyond existing ties in the Indian Ocean region and focus on broad and comprehensive alliances with East African and Western Indian Ocean littoral states. This will occur when the United States recognizes WIO as a missing component in its Indo-Pacific strategy and makes it more inclusive and expansive.

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**G-20 and Global South:
Cooperation and
Consensus**

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1. Introduction

The G-20 is a forum for international cooperation on varied and most important aspects of the financial and economic agenda bringing together both the advanced and the emerging economies of the world. It is a premier forum which comprises Argentina, Australia, Brazil, Canada, China, EU, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, UK and USA. Together, the G-20 comprises 80% of global trade, 90% of global GDP and two-thirds of the population of the world (The Group of Twenty, Ministry of External Affairs, 2012). Its objectives have been lined out in the policy document of the Ministry of External Affairs, Government of India. It includes promoting financial rules and regulations and to try to prevent future economic crises. To be able to achieve global economic stability and growth through close coordination and creating a new financial architecture becomes crucial. The period of non-alignment during the post-independence period and the voicing against apartheid and unfair nuclear treaties were some of the aspects of this cooperation. The aim, it seemed was to reject the power politics of the major Cold War Powers and striving for cooperation between different interests. In this context, in April 1955, representatives from 29 governments of African and Asian nations discussed the role of the Third World countries in economic development, Cold War and decolonization at Bandung Conference, Indonesia. By the early 1980s, this gave rise to “new international economic order” envisaging the transfer of resources and technology from Global North to Global South. (Streetan, 1982)

The 1990s was a revolutionary shift in this regard as a number of emerging economies faced financial crises during that time. However, some of these economies were not adequately represented in the discussions around

that. In December 1999, the Central Bank governors and Finance Ministers of the emerging as well as the advanced economies met at Berlin, Germany where they discussed the issues of economic concern. India also hosted a meeting of Finance Ministers and Central Bank Governors in 2002. In the context of the 2008 financial crisis, it was raised to the level of the summit.

The participation of India in G-20 stems from the recognition of itself as a vital stakeholder in the international economic and financial system. India focuses on the inclusivity of the international financial institutions, fair protectionist policies of the developed world as well as ensuring that the interests of the developing countries do not suffer.¹ In this context, Global South as a significant collective architecture and arena emerges as a site for various interests and perspectives. In recent years, the term has acquired deeper meanings than its geographic and economic parameters. Global South is a critical concept which is employed to address people and spaces that are impacted negatively by the capitalist globalisation and liberalisation. It acquires the imagination of a transnational political subject resulting from a collective experience of subjugation. It also concerns itself with the relations among groups across national, racial, linguistic and ethnic lines (Mahler, 2017). Economic diplomacy in the collective mode has become a major tool of the Global South in their negotiation with the developed economies of Global North. The common past of colonial exploitation of these countries led them to organize themselves in significant other groupings like Non Aligned Movement (NAM), G-77 as well as BRICS (a grouping of Brazil, Russia, India, China and South

1 28 India has consistently worked towards maintaining the dynamism and credibility of G-20 by bringing into new frameworks for a sustainable, strong and balanced growth, food and fuel security, climate change as well as Sustainable Development Goals.

Africa). It is believed that collective diplomacy gives more strength to the undertaking. In a world order that they define as asymmetrical where power relations are unbalanced, the process of coalition-building builds solidarity in the ideal sense of the term. It is also about forwarding and fulfilling of strategic interests of the developing economies. In the institutions of global relevance like the International Monetary Fund and World Bank dominated entirely by the Western nations, they argue that the principles of equality as well as inclusivity cannot be recognised in an imbalance of power dynamics.

India assumed G-20 presidency on December 1, 2022 from Indonesia and the aligning and bringing of interests on the G-20 table is profoundly being undertaken. The current Finance Minister Nirmala Sitharaman emphasized on the Global South as “our co-passengers on the path of development for decades.” The export of vaccines during the pandemic was prioritized to the immediate as well as to what we call as our “extended neighborhood”. This was called as Vaccine Maitri programme as alternatives for raw materials were also being kept in mind in light of the supply-chain disruptions.

Keeping this in mind, it becomes pertinent to explore the alignment of interests of the Global South by India on the G-20 table.

2. Research Methodology

The research sought to highlight the alignment of the interests of the Global South to that of India while it holds the Presidency for G-20 this year. The secondary data for the question included reports, research papers, articles and journals. The data reflects the dynamicity of the topic concerned presenting multiple perspectives. The study was conducted through a careful and critical analysis of the given qualitative data. The joint statements, the final

outcomes of the G-20 meetings were deeply looked into and scrutinized. Since the topic relates itself to the current and recent events of national and international importance, the data needed to be continuously updated and reinterpreted. Finally, juxtaposition was arrived at with the reasoning of the multiple relevant and authentic sources.

3. Global South

‘The Voice of the Global South Summit- 2023’ was inaugurated by the Prime Minister on January 12, 2023. Its aim was to shape a positive and holistic G-20 agenda by holding consultations with the “important nations” of the Global South through collaboration on political, social, economic, technical, environmental and cultural issues. As the Minister of Petroleum and Natural Gas and Housing and Urban Affairs opined, “It is our endeavor to utilize the G-20 Presidency to give resonance to the voice of the Global South.”² The diversification of India’s foreign policy to the Global South not only reflects its economic interests but also its quest to the status of a global rising power. Other than the security concerns of the immediate neighborhood, India has started to focus on business investments and economic cooperation as early as 2012 when New Delhi hosted India-CELAC Foreign Ministers’ Dialogue.³ The cooperation frameworks also include BASIC (Brazil, South Africa, India and China) which agreed and worked on a joint action plan at the UN Climate Change Conference which was held in Copenhagen in 2009. The IBSA Dialogue which was founded in 2003 is a tripartite agreement which closely coordinates with the largest democracies of the Global

2 This was addressed at the Energy Ministers’ session of the summit themed as “Energy Security and Development: Roadmap to Prosperity”.

3 CELAC is the Community of Latin American and Caribbean States. The recent India-CELAC Quartet meeting was held in New York on the sidelines of UNGA in September 2022. The discussions included post-Covid economic recovery, trade and commerce, food and energy security, climate change and UN reforms.

South, that is, India, Brazil and South Africa. The Monetary Policy Report of RBI which was published in September 2022 stated that the Consumer Price Index Inflation has been hit by the Russia-Ukraine War and the resultant oil and energy crisis have affected the developing and developed countries (Monetary Policy Report, 2022). The diversification of the energy imports from African nations like Angola, Nigeria and Sudan become salient in this regard.

On January 26, President Sisi of Egypt was called for the annual Republic Day Ceremony and the Joint Statement after the meeting of both the President Sisi and Prime Minister reaffirmed the founding values of the Non-Aligned Movement. It is important to note here that Egypt was one of the co-founders of the Non-Aligned Movement and it was invited as one of the guest countries of the G-20. The two countries also agreed to give voice to the priorities and interests of the Global South. This becomes important because if we observe the list of guest countries invited- Mauritius, Bangladesh, Egypt, Nigeria, Oman and UAE, all belong to the Global South as well as to our maritime neighborhood.

To distinguish itself in the eyes of the international community in its own autonomous sense and in competition with China, India has shown itself as a responsible partner. It has not only its development engagements aimed at mutual well-being with providing aid and technical assistance⁴ but also through advocacy and taking account of the Global South's interests. This South-South Cooperation is not rhetoric but a real linkage to our advancement too. This relationship is not based on inequality but rather on the "partnership of equals" (OECD, 2011). The expansion of the influence of China in Nepal, Sri Lanka as well as in

4 This has been done through the Indian Technical and Economic Cooperation Program (ITEC) providing courses in IT, Management and languages. Opening of such training institutes, e-governance and e-commerce are other elements.

African countries and beyond also represents a driving force for India in its own right in the foreign policy. The effort is to recuperate Global South in a manner and framework of knowledge which is more pluralistic and at the same time, unified. Recognition of South Asia as a region fraught with different forms of conflict and fragility becomes important. There is a vital need for the emergence of norms, practices and modalities of engagement according to that. The landscape of liberal peace-building as well as the changing arena of international engagement should also be reflected in the Indian foreign policy-making in its neighborhood.

The foreign policy has shown multilateralism in a very unique way as it does not necessarily align itself with one arena in a manner that can be called extreme; rather it leans on to multiple vantage points to forward its strategic interests. In this case however, Global South has persistently remained a pre-eminent coordinating arena. The Prime Minister concurred at the Inaugural Leaders' Summit, "Most of the global challenges have not been created by the Global South. But they affect us more." and that "Your Voice is India's Voice. Your Priorities are India's Priorities." The Prime Minister also gave a call for the 4Rs which is 'Respond, Recognize, Respect and Reform' in the backdrop of various priorities of the emerging and developing world. While one may argue whether it is going back to the Nehruvian Non-Alignment even though the Summit of the Heads of the State and the Governments of the Non Aligned Movement was not attended by the Prime Minister himself, the understanding and cooperation can also be understood as the associative link, "the middle path" as the External Affairs Minister S. Jaishankar described it at the Foreign Ministers' Session on the second day of the G-20 meeting. His remarks on the United Nations Day celebrated on October 24 every year connects the principled approach of India to stand with the Global South to the effectiveness and strengthening of

the UN. This becomes interesting to note that the Global South here does not become a block of the world rather an indispensable part of paramount importance in the state of the world affairs.

4. The Past and the Present

To emphasize on the present overriding the rich history of contact with the Global South is limiting the understanding of the phenomenon as immediate and recent.

The history of India as a functional and largest democracy and having rich diversity, multilateralism, constitutionalism, being a responsible nuclear power enables it to be called one of the “Asian drivers of change”. In a report published by the United Nations Conference on Trade and Development in September 2022, South-South cooperation is highlighted through the common challenges and the overcoming of it through common fight and solidarity (2023). The challenges included “the combined effects of the COVID-19 pandemic, a global food and energy crisis, and the climate emergency.” The report highlighted the importance of collective self-reliance and to build more sustainable and equitable economic growth (ibid). The sharing of strategies to enhance lives and livelihoods is one of the aspects. The financial cooperation among developing countries has also funded much-needed infrastructure including roads, ports and bridges in the Global South. With Arogya Maitri, we offered the medication supply to the needy countries in emergency. Other initiatives were also included in the summit which include Global South Science and Technology Initiative to share expertise and knowledge in areas such as nuclear energy and space technology, Global South Scholarships, Global South Young Diplomats Forum, Global South Centre of Excellence for research on solutions related to development to be formulated and implemented around the world.

A G-20 which was fractured during the past meetings of Indonesia posed a setback as the geopolitical tensions between Russia and the West undermined the cooperation. It is expected that this bridging would be able to break this deadlock by providing creative solutions for collective prosperity. LiFE (Lifestyle for Environment) is one such initiative which emphasizes on environmentally conscious lifestyle focusing on 'mindful and deliberate utilization' instead of 'mindless and wasteful consumption', thereby also indicating the idea of common but differentiated responsibilities but respective capabilities. It also highlights the unequal, unsubstantiated pressure put on the emerging and developing countries of the Global South where the transition from the coal-based economy to the green economy is riddled with the questions of lives and livelihood. In light of complex environmental challenges and uncertain food and fuel availability, millets have become a symbol for bridging this gap. Millets are a "global good" which can solve the challenges of both the Global North and Global South respectively which include unsustainable food habits of the former and food insecurity of the latter as was iterated by the Honourable Prime Minister during Global Millets Conference held in March (2023).

5. Seeing into the Future

The notion of effective global governance envisions free, open, non-hierarchical global societies based on rules through a collective, coordinative and cooperating exercise. This includes all the institutions which are formal as well as informal, mechanisms, relationships and processes between and among markets, citizens, states and governmental and intergovernmental organizations, administration and management capabilities of international organizations, regimes, coalition of individual and interested nations to effectively address the issue of global commons like

Internet, digital divide linked with it, human rights, environment, infectious diseases, terrorism and issues that go beyond national borders. While in the case of Non Aligned Movement, the desire might be to establish a civilizational autonomy without any power-dynamics in mind, the present policy structure does not necessarily leave out the politics of power play especially when we have come so far from the Cold war days and the dynamics of the world has starkly changed. While no intervention in world affairs can be termed as a long-term strategic doctrine, the groundbreaking effects of certain movements which ran for a short time cannot be dismissed and glossed over. In this context, the comments of the Indian Scholar Chenoy rings bells quoted in *The Economic Times* in 2010,

“India will be doing an awkward balancing act between these divergent groupings (...). It is not clear how high a priority India will accord to each of the different groupings and reconcile divergent mutual interests (...). One can only hope that India does not fall between two or three different stools (...). A mishap could derail the larger developing country agenda on trade and reform of the global economic order.” (Quoted in *Ibid*, p. 12)

India however also recognises the interconnectedness of the world and the process of globalization as a binding tool between Global North and Global South. What makes India different in economic terms is also the role of the state in Market economy depending on the considerations of the larger masses of the population too rather than the state-led market economy model which Russia and China are following. This also has allowed India to play a leading role to negotiate and play a balancing role between North and South over issues related to trade, financial or service matters. This does not really reflect the revisionist power tactic in which India is seeking a replacement of the existing global power dynamics and structure but an accommodationist power, a

power which can aspire as well as advocate within a global existing power structure. It is also important to deal with the challenges of high levels of social and income inequality, high index of poverty, income disparity, basic infrastructure and facilities and recurring incidence of religious, linguistic, caste and class violence which seriously constrains the ushering of a great power status. It also depends to a large extent on the capacity of India to secure a regional periphery that is peaceful. The domestic politics and the instability of the region impinges upon the closer political-strategic-military relations with the USA at the cost of its image as a regional hegemon. It is this spectrum of internal and external factors which orient our foreign policy to seek a balancing role between South and North.

6. Suggestions and Recommendations

Apart from the North-South dialogue, the G-20 meetings become a positive platform for change because emerging countries are considered to be the equal members and additionally it has also replaced its otherwise limited Finance Stability Forum to the newly constituted Financial Stability Board⁵ which gives a greater role to the developing countries in the supervision of the global markets. This greater cooperation has also enabled them to engage in shaping the international policy debates as well as agenda.

India can also gain from the increase in vote shares in the UN built on the consensus achieved in G-20 to bring about long-demanded reforms in the UN, however the scope of it is still limited to a certain extent. The coalition negotiation itself becomes an instrument of power-politics in the hands of the Global South. It not only leads to effective management of resources and experts but also can become

5 The newly-constituted Financial Stability Board has increased the valuation, transparency and responsiveness of the authorities which has led to addressing of impediments as well as better coordination among member-states.

a pressure group⁶ to advance their concerns and interests. The force is sometimes also based on the argument that the divide and rule policy of the Global North has led to divisive issues overpowering the common concerns of the Global South. The power of the OPEC countries to increase oil prices affecting the Third-World countries of the Global South has long been a bone of contention because of a lack of a coordinating mechanism. India recognises that the same problem can also happen when the emerging powers of the Global South join in with the Global North in the name of national security and interest.

While the promise of India becoming a developed nation in the next 25 years is affirming, it can be concerning too, as India may find itself at the crossroads of this dilemma. While the countries have their own internal challenges including poverty, unemployment, inflation and high levels of population which force them to turn inwards, coalition-building becomes a partnership that certainly allow them to come together. The intention is not to create another South in the unity of the Global-South by considering oneself as enabling enough to negotiate with the power and the order of the world and even to be able to challenge that.

Viswanathan argues that the South-South cooperation as part of this development cooperation is not a donor-recipient relationship rather a relationship based on the long-standing principles of respect of territorial integrity and sovereignty of the nations as well as mutual cooperation and benefit. However, this does not purely become the anti-western ideological trope as mentioned. It does not become alignment in extremes.

With the wide-ranging participation, G-20 has not only reached the domestic masses but also refashioned the

6 This can be seen for example in the creation of an International Criminal Court and the negotiations on Climate Change.

discourse of foreign policy as not the old US, Europe dynamic but also the dialogues and discussions with hitherto neglected countries. When we look at the other side of this alignment, the questioning of the premise of the collective interests of the Global South has made certain scholars apprehensive. The argument becomes of the sharp political divergence and deep economic differentiation among the countries of the Global South. The continuous looming security threats on the borders as well as its own increasing internal challenges pose doubts on whether the multilateralism that is being pursued is ambitious. While the constraints and limits should be taken into account, the long-standing equities with the Global South cannot be overlooked. The right balance between nationalism and internationalism should not become a walk on a tightrope. The maintenance of the global order and the democratization of the international system in favor of the Global South become as much national as they are international concerns. External Affairs Minister S. Jaishankar has also defined India as a “South Western Power”. At a time when China has expanded its influence, it is argued that activism might be welcome by the Western powers. In the wake of the increased pressure on India to take a single position on the war in Ukraine and perturbed by its neutral stance, it is understandable that it would like to align and announce itself as a member of the Global South which is significant in the backdrop of it not joining the sanctions of the West as well as the purchasing of oil and fertilizers from Russia. The emphasis is reasonable as it cannot entirely renounce its strategic relationship with Russia for geopolitical and armament reasons. It is then crucial to ask the question whether the careful positioning would reflect itself as a contradiction or this gradual march ends up becoming wholly about the reconfiguration of an alternative global order. Would it be reflecting the aspiration to meaningfully reform the institutions of global governance

particularly the Bretton Woods Institutions like World Bank, International Monetary Fund and General Agreement on Trade and Tariffs as well as the veto provision of the UN Security Council? While any of the possibilities could arise in the future, the present position and path is yet to acquire any definitive features.

