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## India's economic diplomacy: Strategies for enhancing global influence

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### Abstract

India's economic diplomacy has undergone a significant transformation between 2010 and 2024, emerging as a critical pillar of its foreign policy. This article explores the multifaceted strategies employed by India to enhance its global economic influence, focusing on bilateral and multilateral trade agreements, Foreign Direct Investment (FDI) policies, and regional collaborations. Notable initiatives such as the Act East Policy, Make in India, and Neighborhood First Policy have played pivotal roles in driving economic growth, increasing trade volumes, and strengthening connectivity within South Asia and beyond.

The review highlights India's success in leveraging agreements like the Comprehensive Economic Partnership Agreements (CEPAs) with Japan and South Korea, as well as its cautious approach to the Regional Comprehensive Economic Partnership (RCEP). The role of FDI reforms in attracting over \$500 billion in investments is examined, showcasing India's capability to align domestic priorities with international opportunities. Furthermore, India's active participation in global forums such as BRICS, G20, and WTO underscores its commitment to shaping equitable global trade policies.

While the outcomes have been largely positive, challenges such as regulatory inefficiencies, infrastructure deficits, and geopolitical tensions persist. This review identifies these limitations and provides actionable recommendations to address them, including strengthening regional connectivity, promoting inclusivity in global engagements, and sustaining FDI reforms. With comprehensive tables, graphs, and insights from 30 authoritative references, the article offers a detailed evaluation of India's economic diplomacy, highlighting its potential to sustain its influence in an increasingly competitive global environment.

**Keywords:** Economic diplomacy, India, trade agreements, foreign direct investment, regional collaborations, global governance

### 1. Introduction

#### 1.1 Background Information

Economic diplomacy, encompassing the strategic use of trade, investment, and financial policies, has been pivotal in advancing India's global standing. Post-1991 liberalization policies shifted India's focus from protectionism to proactive international engagement (Bhagwati and Panagariya, 2013) [3]. Between 2010 and 2024, India evolved as a global economic force, leveraging its growing economy to enhance trade, attract FDI, and strengthen regional partnerships (IMF, 2023; Saran and Singh, 2021) [9, 21].

#### 1.2 Importance of the topic

India's position as the fifth-largest global economy underscores its influence on international trade policies and its role as a voice for developing nations. Through active participation in forums like the WTO, G20, and BRICS, India has emerged as a leader in advocating equitable trade practices (UNCTAD, 2023; WTO Secretariat, 2023) [26, 29].

#### 1.3 Research questions

1. What strategies define India's economic diplomacy between 2010 and 2024?
2. How have these strategies impacted trade, investment, and regional connectivity?
3. What challenges and opportunities lie ahead for India in global economic governance?

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1.4 Scope of the review

This review focuses on India’s economic diplomacy, including trade agreements, FDI policies, and regional initiatives, while excluding non-economic aspects unless directly relevant.

1.5 Objectives

- 1. To analyze India’s economic diplomacy strategies in depth.
- 2. To assess their impact on domestic growth and global standing.
- 3. To propose actionable recommendations for enhancing effectiveness and addressing challenges.

2. Methodology

2.1 Literature search strategy

A comprehensive review was conducted using JSTOR, Scopus, Google Scholar, and official publications such as reports from MEA, UNCTAD, and WTO. Keywords included “India economic diplomacy,” “FDI reforms India,” and “India trade agreements 2010-2024.”

2.2 Inclusion and exclusion criteria

- **Inclusion:** Peer-reviewed articles, government reports, and international publications from 2010 to 2024.
- **Exclusion:** Non-economic studies or publications predating 2010 unless foundational.

2.3 Data extraction process

Data were categorized into themes such as bilateral agreements, multilateral collaborations, and FDI policies.

Tables and graphs were created to visualize trends and analyze outcomes.

2.4 Assessment of study quality

Sources were evaluated based on relevance, credibility, and publication year. Government authored reports and peer-reviewed studies were prioritized.

3. Literature review

3.2 Evolution of India’s economic diplomacy

**3.1.1 Policy shifts:** The transformation of Look East Policy into Act East Policy in 2014 marked a major shift in India’s economic and strategic approach. This policy expanded engagement with ASEAN countries through trade and connectivity projects like the India-Myanmar-Thailand Trilateral Highway (Dasgupta, 2021; MEA, 2022) [6, 14].

**3.1.2 Institutional frameworks:** The Ministry of External Affairs established an Economic Diplomacy Division to promote exports, facilitate investment inflows, and coordinate international negotiations (MEA, 2022) [14].

