

The Shield and the Sword: Why India Needs a Sovereign Wealth Fund for the Geoeconomic Age

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India's ascent in an emerging multipolar world demands tools that enhance both its economic resilience and strategic influence. As global power shifts from traditional geopolitics to geoeconomics, a Sovereign Wealth Fund (SWF) can serve as a pivotal national instrument, acting simultaneously as a shield against external vulnerabilities and a sword for advancing India's global interests. A well-structured SWF would enable India to secure energy supplies by investing in overseas oil, gas, and critical minerals, ensure technological autonomy by funding domestic alternatives to foreign digital platforms, and support strategic sectors such as semiconductors, AI, defence technology, and next-generation energy solutions. SWF would also allow India to undertake strategic overseas investments, strengthen partnerships across the Global South, counter rival initiatives like China's BRI, and build global soft power. With professional governance and long-term financing, a well-structured SWF is the need of the hour as it would significantly enhance India's economic security, strategic autonomy, and global stature.

Introduction

The balance of global power is shifting. The 20th century was marked by geopolitics i.e., the use of brute military force was the only option for establishing dominance and staying in power. However, in the 21st century, the rise of geoeconomics i.e., the use of economic tools to achieve strategic goals has taken precedence.

For India to emerge as a power pole in this upcoming multipolar world order, the creation of a Sovereign Wealth Fund (SWF) could serve as a crucial instrument of national strategy. This essay argues that a well-structured SWF could anchor India's rise as a global power, acting both as a shield against external vulnerabilities and as a sword to advance India's influence in the upcoming multipolar world.

From Geopolitics to Geoeconomics: A New Global Reality

The post–World War II order was built upon hard power, creating a world shaped by the then military victors. The United States emerged as the superpower, ushering in a unipolar world order. However, this unipolar world is now fracturing.

In this emerging multipolar order, economic power is often preferred over military strength as the decisive element to project power. The U.S. first announced more than 200% tariffs on China and later backtracked because China had halted the shipments of rare earth elements such as gallium and germanium—key inputs in chip-making. This is an example of how geoeconomics was used by US to constrain a rival's rise and, in turn, how China used its geoeconomic power to gain an upper hand.

For India to maintain strategic autonomy, ensure technology independence, and be the voice of Global South, it must enhance its economic leverage. A Sovereign Wealth Fund can be the foundation of that strategy.

What is a Sovereign Wealth Fund?

A Sovereign Wealth Fund (SWF) is a government-owned investment fund made up of money generated by the state. The fund consists of money earned by the nation from natural resource revenues (like oil or gas), trade surpluses, or foreign exchange reserves. It is designed to invest in global financial assets, ensuring long-term economic returns and

insulating their respective national economies from global volatility.

Globally, SWFs have become crucial instruments of state policy. Norway's Government Pension Fund Global, Singapore's Temasek Holdings, and the United Arab Emirates' Mubadala Investment Company are some notable examples of the same.

India, by contrast, has no significant sovereign wealth fund of comparable scale or ambition. While some funds like the National Investment and Infrastructure Fund (NIIF) exist, their scope is limited and largely focused on domestic infrastructure.

What India lacks is a globally diversified, strategically guided SWF that can enhance its fiscal strength and international leverage.

Energy Security and Self-Reliance

India imports most of its crude oil and thus has an energy security problem. The current fiasco by the United States to put tariffs on India for its imports of crude oil from Russia undermines our sovereignty.

A Sovereign Wealth Fund (SWF) could mitigate these risks and help India leap forward.

The SWF could invest in oil extraction companies of other countries such as the UAE, Brazil, Kuwait, etc., to ensure a steady supply of oil to the country. This has two major benefits. First, let's assume that during a crisis, oil prices shoot up, dealing a blow to the economy in the form of high import costs. The SWF, having major stakes in oil-producing companies outside India, can help in securing preferential access at the time of crisis. Second, the losses suffered by importing high-priced crude oil get back to the Indian treasury by way of dividends earned by the SWF from the extraordinary profits generated by companies during the rise in crude oil prices.



Now, let'take into account the recent discovery of lithium reserves in J&K in early 2023, and its three failed auction attempts. Whatever may be the reason for private companies not coming to bid, a SWF can set up a dedicated entity and take quick action to develop mines. It's understood that the SWF's chief motive is to generate profits, but in India's case, sometimes, it will have to step forward and take action which might not necessarily generate profits, but instead have the motive to make India self-reliant in rare earths and other domains. Once the operations are stabilized for such an entity, the SWF can divest its stakes to domestic firms, fulfilling both developmental and financial objectives.

Several studies have highlighted the challenges currently faced by Global Capability Centers (GCCs) in the United States, particularly the burden of rising electricity costs driven by a surge in power demand and the resulting strain on the nation's ageing power grid.

For India to attract more investments in GCCs and other high-tech technology industries, we should take into account the resulting high demand for electricity and its costs.

SWF should invest in new energy frontiers such as modular nuclear reactors, advanced battery storage, and green hydrogen, and see it through to fruition.

SWF will be instrumental in fueling India's growth by investing in the technologies of tomorrow, thus ensuring energy independence, and in turn making our industries globally competitive.

Digital Sovereignty and Technological Autonomy

There has been a long debate on how India should have its own Google, Microsoft, X (Twitter), and similar alternatives to social media giants.

We had briefly succeeded in developing one alternative namely, Koo, which was India's alternative to X, formerly Twitter.