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**Causes and reasons
for the Russian
invasion of Ukraine**

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Abstract

This paper is discussing the causes and reasons behind the Russian invasion of Ukraine. The paper highlights the history of Russia, draws attention to the Soviet Union, its empire and the peak of its economy. Further the paper draws attention to the strained relations between Russia and Ukraine leading up to the war, the causes and reasons of war shedding light on the various cultural and geopolitical reasons of the war. This paper hopes to give readers insight on the ongoing conflict and why such a drastic step of invasion was taken.

The methods of research used in this paper are predominantly secondary sources of research consisting of internet articles, videos, interviews etc.

Introduction

February 24th, 2022. One of the most important days of this year, a day which will mark history, February 24th 2022, was the day on which Russia invaded Ukraine. Vladimir Putin announced that a special military operation would take place for the demilitarization and denazification of Ukraine following which a full-scale invasion of Ukraine took place, with airstrike, missiles and rockets being launched across Ukraine and a full-scale ground invasion been conducted. Ukraine and Russia have had complicated relations for several years however the recent invasion crossed all boundaries of conduct, rules and regulations making war an everyday reality for Ukrainians.

The reason stated for Invasion

A few days prior to the invasion, Russian president Vladimir Putin went on national television to address the nation. Putin stated that Ukraine is controlled by the west and that neo Nazis are running the country. He goes on to say that these neo Nazis are holding the Ukrainian people hostage and have committed atrocities against the ethnic Russian population. In addition to this Putin also says that Ukraine is not a legitimate country and was created by the Soviet Union under their first leader Vladimir Lenin. With this justification a full-scale invasion was launched to conduct a denazification and demilitarization of Ukraine with the hope of 'liberating' and 'freeing' the Ukrainian people.

The reasons stated by Vladimir Putin are not justified by any means, hold no true legitimacy and are downright false. To understand the true reason for the invasion one needs to look at the complicated history of the two nations which dates back to the formation of Russia and its empire, revolutions which led to the formation of the Soviet Union and more importantly the Soviet Union, its ideology, empire and its economy at its peak.

Brief History of Russia

Russia is a huge country, the biggest on planet earth. However, it has taken time for Russia to gain its massive territory.

The concept of Russia as a state originated in 826 and can be traced back to the Slavic people who founded the Rus state (Russia) between the Volga and the Dnieper River which now is known as Ukraine. They later went on to capture Kiev further uniting their tribe and expanding their area. Under the rule of Yaroslav, the prince of Kiev, Kiev became the Centre of politics and culture.

In the 13th century the Mongols took over Kiev and established their rule. Soon after in the 14th century freedom from the Mongol rule was gained and grand duchy of Moscow was established under the leadership of the Rurik dynasty wherein the northeast of Russia became a dominant political unit. A century later Ivan the fourth was appointed as the tsar (the emperor of Russia) officially establishing the tsardom of Russia making Russia a centralized state and under the rule for the tsardom for a long time. Under the leadership of Ivan, the fourth, also commonly known as Ivan the terrible, rapid and drastic expansion of Russia took place resulting in Russia growing by 35,000 square kilometers per year. In the 16th century, Peter the great became the next tsar of Russia completely transforming it into the Russian empire. In the next century the Russian empire continued to grow rapidly and extensively.

A turning point for Russia

The 19th century was a turning point for Russia in terms of its transformation from a tsarist led country to a soviet republic. The acceleration of the tumultuous landscape in Russia began with the industrial revolution in Russia. The industrial revolution in Russia had its certain benefits like the

opening up of factories, the opening up of the trans Serbian railway which resulted in more investment, all of which led to more trade, interaction with other European countries which eventually resulted in rapid economic growth.

However, during this process Russia developed a large population of laborer's and working class. Gradually the largest section of Russian society consisted of the working class and the laborers who increasingly grew dissatisfied with the harsh working conditions imposed on them. Workers were being oppressed, overcrowded housing had become an issue, workers were working under poor sanitary conditions, risk of injury at work was common, there were poor safety precautions and the work hours very extremely long. These unfair working conditions were accompanied by poor pay and low wages which gradually kept frustrating the working class

In addition to this world war one posed its own set of problems in Russia resulting in food scarcity, administrative hurdles, low morale of soldiers and rampant inflation. These problems manifested in a revolution that would change the course of history.

Due to these reasons' general discontentment among the Russian population with the tsarist regime sowed the first seeds of revolution. Several demonstrations and strikes took place in the nation hoping for change, however one such peaceful demonstration resulted in killing of hundreds of workers and left several injured by the police who opened fire on them. This massacre known as 'bloody Sunday' resulted in public outrage which led to the overthrow of emperor Nicolas the second calling the end of the Romanov dynasty which ruled over Russia, ending the long rule of the stardom.

A provisional government was created consisting of workers, but this provisional government was unable

to control the growing political and social turmoil in the country, which therefore led to yet another revolution in 1917, known as the October revolution.

The October Revolution

The landscape in Russia at the time was volatile and unstable with no proper party in rule. Many parties, predominantly the far left, parties were trying to gain influence over Russia however the most prominent and radical of them all was the Bolsheviks, a far-left revolutionary group whose ideology was based on the Marxist doctrine of communism, led by Vladimir Lenin. The Bolsheviks started another revolution and took control of the country promoting equality and peace for all, which resonated with most of the population who were discontent at the time, becoming the communist party of the Soviet Union establishing the Russian socialist federative soviet republic.

Subsequently, the establishment of this republic caused the Russian civil war between the revolutionary 'red' armies and the rebel 'white' armies, supported by the United States, France, Japan and other international players, wherein the red armies were trying to expand their reach to other nations and the white armies trying to control their spread.

In 1922, the red army turned out to be victorious leading in the creation of the Soviet Union with the amalgamation of Russia, Ukraine, Belarus and Transcaucasia republics, led by Vladimir Lenin.

Lenin, after ruling over the Soviet Union from 1917 to 1924, died due to a stroke which led to the rise of Joseph Stalin as he became the leader of the Soviet Union. Despite Stalin's rule over the Soviet Union being extremely controlled, centralized and eventually leading to a totalitarian rule, the five-year plan by Joseph Stalin was implemented which led to the country's rapid economic growth.

It is important to note that the Soviet Union was not just a mere country but more importantly it was a socialist movement based on an ideology which aimed to establish an equal and classless society. Russia in the past had seen its fair share of conflict in terms of multiple foreign invasions, wars, unfair rule, and injustice. During the October revolution Russia was truly in a state of shambles wherein the Bolsheviks under the leadership of Lenin saw the communist ideology and implementation of a centralized, socialist state the way out the ruins and the only path to peace and quality for all.

The unwavering faith in communism was the foundation of the Soviet Union. The leaders of Russia truly believed in this doctrine to an almost extreme extent which eventually led to more harm than good.

The Soviet Union

Overview of the soviet economy

The soviet economy was a planned command economy characterized by state ownership of the means of production (check), implementation of collective farming, emphasis on industrialization and state having monopoly over foreign trade. All economic activities were controlled by the state and the flow of command was from top to bottom following a strict hierarchical form.

After world war one the soviet economy was in ruins hence in order to revive and boost the economy, Joseph Stalin implemented intricately thought out and detailed five-year plans with major focus on industrialization. Investment was favorably allocated towards the making of producer goods leading to the neglect of consumer goods. Towards the later years the soviet economy became highly militarized due to the constant uncertainty of war and fear of foreign invasion hence scientific innovation and

technological development was focused towards military advancement and the building of industries that could be efficiently used and shifted for civilian and military use. As the economy continued to grow the soviet economy shifted from a predominantly agrarian economy to an industrialized economy.

The Soviet Economical Phases

- 1. Vladimir Lenin** - The Soviet Union was formed however in the initial years its economy was in shambles due to several reasons such as the devastation caused by the first world war, the Russian civil war, administrative problems, poor decision making and social changes. Under the rule of Vladimir Lenin, the new economic policy to revive the stagnating economy. With the introduction of the new economic policy, some features of capitalism and free trade would be introduced in order to help improve the soviet economy and later on to fully implement communism. The new economic policy did help the soviet economy in the short term and even did result in significant improvement of the economy however this policy was short lived as it came to an end in 1928 a few years after Vladimir Lenin passed away.

The Stalin era 1928-1953 – Following the death of Vladimir Lenin, Joseph Stalin rose to power in 1924 with the main goal of industrializing the union. Joseph Stalin was known for the implementation of the infamous ‘five-year plans’ to revive the economy. With the ideology of Marxist-Leninist communism Stalin implemented the first five-year plan (1928-1932) which focused mainly on heavy and rapid industrialization. Under these new economic policies were introduced and extensive modern machinery was adopted to increase production and output. The plan focused on the development of iron and steel, transportation and

electricity. under this plan forced collectivization was also adopted wherein privately-owned farms were forcibly seized by the government and converted to state owned farms. However, Stalin was known for his harsh ways and highly controlled and strict environment. Some of the practices Stalin exercised were state own economy, heavy use of propaganda, concentration camps and constant surveillance. The second five-year plan (1932-1937) was implemented in 1932 with the main aims of focusing on industrialization with a focal point being improvement of communication systems and the railways which proved to be a great boon however the environment was still testing and harsh overall.

The third five-year plan (1938-1941) mainly focused on the production of armaments, machinery weapons and military equipment as there was a threat of war and eventually in 1941 Germany invaded the Soviet Union. This plan essentially only focused on building war equipment, infrastructure in the case of war, industrial production and creation of advanced weapons.

These were important plans implemented by Joseph Stalin that changed the Soviet Union's economy from mainly peasant and agrarian economy to an industrialized economy.

A significant event

A non-aggression pact was formed in 1939 between the Soviet Union and Germany agreeing to the joint decision that both parties involved would not attack/invade one another nor support a third party which will do the same. However, this pact had a secret element wherein the cities of Eastern Europe would be divided between the German and soviet sphere of influence. It was decided that Germany would claim western Poland and part of Lithuania and the

Soviet Union would claim eastern Poland, the Baltic States and Finland.

This pact was signed on 23rd August 1939 and executed on September 1st, 1939 with a joint attack by Germany and the Soviet Union for the invasion of Poland. The following year in 1940 (as per the pact) the Soviet Union annexed the Baltic states which consisted of Latvia, Estonia and Lithuania. Violating the fundamental agreement of the pact Germany invaded the Soviet Union. In response to this the Soviet Union joined the allies to fight against Germany. In 1943, the Germans were defeated and surrendered under Soviet troops in the battle of Stalingrad.

The significance of this event will be discussed more as the paper progresses.

Events that occurred after ww2 and the cold war

In 1945 the Second World War came to an end with Germany's surrender and Japan's defeat. The Second World War ended with catastrophic destruction, irreplaceable amount of human loss, annihilation of most infrastructure, destruction of economies and a change in the world order. The end of 1946 saw the emergence of two superpowers, the United States and the Soviet Union, both extremely strong in terms of economic and military power but divided by fundamental differences in ideology, politics and governance. These two powers engaged in a competition for world dominance manifesting in the form of the cold war, wherein both sides tried to better and further advancement their respective nation in the spheres of economic development, military advancement, technological advancement and political power.

The first and probably the most impactful tactic in the rivalry for dominance was the creation of NATO, the North Atlantic Treaty Organization, on 4th April, 1949, a military alliance with the main objective of safeguarding the

freedom of its allies. Later that year in the month of October Germany was divided into two significant parts, the west of Germany, allied to the western powers and the eastern half of Germany which was in alliance to the Soviet Union. Soon after, amidst the peak of the cold war, the Warsaw pact, a treaty of mutual cooperation and friendship created by the Soviet Union in 1955. this defense treaty was between the Soviet Union and seven other states (Albania, Bulgaria, east Germany, Poland , Hungary ,Czechoslovakia and Romania) which became soviet satellite states wherein these seven states were under the influence and control of the Soviet Union and subsequently communist governments were set up in these seven states. The Warsaw pact was created to counterbalance NATO, increase through political dominance of the USSR and most importantly to create a buffer zone between the west and itself to avoid and prepare for future invasions (keeping in mind that the Soviet Union had already been invade twice by Germany once in 1914 and the second time in 1941).

During the peak of the cold war the Berlin Wall was built in 1961, concretely dividing west Germany from the east, resembling a primitive difference of ideology and a clear symbol of the cold war.

The buffer zone



Image 1



Image 2

The above images show the expansion of the Soviet Union in terms of territory. Image one shows the annexation of the eastern Poland and the Baltic states by the Soviet Union as per the non-aggression agreement signed by Germany and USSR. The second diagram shows the further expansion of the Soviet Union to the eastern European countries which have become satellite states. Shortly after in 1941 Germany invaded the Soviet Union which caught the union by surprise. Image two shows the further geographical spread of the Soviet Union by the incorporation of seven satellite cities into the Soviet Union. The second diagram also shows a fine white, which acts like a buffer zone, officially known as the iron curtain which divided the western European countries from the soviet satellite states.

The soviet annexation of Eastern Europe has a lot more strategic and geopolitical importance than just the spread of communism. The 'buffer zone' was created from the lessons learned from the past and the sheer fear of future foreign invasion. The Soviet Union had been invaded twice in the 20th century, both times by Germany, once in 1914 and once in 1940. During this time the Soviet Union also lived through two world wars that had drastic effects in all aspects of the union. The 1940 German invasion also infamously known as operation Barbarossa, alone led to 10.7 million deaths of soviet soldiers. In addition to this the world war has its own tremendous effect on the Soviet Union resulting in 27 million people dying out of whom 8.7 million were military deaths and 19 million civilian deaths occurred overall wiping out about 14% of the soviet population. Furthermore 5.7 million ethnic Russians died and 1.4 million ethnic Ukrainian died. This immense loss of life certainly could be repeated under any circumstances hence the Soviet Union couldn't simply afford another invasion. the constant fear and state of being in a volatile landscape wherein there was a good possibility

of war or foreign invasion has to be avoided for the soviets hence the creation of a buffer zone between the main governing republics of Russia(Moscow as its capital) and the west consisting of the soviet satellite states. The buffer zone gave the USSR the security, assurance and protection it required for its safety.

2. Period of high economic growth 1950 to 1973 -

The period between 1950-1973 saw tremendous economic growth, making this period the peak of the soviet economy. A lot of important changes took place between this period which are as follows:

- There was a huge increase in output resulting in the average per capita GDP being 3.6%, the highest it's ever been.
- A huge increase in investment took place mainly towards industry, agriculture, capital good and weapons. The rise of investment was huge compared to the previous years; in 1950 the level of investment was estimated to be 14% which drastically rose in 1973 with investment levels increasing to 30%. However, the rapid investment was not matched by the GDP resulting in lesser production. The majorly impacted the agricultural sector which started losing its productivity.
- Due to the change of the economy from an agrarian one to an industrialized one, there was a significant transfer of labor from the agricultural sector to the industrial sector with the labor in the agriculture sector being 48% and labor in the industrial sector being 27% in 1950 with a gradual but serious continuation of this shifting pattern of labor throughout the years which eventually resulting in the 39% of labor in the industrial sector and 20% in the agricultural sector.
- Both of the above mentioned points resulted in a decrease in the efficiency and productivity of the

agricultural sector. Since there was a huge amount of investment made towards the agriculture sector (in terms of machinery and equipment) and simultaneously reduction of easily accessible labor – the agricultural sector this meant that the huge amount of capital gathered would eventually lead to a decrease in economic growth and lesser food supply which would not be sufficient for the growing population. to prevent this from happening Nikita Khrushchev implemented the colonization of virgin lands and an increase in efficient mechanisms. Virgin lands are essentially lands that have not been cultivated or not been cultivated for a long period of time. The benefit of virgin lands is that they are nutrient rich and have fertile soil which can lead to huge amount harvest. The cultivation of virgin lands greatly benefited the Soviet Union and worked wonders with the harvest of grain in being 85.5 million tons out of which 27.1 million tons was done through virgin lands. The virgin land was spread across southern Russia which consisted of the southern federal district. The southern federal district shares its border with the azo sea, the black sea and most importantly with Ukraine. (the significance of this will be discussed later in the paper)

- During its peak the industry was the biggest sector of the Soviet Union making up for about 38% of its economy. Main industries included petroleum, steel, chemicals, mining, defense and heavy industries.
- Cold war as mentioned above was a significant part of this period.