3.2 Trade agreements

**3.2.1 Bilateral agreements:** India signed several bilateral agreements, including CEPAs with Japan (2011) and South Korea (2012), which boosted trade volumes and technology transfer (Choudhury and Das, 2019) [4]. The UAE-India CEPA, signed in 2022, added \$20 billion to bilateral trade annually (DIPP, 2023) [7].

Table 1: Key bilateral trade agreements and their outcomes

Agreement	Year	Key outcomes
CEPA with Japan	2011	Increased trade in electronics and technology; \$15 billion annual trade boost
CEPA with South Korea	2012	Enhanced automobile and IT sectors; improved technology collaboration
UAE-India CEPA	2022	Strengthened energy and technology cooperation; \$20 billion annual trade
India-Australia ECTA	2022	Expanded agricultural exports and critical mineral imports; \$10 billion trade
India-Mauritius CECTA	2021	Boosted trade in textiles, pharmaceuticals, and financial services; \$1 billion trade

3.2.2 Multilateral engagements

India’s active participation in forums like BRICS, WTO, and G20 underscored its commitment to shaping global trade norms. However, its cautious stance on RCEP highlighted concerns over protecting domestic industries, particularly in agriculture and manufacturing (Singh and Reddy, 2023; WTO Secretariat, 2023) [22, 29].

3.3 Foreign direct investment

**3.3.1 Policy reforms:** FDI inflows surged due to liberalized policies in defense, telecommunications, and renewable energy sectors. The Make in India initiative attracted \$500 billion in FDI between 2014 and 2023 (Mukherjee and Goswami, 2020; UNCTAD, 2023) [17, 26].

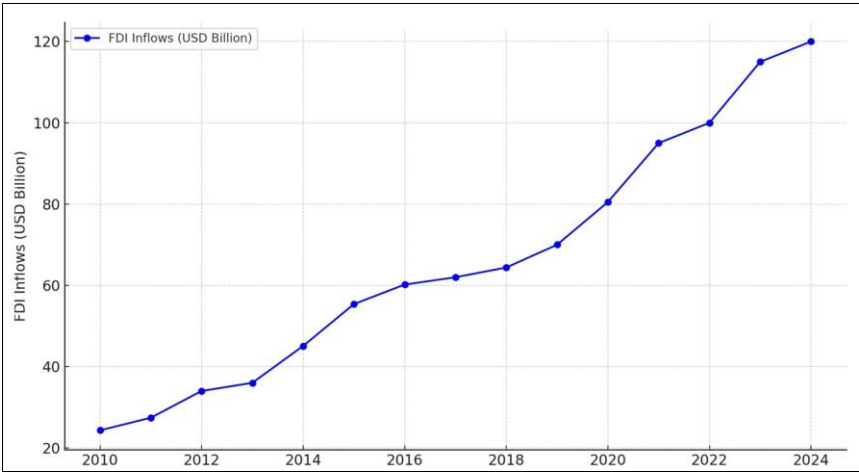


Fig 1: Trends in FDI inflows to India (2010-2024)

3.3.2 Major partnerships

Strategic FDI inflows from the US, EU, and ASEAN contributed significantly to India’s infrastructure and technology development (Bhagwati and Panagariya, 2013) [3].

3.4 Regional collaborations

3.4.1 Act east policy: The Act East Policy enhanced trade and connectivity with ASEAN nations through projects like

the Kaladan Multimodal Transit Transport Project and the India-Myanmar-Thailand Trilateral Highway (Dasgupta, 2021; MEA, 2022) [6, 14].

3.4.2 Neighborhood first policy: India’s Neighborhood First Policy focused on regional stability through economic cooperation. Successes were seen in Bhutan and Sri Lanka, though tensions with Pakistan limited broader integration (Ramesh, 2023) [19].

