

## EVOLVING STRATEGIES: INDIA'S ECONOMIC DIPLOMACY IN THE GLOBAL ERA

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### ABSTRACT

This study explores the evolution and strategies of India's economic diplomacy from 1991 to the present, focusing on Japan's role within the Special Strategic and Global Partnership framework. It highlights the transformation of India's economic policies due to globalization and emphasizes the significance of the partnership with Japan through key initiatives like the Delhi-Mumbai Industrial Corridor and the Mumbai-Ahmedabad High-Speed Rail project. The research identifies strategic measures taken by India to enhance economic competitiveness and address sustainability challenges. Despite progress, issues such as reliance on foreign technology and the need for sustainable development remain. Using a qualitative approach and secondary data from official documents, government reports, academic journals, and media publications, the study provides a comprehensive understanding of the dynamics and complexities of India's economic diplomacy. Focusing on domestic industry development, energy efficiency, and innovation, India aims to achieve long-term economic sustainability. The findings contribute to the literature on economic diplomacy and offer insights for policymakers to enhance international economic relationships.

## **1 Introduction**

In the post-Cold War era, India's foreign policy orientation has significantly shifted towards economic diplomacy. This transformation has been driven by dramatic changes in the global order and the need to adapt to new economic dynamics. India's first Prime Minister, Pandit Jawaharlal Nehru, laid the foundational structure of the country's foreign policy, which has been largely followed by successive governments. Although often accused of being an idealist and moralist in world politics, Nehru demonstrated substantial realism by navigating India through the complexities of the Cold War without compromising its interests or autonomy in international relations (Dutt, 2007).

Before gaining independence, India lacked the opportunity to pursue an independent foreign policy. Post-independence, India faced the challenge of surviving in the global order amidst the Cold War rivalry between the United States and the Soviet Union. In response to Washington's military agreement with Pakistan in 1954-55, India aligned itself with the Soviet Union. However, towards the end of the Cold War, Prime Minister Rajiv Gandhi attempted to improve relations with the People's Republic of China, although progress in resolving border disputes remained limited (Ganguly, 2016). Unfortunately, significant economic relations between India and Pakistan have not developed, with Pakistan being described as a failed state (Nandy, 2017). Economic engagement between the two countries could potentially reduce border tensions (Nandy, 2020).

Due to the insecurity in neighboring countries, India forged closer ties with the Soviet Union. During the Bangladesh War in 1971, India supported the people of East Pakistan while the United States sided with Pakistan. To garner support from the anti-U.S. lobby, New Delhi made a strategic deal with Moscow. In the early 1990s, the collapse of the Soviet Union and other socialist governments in Eastern Europe marked a significant shift in the international order, transforming the bipolar global structure into a unipolar one dominated by the United States. This new era brought forth ideas such as structural liberalization, privatization, and globalization. Consequently, India adapted its foreign policy to enhance economic engagement with major powers, various regions, and organizations, diversifying its economic diplomacy. Today, India stands as a significant global economic actor, maintaining a balanced approach.

This article aims to delineate the evolution and strategies of India's multidimensional economic diplomacy from 1991 to the present, with a particular focus on the role of Japan within the framework of their Special Strategic and Global Partnership. India's economic diplomacy has evolved from a closed economic policy towards economic liberalization, which began in the early 1990s. This transformation is evident through policies such as the New Economic Policy (NEP), emphasizing globalization, trade liberalization, and privatization. As a global economic player, India has established robust economic relationships with various countries and international organizations, including Japan.

The strategic partnership between India and Japan is crucial to India's economic diplomacy. Collaborative infrastructure projects like the Delhi-Mumbai Industrial Corridor (DMIC) and the Mumbai-Ahmedabad High-Speed Rail exemplify the commitment of both nations to strengthening their economic ties. Additionally, Japan has emerged as one of India's largest investors, focusing on infrastructure and technological development.

The article will discuss the strategic measures undertaken by India to enhance its economic competitiveness and sustainability in the future, along with the challenges and opportunities encountered in this process. Through this analysis, the study aims to provide deep insights into the dynamics and complexities of India's economic diplomacy in the era of globalization, with a special emphasis on the critical role played by Japan.