3. Period of Economic Stagnation – 1974-1984

The period from 1974 to 1984 saw great economic stagnation predominantly due to labor scarcity and depletion

of natural resources. Labor scarcity was a known problem to the economy of the Soviet Union and as mentioned before this problem had been overcome in the 50s and 60s by increasing labor productivity and focusing on the agricultural sector., however the same strategy could not be applied again in this period due to low agriculture yields. As the union continued to progress, the urban population significantly increased, women opted for more profitable jobs and the continuation of the shift of the demographic in general led to labor scarcity issues which greatly affected the economy.

A depletion of natural resources occurred wherein decrease in the traditional oil fields of the USSR located in the west of the Soviet Union. This resulted in a shift of investment from these oilfields (characterized by good production and low-cost mining) to Siberia where the harsh climate conditions resulted in extraction being more expensive and difficult.

A few other factors that contributed to the economic stagnation of the Soviet Union were the adaptation of slightly more liberal policies and professional lack of the civilian sector. Any new technology , scientific innovation and any kind of advancement was always driven to the military sector hence even though technological and scientific progress was being made it was not used for the civilian's sectors which specially during this time period led to the civilian sector taking a major hit.

In addition to all of this slightly more liberal policies were being adopted by Nikita which eased restrictions on free speech and did not help the situation of the economy. This period resulted in the accumulation of huge economic burdens for the soviet economy.

The drastic industrialization process and hence the various militarization and industrialization projects turned

out to be an impactful loss in terms investment, labor, capital and infrastructure. In addition to this the cold war was proving to be increasingly expensive for the Soviet Union in terms of technological and military advancement. In the USSR was utilizing more investment and not producing enough capital to match up with the investment. As the country's urban population began to increase, people started demanding food especially meat, goods and better products which the local production could not fulfill hence many goods had to be imported from the west and imports of not only good but raw materials also increased as things continued to get worse. All in all, the soviet economy could not keep up with the tremendous growth it had seen in the previous three decades and was not being able to further sustain it.

4. Decline and dissolution of the Soviet Union: 1985 – 1991

The economic stagnation soon turned into decline and contributed to the eventual dissolution of the Soviet Union. Along with the economic slowdown these are the important factors which also led to the dissolution of the soviet economy.

- 1. The war in Afghanistan** - An important element in the breakdown of the Soviet Union was the war in Afghanistan wherein the soviet troops were fighting against the afghan mudhahejeen and alongside the communist party to gain some control over Afghanistan. This ten-year war proved to be extremely economically and politically costly for the Soviet Union resulting in tremendous amount of money and resources lost and an obscene number of troops killed in this conflict
- 2. The Chernobyl disaster** - on April 26th 1986, the Chernobyl nuclear disaster took place which ended

up killing several civilians and hence the general population began losing faith in the communist system.

- 3. Policy of Perestroika and Glasnost** - Although the above factors did have a significant impact on the breakup of the Soviet Union the policies introduced by Mikhail Gorbachev who was elected as general secretary of the Soviet Union in 1985, was the most crucial and immediate reason of the eventual disintegration of the Soviet Union. With the aim of reviving the Soviet economy and increasing the standards of the Soviet Union, Mikhail Gorbachevian introduced the policy of perestroika and glasnost which meant restructuring of the economy. The policy of perestroika was introduced with the objective of easing restrictions on the economy and introducing a slight amount of decentralization of the government with the introduction of a private sector and certain market mechanisms. The newly given autonomy to state enterprises did not sit well with the union and greatly backfired in the form of several negative effects. The ease of labor restriction led to several demands for wages to be increased and eventually led to several strikes taking place, the ease of business-related decisions also led to a havoc in the previously controlled pricing system of the Soviet Union, reduction in the production of consumer goods, the profit incentive now adopted by business led to supply shortages to what was becoming a growing demand and also led to high inflation. During this time soviet oil production greatly fell which resulted in a significant reduction in its exports. in eastern and central Europe, the influence of communism was reducing and finally came to an end with the comecon which further had ramifications of soviet foreign trade. The rampant inflation, shortages, not being able to

meet domestic needs, failure of the agricultural sector and deteriorating balance of payments, reached a boiling point in 1991 when the Soviet Union had lost complete economic and political control thus leading to the dissolution of the Soviet Union on December 25th 1991.

The fall of the Soviet Union was a massive historic event with ramifications present till today. It is also crucial to note Ukraine's huge contribution to the soviet economy.

Ukraine, also known as the breadbasket of the soviet economy, played a huge part in the industrialization of the soviet economy

During the peak of the Soviet Union the largest sections of its economy consisted of industry and agriculture. Ukraine contributed a huge amount to both these sectors earning the title of the breadbasket of the Soviet Union.

Agriculture - Agriculture was a huge part of the soviet economy constituting 20% of its economy. The soviet economic model did depend on agriculture however Russia, the governing soviet state, did not always have favorable climatic conditions available for agriculture. The freezing cold and taxing weather conditions often made it difficult for the agriculture sector to flourish. Ukraine not only contributed to a huge part of the Soviet Union's agricultural sector but in the 1960's challenges related to labor productivity and the agricultural sector began to suffer. To combat this government resorted to colonization of virgin lands which in turn did work and boosted the agricultural sector. For the cultivation of these virgin lands in one year alone (1954-1945) more than 93,000 agricultural machinery, builders and other technicians from Ukraine went to the development of these virgin lands. Furthermore, a significant number of Ukrainian personnel trained in agriculture and related fields were used in the development of these virgin lands.

The cultivation of these virgin lands led to the use and eventual exhaustion of many Ukrainians resources and was made possible greatly due to Ukrainian resources. The cultivation of these virgin lands greatly helped the soviet agriculture sector and helped solve its problem of lower output and labor productivity. Furthermore, Stalin's policy of collectivization of farm was applied to Ukraine and due to the state ownership of many Ukrainian farms, the soviet economy greatly benefited.

Industrialization

Industry was the largest sector of the soviet economy consisting of 38% of its total economy. Taking this into consideration, Ukraine was a huge industrial contributor to the soviet economy. In the union's earlier exports of steel, iron, coal, wheat and metal were made to soviet republics specially to Russia. These exports of important materials helped not only in the overall industrialization of the Soviet Union but also hugely aided the development and betterment of many poorly managed soviet republics.

In its post war years Ukraine's industrial output just continued to flourish, making it the leader of the production of certain products such as iron ore and sugar, the second largest producer of iron ore and steel and the third largest producer of coal in Europe. Ukraine's immense production power of materials, very crucial to greater industry played a huge part on the emergence of the world's first only communist superpower. Furthermore, post war Ukraine was the first soviet republic to produce gas in the Soviet Union and during its peak; Ukraine's largest gas field was producing 30% of USSR's natural gas.

It is safe to say that Ukraine greatly contributed to the soviet economy and played a significant part in the making of the super power.

From the above a clear conclusion can be made on how integral Ukraine was to the Soviet Union and its economy.

Post 1991

After the collapse of the Soviet Union Russia, claimed its acknowledgment as the successor of the former USSR and with the union's collapse in December 1991, the flag of the USSR was replaced with the flag of Russia. The dissolution of the Soviet Union led to dissolution of the entire socialist bloc leading to the establishment of 15 independent nations, Ukraine being one of them.

The significant effects of the dissolution of the Ussr

1. Huge ramifications on Russian economy – After the dissolution of the Ussr Russia's economy became weak and fragile. Inflation was at a high, there were grave supply shortages making their economy dependent on aid from western nations. There were also political power struggles and financial instability. Furthermore, the transition of the Russian economy from a command economy (which it had been for the last seventy years) to a market economy proved extremely challenging and tedious due to inefficient management and sheer size of the country. In addition to this Russia found itself almost isolated making it difficult for the country to forge alliances or form relations with other countries.
2. Changes in the power equations among countries and in the world – The collapse of the Soviet Union ended with the fall of the entire empire, fifteen newly independent nations and a definite end to the communist ideology. The Soviet Union was no longer a super power completely changing international relations, power equations between countries and hence resulting in the emergence of the single unipolarity of new countries

specially making the United States the sole superpower in the world. Over and above that due to the complete end of communism especially in eastern and central Europe, nations and their economies started adopting democracies, market economy, liberalization and decentralization.

3. A more unified Europe – a rise of adoption of democracy in several former soviet states greatly diluted the ideological divide between the western European countries and the former soviet states which led to an era of peaceful existence and mutual cooperation for the most part.
4. Rise of several blocks and alliances – the breakup of the Soviet Union led to international and economical systems undergoing big changes. after 1990 , there was a rise of many economic blocs and military alliances which was not the case during the cold war for instance the formation APEC, ASEAN, EU, AFTA, SAARC, OPEC etc. it is also interesting to note that Russia is not a part of any of these blocs and alliances.

A brief on Russia Ukraine relations

Russia and Ukraine always shared tense relations dating back to the 17th century however after the break-up of the Soviet Union relations escalated for the worse.

The fundamental thing is that Ukraine has always been a part of Russia and when the Soviet Union was established, Ukraine automatically got integrated into the Soviet Union. Although Ukraine contributed a lot to the soviet economy it did suffer from the famine in the 1930s, Nazi occupation, purges and economic stagnation. Moreover due to the fact that the Soviet Union was a Russian dominated construct, it made voluntary attempts to submerge Ukrainian culture,

language and identity, promoting the Russian values and morals.

After the collapse of the Soviet Union, Ukraine emerged as an independent state. The 90's saw some tensions between Russia and Ukraine over resources but most importantly over the black sea fleet and its operating bases in Sevastopol on the Crimean peninsula. The conflict resulted due to the fact that in 1954 the Soviet leader, Nikita Khrushchev Crimea to the Ukraine Soviet socialist Republic however, this was declared illegitimate by the Russian parliament which was further disputed in the Ukraine parliament. After years of negotiations in 1997 the partition treaty was signed by the two nations where in Russia was allowed to lease the naval bases in Sevastopol for its navy and this was a consolidated in the treaty of friendship wherein the two nations showed mutual respect for international borders and prevented the nations from invading one another. This will be discussed in more detail as the paper progresses)

1990's and the 21st century

The collapse of the Soviet Union led to several political and economic changes. Fifteen former soviet republics were now all independent.

Priors to the invasion at one of the diplomatic summits held just before the invasion, Putin demanded that NATO stop expanding and not let any new members in their treaty, Putin also demanded that NATO should withdraw all their troops from eastern Europe and lastly that the united states should be allowed to protect its allies in eastern Europe with nuclear weapons. All these demands are essentially made to stop the west specially NATO (a military treaty consisting of the United States, Canada and European countries on mutual values and mutual protection) to stop expanding eastward.

Causes of the Russian invasion of Ukraine

NATOs eastward expansion

NATO the North Atlantic Treaty Organizations an intergovernmental military alliance formed on April 4th, 1949. Its main aim was safeguarding its allied freedom, combating the growing communist influence in eastern and central Europe and providing political and military security to its allies. As mentioned earlier in this paper the creation of NATO and the Warsaw pact was done during the cold war by the two superpowers at the time, the United States and the Soviet Union, to expand their area of influence, spread their ideologies and safeguard their respective positions. The most prominent result of this was the Berlin wall which was a physical structure dividing the western European countries allied with NATO from the eastern European satellite states under the influence of the Soviet Union.

However after the fall of the Berlin Wall and eventual dissolution of the Soviet Union, the former soviet states disintegrated and hence fifteen independent states were formed not in alliance with the former USSR which was now Russia.

After the declaration of independence of these countries, many of them were in bad economic conditions, trying to revive their economy and work on their international relations.

The Berlin Wall had fallen, the Warsaw pact had ended and the Soviet Union collapsed; however NATO was still a strong military alliance and was on the road to expansion.

Due to the end of communism, eastern European countries were more open to democratic ideals and liberal values. Furthermore, NATO's open-door policy which allowed any European country to join NATO along with the growing tensions and uncertainty at the time in Russia,

NATO made its first attempt at enlargement which consisted of Poland, Hungary and Czech Republic joining the NATO in 1999. Later in 2004, again the need for security and assured mutual assistance led the states of Bulgaria, Slovakia, Slovenia, Romania as well as the neighboring Russian nations of Latvia, Estonia and Lithuania to join the NATO which essentially moved NATO in the former soviet area of influence, making NATO's border, the longest it's ever been. Ever since Russia, Belarus, Ukraine and Georgia were now the only former Soviet Republics which had not joined NATO and hence became prime targets of Russia.

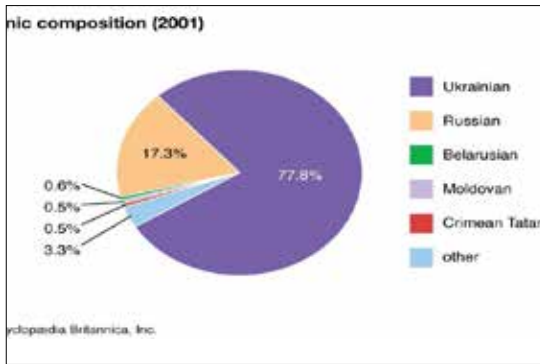


The following image shows the rapid eastward expansion of NATO especially after the fall of the soviet. In addition to this the buffer zone that was strategically formed for the safety of Russia is now not present anymore, making NATO's border with Russia the longest it's ever been. The buffer zone was a huge sign of security for Russia and the fact that all former soviet republics have joined NATO, leaving only Ukraine, Belarus and Georgia, makes these countries the prime target for Russia. Furthermore Ukraine's desire to increase ties with the west is seen as a huge threat to Russia.

2. Ukraine as an independent country

After 1991, the demographics of Ukraine significantly changed. After Ukraine gained independence, ethnic Ukrainians rose in number making up for about three

fourths of the population, the second minority was however Russians consisting of one fifth of the population.



The image above just goes to show the drastic amount of Ukrainians identifying themselves as ethnic Ukrainians, creating a separation between ethnic Russians and Ukrainians.

This is more specifically demonstrated in a survey conducted by the world values survey which asks respondents their values and attitudes towards politics, society and economy. To difference between Ukrainian and Russians can be seen through their values regarding nationalism, state and According to this survey the feeling of nationalism is much higher in Russians than Ukrainians leading to 91% of respondents stating that they are proud to be Russians and 86% in Ukraine. Further 95% Ukrainians genuinely felt a part of their state and had a connection with their state where as only 87% of Russians felt this way about their state. When asked if they trusted citizens in their state about 31% of Ukrainians said that they did while this was only seen in about 24% of Russians.

This just further goes to show that the main divide between Russians and Ukrainians is their respective belonging to their respective states. Ukrainians have shown a high level of attachment and commitment to their state,

society and people and hence in the process have developed a separate identity (from Russia) for themselves which is rich in culture, morals, society and tradition. Now more than ever Ukrainians believe that they are a different entity from Russia and an independent kind of their own.

Other than being certain in their ethnic identity Russians and Ukrainians differed on certain fundamental beliefs like freedom and democracy. Ukrainians believed that freedom is of utmost importance while Russians acknowledging its importance did not hold it in as high regards that Ukrainians did. Ukrainians also believed in minimal violence and to seek war as the last resort while a huge majority of Russians differed in that belief. Last but not least a stark difference between Russians and Ukrainians is that Ukrainians pro democratic and pro liberal values with 82% of Ukrainians people believing in the institution of democracy and that percentage is being lower in Russians amounting to 74%. The most powerful divide between the two nations is that Ukrainians have faith in the west with about 45% and 60% showing confidence in NATO and the United Nations and Russians having very less faith in the west with about 16% and 28% of Russians showing confidence in NATO and the United Nations respectively. Independent Ukraine is characterized by unity of people, an individual and strong identity of its people, faith in the state and community, belief in pro democratic and liberal reforms, belief in non-violence and high morals and values.

Independent Ukraine rose to be a nation of its own with a strong identity and not aligned with any other nation.

Ukraine's new found independence along with its formation of its individual identity and wanting to further enhance ties with the west has been seen as a huge threat to Russia.

