

Editor's Note

Coping with a Fragmenting World Order

It is increasingly recognised that India's long-term mission of achieving developed country status, i.e., become '*Viksit Bharat*', by 2047 faces significant global politico-economic uncertainties and challenges even as there are opportunities that it must grasp. Significant opportunities exist and can be seized in attracting large investments in manufacturing, technology collaboration, forging beneficial trade agreements and partnerships, and securing its vital supply chains. However, while seizing opportunities is a task before the policy makers, the global challenges emerge from policies being pursued by powerful states and forces outside India's control and need astute domestic and foreign policy responses to sustain the growth necessary for achieving its centenary goal.

The path has not been easy in recent years. The COVID-19 pandemic sent shock waves through the global economy and triggered mass deaths, lockdowns, factory closures, supply chain disruptions, and a world economic crisis. It was followed by a series of severe and mutually reinforcing shocks—China's sudden and condemnable unprovoked aggression in Ladakh and the four-year military stand-off that followed, the wars in Ukraine, Gaza, Lebanon and Syria, the sweeping sanctions against Russia and Iran by the US and the EU, the resulting food, fertiliser and energy crises and surging inflation have battered the world in the 2020-2024 period. The resulting debt crisis that hit the global South amidst the pandemic and the engulfing climate emergency hit output, consumption and growth; trade has decelerated, and protectionism is growing. To its great credit India has thus far successfully navigated through these multiple critical challenges that have ravaged many an economy in both the developed and developing world.

However, it is the return of great power rivalry, the sweeping sanctions, the rising tensions and proxy wars, and breakdown in diplomacy that constitutes the greatest threat to the global economic order. The secure movement of trade through the commons and some of the busiest shipping lanes—the Baltic Sea, Black Sea, the Mediterranean, the Gulf, the South China Sea, the Taiwan Strait, the Panama Canal— is under constant threat as conflicts loom. There are over 50 conflicts currently raging in the world, including the Russia-Ukraine and the Israel-Hamas wars. These large and small wars disrupt global supply chains that are vital to trade, especially for the global South that depends heavily on secure trade routes for food, fertiliser, and energy supplies.

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As Joshi and Kumar observe in this volume, 'A disintegrating global economic order in times of extreme geopolitical challenges has intensified the competing — and often contradictory — interests of various stakeholders. This geoeconomic instability makes India's path to reclaim its prosperity and economic security that much more difficult.'

Return of Great Power Rivalry

Global economic relationships take place within the systemic dynamics of the world political order — the network of ties among the states and the institutional arrangements to govern them. In order to thrive trade and investments need a conducive environment. This includes secure maritime lanes, cross-border road, rail, and airways satellite; safety of cable communications, international oil and gas pipelines; and adherence to international rules regarding the global commons. The commons have in recent decades expanded to include the increasingly important domain of space. The liberal order currently facing crisis was shaped by the major powers working together under US and EU leadership following the end of the Cold War. The World Trade Organisation (WTO), the Law of the Sea Convention, climate related commitments and agreements, important arms control treaties, etc., were all products of the post-Cold War great power, peace and collaboration that prevailed between 1990-2014.

US-Russia strategic differences grew steadily thereafter over NATO expansion to Russia's borders and Russia's pre-emptive take over of Crimea followed by the war in Eastern Ukraine. Simultaneously, from 2017, US-China strategic and technology competition has reared its head as the leading threat to supply chains even as the US/NATO-Russia rivalry has steadily escalated. The rivalry and mistrust have not only undermined global agreements, arrangements and institutions, but have threatened to make them irrelevant. This can already be witnessed in the WTO, and the paralysis of most multilateral arrangements. The consequences are increasingly visible and serious. For example, 'Global trade is now forecast to grow slower than global GDP for the first time in over 25 years. Till 2031, global trade growth will be slower than output growth over a sustained period. This is symptomatic of rising protectionism and the risk of deglobalisation,' Joshi and Kumar observe.

Uneven Gains from Globalisation

Sharpening geopolitical conflicts come on top of another defining development with roots in the neoliberalism and globalisation embraced by the US and the West as their new ideological and policy framework to expand capitalism into the post-socialist economies and those like India in the developing world that had protected economies. Globalisation

brought two decades of high growth, trade and market expansion, rise in incomes and profits, and decline in poverty in developing countries such as China, India, Vietnam, Malaysia and Indonesia that undertook liberalisation, attracted investments, and stepped up exports. Globalisation, however, was severely hit by its own contradictions — weakening of sovereignty, unequal gains, large-scale depletion of traditional industries and job losses in the developed world. Gains largely went to China and some of the emerging economies, huge profits were made by the global manufacturing corporates and unregulated big tech digital companies, while domestic and global inequality grew sharply. As J. S. Deepak argues in his essay in this volume: “in the last decade, trade has been less inclusive than expected, with the rich and a few countries benefiting disproportionately. It has also been more disruptive than anticipated as entire sectors like the steel industry in the US, and electronics manufacturing and bulk drugs production in India have been devastated by foreign competition. Moreover, the benefits of free trade have been widely dispersed while the ill effects have been concentrated and visible.”

Rising Protectionism and the Risks

Uneven gains, unemployment, falling growth and huge economic disruptions in recent years has shifted the political balance away from the liberals and the rise of neo-conservative and nationalist forces across the United States and Europe. These political forces are critical of globalisation, oppose immigration, and are for protectionism. Donald Trump’s call for imposing high tariffs on large imports from China, Europe, and others, as well as his nationalist appeal to Make America Great Again by bringing back American industry that had moved abroad and seizing technological edge typifies this trend. China has its counterpart in Xi Jinping’s Circular Economy, while the EU states have used tariffs, environmental, labour and other restrictions on imports.