## **2 Literature Review**

The end of the Cold War and the collapse of the Soviet Union caused a sudden change in international politics, which to some extent forced India to adopt a new foreign policy. The Congress managed to form a minority government after the Lok Sabha elections in June 1991, with Narasimha Rao as the Prime Minister. The process of change was going fast in the world. In this changing world, there was an urgent need to abandon old values and outdated technologies and start new movements in foreign relations. At that time, India required diplomatic trust, which it lacked. A paradigm shift has been observed in India's foreign policy since 1991. India's idealistic foreign policy has changed to a realistic perspective. The economic perspective has been a priority since the early 1990s.

In the early months of the Narashima Rao government, India's foreign policy suffered from a series of blunders and failures. It was ineffective and speechless. However, the Narashima Rao government realized that in the unipolar world order, India's foreign policy orientation had to change. So, in the era of globalization, the Indian government had to take immediate steps in favor of globalization and look towards the changing world scenario. Globalization has often been referred to as both a program and a process. Programmatic globalization is a new phenomenon characterized by belief in the law of the free market. In this sense, it is equated with the means used by imperialist powers to establish their hegemony in the world (Nandy, 2012).

According to this point of view, globalization began in the 1980s with the collapse of the socialist project and the economic integration of national markets, the outsourcing of communication development by multinational companies, etc. (Haywood, 2004). Since 1991 the Indian government has earnestly tried to implement structural adjustment programs set by the IMF and the World Bank, which included rich prescriptions such as export, import liberalization, privatization, and foreign investment (Vivekananda, 2008).

The acceptance of globalization has placed two responsibilities on LDCs in promoting their democratic politics (Bandyopadhyaya, 2002). The two main elements of globalization are liberalization and privatization. Liberalization means the removal of all trade restrictions and economic protection measures. Countries like India and South Korea are supporting their economies through economic reforms. Reforms mean the elimination or limitation of the public sector. Privatization means promoting the private sector and international companies and reducing the responsibility of the state.

Zhu Feng argued that East Asia represents the great dynamic of a largely market-based "new" regionalism, the result of a complex economic interdependence that brings businesses, markets, and countries closer together. Economic interdependence is a market-based outcome that has led liberal economies to unite based on reciprocity. Technically, India cannot be connected to Southeast Asia in a regional grid. Globalization has been able to connect India with Southeast Asia, the Far East, and Western countries. As part of the 1991 reform, the government devalued the rupee by 22 percent against the dollar, or rupee.

21.2 Rs. for \$25.8. Since 1991, India has also significantly liberalized trade in services (Das, 2009).

In 1999, the insurance sector was opened to foreign investment. In addition, foreign banks can open a certain number of new branches each year. The software, electronics, and infrastructure sectors are also open to foreign investment. As a result of trade liberalization since the 1980s, India's economy has become more outward-looking (Das, 2009). The Indian IT industry was a \$10 billion sector in 2000, two-thirds of which was software and one-third hardware (Kapur, 2008). In recent years, India's foreign operations have made great strides. With globalization, India's integration into the world economy is increasing. Today, it is worth \$550 billion in foreign trade, more than 60 percent of the country's GDP in 2007-2008. Exports are \$130 billion and imports are \$200 billion (Murthy, 2008).

India also has several foreign joint ventures that promote investment-based economic cooperation in addition to trade. These joint ventures exist in many countries, especially in West Asia and Southeast Asia (Murthy, 2008). The largest foreign companies that have already arrived are Bechtel (USA), Hyundai (Japan), Mitsubishi (Japan), Obaysihi (Japan), Savdesa (Sweden), and Travel House (UK). Many of the world's largest construction companies have already arrived and are offering construction projects for petrochemical plants, refineries, factories, roads, bridges, and metro rail projects (Jhabvala and Kanbur, 2010).