Continuation of tensions in the 21st century

With the independence of Ukraine, the people of Ukraine started forming their own identity one that was individually unique to them and not in alliance with any other nations as it had been for decades. Ukraine was a state for its people and its people created a distinguished identity and wanted transparency, objectivity and fairness in all aspects of governance which is what sparked the orange revolution of 2004. The orange revolution were a series of mass protests that took place due the election process of Victor Yanukovich which was said to be rigged due to the fact that he was pro-Russian and had the support of present Vladimir Putin of Russia. the protests paid off as these the results of these elections were annulled and a fair election was held wherein Victor Yanukovich won. This was seen as a great negative by the Russians.

In the 2010 elections Victor Yanukovich the president of Ukraine after his successor, Yanukovich and this was declared to be a fair election.

Euromaidan protests and annexation of Crimea

On November 21st, 2013 President Victor Yanukovich abruptly suspended a trade agreement between the European Union and Ukraine which would aim to strengthen political and economic ties and would encourage free trade between the two nations, further closely integrating them. In spite of the deal almost near to fruition, Yanukovich suspended this agreement and on the contrary strengthened its ties with Russia. This caused massive public outrage resulting in several protests and demonstrations taking place called the Euromaidan protests of 2013. The abandonment of the trade deal between the European Union and Ukraine was seen by the Ukrainian people as unfair, corruption in the government, a case of abuse of power and increased influence of Russians and violations hence took place on a

massive scale finally leading in to the revolution of dignity. The revolution of dignity marked the end of the Euromaidan protests which led to the banishment of the (pro Russian), Ukrainian President Victor Yanukovich and the return of the 2004 constitution of Ukraine.

In the aftermath of the ousting of the then president of Ukraine, the chaos that was created as a result of the Euromaidan protests and revolution of dignity and more importantly the loss of Russian political control over Ukraine, President Vladimir Putin annexed Crimea in 2014 claiming to reunify Russia and protect ethnic Russians. Subsequently pro-Russian separatists took over the cities of Luhansk and Donetsk declaring them independent from Ukraine. Russia joined these separatists' rebels and continued the annexation of Crimea. Since then Putin has managed to keep a tight hold of the Crimean region, asserting Russia control over Ukraine and hence Ukraine has been in an 8-year conflict with Russia until it drastically escalated in 2022.

The importance of Ukraine to Russia

- 1. Historical and cultural ties** - Russia and Ukraine have shared cultural, linguistic and historical ties for several years. Russia essentially originates from a loose federation of east Slavic tribes known as the Kievan Rus which were based in Kiev (Ukraine's capital) and other towns along the Dnieper River which is now known as Ukraine. Further it was in Kiev that Christianity was brought to the Slavic people as a result of which orthodox Christianity and Slavism is an important element of Russian identity.
- 2. Black sea region** - the black sea and port cities in and around it are strategically very important to Russia as it connects Russia to the rest of the world via the Mediterranean hence securing Russia economically

as it gives access to major European markets which is important for the Russian economy. Further the ports around this area are warm water ports which means they will not freeze all year round therefore make trade possible for Russia all year round which is crucial for the country as Russia consists of ports which freeze during the winter making trade extremely challenging for the country. Ports in and around this area provided for more than 20 percent of export supplies to the former Soviet Union, however after the collapse of the Soviet Union these ports fell under Ukrainian territory which meant Russia did not have direct control over it. Furthermore, the budding of Ukraine as an independent nation and the emphasis of Ukrainian identity separate as from that of Russia along with the fact that all countries surrounding the coastline of the black sea are NATO countries is increasingly proving to be a major threat to Russia maritime security. A major part of Putin's invasion is also controlling these ports to secure Russia interest.

3. **Ukraine- the breadbasket of the soviet economy** – As mentioned earlier in this paper Ukraine contributed a significant amount to the Soviet Union in terms of the production of coal, steel, iron and agricultural production. UNESCO estimated that the technical and scientific capabilities of Ukraine are more than that of 6% of the world hence Russia would greatly benefit from controlling Ukraine directly like it did in the Soviet Union.
4. **Sevastopol** – the city of Sevastopol was a part of the Soviet Union and shared special status due to its strategic position. in the soviet union the c city of Sevastopol was made as a military naval base for the protection of Russian military and strategic interests from south-western and western Europe. After the collapse of the Soviet Union Sevastopol fell under

Ukrainian territory. This situation was controlled by the treaty of friendship and cooperation signed by the two nations however Ukraine's recent shift to the west and loss of Ukraine as a military pattern proves to be major sources of insecurity to Russia.

Conclusion

Putin's primary reason for the invasion of Ukraine is its shift to the west which is prominent now more than ever. The above points stated showcase just how important Ukraine is to Russia. The Soviet Union and Russia were always very dependent on Ukraine and hence Ukraine's growing ties with the west pose a threat to Russia as it cannot share its immediate borders, boundaries and ports with the west.

Russia is a vast country with eleven time zones spread across hundreds of square miles all controlled by one man, Vladimir Putin it is also important to understand where he stands in relation to the two countries.

In addition to this, Putin once said that the biggest tragedy of the 20th century was the collapse of the Soviet Union. The 20th century was a century characterized by two world wars which took millions of lives, led to destruction and changed world orders however Putin saw the collapse of the Soviet Union as the biggest tragedy of the century which just goes to show that Putin held the Soviet Union in utmost regard and motherland wherein all Russian people unite.

In an article written by Vladimir Putin titled, "On the historical unity between Russian and Ukrainians" showcases Putin's mindset where Russia and Ukraine are concerned. In this article Putin states that Russia and Ukraine are "one people" and the division between the countries was a result of outside powers and was done by the concept of divide and rule. This article truly goes to show that Putin still thinks of Ukraine a very crucial part of Russia, a part that is closely intertwined with Russia and belongs to the Russian empire.

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**Deconstructing the
Operational Structure
of Pakistan's Anti-India
Terrorist Network**

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Executive Summary

India, a rising global power remains to be a country with porous borders, surrounded by hostile nations who have for decades, attempted to weaken India's position as a powerful nation. While on one hand India has to tackle the threat of Chinese economic and military hegemony, there is Pakistan on the other hand which has for more than 75 years continued to bleed India with a thousand cuts.

The wide, deep-rooted network of terrorist organisations in Pakistan has conducted some of the deadliest attacks in India. This research essay delves into the organisational structure of two UN designated terrorist organisations, namely Jaish-e-Mohammed and Lashkar-e-Taiba, which continue to thrive on India's struggle in maintaining peace and security. The first section is based on network analysis, the second looks into operational strategies, recruitment and training practices and, propaganda activities. The third section is based on terror funding, whereas the final section assesses the role of women in these organisations. In conclusion, there is an examination of India's counterterrorism policies.

Introduction

Terrorist organisations operating in Pakistan like JeM and LeT are all part of a complex, globally interconnected nexus of like-minded radicals sharing common interests of proliferating their extremist anti-India rhetoric. Nearly 150 terrorist entities and individuals blacklisted by the UNSC Sanctions Committee are based in or share links with Pakistan¹. Irrespective of this, Pakistan continues to follow a duplicitous strategy in dealing with its homegrown terrorists, by actively combating groups like Tehreek-e-Taliban Pakistan which threatens its own internal security but continues to covertly back anti-India terrorist groups by unleashing trained militants into the country who serve as proxies to undertake tasks that the Pakistani state cannot legitimately perform. As a result, these groups have formed several licensed institutions such as the Muttahida Jihad Council (MJC) aka United Jihad Council (UJC) and Difa-e-Pakistan Council (DPC).

This essay is a composition of primary sources such as comments obtained through expert interviews conducted by the author, as well as an in-depth analysis of written speeches, recorded interviews, government archives, UN reports, terrorism portal databases; and secondary sources such as academic articles, newspaper and media reports and, research published by think tanks.

Lashkar-E-Taiba ~ Army Of The Righteous

➤ Overview

LeT is a Sunni militant organisation co-founded by Hafiz Muhammad Saeed, Zafar Iqbal and Abdullah Azzam in 1987, operating in J&K, Pakistan and Afghanistan and headquartered in Muridke, Pakistan. It follows the Ahl-e-Hadith school of thought which is a form of South Asian Salafism holding a strong belief in the duty of a Momin (one who believes in Allah) to protect all Muslims around

the world from non-Muslims in democratic systems and, therefore, espouses jihad only against the latter². It aims to not only unify Kashmir with Pakistan to govern the entire region under a radical interpretation of the Sharia Law, but also to form an Islamic caliphate in India and liberate all Indian Muslims. Hafiz Saeed on several occasions has publicly declared jihad against India while also stating that it is the only way for Pakistan to move towards dignity and prosperity³.

Figure 1: Major Attacks by LeT

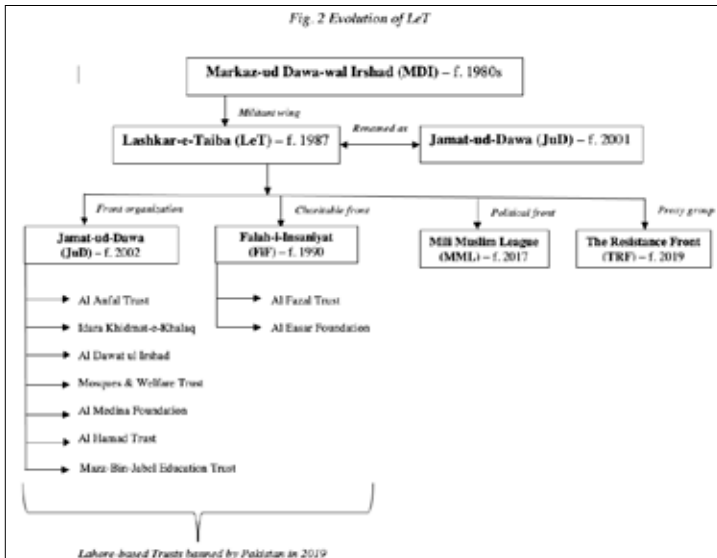
Year	Attack	Perpetrator(s)
2000	Red Fort Attacks, New Delhi	LeT
2001	Indian Parliament Attack, New Delhi	LeT and JeM
2002	Akshardham temple, Gandhinagar	LeT
2005	Indian Institute of Science, Bangalore	LeT
2006	Train Bombings, Mumbai	LeT
2008	26/11 Attacks, Mumbai	LeT
2010	German Bakery Bombing, Pune	LeT and IM

➤ Network Analysis

LeT was established as a militant wing of Markaz-ud Dawa-wal-Irshad (MDI), a Pakistan-based social welfare organisation (Fig. 2)⁴. LeT formed a front organisation known as Jamaat-ud-Dawa (JuD) and a charitable wing named Falah-i-Insaniyat Foundation (FiF). Whilst LeT focuses on jihad and violent extremism, JuD focuses on *dawa* (outreach through non-violent extremism) and, FiF focuses on *dua* by raising funds for charity and providing humanitarian assistance. After being banned by Pakistan in 2002, LeT renamed itself as Jamaat-ud-Dawa and continues to operate under the banner of a social welfare organisation⁵. In 2017, it rebranded itself as Tehreek Azadi Jammu and Kashmir, and in the same year established its political front Mili Muslim league. Although this party remains unrecognised by the Pakistani election commission, it participated in the 2018 general elections with the aim of moulding Pakistan into a

“real Islamic and welfare state,” and has also shown resolute support to the development of the China Pakistan Economic Corridor⁶.

Apart from its own factions, LeT also shares external links with JeM; Harkat-ul-Jihad-i-Islam (HuJI); the Haqqani network; Ikhwan-ul-Musalmeen, Egypt; Jemaah Islamiyah, Indonesia and, International Sikh Youth Federation (ISYF), UK⁷. It actively receives support from Students’ Islamic Movement of India and Indian Mujahedeen (IM) and has been known to provide training, weapons and financial assistance to IM⁸. It shares a similar relation with Al Qaeda, facilitating the movement of its members across porous international borders. Moreover, it is closely tied with the Afghan Taliban, thereby hosting training camps for the use of weapons, explosives, surveillance and assassinations in exchange for money⁹. LeT operates on a large scale and administers numerous training camps and branch offices across Pakistan and J&K, for recruitment and funding, under the leadership of an intricate mesh of district commanders and departmental heads (Annexure 1)¹⁰.



Jaish-E-Mohammed ~ Army Of Mohammed

➤ Overview

JeM is a Sunni militant organisation operating primarily in PoK, headquartered in Bahawalpur, Pakistan. It was formed in 2000 by radical Islamist scholar Maulana Masood Azhar Alvi after being released from jail in 1999. The group endorses the Deobandi school of thought and, had been formed with support from ISI along with various Islamic organisations and militant groups across the region. Its objective lies within the liberation of Kashmir and its unification with Pakistan under Sharia, coupled with the consistent effort to withdraw Indian SF from J&K through violent means.

Figure 3: Major Attacks by JeM

Year	Attack	Perpetrator(s)
2001	Indian Parliament Attack, New Delhi	JeM and LeT
2001	J&K Legislative Assembly Attack, Srinagar	JeM
2016	Uri Attack, Uri	JeM
2016	Pathankot Air Base Attack, Pathankot	JeM
2019	Pulwama Bombings, Pulwama	JeM

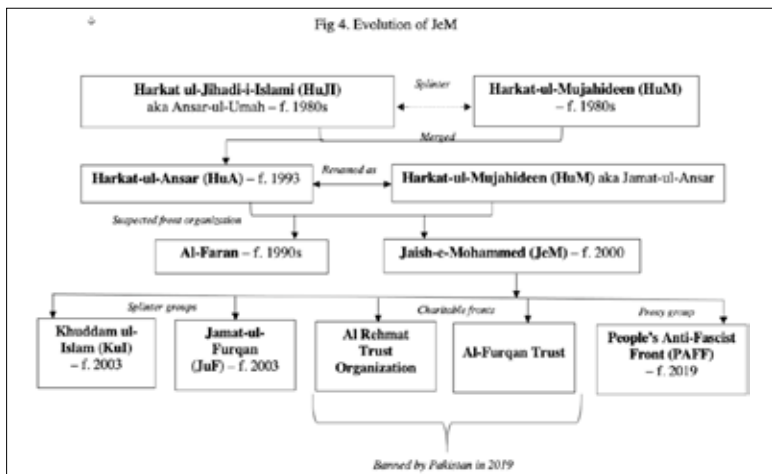
Network Analysis

JeM aka Tehreek-e-Khudam-ul Islam aka Tahreik-e-Furqan was formed as a sub-splinter of HuJI which initially splintered into Harkat-ul-Mujahideen (Fig.4). These two groups merged to form Harkat-ul-Ansar in which Azhar served as the General Secretary in 1994. After being designated as a terrorist organisation by the US, HuA was renamed as Harkat-ul-Mujahideen which broke into Al Farhan and JeM. In 2003, JeM split into Khuddam ul-Islam headed by Azhar and Jamat ul-Furqan headed by Abdul Jabbar (JeM's former military operations commander). JeM also founded charitable trusts such as the Al Rehmat Trust Organisation and Al Furqan Trust for fundraising purposes;

and a proxy militant group named People’s Anti-Fascist Front (banned by India in 2023) which aids the organisation in conducting arms trade, civilian killings and recruitment¹¹, and shares affiliations with Jammu and Kashmir Ghaznabi Force, an offshoot of LeT¹².

JeM had been formed with support from other militant organisations such as Al Qaeda, Taliban, HM, LeT, Lashkar-e-Jhangvi, Sipah-e-Sahaba Pakistan; ISI and chiefs of three Pakistani religious schools¹³. Apart from sharing affiliations with Lashkar-e-Omar, the group continues to maintain links with Pakistani political parties like Jamiat Ulema-e-Islam Fazlur Rahman¹⁴.

The group consists of a decentralised, cellular structure dividing the leadership into various departments¹⁵ and regional commanding offices¹⁶ – each serving as a school of jihad – headed by regional commanders reporting to Azhar (Annexure 2).



The Role of ISI

In order to keep the threat to Islam from India alive and retain its influence on the public of Pakistan, by portraying the state as a legitimate protector of the people, Pakistan’s

ISI utilises JeM and LeT as proxies, thereby playing a critical role in the survival of these organisations and acquitting them with military and financial assistance. It has on many occasions provided infrastructural support for their operations by helping build mosques, madrasas and hospitals, and was reported to have built and renovated LeT's Muridke headquarters. It has aided the group in hosting two dozen camps across the country for training and launching fighters across the LoC. In exchange for this, the group has provided its trained militants to the Pakistani Army for fighting in armed conflicts and border skirmishes against India¹⁷.