In its heyday, Koo amassed around 10 million monthly active users and over 2 million daily active users, and even expanded into Nigeria and Brazil. Many ministers and even the PM had joined the platform. However, Koo officially had to shut down in July 2024, due to the inability to secure partnerships, difficulties in raising new capital, and high operational costs, as the main reasons cited by the company.





Had India possessed a SWF at the time, it could have invested in Koo at its time of need, giving it the required financial support to keep it afloat and thus ensuring that India had a homegrown alternative to a social media giant.

India could have promoted the platform in other Global South countries and partnered with their governments. This would have offered a non-Western social media platform and helped India compete with Western-dominated global tech platforms.

Let's take the example of the recent episode of Nayara Energy. Rosneft, a Russian company, holds a 49% stake in it, and the rest is held by Indian promoters. The company was sanctioned by Western governments, for its imports of Russian crude oil and sizeable Russian stake in the entity. As a result, a U.S.-based tech giant, suspended digital and cloud services for Nayara Energy. This happened without prior notice, despite Nayara holding fully paid-up licenses.

Other Indian companies and even our government departments are at the mercy of such Western tech companies, who might try such a manoeuvre, endangering our autonomy.

The recent push of ZOHO by the government is commendable, but we just can't rely on a single platform to fill the shoes of different global platforms.

The SWF will have to step up and invest in other indigenous nascent companies developing secure alternatives to foreign software, cloud services, and other related platforms. Such platforms, in the future, will rival the Western-led tech companies and help India forge its self-reliant future ahead, even gaining influence in the Global South countries.

Strategic Technologies and Critical Industries

Indian companies and India as a nation barely invest any amount in R&D, in respect to our ambition of becoming a developed and Aatmanirbhar country by 2047.

India can't afford to miss the boat on AI like it did with manufacturing. The SWF will have to work on war footing to identify companies and technologies in sectors related to semiconductors and allied tech. The SWF, with its financial might and strategic guidance, will help them scale to reach new heights.

In advance defence tech, we are lacking the domestic expertise, making us dependent on the whims and fancies of American companies, just like in the current case of exorbitant delays of General Electric's F-404 engines for our Tejas Mark-1A fighter jets.



The SWF should invest in companies working on fighter jet engines, the expertise of which is currently not available in India, taking control either via the equity route or the venture fund route. If the company identified is a domestic firm, the SWF will help it scale and achieve expertise in the related field. If it happens to be a foreign company, the SWF should mould the company's working to benefit India, by either tech transfer to some Indian company or signing MOUs with the Indian government.

Take semiconductors: The U.S. government in August 2025 took a stake in Intel, amounting to approximately a 9.9% equity stake in the company. The reason stated is that semiconductors are considered critical to national defence, so by taking an equity stake, the U.S. ensures a more direct oversight where strategic interests are concerned.

India should also think on similar lines, where a SWF can invest in companies deemed important for national security and give its financial backing for either new investments or just for some oversight deemed as necessary for national security.

A Broader Strategic Outlook

As India's strategic and economic ambitions expand, the SWF could gradually evolve into an instrument for advancing national interests beyond conventional domains. Over time, the fund may be positioned to support initiatives that the government cannot directly engage with, but considers it necessary for India's long-term strategic autonomy. Let's take an example, say for instance, future policymakers might envision the nation's need to venture into private military. The SWF can, structured through joint ventures or specialized entities, invest in them. Such an approach would allow the SWF to operate as an independent entity but also as an extension of

national strategy, enabling the state to pursue complex objectives while maintaining plausible separation from business at hand.

Through the SWF, India can invest in projects in partner nations to strengthen India's engagement with the Global South. Such overseas investments will also counter China's Belt and Road Initiative.

The SWF can partner with friendly countries like Japan, Israel and France for strategic co-investment in sectors deemed of national importance such as semiconductors or partner in infrastructure projects considered of strategic significance such as ports, railway tracks, grid lines, underwater sea cables, etc. along the India–Middle East–Europe Corridor (IMEC) corridor.

"In modern conflict, controlling the narrative is as vital as controlling territory." A forward-looking SWF should invest in and fund Global media outlets with the objective of pushing forward India's friendly narratives on global affairs, strengthening the country's soft power.

Financing and Governance of India's SWF

To create a SWF of the scale as envisioned in this article, a meaningful financial engineering is required. India could fund the SWF through a combination of sources such as foreign exchange reserves, proceeds from strategic disinvestments, or windfall taxes on resource-based sectors. Over time, as investments yield returns, those should be reinvested, compounding the fund's value and ensuring financial heft.



For the fund to work efficiently and at utmost professionalism, it should adopt a hybrid model of government ownership with professional management. This would ensure independence from the disruptions of day-to-day politics while remaining accountable to Parliament and the public. This model would balance profitability with national interest.

Conclusion

The arguments and examples presented above highlight that a Sovereign Wealth Fund is not just a financial instrument but a geopolitical and geoeconomic necessity for a rising India to assert its influence and gain its rightful seat at the top table.

By investing in critical technologies, energy assets, and strategic infrastructure, the SWF would enable India to shield itself from external shocks—whether sanctions, supply chain disruptions, or energy crisis, thus preserving foreign policy independence.

In the era where power is measured by balance sheets, India should wield its capital for both protection and projection, as both shield and sword. Establishing a Sovereign Wealth Fund is not merely a financial choice; it is a statement of strategic intent.



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