India's global politics in the post-Cold War era has changed dramatically due to today's scenario of world politics. In a unipolar world, the United States was able to establish its hegemony throughout the world. India had to choose its options. India's friendship with the United States was realistic. India was too realistic. For example, Iran was silent when the United States organized a vote against it. Some scholars have argued that India pursues a pragmatic foreign policy to fulfill its national interests. India is trying to maintain a stable South Asian region. In the era of globalization, India has adopted a liberal economic policy. Because of this policy, India invites Foreign Direct Investment (FDI). India must remember that the economy of the country must not be controlled by external forces under any circumstances. India is also against global warming caused by greenhouse gases. The UPA I and II governments emphasized market economy and tried to establish a foothold in the global economic environment. In 2014, a BJP-led government came to power to promote entrepreneurship. It was noted that India appreciated the role of international capital in implementing the country's foreign policy. C. Rajamohan said, "Nehru and Indira Gandhi focused on economic self-reliance, there was hardly any room for mixing international trade and diplomacy. Rajib Gandhi was the first prime minister who began to see the intrinsic connection between the two" (Mohan, 2015).

Narasimha Rao strongly believed in establishing strong trade relations with capitalist countries using Indian embassies. For example, in the early 1990s. The Indian Embassy in Washington has established an "Indian Interest Group" to promote trade between India and the United States. After becoming the Prime Minister of India, Narendra Modi also tried to attract foreign capital in various ways. In January 2015, the former President of the United States arrived in India as the Chief Guest for India's Republic Day program, strengthening India's economic diplomacy with the United States. However, India continued economic diplomacy with Russia, China, Japan, Canada, and EU countries. India

has also started selling manufactured products in the African region, Southeast Asia, Central Asia, and Latin America. In the post-Cold War era, India was observed to be more realistic in its economic diplomacy. The Narendra Modi government announced a "policy of self-reliance" in June 2020 after the Chinese attack in the Galwan Valley. It was decided to gradually reduce excessive dependence on Chinese products and services.

### **3 Research Methods**

This study employs a qualitative approach with a descriptive-analytical design to investigate the strategies of India's economic diplomacy within the framework of globalization. Primary data were gathered through secondary data were sourced from official documents, government reports, academic journals, and media publications. Content analysis and narrative analysis were utilized to identify key themes, patterns, and trends within India's economic diplomacy policies. The validity of the data was ensured through triangulation, comparing findings from both primary and secondary sources. This methodology aims to provide a comprehensive understanding of the dynamics and complexities of India's economic diplomacy and to delineate strategic measures for enhancing economic competitiveness and sustainability.

### **4 Results and Discussion**

Results and discussion are the most important parts of an article. In this section the author is required to be as detailed as possible in presenting an explanation of the results of research activities and observations or work carried out..

#### **4.1. India's Economic Diplomacy with Japan**

India plays a significant role in South Asia, with Japan actively promoting collaboration under the framework of the Special Strategic and Global Partnership. This partnership encompasses various sectors, including financial support for key initiatives such as the Delhi-Mumbai Industrial Corridor (DMIC) Projects, which are backed by the Western Dedicated Freight Corridor (DFC). Additionally, the relationship extends to business ventures, academic exchanges, and political and security issues. In recent years, India has emerged as the primary beneficiary of Japanese loans for official development assistance (ODA). Japan's aid to India has primarily focused on enhancing economic infrastructure, particularly in the fields of transportation and energy. The DMIC project is a flagship initiative aimed at creating a high-tech industrial zone spanning several states in India, enhancing trade, and creating employment opportunities. This project is supported by the DFC, which aims to improve freight logistics and reduce transportation costs. These projects are crucial for boosting India's industrial output and facilitating smoother trade routes.

Abe's visit to New Delhi in 2014 significantly bolstered bilateral relations, particularly within the framework of the Free and Open Indo-Pacific (FOIP) policy. During this visit, several key initiatives were agreed upon, including the development of smart cities, the Mumbai-Ahmedabad High-Speed Railway, and enhancements to the energy infrastructure. The smart cities initiative aims to create sustainable urban environments with modern infrastructure supported by advanced technology, addressing aspects such as energy management, transportation, communication, and public services to enhance the quality of

life for residents. The Mumbai-Ahmedabad High-Speed Railway project seeks to establish a high-speed rail link between Mumbai and Ahmedabad, significantly reducing travel time and stimulating economic development along the route. The energy infrastructure enhancements focus on upgrading energy systems to ensure a stable and sustainable energy supply, including the modernization of power grids and investments in renewable energy sources.