The testimony to Pakistan's connivance in state-sponsored terrorism lies in the government's insufficient efforts in cooperating with the global counterterrorism community and permitting these Jihadi groups to thrive under its watch. The ISI not only countenances the groups to endure their fundraising, recruitment and training activities with the assurance of not undertaking any punitive measures, but also provides protection to their leaders to continue

holding meetings and planning attacks; many a times even sitting alongside them to strategize attacks¹⁸. Young militants arrested by Indian SF in J&K have on many occasions confessed to receiving training, funding and instructions from ISI officers. Technical intelligence reveals coded conversations about recruitment, weapon procurement, attack planning and directive instructions between ISI and sleeper cell operatives in India.¹⁹

It is also necessary to note that these two groups do not seem to target any establishments/individuals on Pakistani soil. Political scientist Stephen Tankel notes that following the 26/11 attacks, Pakistani SF conducted a 'crackdown' on JuD offices, prior to which, the group's leaders were

notified and assured leniency by government officials²⁰. The ISI on some occasions, has openly showcased affiliations to these groups – such as in January 2010 when UJC’s public meeting was chaired by former ISI chief Lt Gen Hamid Gul²¹ and former PM Pervez Musharraf’s statement to a news channel claiming the use of Pakistani intelligence by JeM to carry attacks²². Although LeT has been the closest confidant of the ISI, its growing loyalty to the state had been resurfacing causing the latter to reduce dependence on it and instead revive JeM as its proxy²³. LeT expert Dr Christine Fair affirms that while JeM has been assigned to conduct India-centric attacks, LeT has been allotted domestic duties like countering Al Qaeda and ISIS²⁴.

The Kashmir-Khalistan Alliance

To add on to the ongoing threat, India’s security agency has brought out reports of the ISI’s efforts in creating Lashkar-e-Khalsa²⁵, a new terror outfit to recruit youth from J&K and Afghanistan, which would jointly operate to achieve Pakistan’s ‘K2 Strategy.’ A study by *Hudson Institute* highlights the deep cohesion between LeT and Sikh separatist groups like ISYF and Babbar Khalsa not only in terms of carrying out joint anti-India protests and demonstrations in Western countries, but also in terms of sharing some of the same lawyers, donors and accountants²⁶. Reports²⁷ outline the collaborative efforts of ISYF providing financial support to LeT and LeT providing the former with logistical support for attacks in India and, the two conducting joint infiltration and weapons training. The reports also highlight the existence of a common office of LeT and ISYF outside Nankana Sahib in West Punjab, Pakistan and, Sikh separatists being harboured by ISI in bunkers close to the LoC.

Infrastructure And Manpower

The UNSC’s 2020 Sanctions Monitoring Report stated that LeT has around 800, and JeM around 200 armed

militants co-located with Taliban forces in Afghanistan, acting as infiltrators and trainers in IEDs²⁸. LeT has two dozen known training camps with 16 of them concentrated in the regions of PoK, Khyber Pakhtunkhwa, and Pakistani Punjab²⁹. It runs recruitment offices in Pakistan and has support bases across India. Recent reports have also stated that LeT has been shifting its bases to Afghanistan and building check posts across the border with the help of the Afghan Taliban³⁰. LeT's Muridke headquarters operates 16 Islamic institutions, 135 secondary schools, numerous mosques and medical clinics across Pakistan³¹, whereas JeM has been expanding its 15-acre Jama-e-Masjid Subhanallah and Sabir Madrasa complex in Bahawalpur where 600+ students are reportedly being radicalised to adopt violent jihad³².

Both these groups recruit foreign fighters from several countries (Fig. 5). Bahukutumbi Rahman, India's external security agency's Counterterrorism Head noted that while JeM mostly trains foreign fighters from Malaysia and Singapore in its Binori Madrasa Complex, Karachi; LeT trains Indonesian fighters in its Muridke Complex³³.

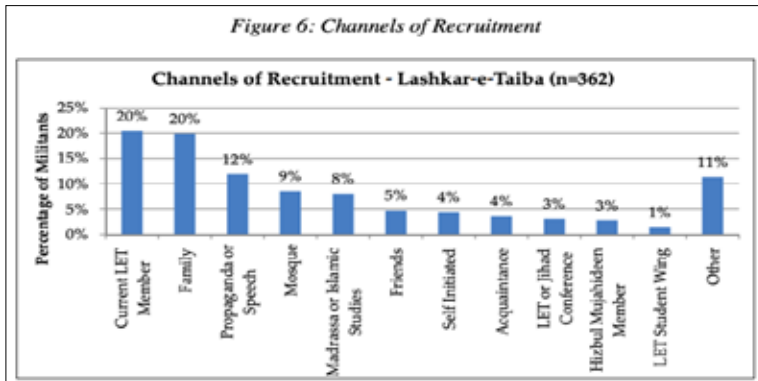
Figure 5: List of Countries from where Sympathizers/Foreign Fighters Join JeM and LeT for Education and Militant Training Purposes

Afghanistan	Germany	Libya	Oman	Sweden
Algeria	India	Maldives	Pakistan	Tajikistan
Australia	Indonesia	Malaysia	Philippines	Tunisia
Azerbaijan	Iran	Mauritius	Qatar	Turkey
Bahrain	Iraq	Mongolia	Saudi Arabia	Turkmenistan
Bangladesh	Jordan	Morocco	Singapore	UAE
Bosnia	Kazakhstan	Myanmar	Spain	UK
Canada	Kyrgyzstan	Nepal	Somalia	USA
Croatia	Kuwait	Niger	Sri Lanka	Uzbekistan

Propaganda And Recruitment Activities

The interviews of militants captured by Indian SF during their operations in Kashmir³⁴ have revealed how young, unemployed men, overburdened with family responsibilities

are targeted by these groups and radicalised into conducting terrorist activities.



Out of several channels of recruitment (Fig. 6)³⁵, mosques and madrassas are the two popularly misused to spread extremist propaganda. Madrassas in Pakistan run by these groups are funded by external donors such as Pakistani and Kashmiri businessmen, while also being heavily funded by Saudi Arabia³⁶. While 57% of LeT militants were found to have attended madrassas³⁷; these institutions have acted as catalysts in promoting jihad and building a toxic network of hysterical militants driven by vengeance and bitter resentment against the enemy.

While very few are aware of the aftermath of the Kargil War when Indian soldiers buried martyred Pakistani soldiers with full military honours when the latter's own government refused to take back their bodies³⁸, Pakistani madrassas return the favour by training their mujahedeen to mutilate Indian soldiers and apply brutal force. "Since it is not possible to bring their captives back to Pakistan, and the Indian government does not bargain for the return of hostages, all Indian prisoners are killed in the valley. The Lashkar fighter will usually execute an Indian soldier by slitting his throat. However, beheading and disembowelling are also common tactics, employed mostly for psychological reasons," states LeT's Commander Abdur Rehman al-Dalkil³⁹.

Students radicalised in madrassas are often used as foot soldiers and although the threat from these religious institutions persists, private and public educational institutions also play a big role in proliferating extremism, by disseminating the propaganda more readily and effectively. This was reiterated by Pakistan’s former I&B Minister Fawad Chaudhary who said that intolerance in schools and colleges is what spreads extremist ideology⁴⁰. There are around 34,000 madrassas in Pakistan schooling over 2.5 million students⁴¹ and these terrorist-breeding platforms remain to cause a considerable security threat by projecting their influence on the 24,000 madrassas in India, leaving 200 million Indian Muslims susceptible to Jihadi extremism.

Figure 7: LeT’s Print and Media Publications

Name	Type/Language
Jamatuddawa.org	Website
Al-Dawa	Urdu monthly journal
Gazwa	Urdu weekly journal
Mujala-e-Tulba	Urdu monthly journal for students
Jihad Times	Urdu weekly newspaper
Tayyabiat	Women’s Magazine
Al-Rabat	Arabic monthly journal
Voice of Islam	English monthly journal

Training And Strategies

The training programmes of these groups are holistically planned, having the components of professional military training and weapon usage; and religious, intelligence and civic education including lessons about the Kashmir conflict, India’s demography and security agencies. Training is also provided on gathering intelligence, conducting reconnaissance activities and spreading propaganda to recruit more militants⁴². LeT has been regarded as one of the finest militant training providers due to its efficacious training plans (Fig. 8)⁴³, allowing it to attract other terrorist groups to undertake training for their own cadres⁴⁴.

Figure 8: LeT's Training Programs

Name	Duration	Curriculum
Bait-ur-Rizwan	-	Basic training for freshers
Dura-e-Sufa	21 days	Religious education
Dura-e-Aam	21 days	Basic weapon use
Dura-e-Khas	3 months	Specialized military training
Dura-e-Ribat	-	Advance-level military and intelligence collection training

Through these training programmes LeT prepares its mujahideen to undertake suicidal missions, the cadres of which are divided into two groups⁴⁵, i.e., Jaan-e-Fidal (highly motivated, trained terrorists) and Ibn-e-Tayamiah (terrorists with incurable diseases), which operationalise two types of strategies, namely suicide bombings (mostly using VBIEDs) and **fidayeen** (redeeming oneself by sacrificing). LeT is the architect of the fidayeen strategy which has been adopted by other Jihadi groups including JeM. In this, armed militants conduct pre-planned attacks as suicide squads who storm into high security bases/camps, fortify and kill as many security personnel before escaping or getting killed. Similarly, the cadres dress up as Indian SF, march into remote villages and hilly areas inhabited by religious minorities, fortify civilians and massacre them.

Changes in Strategy

Tankel notes that up until the early 2000s, LeT, with the help of ISI would send militants in large numbers into India to conduct their activities. However, a surge in Jihadi terrorist attacks across the world during this period, brought ISI-led terrorist groups under the global scanner, forcing them to reduce operations and change their strategies⁴⁶ which led to increased infiltrations by groups of smaller but highly trained mujahideen, and the launch of numerous sleeper cells in India. Simultaneously, religious riots created a conducive environment for proliferating jihad into those corners of the country which had so far remained untouched. These

Indians who joined in, not only provided easy access into India, but also local intelligence about the developments and demographics, thereby acting as the perfect proxies for the ISI.

Ever since, the results of this have been -

Increased cross-border terrorism (CBT) via the LoC (MoD's annual reports from 2002-2019 consistently highlight the increasing cross-border terrorist incidents and infiltration attempts⁴⁷).

Involvement of local Kashmiri guides and porters who got paid to help militants infiltrate⁴⁸.

Opening up of operational bases in neighbouring Bangladesh, Nepal and Sri Lanka⁴⁹.

A shift from J&K to conducting attacks in densely populated, economically important, metropolitan Indian cities which brought more attention to the cause.

The use of 'hybrid militants'⁵⁰ who unlike sleeper cells (trained agents) or overground workers (OGWs) (militant support-providers), are terrorists disguised as civilians without being listed in any police or security records.

The rise of 'samundari jihad,' wherein reports by *Hindustan Times*⁵¹ reveal how Indian intelligence agencies have discovered LeT and JeM's efforts towards developing a 'naval wing' possessing sea-strike capabilities, thereby amplifying the threat to a two-front challenge.

The impact of the Abrogation of Article 370

The revocation of the special status to J&K under Article 370 led to a significant drop in terrorist activities in the region. FM Nirmala Sitharaman in 2021 accentuated this by stating that post revocation, the UTs of J&K and Ladakh had seen a 33% drop in infiltration attempts, 90% drop in ceasefire violations, 61% drop in terrorist related incidents,

80% drop in abductions by terrorists and 33% drop in deaths of SF⁵². The Ministry of Home Affairs’ response to an unstarred question in the Rajya Sabha in 2021 also brings to light important statistics with regard to the terrorist situation in the region before and after revocation (Fig. 9)⁵³.

Figure 9: The Impact of Abrogation of Article 370 on Terrorism in J&K

Description	841 days prior to abrogation (16/04/2017 - 04/08/2019)	841 days post abrogation (05/08/2019 - 22/11/2021)
Terrorist incidents	843	496
Civilians killed	86	79
Army personnel killed	78	45

Following the abrogation, a geographic shift in terrorist activities has been witnessed from the Kashmir Valley to the South of Pir Panjal encompassing Jammu. Suicide terrorism expert Prof Rupali Bhusari confirms this by stating that this change can be considered as retaliation against the abrogation, wherein terrorists have been discovering new and easier routes to target Hindu-majority regions, thereby amplifying the “Kashmir unrest” issue into a “J&K unrest” issue.

Funding And Assistance

➤ Donations and Charitable Funds

The Pakistani diaspora and businessmen based in foreign countries heavily fund these organisations legally through charitable foundations⁵⁴, which are then diverted into militant activities; meaning various donors from across the world knowingly and unknowingly aid in proliferating terrorism (Fig. 10). Saudi Arabia’s extremist Salafi-Wahhabi followers and powerful business tycoons have funded thousands of madrassas in Pakistan which have remained the lifeline of promoting jihad and training militants⁵⁵. Adding to this, Rtd DGP of Maharashtra and former IPS Officer Praveen Dixit suspects that although the support from Saudi Arabia has reduced over the recent years due

to India’s proactive diplomatic efforts in mending ties, the support for these groups from Turkey, Afghanistan and Iran is on the rise.

Figure 10: List of Countries from where Donations are Received for Terrorist Activities

Afghanistan	Kazakhstan	Saudi Arabia
Australia	Kyrgyzstan	Singapore
Azerbaijan	Kuwait	Sri Lanka
Bahrain	Maldives	Sweden
Bangladesh	Malaysia	Tajikistan
Canada	Mauritius	Turkey
Croatia	Myanmar	Turkmenistan
India	Nepal	UAE
Indonesia	Oman	UK
Iran	Pakistan	USA
Jordan	Qatar	Uzbekistan

JeM supports over 300 Islamic institutions in Pakistan⁵⁶ and collects donations from attendees which it propagates is for developmental activities for the welfare of students, widows, orphans, migrants and disaster victims. Although LeT follows similar methods, it also makes additional income through the sale of its written publications⁵⁷ and crores by selling animal hides⁵⁸. Earlier this year during Ramzan, Twitter users in Pakistan made shocking revelations of JeM workers openly collecting funds outside mosques, in the midst of being surrounded by Pakistani SF⁵⁹; an income strategy being used by LeT for years, by placing donation boxes outside shops, MDI offices, public gatherings, and martyr commemoration ceremonies⁶⁰. These groups have even implemented lucrative strategies of applying ‘jihad tax’ on consumer’s products⁶¹ and ushr⁶² meaning agricultural tax imposed on farmers.

➤ **Weapons and Narcotics Smuggling**

Increasing cases of narco-terrorism via peddlers and handlers across the LoC and via fishermen through the coasts have also been surfacing, wherein 85 cases had been registered by the J&K Police against 161 people in 2022 alone⁶³. Terrorists from Pakistan have illegally pumped tonnes of heroin into India through the Golden Crescent,

which sell in the market for crores of rupees, leading to an increase in drug use, addiction and easy recruitment into terrorist outfits. Moreover, weapons smuggling, narcotics trade and counterfeit currency circulation have remained as important sources of income, for which these groups have consistently received covert operational assistance from the ISI and Dawood Ibrahim's D-Company⁶⁴.

During the 'No Money for Terror Ministerial Conference' held in New Delhi in December 2022, Home Minister Amit Shah reiterated the growing concern arising from the increased use of the dark net, technology and UAVs by terrorist groups⁶⁵. More specifically, the increased use of end-to-end-encrypted text-based-messaging apps like WhatsApp, Telegram and Threema for arms procurement, fundraising, attack planning and radicalisation of youth. Another illicit tool being used for untraceable communication is 'YSMS technology⁶⁶', which involves communication via Very High Frequency, which can be paired with radio headsets to relay messages and share locations.

Raids conducted by the J&K SIA in 2022 across seven locations in the UT⁶⁷, lead to the seizure of hidden digital devices, SIM cards and documents from local residents, revealing the use of cryptocurrency for terror funding, and ISI's involvement in the use of Bitcoin for transferring funds to secessionists and militants based in J&K. Cases registered by the NIA following counterterrorist operations reveal the increased use of technology and drones for conducting attacks on Indian SF bases and for the facilitation of these activities. These include the transfer of illegal funds through imported California almonds through LoC Trade Facilitation Centres⁶⁸ and heroin packages wrapped as import consignments of semi-processed talc stones from Afghanistan through a ship from Iran at the Gujarat coast⁶⁹; as well as transfer of weapons, communication devices, narcotics by drones⁷⁰

⁷¹and hexacopters⁷² to J&K, Punjab and Rajasthan⁷³, and to Maharashtra and Gujarat via ports⁷⁴. Moreover, in 2022, 215 drone activities were detected by the BSF in Punjab and 22 incoming drones were seen in J&K⁷⁵.

➤ **Hawala Systems and FICN**

Hawala systems have acted as dangerously successful banking systems for terrorists allowing them to thrive all over these years. Several NIA reports reveal how JeM, LeT and HM have received funds through hawala operatives and sleeper cells situated in the donor countries (primarily Pakistan, Saudi Arabia and UAE)⁷⁶, have collected the funds in cash through couriers or as donations to charitable organisations^{77 78}, and channelled them into terror networks through their operatives located in Delhi and J&K.