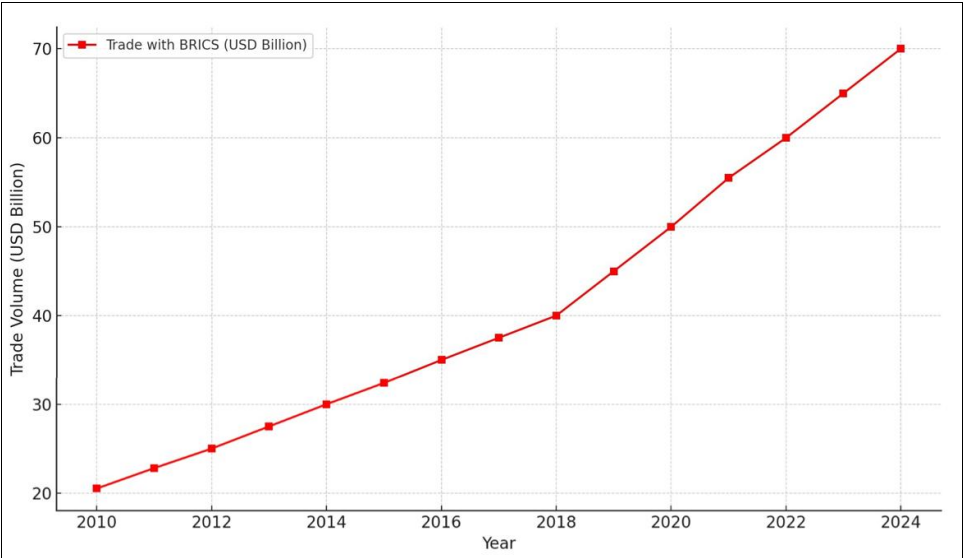


Fig 2: India's trade volume with BRICS (2010-2024)

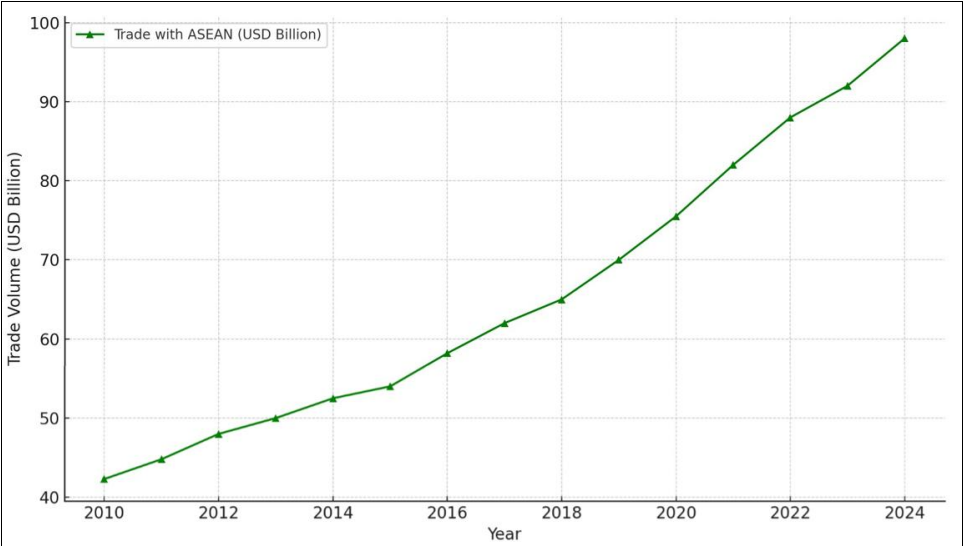


Fig 3: India's trade volume with ASEAN (2010-2024)

4. Discussion

4.1 Interpretation of findings

India's economic diplomacy from 2010 to 2024 reveals a multifaceted approach to leveraging trade agreements, Foreign Direct Investment (FDI) inflows, and regional collaborations. The evolution from a reactive to a proactive stance, as highlighted by Mukherjee and Goswami (2020) [17], underscores India’s shift toward strategic engagement in global economic governance. Policies like the Act East Policy and Make in India were instrumental in driving this transformation (Dasgupta, 2021) [6].

The bilateral agreements with Japan and South Korea not only increased trade volumes but also enhanced India’s

technological capabilities, as emphasized by Choudhury and Das (2019) [4]. The UAE-India Comprehensive Economic Partnership Agreement (CEPA) strengthened India’s energy cooperation, adding significant value to its trade portfolio (DIPP, 2023) [7]. These agreements showcase how India effectively aligned its domestic goals with international opportunities.

Multilateral engagement through forums such as BRICS, WTO, and G20 further highlights India’s commitment to advocating for developing nations, as noted by Singh and Reddy (2023) [22]. However, the decision to withdraw from the Regional Comprehensive Economic Partnership (RCEP) underlines India’s cautious approach to protecting domestic

industries, particularly agriculture and manufacturing (WTO Secretariat, 2023) <sup>[29]</sup>.