India is actively engaged in multiple projects with financial support from the Japanese government, amounting to billions of Japanese Yen. Notable examples of these collaborative efforts include the North-East Road Network Connectivity Improvement Project (Phase 5), which aims to improve road connectivity in the North-East region of India, thereby facilitating trade and mobility. The Bengaluru Metro Rail Project (Phase 2) focuses on expanding the metro system in Bengaluru to alleviate traffic congestion and pollution, providing a more efficient transportation option. The Himachal Pradesh Crop Diversification Promotion Project (Phase 2) aims to diversify crops in Himachal Pradesh, thereby increasing farmers' incomes and promoting sustainable agricultural practices through Japanese technology and expertise. The Delhi Mass Rapid Transport System Project (Phase 4) and the Kolkata East-West Metro Project (Phase 4) seek to expand the metro networks in Delhi and Kolkata, respectively, improving accessibility and mobility while reducing traffic congestion and air pollution. Additionally, the establishment of the All India Institute of Medical Sciences aims to provide high-quality healthcare services and medical education facilities in India, supported by Japanese infrastructure development and advanced medical equipment. Through financial support and collaboration on these projects, India and Japan are strengthening their bilateral relationship and promoting sustainable economic and infrastructure development in India..

In recent years, the economic relationship between Japan and India has experienced substantial growth, marked by significant increases in both trade volume and investment flows. As of 2021, Japan ranks as the 13th largest trading partner of India, while India holds the 18th position for Japan. This reflects the importance of their bilateral trade, characterized by a diverse exchange of goods and services, including automobiles, machinery, electronic goods, petroleum products, textiles, gems, and jewelry. Japan has emerged as the fifth-largest investor in India during the fiscal year 2021, indicating a strong and growing interest in direct investments. This trend is further exemplified by the presence of 1,439 Japanese companies operating in India as of 2021, spanning sectors such as automotive, electronics, consumer goods, and infrastructure. Notable Japanese companies like Toyota, Honda, Sony, and Panasonic have established significant operations, contributing to India's technological and industrial development.

Strategic initiatives, such as the Delhi-Mumbai Industrial Corridor (DMIC) and the Western Dedicated Freight Corridor (DFC), have attracted substantial Japanese investment, aiming to create high-tech industrial zones and improve freight logistics. Additionally, the Japan-India Digital Partnership and the Japan-India Investment Promotion Partnership have provided frameworks for enhancing collaboration in emerging sectors like digital technology and innovation. The expanding economic relationship has positively impacted both countries, bringing advanced technology, managerial expertise, and capital to India while offering vast growth opportunities to Japanese companies. This robust economic partnership, with its focus on renewable energy, digital innovation, and sustainable development, promises further growth and mutual prosperity for both nations.

## **Strategic Importance of the Northeast Region**

The Northeast Region (NER) of India, comprising the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura, holds a unique strategic importance due to its geographic location and economic potential. This region is characterized by its diverse yet interconnected economies, which largely depend on agriculture, horticulture, and natural resources. The strategic location of the NER, bordering countries like China, Bangladesh, Bhutan, and Myanmar, provides it with a unique geopolitical advantage for regional connectivity and economic integration.

The NER's proximity to Southeast Asia makes it a crucial gateway for India's Act East Policy, aimed at strengthening ties with ASEAN countries. This geographical advantage presents an opportunity to boost trade, tourism, and cultural exchange, fostering economic progress not only within the NER but also across the larger Indian Peninsula Region (IPR). Enhanced connectivity with Southeast Asia can facilitate access to larger markets, promote investment, and stimulate economic activities in sectors such as manufacturing, services, and infrastructure development.