Insufficient access to legal tender pushes these terrorist organisations to manufacture Fake Indian Currency Notes (FICN) in huge quantities, with the help of the Pakistani state. High-quality FICN have been produced and used by Pakistani terror groups which are suspected to be printed in the state-run printing presses in Quetta⁷⁹, Peshawar⁸⁰ and Malir Cantonment, Karachi⁸¹, which are smuggled via land, sea and air from neighbouring countries⁸².

The Impact of Demonetisation

The initial brunt of demonetisation was heavily felt across the terror financing network as these groups mostly printed the ₹500 and ₹1000 FICN. After the scrapping of these denominations, the groups found it very difficult to make hawala cash transfers and channel the stockpiles of extortion money into terror funding activities⁸³. However, post demonetisation, the terrorist groups started reprinting the new FICN, following which global COVID-19 lockdowns impacted their smuggling activities⁸⁴. Although FICN production is on the rise again, demonetisation served its

purpose by significantly reducing terror related violence in J&K by 60% and weakening the over ground activities reliant on financing⁸⁵. Moreover, the recent decision of the RBI to withdraw the ₹ 2000 notes will also aid in countering terror funding. It is also important to note that the increasing use of digital payment methods and acceptance of UPI have reduced the reliance on FICN, thereby putting added pressure on the Indian administration to curb terror financing.

Women In Terrorism

Women's roles in these organisations are primarily auxiliary in nature and although they have not been allowed to undertake combat roles, JeM and LeT have permitted women to participate in jihad in defence of Islam and for the survival of the ummah. Dr Christine Fair notes that women, have for years been mobilised to promote and support jihad by letting their sons and husbands fight the holy war⁸⁶, and advocate support for the movement. As noted by Prof Farhat Haq⁸⁷, LeT women in the early 2000s were prohibited from undertaking training but female leaders were taken to training camps to observe their male counterparts.

However, reports by *India TV*⁸⁸ show a video of LeT's lady brigade under training, consisting of 68 women being trained in weapon use. Moreover, the use of women as OGWs by these groups has also surfaced as *The Statesman*⁸⁹ has reported several cases of females - often Burqa-clad - throwing grenades and petrol bombs at SF bunkers in J&K, transporting grenades and ammunitions on behalf of terrorists across J&K and, radicalising and recruiting youth through the internet. Additionally, in a recent interview⁹⁰, Lt Gen AS Aujla, the former GOC of 15 Corps, stated that since many OGWs operating in J&K had been picked up by Indian SF, terrorists have increasingly been using women, girls and juveniles to carry messages, drugs and weapons,

on behalf of them, thereby giving terrorists a tactical edge in conducting their activities.

India's Counterterrorism Strategies

A change in India's defence policy has been the biggest contributor to countering terrorism in the country. Around 90 counterterrorism operations conducted in 2022 in J&K have led to the elimination of 172 terrorists⁹¹, thereby corroborating that the realistic, target-oriented policy approach has been adopted by the Modi-led government keeping national security as its utmost priority. The positive implications of abrogating Article 370, as discussed previously, have not only helped in countering the threat from Anti-India terrorist groups but also aided in the economic development of the region by generating employment opportunities in numerous avenues such as agriculture, tourism, handicraft production and retail; which besides providing the locals safe and legal sources of income, have also helped them in fending for their families without relying on illicit means to do so. Moreover, Prof Bhusari notes that the decision was undertaken by the Indian government at an appropriate time, taking into consideration the broader geopolitical scenario, i.e., months before the withdrawal of US troops from Afghanistan, thereby blockading the entry of Afghani mujahedeen into J&K following the takeover by the Taliban.

Amendments have been made in counterterrorism strategies by advocating more people-friendly operations and undertaking civil-military initiatives such as the 'Sahi Rasta' program⁹² for deradicalization, skill and personality development of radicalised and vulnerable youth. Additionally, India's multilateral efforts at combating terrorism and terror funding have been evident through the formulation of its multi-faceted Delhi Declaration⁹³ as a part of the UN Security Council – Counter-Terrorism Committee's

(UN-CTC) special meeting in October 2022; which was most recently adopted by members of the Shanghai Cooperation Organisation (SCO) as well⁹⁴.

The Way Forward

It is necessary for India to continue advocating a pragmatic, interest-based approach in dealing with neighbouring states ruled by unsteady, sensitive regimes like the Taliban in Afghanistan and the military junta in Myanmar, in order to keep in check the threat posed due to their close ties with the Pakistani state and its proxies. With the growing threat from the Sikh separatist groups in Western countries, mutual steps must be taken to reassess diplomatic engagements between India and, Canada, the US and UK, to counter the possibility of a two-front challenge resulting from an unchecked cohesion amongst Kashmir and Khalistani separatists.

A rise in the use and involvement of female terrorists in combat roles has opened up various fields requiring further research and this issue should not be ignored by policymakers. The prevailing threat of CBT, greater reliance on UAVs and the impending threat of 'samundari jihad,' cumulatively, have uncovered the pressing need for enhanced tri-services cooperation in joint counterterrorism operations. A strenuous challenge for Indian policymakers would be to further investigate into the Sino-Pak nexus and divulge the diplomatic, logistical and financial assistance provided by the former to the latter; as well as counter China's assertive tactics with regard to its consistent support for Pakistan's terrorists at the international level and the development of those Belt-and-Road Initiative projects in PoK that violate India's territorial sovereignty, which are uninterruptedly progressing due to assistance from local jihadi militants. Lastly, India must take advantage of its position as a rising global power and spokesperson

of the Global South, in order to influence multilateral counterterrorism initiatives like that of the FATF and UN-CTC, and aid in bolstering the effectiveness of their policies and their commitment towards countering the threat posed by international terrorism.

Annexure 1

Lashkar-E-Taiba (Qde.118)

LeT Central Leadership Structure

Office of the Founder and Leader (Emir): Hafiz Mohammed Saeed (QDi.263), 73 y/o; Office of Deputy Leader: Abdul Rehman Makki (QDi.433), 68 y/o; Office of Deputy Supreme Commander: Abdul Rehman al-Dakhil (not listed).

LeT Operational Leadership Structure

Office of Chief of Operations: Zakir Ur-Rehman Lakhvi (QDi.264), 62 y/o; Office of Chief Operator of Overseas Operations Team: Sajid Mir (not listed), 45 y/o; Office of Chief Operations Commander, Valley: Abdullah Shehzad alias Abu Anas (not listed), Office of Head of Muzaffarabad Office: Hafiz Talha Saeed (not listed), 47 y/o; Office of Head of Lahore Office: Khalid Waleed (not listed), 54 y/o; Office of Chief of Finance: Haji Muhammed Ashraf (QDi.265), 58 y/o; Office of FiF Chairman: Hafiz Abdul Rauf (not listed), 50 y/o; Office of Chief Spokesperson: Yahya Mujahid (QDi.272), 62 y/o; Office of Spokesperson for International Media: Abdullah Muntazar (not listed).

LeT Divisional Commanders Structure (not listed under UN Sanctions Regime)

- a) Central Division Command: Abdul Hassan
- b) North Division Command: Kari Saif-Ul Islam
- c) Area Commander, Sopore: Masood
- c) Deputy Commander, Bandipora: Hyder-e-Krar

- d) Deputy Commander, Lolab: Usman Bhai
- e) Deputy Commander, Sogam: Abdul Nawaz
- f) Deputy Divisional Commander, Baramulla: Abu Rafi
- g) Deputy Commander, Handwara: Abdul Nawaz
- h) Deputy Commander, Budgam: Abu Museb

Senior LeT Leaders listed under UN Sanctions Regime

Abdul Rahim Ba'aysir (ODi.293), 45 y/o

Mahmoud Mohammed Ahmed Bahazia (OQi.266), 79 y/o

Arif Qasmani (QDi.271), 79 y/o

Senior LeT Leaders not listed under UN Sanctions Regime

Zafar Iqbal

Maulana Abdul

Nazir Ahmed

Saifullah Khalid, 55 y/o

Maulana Amir Hamza, 64 y/o

Naveed Qamar, 51 y/o

Naser Javed, 68 y/o

Shahid Mahmood, 42 y/o

Shazidullah

Sheikh Sajad Gul

Mohammed Amin

Muhammed Sarwar

Annexure 2

Jaish-E-Mohammed (QDe.019)

JeM Central Leadership Structure

Office of the Founder and Leader (Emir): Maulana Masood Azhar Alvi (QDi.422), 54 y/o; Office of Second-in-Command: Abdul Rauf Azhar Alvi, 46 y/o; Office of Nazim of Military Affairs: Maulana Abdul Jabbar; Office of Chief Commander of J&K: Shah Nawaz Khan; Office of Nazim of Propaganda Wing: Maulana Qari Mansoor Ahmed; Office of Launching Commander: Maulana Mufti Mohammed Asghar; Office of Head of Finance: Maulana Sajjad Usman.

JeM Departmental Structure

- a) Majlis-e-Shura -11-member committee headed by Emir
- b) Military Department - in charge of training
- c) Aseerin Department - in charge of prisoner affairs
- d) Dawa-o-Irshad - in charge of martyred mujahedeen affairs
- e) Martyrs Department - in charge of martyr affairs
- f) Ehya-e-Sunnah - in charge of marriage affairs and revival of sunnah
- g) Broadcasting (media) and Publications Department
- h) Department of Amar Bil Ma'aruf-o-Nahi Annal Munkar-Ehtesab (in charge of maintenance of Sharia and communication with madrassas leaders)

Senior JeM Leaders listed under UN Sanctions Regime

Abdur Rehman (QDi.309), 57 y/o

Senior JeM Leaders not listed under UN Sanctions Regime

Yousuf Azhar

Athar Ibrahim

Shahid Latif

Maulana Umar Farooq

Abdul Jabbar

Abdullah Shah Mazhar

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India's Soft Power in Sports

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Introduction

Origin:

As far back as the 4th century BC (chankyaniti) had propounded the concept of Saam (advice or cajole), daam (pay or bribe), dand (punish), bhed (exploit secrets) which acquired western touch and can be understood by Soft power, smart power, hard power, and sharp power respectively.

Joseph Nye introduced the concept of “soft power” in the late 1980s. For Nye, power is the ability to influence the behaviour of others to get the outcomes you want.

Meaning:

Soft power is the ability of a country to persuade others to do what it wants without force or coercion.

Soft power is the ability to influence the behaviour of others to get the outcomes you want.

Why Soft Power Of Sports Is So Significant

Use of ‘Soft Power’ includes the number of cultural missions such as language schools, Olympic Medals and the quality of a country’s overall growth. Soft power produces following things:

- **Familiarity:** If people know more about your country, culture, sports, and its talents, businesses, and resources, then soft power is enhanced.
- **Reputation:** For a nation to be attractive and a role model for others, its overall reputation must be strong and positive.
- **Influence:** A direct measure of the perceived presence and impact that your country has in other countries
- **Business/Innovation/Sports:** The attractiveness of a country’s economic model, its digital engagement with the world, performance in sports etc.

- **Government:** Showcases the ability of country's political leadership and what it delivers to its people in different arenas.

Why the Sports being used as a tool of soft power in modern international relations?

- **International platform:** Sports provide a platform for countries to showcase their culture, values and tradition.
- **Puts a Better image of a country:** Sports as a tool to achieve social, political, and financial goals, and improve the image of the country.
- **International exposure:** The focus on culture and peaceful values in sports make it a useful tool for countries to use soft power to achieve international goals and improve their public diplomacy.
- **Reducing differences:** Sports provides a platform for trust-building; and reconciliation, integration and anti-racism.
- **Learning from China's Case:**

Dongfeng Liu (International Professor of Sport Management) in his survey on China's performance in the Olympics he found that a country's Olympic achievement has a positive effect on its national soft power.

- As china is a communist country and reputation about human rights is not good, so China uses its superiority in elite sports to build "people-to-people" relations with other countries. For example, athletes from African countries such as Madagascar are trained in swimming, badminton, table tennis, etc. in China, which helps Beijing create a positive impact on a wider population and result in better formal relations as well.

There is also China's memorandum of understanding with countries such as Kenya so that Chinese runners can

train with Kenyan athletes, as they are among the best in the world when it comes to long-distance running.

“Sports has the power to change the World. It has the power to inspire. It has the power to unite people in way that little else does. It speaks to youth in a language they understand. Sports can create hope where once there was only despair.”

-Nelson Mandela

What can be done to increase the country's sporting performance and soft power?

“The image of a country is not just about economic and military strength. The soft face of a country also makes a difference. Sports are one such soft power which can capture the world's attention to India.”

-Narendra Modi

Train Indian players overseas:

- India should concentrate on forging MoUs with nations that excel in specific sports and train Indian players overseas.

For example, Australia and the United Kingdom can assist us in swimming given their standing here.

When it comes to running, negotiating collaborative training agreements with African countries such as Kenya would be ideal.

No Politics over assistance:

- There should be no politics in seeking or even offering assistance.
- For example China has requested Indian assistance in improving cricket development in China (Chongqing city)

Private Investment:

- Private investment needs to be harnessed to develop infrastructure. The better a country performs in sporting events the greater a sports person's interest in their sports atmosphere. This also creates a huge market for private players to invest in.
- For example, leading corporate houses in India have already shown how their active participation and investment can improve sporting performance as a result of unique corporate sports programmes.

Public - Private partnership at grass root:

- The Government should also work on a public-private partnership (PPP) model to create basic sporting infrastructure.
- As recommended by NITI Aayog, at the district level too so that talent can be captured at an early stage.

Sports infrastructure: Backbone of the sports ecosystem

Background Sports is globally identified as a catalyst for economic development and a separate sector to be administered in various economies. The sector includes sporting events and infrastructure associated with sports, along with training facilities and sports retail. Manufacturing of sports goods also forms a major part of the sector.

As it is closely linked with various other sectors like tourism, real estate and health education, the sports sector as a whole impacts the global economy significantly. Sports infrastructure has been defined as “the primary physical and organisational construction needed to facilitate sport participation. From a functional point of view, sports infrastructure enables community members to participate in sports”.

It comprises facilities, systems, goods, and services that enable sports and is vital for any country to compete in the international sporting arena. Sports infrastructure assists in the development of world-class athletes and also provides impetus to the youth of the nation to actively take up sports and build a sports culture.

Impact of quality sports infrastructure

India has the potential to transform itself into a global sporting powerhouse with far-reaching impact on health, education and tourism. This would require a dedicated approach towards building quality sports infrastructure. Robust sports infrastructure has a positive impact on not only the development of a sport ecosystem for a country but also the community and the economy at large. This section highlights the benefits of sports infrastructure in terms of development of sports, regeneration of communities and revitalisation of economies.

Sports development

The state of sports infrastructure within a nation largely determines the state of sports in that nation. According to the 2006 Sports policy factors leading to international sporting success (SPLISS) study, nine pillars influence the state of sports within a nation and its success in the global sporting arena: 10 financial support, an integrated approach to policy development, participation in sports, a talent identification and development system, training facilities, coaching provision and coach development, international competition, athletic and post-career support, and scientific research. A close look highlights the critical role sports infrastructure plays, both directly and indirectly, on participation in sports, training facilities, and international competition.



Participation in sports

Adequate sports infrastructure is necessary to improve sports participation, which in turn can have a lasting impact on the sporting ecosystem of a country. Sports infrastructure provides people avenues and tools to pursue sports or lead an active life. For instance, the Chinese Government, having realised the vital role of sports infrastructure in improving, the fitness levels of its citizens, implemented a nationwide policy to increase spending in this area as far back as 1995.

A significant portion of the China's National Fitness Program budget was spent on building sport facilities with a focus on urban areas. Providing access to sports infrastructure in India's urban and rural areas in India can significantly improve participation by citizens. The focus should be on strengthening the infrastructure at the grass-roots level, as this will enable better talent identification and development. Moreover, it will provide access to a larger community, thus improving the overall public involvement in sports.

Training Facilities

The presence of quality training systems positively enhances the elite sports system. Sports infrastructure in the form of high-performance academies and centres of excellence, which provide access to world-class equipment and facilities, is highly beneficial to athletes and coaches. The Indian government and the private sector have begun to support the growth of these systems, with many state governments actively investing in the development of training facilities dedicated to multiple sports. Disciplines such as sports psychology, nutrition, medicine and biomechanics help develop focused player development pathways, which in turn help an athlete reach higher performance levels.

International competition

Several studies have shown that the organisation of international events in a particular country has a positive effect on the international success of its athletes. To host international events, nations invest significantly in building stadiums and supporting infrastructure.

