

India's Demonetization and Its Impact on Modi's "Neighborhood First" Policy

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Abstract : Elected prime minister of India Narendra Modi has very largely focused on improving ties with the neighbors since day one of his regime. This was the most significant initiative to focus on major Asian powers also emphasizing on the two decades old look east policy. The "neighborhood first policy" as termed by the media has been a corner stone in improving ties with the immediate neighbors of the country through several bilateral talks with the nations individually. However, the announcement of demonetisation policy in India, ceasing the usage of 500 and 1000 rupee notes has rattled countries like Nepal, Bangladesh, Bhutan, Sri Lanka and Myanmar who encourage Indian currency parallel to theirs. According to the ministry of commerce and industry (MCI), India's total trade with neighboring countries stood at US\$21.6 in the fiscal year 2015-16, India has good surplus trade surplus with its neighbors and has a strong interest in ensuring smooth trade flows. India might have this benefit, but yet this policy can create issues between India and neighboring countries. The demonetisation policy might benefit in the long run, but in the short run, this might create border issues. While there would be more countries affected by this policy, this paper will emphasize on the problems faced by the countries and the impact of demonetisation on all other neighboring countries.

Keywords : bilateral trades, demonetization, neighborhood policy, value of rupee

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