



EDITORIAL: FINANCIAL EXPRESS

GENERAL STUDIES 3:

DATE: 10.02.2025

TOPIC: INTERNATIONAL REALTIONS

A sign of Strategic priorities

- The **Ministry of External Affairs (MEA)** is the primary executive body responsible for formulating and implementing India's foreign policy. It plays a crucial role in representing India's strategic interests on the global stage.
- Over the years, India's foreign policy has expanded in scope, encompassing not only diplomatic relations but also economic partnerships, development aid, security collaborations, and strategic alliances.
- Despite the importance of external affairs in India's global ambitions, the **budgetary allocation for the MEA has seen a paradoxical trend**. While the overall budget has increased by **67% between 2014 and 2025**, its **proportion in the central government's total budget has declined from 0.8% to 0.4%** over the same period.
- For the fiscal year **2025-26**, Finance Minister **Nirmala Sitharaman** has allocated **₹16,516.61 crore** to the MEA, which will be used to finance India's diplomatic missions, international aid programs, and strategic engagements.
- However, this allocation marks a **7.3% reduction compared to last year's estimated spending** and an **18% decline compared to the revised estimates for 2024-25**. The reduction reflects a **shift in priorities** and the impact of changing geopolitical conditions.
- A significant reason for this budget cut is the **exclusion of sovereign guarantees provided to the Indian Exim Bank**, which played a major role in increasing previous years' expenditure. In 2023-24, the government allocated **₹10,013.72 crore** to Exim Bank, and in 2024-25, the amount was **₹6,383.40 crore**.
- The absence of any such allocation in 2025-26 means that **the MEA's effective budget has risen by 15.45% compared to the previous year, excluding the Exim Bank factor**.
- The provisioning for Exim Bank remains a **flexible process**, meaning future allocations could be made as per economic and strategic requirements.
- Similarly, funding for the **Indian Development and Economic Assistance Scheme (IDEAS)**, which provides financial assistance to developing countries, has **dropped sharply from ₹1,350 crore in FY23 to just ₹5 crore in FY26**. This signals a **shift in India's approach from grants-based aid to loan-based financial support**.



Shift in Foreign Aid and Development Assistance

- The MEA's budget for 2025-26 reflects India's changing strategic priorities, with a stronger emphasis on **regional connectivity, trade facilitation, and economic diplomacy** rather than purely aid-based engagements.
- India is moving from a **traditional model of direct financial aid** to a more structured approach involving **sovereign loans, lines of credit, and economic partnerships** that offer long-term strategic benefits.
- The **Indian Technical and Economic Cooperation (ITEC) Programme**, a key diplomatic initiative that provides technical and capacity-building assistance to developing countries, continues to be a **major part of India's international outreach**.
- The budget also includes a **special allocation for discretionary diplomatic expenditures**, enabling India to **respond flexibly to evolving geopolitical situations** and strengthen its influence in key regions.

Key Beneficiaries of India's Foreign Aid

- India continues to prioritize its **immediate neighbors** in South Asia, focusing on countries that play a crucial role in regional stability and economic interdependence.
- **Bhutan** remains the **largest recipient of Indian foreign aid**, receiving **₹2,150 crore** in the 2025-26 budget. This constitutes **39.2% of India's total international assistance** for South Asia. Bhutan's dependence on India for economic aid, infrastructure development, and energy projects makes it a **strategic partner in regional connectivity**.
- **Sri Lanka (₹400 crore), Maldives (₹200 crore), and Myanmar (₹150 crore)** have received **significant increases** in their allocations, with increments of **18.3%, 33%, and 28.5%**, respectively.
- **Bangladesh and Nepal**, despite being key partners, have **retained the same aid levels as in FY24**, indicating a **steady relationship rather than an expanding engagement**.
- **Afghanistan**, on the other hand, has witnessed a **sharp decline in aid from ₹200 crore to ₹50 crore**, reflecting **India's cautious approach toward the Taliban-led government and shifting geopolitical dynamics**.
- The allocated funds for these countries will be utilized for **hydropower plants, infrastructure projects (roads, bridges, border checkpoints), housing schemes, and community development initiatives** to strengthen India's diplomatic presence.

Regional Energy and Connectivity Projects



- The MEA's budget strongly reflects India's commitment to **regional energy security and connectivity infrastructure**, particularly in the **BBIN (Bangladesh, Bhutan, India, Nepal) region**.
- India has been promoting **cross-border electricity trade** in South Asia, but challenges in Nepal and Bangladesh have slowed progress. However, the increased allocation for Bhutan signals **India's dedication to hydropower development and regional energy integration**.
- The **India-Myanmar-Thailand Trilateral Highway Project**, a key initiative aimed at improving connectivity between Southeast Asia and India, is likely to benefit from increased allocations to Myanmar.

Chabahar Port and India's Extended Neighborhood Strategy

- The budget includes **₹100 crore for the development of Chabahar Port in Iran**, a critical part of **India's connectivity strategy in Eurasia**.
- The **Chabahar Port is essential for the International North-South Transport Corridor (INSTC)**, which provides India with access to markets in Central Asia and Europe, bypassing Pakistan.
- However, the project faces **uncertainties due to U.S. sanctions on Iran**. The absence of significant new allocations suggests **India is maintaining its commitment while adopting a cautious approach**.

Institutional Challenges and Staffing Issues in MEA

- Despite increasing global engagement, the **MEA continues to face structural challenges, including an acute shortage of diplomatic personnel**.
- The **training budget for the MEA has been reduced by 11.4%**, limiting opportunities for skill enhancement among foreign service officers.
- The **Indian Foreign Service (IFS) is severely understaffed**, with only **850 officers managing 193 embassies and consulates worldwide**.
- **For comparison:**
 - The **U.S. Foreign Service recruits 100-350 officers annually**.
 - The **UK recruits 80-100 officers per year**.
 - **India recruits only 32-35 officers annually**, a figure that is **far below global standards**.



- At the current recruitment rate, India would need **several decades** to reach an optimal workforce of **1,500 foreign service officers**.

Need for Capacity Building and Modernization

- To address these challenges, the MEA must explore **new hiring strategies**, including:
 - **Lateral recruitment of experts** in defense, cybersecurity, and international relations.
 - **Strategic use of consultants** for specialized projects rather than temporary appointments.
 - **Enhanced training programs focusing on emerging strategic fields** like artificial intelligence, cybersecurity, and critical technologies.

Discretionary Spending and Strategic Diplomacy

- The budget includes **₹4,900 crore for special diplomatic expenditures** and **₹200 crore for the ITEC Programme**, both of which provide India with **diplomatic flexibility**.
- These funds allow India to **strengthen its global influence, counter China's growing regional presence, and engage in strategic partnerships** worldwide.

Conclusion: Strategic Priorities and Persistent Challenges

- The MEA's 2025-26 budget aligns with India's foreign policy priorities, focusing on:
 - **Regional connectivity** (BBIN, Chabahar, Myanmar).
 - **Economic diplomacy** (sovereign loans, trade partnerships).
 - **Geoeconomic influence** (aid to neighbors, energy security).
- However, key challenges remain:
 - **Understaffed diplomatic corps.**
 - **Declining training budgets.**
 - **Limited focus on emerging technologies.**
- Addressing these issues through **strategic hiring, capacity building, and targeted investments** is critical for India to realize its **Viksit Bharat 2047 vision** and strengthen its global leadership.

Source: <https://www.financialexpress.com/opinion/a-sign-of-strategic->