Post the event, the infrastructure legacy can have a lasting impact on sports development, provided it is properly utilised and embedded within urban planning. Building robust infrastructure helps a nation strengthen its candidature as a host for international events. Community Sports form an important thread in the fabric of the Indian community.

As a country known for its love of cricket and other sports, Indians are clearly invested in sports. In a symbiotic relationship, communities feed the spirit of sports, while sports build a stronger sense of community. Improving or building on the current sports infrastructure contributes to this relationship both directly and indirectly.

Promoting Bundling of Complementary Sports Products

Bundling of complementary products related to a particular sport can be an effective strategy for marketing sports goods in the international market. According to a research report, bundling of complementary products can lead to cost saving in the range of 18% to 57%. Complementary product bundling can also offer economies of scale to the firms, thereby reducing their, per unit cost of output. Bundling of sports equipment as sports kits may also be helpful in securing contracts at international sporting events.

An analysis of the Tokyo 2020 Sole Supplier List indicates that majority of the suppliers were delivering sports goods

as a package of complementary/related products, rather than as standalone equipment. Since procuring contracts at international sporting events help in securing a larger market share, encouraging bundling of sports goods for exports could be beneficial in enhancing the market share of Indian companies.

Encouraging exports of sports kits could also be helpful in reducing per unit cost, thereby enhancing price competitiveness of Indian sports goods exporters. Currently, the bundling of sports goods in India for exports purpose is limited to a few sports goods categories only. For example, cricket kits are exported from India, which typically consist of stumps, bails, balls and bats. Similar strategy can be adopted for other sports goods, such as golf equipment, badminton equipment, table tennis equipment, where bundling of items is currently not as popular.

Bundling of sports goods with related textile products, especially technical textile products, can also improve the value proposition of the products. A large variety of technical textile products are used in sports, such as leg pads, arm pads, thigh pads, gloves, helmets, caps, neck guards, chest guard, etc., which could be used in product bundles. To that end, there is a need to create synergies between the sports goods industry and the technical textile industry so that the companies can find complementarities in their export offerings.

This would, however, entail a careful examination of demand and supply side factors, to ensure that such a tariff hike does not prove detrimental to the domestic industry or consumers. An investigation may be conducted by the Directorate General of Trade Remedies to further understand the injury caused to the domestic sports goods industry due to cheaper imports from China, and a relevant duty hike may be put in place to protect the domestic manufacturers,

after due evaluation of possible negative shocks that may emerge from such a move.



Reducing Import Dependence: A Case for Raising Tariffs on Chinese Sports Goods

Analysis in the study indicates the increasing dependence on imports of sports goods from China. A recent report by the Directorate General of Commercial Intelligence and Statistics (DGCIS)⁶ corroborates India's excessive import dependence on partner countries, especially China, for sports goods under HS 9506 (articles and equipment of general physical exercise, gymnastics, athletics and sports).

Analysis in the DGCIS study indicates that China offers sports good to India at relatively cheaper unit rates on an average, when compared to other countries supplying to India. Moreover, a comparison of unit values of China's exports to India vis-à-vis its exports to other top export destinations in the study also reveals that China is offering the product at a significantly cheaper price to India, as compared to its other key export destinations. In order to match the unit rate offered by China, domestic manufacturers have to compromise with the quality or cutback on margins, neither of which is a viable option for domestic players.

There is a possibility that imported Chinese products are of inferior quality than other nations. In that case, a uniform tariff hike may make higher quality imports from other countries unaffordable, and in turn lead to a shift of consumer preference toward products that are of inferior quality.

Sports Goods in Spectator Sports Events

Sports events, especially mega events such as Olympics and FIFA, are key contributors to sports tourism and have positive economic impact on the GDP and employment of host countries. Promoting sports events can also help in capacity building and marketing efforts of sports goods companies.

Despite the success in hosting sports events, India remains below other developing countries such as China and Brazil in the Global Sports Impact Index, which ranks countries bidding for and winning the right to host global sports event. An essential first step to prepare India for hosting greater number of mega sports events would be to bolster the sports infrastructure.

The Central and State Governments, along with the private sector can explore development of sports infrastructure through public-private partnership (PPP) model. Modern forms of PPP like Refurbish, Operate, Maintain and Transfer (ROMT), along with traditional forms like Renovate, Modernise and Operate (RMO) and Build, Operate, Transfer (BOT) could facilitate the participation of the private sector in the development, maintenance and operation of multi-purpose sporting facilities. The GOI could also consider establishing special sports zones (SSZs) for providing a focused approach towards infrastructure development for sports tourism.

The SSZs could include, among others, a single window clearance for approvals related to development of projects; tax relaxations; recreational benefits for the community; and world-class training facilities.

Impact Of Covid-19 On The Global Sports Goods Industry

The global economy was already reeling under an economic slowdown, when it was hit by the Covid-19

pandemic towards the end of 2019. According to the World Bank’s Global Economic Prospects (2020), Covid-19 is the most adverse peacetime shock to the global economy in a century. With sliding global growth, almost all economies and sectors around the globe faced drastic decline in economic activity for the first time since the financial crisis.

The impact of pandemic-induced disruptions was visible in the sports industry as well. The impact of pandemic-induced lockdown differed across indoor and outdoor sports, as well as individual and team sports.

Analysis of participation level based on the type of sports indicates that the impact of Covid-19 varies across different sports, depending on the density of participants and the exercise environment (Exhibit 8). Individual and indoor sports have witnessed higher participation level than outdoor and group sports, mainly due to lockdown related restrictions in outdoor movement, as well as safe distancing norms. Biking, running/ walking, virtual e-sports and home equipment are few sports that witnessed higher participation levels during the pandemic



CRICKET CONNECTIONS

India’s outreach with cricket has also helped it connect with neighbours such as Afghanistan, Nepal and Maldives. India has provided a wide variety of support to these nations for bolstering their cricket infrastructure - whether

it's training players, umpires and associated staff, enabling the respective country's membership into key cricket governing bodies or building new infrastructure such as cricket stadiums.

Maldives stands out as a perfect case study

In February 2019, India sent modern cricket legends Yuvraj Singh and Harbhajan Singh to represent Air India to play at the India-Maldives Cricket Friendship Series 2019 - a game overseen by Maldives President Ibrahim Solih. Later that year, the Speaker of Maldives Parliament Mohammad Nasheed, said during a visit to India that it was Indian cricket great and former team manager Ajit Wadekar who had taught him cricket.

Following up on the momentum, Solih flew to Bengaluru to catch an IPL match between Chennai Super Kings and the Royal Challengers Bangalore, while Indian Prime Minister Narendra Modi gifted him a cricket bat signed by the Indian cricket team after concluding bilateral talks while on a visit to Maldives in June 2019. During the same trip, Modi signed an agreement to help Maldives build its own cricket stadium in Hulhumale with the help of a line of credit, on the basis of a study undertaken by the Board of Cricket Control (BCCI) in India. The proposed venue was described by the Cricket Control Board of Maldives (CCBM) as a "state-of-the-art training and international stadium in Hulhumale, including swimming pool, accommodation, gym and hospitality venues."

Impact Of Ipl On Indian Cricket

Unlike other sports, cricket has resisted full substitution for centuries. Of course, substitute fielders were allowed. Until 2011, there used to be runners too. Teams could also substitute the wicketkeeper if the opposition allowed (they do not need permission since 2018).

In other words, teams could substitute players, but not when it came to the two primary skills of cricket – bowling and batting.

In 2005, the ICC introduced the Supersub in 2005 for ODIs. Teams could name 11 cricketers and a *full substitute* at the toss. They could play the extra batter, replace a batter with a bowler when the former had played their part; or the other way round, if they bowled first.

In other words, teams had a cheat code to convert specialist cricketers into all-rounders.

This sounded fine in theory, but teams had to name their Supersub *before* the toss, not *after*. If both teams went in with a bowling Supersub, the team winning the toss batted first, holding an obvious advantage.

In an attempt to convert 11 versus 11 to 12 versus 12, the ICC converted ODI to a game of 12 versus 11. To resolve this, they did away with the concept altogether.

It took the ICC over a decade to work on these lines again, when they allowed a full substitution – albeit a like-for-like one – if a cricketer in the first XI was concussed during a match.

Perhaps encouraged by success of the the concussion substitute, the BCCI used the Impact Player rule in the 2022/23 Syed Mushtaq Ali Trophy, India's domestic T20 competition, though they improved on the Supersub.

Teams could name, *after the toss*, four reserve cricketers, of whom they could pick one. Having completed the test run successfully, they implemented the concept in the IPL.

How are teams using the IPL Impact Player?

Against the Gujarat Titans, Chennai Super Kings substituted batter Ambati Rayudu with fast bowler Tushar Deshpande, sometime after Rayudu got out.

The Titans made a ‘forced’ substitution, replacing the injured Kane Williamson with uncapped Indian batter Sai Sudharsan – a use similar in spirit to the concussion substitute.

Punjab Kings replaced batter Bhanuka Rajapaksa with all-rounder Rishi Dhawan, while Kolkata Knight Riders brought in Venkatesh Iyer for bowler Varun Chakravarthy.

Delhi Capitals bowled first, and brought in batter Aman Khan after Khaleel Ahmed was done with his bowling. What Lucknow Super Giants did was slightly different.



When Ayush Badoni fell off the penultimate ball of the Lucknow innings, Lucknow were left with Avesh Khan, Ravi Bishnoi, Jaydev Unadkat, and Mark Wood, none of whom had big-hitting credentials, unlike their Impact Player Krishnappa Gowtham, who strikes at 157 in the format.

Lucknow brought in Gowtham *immediately after Badoni got out*, and Gowtham hit a six off the last ball. The timing of the substitution was not decisive – Lucknow won by 50 runs – but it could have been, had Wood not bowled a devastating spell.

In the one-sided encounter between Sunrisers Hyderabad and Rajasthan Royals, the substitutions followed the pattern: the side batting first brought in the bowler, while the chasing side did the reverse. Hyderabad drafted in Abdul Samad for Fazalhaq Farooqi, while Rajasthan got Navdeep Saini for Yashasvi Jaiswal.

While four matches (eight substitutions) are not a sample size large enough to draw a conclusion, early trends suggest that most teams are likely to replace a specialist – batter and bowler – with someone superior than the original cricketer at the other discipline.

How will this affect Indian cricket?

India have played 65 men's T20Is since the global lockdown. Across these matches, Hardik Pandya (eight times), Ravindra Jadeja and Axar Patel (twice each), and Washington Sundar (once) are the only cricketers to have faced and bowled three overs in the same match. And Pandya and Sundar have had run-ins with injuries, and have had to take long breaks as a result.

With the Impact Player, the supply chain of Twenty20 all-rounders at domestic level is going to take a hit. The outstanding ones will still find their way into the IPL, but the advantage they hold over specialists will be blunted to some extent.

The Indian cricket team, already with limited all-round options, will have it worse. In the long run, cricketers will see little incentive in pursuing multiple skills and burning themselves out in the most financially rewarding format of the sport.

Will this necessarily hurt India?

It may seem that it will, but the IPL is not *any* franchise-based Twenty20 league. Being the most expensive of its ilk, it is likely to influence global cricket leagues at some point. Other leagues, especially the ones where IPL franchises own teams, may implement or imitate the IPL Impact Player.

Perhaps the ICC will implement it at international level as well. Once that happens, the impact on Twenty20 cricket will not be restricted to Indian cricket alone, or even in

international cricket alone. The re-evaluation of all-rounders will trickle down to grassroots level.

What about batting?

In Twenty20 cricket, a team almost always runs out of overs quicker than it runs out of wickets. Accommodating an 'anchor' in the XI, thus, may seem counterintuitive, but can be justified if a team has a long tail.

Since the Impact Player allows for the extra batter, teams can now take the extra risk. In the long run, teams that ask of specific batters to dig deep are likely to cease to do the same. The anchor may be phased out.

Over the years, India has tended to back the role in T20 cricket, and **have been hurt as a result**. It may come as a blessing in disguise.

Of course, there are other strategies as well. Gowtham would have replaced Badoni anyway, but what if the team was chasing, the asking rate was threatening to go out of reach, and the team's best six-hitter was an Impact Player?

In that case, a team may choose to replace a batter – they have to retire, of course – with the Impact Player, and will alter the scales in favour of hitters (while compared to anchors) even more.

What about bowling?

Barring the obvious replacement, the bowling substitution can open up new avenues. There have been bowlers who specialise in bowling at different phases of the innings.

If the ICC does implement it to T20Is, India can resolve this by simply bowling out a new-ball specialist, who thrives inside the powerplay with the field inside, in one spell and replacing him with someone who specialises in bowling at the death. If one of them has batting credentials, of course, the decision may depend on which side bat

Startup
Talky

THE IMPACT OF IPL ON INDIAN ECONOMY

How big do you think IPL's impact on the economy is anyway? Its quite a lot to say the least.

- Before IPL BCCI was considered a charitable organization however since the introduction of IPL BCCI has paid over 3500 crores in taxes alone since 2009
- The actual money at IPL isn't just the sponsors and the auctions that you see on TV, it's the whole ecosystem around it.
From the bhelpuri vale bhaiya at the stadium, to the autowala who gets you there.
- Add to that IPL is a global event, with star players from around the world whose fans flock to India to see matches giving a boost to tourism.
It is estimated the economic output of the tournament is upward of 3500 crores, the actual numbers are assumed to be much higher.
- So next time you are watching a game sit back with a cold beer (or not) and enjoy the spectacle in front of you while secretly hoping for a super over every game.

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Impact Of Ipl On Indian Economy

1. **Significant rise in GDP:** IPL has been contributing massive profits to the GDP of India. Huge scale branding, crazy fan support and tremendous fan following worldwide have led to a constant rise in the GDP. As per KPMG's survey report, the 60-day tournament yielded INR 11.5 billion (USD 182 million). BCCI had appointed the KPMG sports advisory group to undertake this survey.
2. **Boosts Tourism:** Apart from 32 international players, there is a massive boost in the revenue generated from

international tourism. As per one of the most reputed travel companies Cox & Kings, the IPL led to a whopping 30% increase in travel revenue. People from all over the world travel to different states and cities of India during the season. India has been ranked 11th in the Asia Pacific region and 34th in the list of most attractive travel destinations worldwide. This ranking has been done in a [report](#) by the World Economic Forum.



3. **Generates New Jobs:** The Indian Premier League generates job employment at a large scale and effectively leads to India's economic development. The employment is generated from companies, their stakeholders, sports personalities, emerging athletes, etc. The report submitted by the UN General Assembly for Peace and Development highlighted an economic value of \$3.2 billion created by IPL. The market for sports equipment and gadgets has also witnessed a huge rise, with market size increasing to 40 billion Indian rupees.
4. **Media Exposure and Viewership:** As per the data collection of economic times of India, the T20 contest in 2019 broke all its previous records in the viewership department, and TV viewing made a record of 462 million clocks and a watch time of 338 billion minutes was recorded in the 12th edition. The cricket league has garnered sponsorship from various reputed companies

globally, namely coca-cola, Maruti Suzuki, PhonePe, MRF, etc.

- 5. Cultural Diversity:** Social media frenzy during the IPL season is very common. A lot of activities occur during the tournament as people from all over the world visit India. There are a lot of after-parties and events held in the different cities hosting the twenty-over matches. Foreign tourists from several countries such as Bangladesh, Australia, Canada, Sri Lanka, England, etc., arrive and try to make the most of the celebratory season.

A figurational approach to power

Parts: 1) an orientation away from the present and on to questions of “sociogenesis” (structural-historical dimensions of social life) or simply put, how did “this” come to be?; 2) an orientation towards relational questions, for example, in what ways are social actors inter-related?; and 3) an orientation towards what broader chains of interdependence are involved in any given social phenomenon.

Exploring the relational conditions of power is one way to unravel, at least historically, what is accidental and what is now in these processes. According to Elias, “the very hub of the figuration process is a fluctuating, tensile equilibrium, a balance of power moving to and fro, inclining first to one side and then to the other” In contrast to Foucault, another relational power theorist whose interpretation “stretches the concept of power to almost to the extreme”, Elias underlines that A and B “can be considered separately, but not as being separate”. For soft power analysts this creates, a particular challenge because of Elias rejection of the individual/ society dualism, partly because societies across the world differ in their understanding of the individual). What is more, “the outcomes of complex processes involving

the interweaving of the actions of large numbers of people cannot be explained simply in terms of the intentions of individuals”

I will now turn to how this kind of figurational thinking can be transferred to soft power debates. One suggestion of how to unravel Elias’ power dynamics in a context of sport and soft power is to focus on the categorization of “the in relation to oneself.