Rising protectionist walls in the developed countries are a major cause of trade dampening in recent years. It hurts exports from the global South, growth across regions, production, consumption and incomes. The growth momentum has been significantly weakened in the European Union and other developed economies through this period, adversely affecting the developing countries. Rising protectionism, sanctions, boycotts, organised attacks on Russian oil and gas pipelines in Europe (Nordstream-1&2), restrictions on shipping, weaponisation of the dollar, accompanied by emergence of new bloc oriented trading arrangements, have undermined WTO rules, and increased the risk of further fragmentation and conflicts. Globalism is receding and appears to have met its nemesis.

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There is a clamour among many of the developing and middle-income countries to join the BRICS (Brazil, Russia, India, China and South Africa) Grouping as an alternative to the growing dysfunction of multilateral global institutions. Many countries are affected by trade and technology restrictions, the fear of Western sanctions and want to secure much needed low interest development finance without complex conditional barriers. The Group has already expanded to 9 members, with some 30 others wanting to join. There are ongoing discussions within the Group on new forms of financing, banking, currency and payment arrangements outside Western controls and currencies. But the Group, its norms, rules and institutions are still evolving. On the other hand China, the leading economic power in the BRICS, is also creating its own global alternatives such as those under the Belt and Road Initiative, or joining others to create trading and banking institutions that it dominates such as the Regional Comprehensive Economic Partnership (RCEP), the Asian Infrastructure Investment Bank (AIIB), the BRICS Bank, etc. Yet, these are not yet large global institutions and their rules, terms and conditions may not suit everyone.

The multilateral and economic architecture created in the two decades following the end of the Cold War and those created in 1945 under the framework of the United Nations and US-led 'liberal globalism' is today in deep crisis. Ironically, the liberal elites in the US and European Union have been at the forefront of the retreat from the universalist ordering principles that sustained that order and which they had helped craft and implement when the US dominated world politics and economy without much of an opposition. The power balance has changed, new powers have risen and there is often little agreement on norms and principles any more.

The world faces a choice. It either cooperates to reform existing institutions/ build new non-partisan universal institutions with fair rules and regulations, or breaks into rival blocs, further fragmentation and conflicts. For India the choice is clear — actively help build a new universal multilateral order conducive for trade, investments, fair rules and dispute resolution mechanisms. India needs more domestic reforms, and a conducive external environment that enables it to sustain growth and overcome the challenges posed by conflicts, divisions and power struggles that are hurdles in its way to attain its sacred centenary goal of a *Vikasit Bharat*.

In this Issue

This special issue of *National Security* is devoted to the theme "Changing Geoeconomics and India." The essays and articles make innovative recommendations for opening up new avenues of growth at a time when the world order and economy are undergoing churning, fragmentation and painful restructuring. With the WTO unable to undertake further trade liberalisation and protectionism growing, well planned negotiations with large economic

blocs and trade partners would be essential. Such FTAs could be invaluable if India is to 'become rich before it gets old', i.e., reap the demographic dividend over the next few decades.

Analyst Ishan Joshi and noted economist Rajiv Kumar in their lead essay call on the government "to adopt a whole-of-society approach" to achieve *Vikasit Bharat*. They argue that the geoeconomic instability makes India's path to reclaim its prosperity and economic security more arduous. They call for a dogged pursuit of FTAs, effective use of frontline technologies, including AI, a focus on job creation across small towns and localities, skill development for the workforce, and attaining OECD level human development indicators for sustaining growth. J. S. Deepak, country's former envoy to the WTO, emphasises the need for India to liberalise its trade and agree on FTAs with Britain, European Union, the Central Asian states, and Africa to raise exports, create jobs and transform the economy.

Eminent shipping expert Anil L. Devli draws attention to the serious implications of India's neglect of building container shipping capacities and depending on foreign ships for carrying its trade, including critical energy supplies. He emphasises the threats inherent in forgetting the historical lessons from colonisation by European maritime powers and the recent experience of sanctions and boycott of Russian trade by the global shipping companies. The author argues that India should develop its container shipping capacities, ensure competitive export-import logistics, reduce dependency on foreign companies, and enhance its economic and national security. Analyst Arun B. Kumar writes on the geo-economic and industrial significance of Titanium, and the urgent need to enhance its domestic capacities to use its resource base to overcome the serious consequences of import dependence, especially on China. In a similar vein, scholar PK Khup Hangzo argues for India to build a diversified and resilient supply chain for critical minerals to ensure India's economic and energy security.

Finally, in an insightful analysis of the deepening political polarisation in the US, scholar K. P. Vijayalakshmi delves into the policies of the two presidential candidates, Donald Trump and Kamala Harris. Underlining the deep divisions between the left-liberals and the conservatives and the widespread frustrations among the voters struggling with high inflation, crime, illegal immigration and growing socio-cultural conflicts. A Trump victory could have wide implications for US policies towards Europe, Russia, China, Ukraine and West Asia. An end to the wars in both Ukraine and on tariffs and trade. The impact on Indo-US relations could be less dramatic given the rare bi-partisan consensus on sustaining the partnership, she contends.

We believe the issue will prove to be of immense value to our readers.

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