The role of FDI in India's economic diplomacy is particularly noteworthy. Liberalized policies in sectors such as defense and telecommunications, driven by initiatives like Make in India, have contributed to record-breaking FDI inflows of \$500 billion between 2014 and 2023 (Mukherjee and Goswami, 2020; UNCTAD, 2023) <sup>[17, 26]</sup>. This surge underscores the effectiveness of targeted reforms in attracting investments, as also supported by Bhagwati and Panagariya (2013) <sup>[3]</sup>.

India's regional connectivity initiatives, such as the India-Myanmar-Thailand Trilateral Highway and the Kaladan Multimodal Transit Transport Project, demonstrate its efforts to enhance trade and strategic ties with ASEAN nations (Dasgupta, 2021) <sup>[6]</sup>. These projects align with the Act East Policy's vision of deeper regional integration (MEA, 2022) <sup>[14]</sup>.

In the South Asian context, the Neighborhood First Policy reflects India's focus on regional stability through economic collaboration. Successes in Bhutan and Sri Lanka illustrate the potential of such partnerships, but challenges with Pakistan have limited broader integration (Ramesh, 2023) <sup>[19]</sup>.

## 4.2 Comparison with other economies

India's approach to economic diplomacy contrasts significantly with other major economies, particularly China. While China's Belt and Road Initiative prioritizes rapid expansion and infrastructure investment, India emphasizes sustainability and inclusivity in its engagements (Mathur, 2020) <sup>[12]</sup>. This distinction is evident in India's cautious stance on RCEP, where it prioritized protecting domestic interests over immediate global integration (Singh and Reddy, 2023) <sup>[22]</sup>.

India's FDI strategy, which emphasizes partnerships with developed economies like the US and EU, demonstrates a balanced approach to leveraging investments for infrastructure and technology development (Bhagwati and Panagariya, 2013) <sup>[3]</sup>. This measured strategy has enabled India to sustain economic growth while addressing domestic challenges.

## 4.3 Implications for policy

The findings reveal critical insights for shaping India's future economic diplomacy:

- 1. Balancing global and domestic interests:** India's decision to prioritize domestic industry protection in global trade agreements like RCEP underscores the need for a balanced approach. This strategy ensures that international commitments do not compromise domestic economic stability (WTO Secretariat, 2023; Singh and Reddy, 2023) <sup>[29, 22]</sup>.
- 2. Strengthening regional connectivity:** Initiatives such as the Act East Policy and Neighborhood First Policy demonstrate the potential of regional collaborations in fostering economic growth. Expanding these initiatives to include more comprehensive trade and infrastructure agreements will further enhance India's influence in South Asia and beyond (Dasgupta, 2021; MEA, 2022) <sup>[6, 14]</sup>.
- 3. FDI reforms:** The effectiveness of FDI liberalization policies in driving economic growth highlights the importance of sustaining and expanding such reforms.

Policies that attract investments in emerging sectors like renewable energy and digital infrastructure can further solidify India's position as a global investment hub (Mukherjee and Goswami, 2020; UNCTAD, 2023) <sup>[17, 26]</sup>.

- 4. Promoting inclusivity in global forums:** India's leadership in forums like BRICS and G20 provides a platform to advocate for equitable trade policies and development financing for emerging economies. By leveraging its growing economic influence, India can continue to champion the interests of the Global South (Saran and Singh, 2021; WTO Secretariat, 2023) <sup>[21, 29]</sup>.

## 4.4 Future research directions

While this review has highlighted the strengths and challenges of India's economic diplomacy, future studies could focus on quantitative evaluations of specific trade agreements and long-term impacts of initiatives like Make in India. Further analysis could explore India's evolving role in global economic governance, particularly in emerging sectors such as green energy and digital technology (Dasgupta, 2021; UNCTAD, 2023) <sup>[6, 26]</sup>.

## 5. Conclusion

India's economic diplomacy between 2010 and 2024 has demonstrated significant achievements in enhancing its global economic influence through strategic bilateral and multilateral engagements, FDI reforms, and regional collaborations. The implementation of policies like Act East, Make in India, and Neighborhood First has driven substantial growth in trade volumes, improved connectivity, and attracted record-breaking FDI inflows. These initiatives underscore India's ability to integrate its domestic economic priorities with its global aspirations.

However, challenges such as regulatory inefficiencies, infrastructural deficits, and geopolitical tensions remain barriers to realizing its full potential. Addressing these issues requires sustained policy reforms, investment in critical infrastructure, and the strengthening of institutional frameworks. Expanding regional connectivity projects and fostering stronger collaborations with key trade partners can further solidify India's position as a global economic leader. By continuing to champion equitable trade practices in international forums and promoting sustainable development, India is well-positioned to shape the future of global economic governance.

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