Tilly, who draws upon Elias in his analysis, argues that “the institutionalization of categorical pairs” (p. 8) is what creates durable inequality in society. With the means to define societal categories in pairs—social background (working class, bourgeois), gender (male/female), status (insider/outsider) and so on, even to the case of “us” and “them” comes a reinforcing effect as the boundaries between these categories are more efficient if they “incorporate already well-established forms of inequality”. In a geopolitical context, as I will return to below, the categorization of the Others and their relations with terrorist groups is a key issue in Qatar’s leverage as diplomatic go-to actor for the US and France in the Gulf region.

Described like this, the outlook mirrors traditional power theories by making someone do that which they did not want to do and centring conflict of interest as the analytical pivot point. Yet, Elias sees power as “a question of labile, shifting balances or ratios” which are “not explainable solely by reference to single factors such as Karl Marx’s ideas of the ownership of production or Max Weber’s ideas of the control of the means of violence”.

For example, Hobson argues that an Eliasian approach to international relations means states are “not conceived of as self-constituting billiard balls that are locked into head-on conflicts but take on polymorphous figurational properties”, which is visible in a 1981 lecture given by Elias himself:

being heavily involved in the financing and cultural framing of mega-events. Qatar, since it gained independence from the UK in 1971, has accumulated political capital to become a sporting powerhouse in the MENA region (Middle East and North Africa). This has not come for free. Bernie dates a turning point to the 1994 coup d'état attempt against Qatari Emir Sheikh Hamad bin Khalifa al-Thani, allegedly staged by Saudi Arabia (KSA) and the United Arab Emirates (UAE) as payback for the Sheikh's attempts to make Qatar "an independent and self-sufficient state with a flexible foreign policy". The Qataris, however, survived the coup and regrouped to carve out a new geopolitical strategy. Among the initiatives were the establishments of Al Jazeera, a global media channel where international allies could be recruited, both from within and outside the Gulf region. Some years later, disagreements over pipeline projects, the political status of groups (are they terrorists or not?) and the management of the Arab Spring, left Qatar and KSA on each side of strategically important conflicts, such as the coup in Egypt in 2013.

Forget the medals, the real game of the Olympics is soft power and the opening ceremony is key

The Olympic Games are often hailed as a neutral celebration of athletic achievement. "The Olympic Games are not about politics," wrote the International Olympic Committee president, Thomas Bach, in the Guardian last year.

In reality, the games have long been a platform for soft power: the use of culture and values to shape people's opinions in order to achieve political outcomes particularly internationally.

Regardless of how many medals are won or lost, this is the real game of the Olympics.

And for the host country, the opening ceremony offers an unparalleled platform for building soft power.

The biggest artistic event in the world

Included in the Olympic Games since 1906, the opening ceremony combines pageantry, ritual and performance. With key components mandated by the Olympic Charter, including an artistic program and a parade of nations, the ceremony offers a unique opportunity for the host country to frame a cultural narrative about itself.

No other artistic event in the world offers immediate access to such a large audience of global viewers. In 2016, 3.6 billion viewers watched Rio de Janeiro's opening ceremony on television.

Accordingly, the opening ceremony has increased in size, scope and expense in recent years. Demonstrations of dance, music and theatre are explicitly designed to dazzle spectators while also presenting a politically strategic image to the world.

Beijing's opening ceremony in 2008 framed China as a model of spectacle and national collaboration. Directed by filmmaker Zhang Yimou at a cost of US\$100 million (A\$135 million), the event lasted over four hours and featured 15,000 performers. In one jaw-dropping sequence, 2,008 Chinese drummers performed in perfect unison.



For the 2004 opening ceremony in Athens, Greece endeavoured to highlight its heritage and connection to

the Olympic Games of antiquity. The program included projections of the stadium used in the original games, a blazing comet that outlined the Olympic rings in fire, and an abstract re-enactment of the progression of Greek civilisation.

At the opening of the 2012 London Games, Britain elected to emphasise its national musical legacy, with performances by Paul McCartney, the Sex Pistols and Arctic Monkeys. In a further nod to British popular culture, Queen Elizabeth II and James Bond actor Daniel Craig appeared to jump from a helicopter.



How to increase the sporting performance and soft power?

In 2016, a NITI Aayog report came up with a 20-point plan to improve India's Olympics performance. MoU- India should concentrate on forging MoUs with nations that excel in specific sports to train Indian players overseas. For example, Australia and the United Kingdom can assist us in swimming and African countries like Kenya in running.

Boosting the number- India needs to boost the number of athletes under TOPS to foster a competitive climate, in turn aiding performance. Investment- Private Investment needs to be harnessed to develop infrastructure. The

Government should work on a public-private partnership (PPP) model to create basic sporting infrastructure at the district level to capture young talents at an early stage.

What are the Challenges?

- **Lack of Funds:**
 - With limited capacity to fund infrastructure projects, India **needs to rationally allot its funds**, keeping in mind its strategic objectives.
 - Moreover, improving the Indian economy and **opening up the market can help India to accumulate funds for international projects**.
- **Lack of Institutional Framework:**
 - India needs an independent development partnership agency **that develops long-term and short-term strategies**, identifies priorities, builds knowledge and facilitates learning.
 - It needs to remove **internal institutional hurdles**, such as policy and bureaucratic delays, to meet its infrastructure targets.

What are the Recommendations of the Committee?

- **Overseas Centres:** Ministry of External Affairs (MEA) should facilitate the opening of more **AYUSH** (Ayurveda, Yoga, Naturopathy, Unani, Siddha, Sowa-Rigpa and Homeopathy) centres overseas in a **“strategic and planned manner”**.
- **Yoga Certification Board:** In the context of the government’s push to popularise yoga through initiatives such as the **International Day of Yoga** and setting up of other related facilities, the panel recommended that the **ministries of AYUSH and external affairs should set up a ‘Yoga Certification Board for certifying Indian yogic practices and therapies’**.

- **Diaspora Collaboration:** The **Indian diaspora**, too, is a major asset of India's soft power diplomacy. Collaboration with the Indian diaspora should also be encouraged to **disseminate India's soft power in regions where it is not yet widely known.**



In the Field of Medicine

- Concerted efforts to get recognition of **Ayurveda** as a system of medicine and adopt the **pharmacopeia** of India **so that the products can be exported as medicine.**
 - Ayurveda **does not have a recognised pharmacopeia**, which is why such products are being **exported as dietary supplements and nutraceuticals.** The products are still **not recognised in most of the foreign countries.**
- **Pricing System:** On the issue of the differential pricing of tickets to monuments for foreigners and Indians, the **panel suggested that the pricing system “may be revisited”** since such a policy is unnecessary in a globalised world.
 - Such differential pricing leads to a loss of a large segment of foreign travellers.

- **Budgetary Allocation:** The panel sought an enhanced annual budgetary allocation of ₹500crore for the **Indian Council for Cultural Relations (ICCR)** for “conducting India’s soft power and cultural diplomacy in a robust and extensive manner”.
- **Coordination Committee:** Establishment of a coordination committee consisting of representatives from the MEA and other ministries **to overcome the lack of coordination among multiple institutions** in projecting India’s soft power and cultural diplomacy.
- **A Policy Document:** The MEA should also prepare a policy document on “India’s soft power projections, delineating India’s soft power toolbox and manner **in which it is being projected abroad along a vision statement for the future**”.

What can be the Way Forward?

- In its capacity as the biggest democracy in the world, India’s soft power should extend beyond simply sharing election best practices, to also **countering executive overreach through a sophisticated framework of democratic institutions.**
- The other way to overcome a shortage of money and minds on the job is **to examine how the private sector can be included** to fill some of the gaps left by official agencies.

The British Raj changed India’s economic landscape

India since for eras has undergone numerous conflicts through the ancient Indian kingdoms and rulers including the colonial British rule. And yet, India was exultant and proud of the passive-resistance mode in which the nation had gained freedom. When the British came to India, Britain had 2% of the global Gross Domestic Product (GDP) and

India had 20%. But in 1947 during Independence, when the British departed India, the GDP was the opposite way round. India was economically a very poor nation quickly after independence, completely swilled of its resources by a long-suffering colonial power of over three centuries. India despite its intrinsic roadblocks of severe hardship and diversity of the numerous cultures was broadly praised for having gained independence from the colonial rule and also for enduring up for the global South.

The soft power of India has risen as the capability to connect, strengthen the connections and to fix the fractures shaped by history and politics. In the 1990s, India supported peaceful advancement and a good friendly policy towards its neighbours and the soft power to cater to India's foreign policy to support its legitimacy in South Asia.

The soft power of India has scattered in her extensive social and civilization heritage over millennia, manifests that her purposes of secularism, liberalism and inclusiveness of cultures that are more critical in today's restless society. A concrete experience of south-south collaboration and long-held solidarity with developing nations is an added element of Indian soft power in various sections of the world. The Gandhian concepts of non-violence, Nehru's Five Postulates of Panchsheel (Peaceful Coexistence) and the globally supported Non-Aligned Movement (NAM) during the cold war made an important actor in global associations.



Incredible India

The Incredible India tourism campaign offered an indispensable role in advancing 'Brand India' being a catchphrase to describe the campaign started by India to draw interest and represent India as a productive purpose for investment. India could hold itself amongst the nations with robust potential of soft power. The country's throbbing democracy, autonomous judiciary, the role of NGOs, including progressive and independent media draw people across the world. India is also exploring global recognition of remarkably innovative projects, which manifest India's equation with her magnificent civilizational history. India has been one of the most esteemed members of UNESCO and has been a stalwart champion of inter-civilizational and inter-cultural exchange.

Considering that hard power cannot be exercised exceeding a frontier or territory, it is soft power that can boost the image of India and create a niche for the country in the modern global system. The symbols of soft power have also progressed and produced the understanding that India in the modern era is as much more robust than what it was previously several decades ago. The Indian diaspora can perform a significant role in expanding the soft power of the country through the tremendous magnetism that they hold in their living nations. Around 20 million active Indian Diasporas are spread across various countries. By 2024, United Nations (UN) has predicted that India is set to become the world's most populous country and Indian diaspora will continue to grow which is an important strong suit for creating a positive perception of the nation.



India's soft power limitations

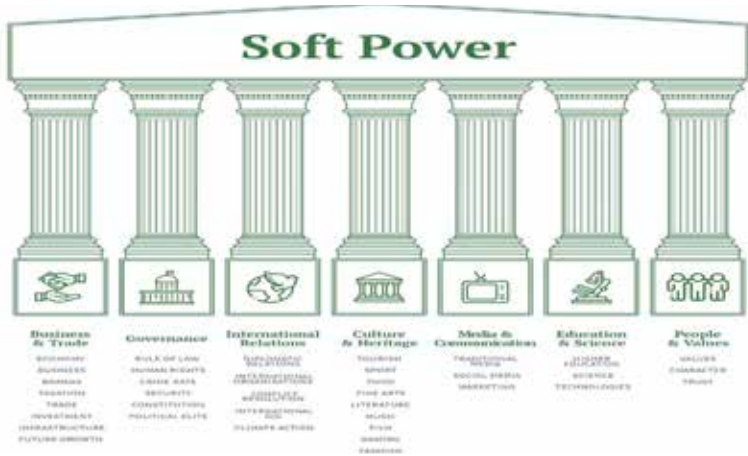
However, India being a country rich in soft power resources lacks an institutional ecosystem to harness soft power and further its national interests in the international sphere. There have been blemishes due to major quandaries such as corruption, poverty, and violence against women, hostility to business, pollution in urban areas, caste-discrimination and gender-inequality that has made India fare poorly in the elements of national attraction.

Also, there are numerous factors at play forcing what feels like an underperformance in the Soft Power 30 Index for India such as the western bias that places India at a relative disadvantage as advanced economy nations hold a lead. The index is a composite pattern aggregating data across a different range of soft power metrics to create a separate score for every nation. The reduced performance in various sub-indices of the report hauls down a nation's overall score. However, it doesn't mean such a country will not have precise might and valuable instruments in its display of soft power assets.

To conclude, India should figure out its strengths if it wants to resurrect its national image. Its ancient wisdom and

spirituality should encourage other nations to acknowledge that India can have a great leadership role in the world.

India’s ability to tell a “better story” has not been very effective in delivering desired outcomes notably. The nation’s potential of soft power if implemented certainly would enhance India’s more exalted position, in making it well-disposed and flourishing in the world. In the mounting multipolar global order, India definitely has the potential and holds immense opportunities to elevate its position further as the ‘rising global soft power’ that can further pave way for the country to become a ‘soft power-superpower’ of the 21st century.

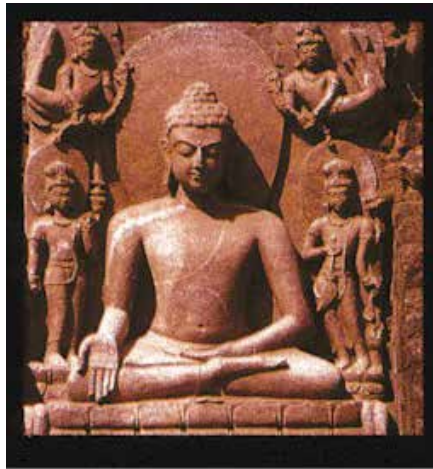


India’s soft power has historically been characterised by pluralism

India has an optimistic vision of relatively pluralistic government, non-violent, and liberal with a non-threatening global leadership. Distinguished personages like Mahatma Gandhi, Rabindranath Tagore, literature, music, dance, software industry, Ayurveda, etc., produce an extraordinary array of soft power assets that portray the attractiveness of India to the foreign populace. The importance of respect,

harmony and fraternity are the essences that Indians are recognized for, with Ashoka, Buddha and Gandhi standing as principal representatives. Mythological epics such as Mahabharata and Ramayana are compared with the great Greek writings like Odyssey and Iliad. India was appreciated as the 'Golden Bird' between 1 and 1000 AD for its GDP, which was also ahead of China back then. This eventually brought migrants, traders and invaders like 'Alexander the Great' to India.

Over the centuries, India has granted shelter, religious and cultural freedom to Jews, Christians, Muslims and several other faiths. India's history and culture is her legacy to the world that displays the metamorphosis of India's chronicles, how India harmoniously assimilated different religions yet never lost track to its own culture and history.



Chanakya-*neeti* came before Machiavelli

India's global representation is rooted in the idea of 'unity in diversity', contemplative of the wide collection of cultures and civilizations that remains to attract many across the world. The soft power rootlets move very deep.

Appraisals of India's soft power draw traditional, religious, ethno-linguistic and constructive relations with other nations. Everything as a component of the Indian culture was fascinating for the outside world. India dedicated itself to gaining internationally through commerce and statecraft, apart from "soft" power. Upanishads delivered the notion of 'Vasudhaiva Kutumbakam' to the world and to India. Renowned ancient Indian philosopher, Chanakya's maneuvering to gain over adjacent powers by settlement and non- aggression arrangement and grants also demonstrates the significance of soft power in the ancient Indian statecraft.

India has a vibrant and traditional history that has given rise to several academicians, intellectuals and scholars who have committed to the conception of distinct followings of knowledge, a pearl of wisdom that has travelled and set themselves far exceeding the frontiers of India. The ancient universities of India were the most prominent centers of cultural synergy and soft power, which drew a great number of scholars and learners from different parts of the world. India as a mystic civilization has interested academicians, scholars and people from various fields from parts of the globe to India, which also led to the emergence of various Ideologists. Indian society and culture that encompasses Indian cuisines, religions, festivals, spirituality, yoga, movies and music have a more all-embracing impact on the global market, particularly in Asia, West Asia, Europe and Africa.



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Mr. Praveen Dixit joined Indian Police Service in 1977 in the first attempt at the age of 21. He served as Commissioner of Police in Nagpur City, Principal Secretary Home in charge of Law and Order in Government of Maharashtra, DG Anti-Corruption Bureau and Director General of Police Maharashtra State when he retired in 2016. He toiled to improve police community relations in a big way through Police Mitra scheme.

He served as advisor to Prime Minister of Mauritius. He is recipient of President of India's Police Medals for Meritorious services and Distinguished Services. He was awarded Rotary International's World Peace fellowship.

On retirement, he worked as State Chairman of Purchase Committee for medicines and medical equipment's. He is given the task of framing Anti Cut Practice Law for medical services and related other issues currently.

From Feb 2018- July 2021, Mr. Dixit was appointed as Member Administration in Maharashtra Administrative Tribunal in Mumbai Bench. Since 2022 Dixit is working as Special Rapporteur of National Human Rights Commission and is in charge of Maharashtra & Goa.

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Mr. Karve joined the Indian Navy on 1 July 80, specializing in Anti-Submarine Warfare in 1986 and has commanded the aircraft carrier INS Viraat as well as the guided missile destroyer INS Ranvijay, the frigate INS Dunagiri and the ASW patrol vessel INS Ajay. In 2015 he was appointed Chief of Personnel

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