



India and the World

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The Union Budget 2023 and India's strategic and foreign policy choices

The Union budget for 2023 was presented on January 31 in the Lok Sabha by Finance Minister Nirmala Sitharaman. The budget is not only signalling how the Government of India wishes to release potentials and tackle challenges at home, but also how India's official spending supports the country's continued rise in the international system.

In their comment on the Union budget, Constantino Xavier and Riya Sinha point out that India's Ministry for External Affairs "requires a significant investment in its capacity to pursue Indian interests". Seen over four consecutive budgets, however, MEA has been allocated around 0.4% of the overall budget. India's diplomatic outreach is restrained by its foreign service being similar in size to that of Portugal's. Institutional capacity gaps on all levels of the service are not being addressed. MEA's budget allocation also covers financial contributions to multilateral organisations, and economic and technical assistance to developing economies. While the G20 Presidency is a top priority for the year, funding to the United Nations is reduced by 50% in the budget for 2023, according to Xavier and Sinha.

India's quest for an enlarged role in global tech value chains is however underwritten by this year's budget. In her budget speech, FM Sitharaman announced several initiatives that will advance India's role in emerging tech domains. Three new centres of excellence for AI, skilling initiatives in robotics and machine learning, the launch a new national data governance framework, and a significant boost to India's Semiconductor Mission, are some of the areas included in the budget. India's eventual success in carving out a place in emerging tech value chains, will be strongly connected to its international trade policies, as well as production linked incentives.

There is a clear focus in the Union budget to deliver on India's international commitments to a green transition. As Promit Mukherjee notes, a significant push is given to the Green Hydrogen Mission. Circular economy, electric vehicles, and green urbanisation also gets support by the budget. However, less attention is paid to domestic climate resilience to deal with the immediate effects of climate change, Mukherjee notes. Drought, flooding, and climate induced calamities already have a negative impact on local communities and economies.

India's defence budget in general, and the modernisation budget in particular, only saw a minor increase. Hence, as Abihjit Singh points out, "it appears unlikely there will be much left for fresh acquisitions". Yet the crisis on the LAC, Russia's invasion of Ukraine, and demands for increased Indian naval presence in the Indo-Pacific are expenditure drivers, suggests Saikat Datta and Shekhar Sinha.

Caught between security challenges and a limited budget increase, military planners might need to rethink how to allocate the modernisation expenditure they have at their disposal. In addition, an increased focus on indigenous content, while the need for foreign knowledge and products persists, adds to the complexity both industry and stakeholders within the armed forces must now navigate.



Dr Henrik Chetan Aspengren
Senior Analyst and Project Lead, UI
henrik.aspengren@ui.se
+46(0)708986797



Mihir Swarup Sharma
Director Centre Economics and Growth Programme, ORF
Mihir.swarup.sharma@orfonline.org