However, a significant obstacle hindering economic advancement in both the central and peripheral areas of the NER is the lack of connectivity, particularly with neighboring Bangladesh. The limited infrastructure and connectivity challenges have resulted in higher transportation costs and longer travel times, impeding the efficient movement of goods and people. Improving connectivity through the development of road, rail, and air links with Bangladesh and other neighboring countries could drastically enhance trade and investment opportunities. It would enable better access to ports, reduce logistical costs, and open up new markets for the region's agricultural and industrial products.

Efforts to improve connectivity, such as the construction of the India-Myanmar-Thailand Trilateral Highway and the Kaladan Multimodal Transit Transport Project, are steps in the right direction. These projects aim to create seamless transportation networks that can facilitate smoother trade flows and stronger economic linkages. Additionally, integrating the NER with major national projects like the Bharatmala Pariyojana and Sagarmala Project could further boost regional infrastructure and connectivity.

Enhanced connectivity would also attract foreign direct investment (FDI) and foster public-private partnerships (PPPs) in infrastructure development, tourism, and agro-based industries. This, in turn, could create employment opportunities, improve living standards, and promote sustainable economic growth in the region. Moreover, improved connectivity can help mitigate security concerns by ensuring better accessibility and integration of remote and border areas with the mainstream economy.

## **Knowledge Economy and Soft Power Diplomacy**

The concept of the "knowledge economy" (KE) has gained significant prominence in Japan recently, highlighting the importance of various elements such as scientific advancements, high educational standards, cultural exchanges, and interpersonal relationships. This shift towards a knowledge-based economy underscores the value of intellectual property rights (IPR) and innovation as key drivers of economic growth and development. In this context, Japan has actively pursued "soft power diplomacy" to enhance the prosperity and human security of IPR, particularly in South Asia. This

approach not only benefits Japan economically through investments and development projects but also contributes to the advancement of emerging and least-developed countries by fostering knowledge and technology transfer.

Japan's approach to lending and aid is distinct from that of other nations, particularly China. While both countries provide substantial financial assistance, Japan's Official Development Aid (ODA) is notable for its generosity and strategic foresight. Japan's ODA emphasizes long-term developmental goals and the establishment of robust economic partnerships, rather than merely providing financial aid. This strategic mindset is evident in Japan's collaborations with India, aimed at fostering innovation and technological independence.

One of the significant outcomes of this collaboration is the India-Japan Special Economic Partnership Initiative (SEPI). This initiative has been established to encourage Japanese investment in India and support the development of its industrial and infrastructure sectors. A key focus area of SEPI is the enhancement of cooperation in semiconductor research and knowledge sharing, recognizing the critical role that advanced technology plays in modern economies. Through such initiatives, Japan and India aim to drive progress in innovation and technology.

Japan's economic success can largely be attributed to its substantial investments in research and development (R&D), higher education, and information and communication technology (ICT). These investments have facilitated Japan's transition to a knowledge-based economy, characterized by high levels of innovation and technological sophistication. Japan has also actively imported advanced capital goods, promoted international higher education, and acquired foreign technology through licensing agreements. These efforts have not only strengthened Japan's economic position but have also created opportunities for collaboration and knowledge exchange with other countries, including India.

Furthermore, Japan's focus on the knowledge economy aligns with its broader goals of sustainable development and global leadership in innovation. By investing in education, science, and technology, Japan seeks to create a competitive edge in the global market while contributing to global economic stability and growth. The cultural exchanges and interpersonal relationships fostered through educational and professional collaborations also enhance mutual understanding and cooperation between Japan and its partner countries.

In conclusion, Japan's emphasis on the knowledge economy and its strategic use of soft power diplomacy have positioned it as a key player in promoting global economic development and innovation. Through initiatives like SEPI and robust ODA programs, Japan continues to build strong economic partnerships, particularly with India, driving technological progress and fostering sustainable development. This approach not only bolsters Japan's economic interests but also contributes significantly to the advancement and prosperity of its partner nations.

## **Environmental Sustainability and Economic Growth**

India is committed to eradicating energy poverty, advancing social and economic development, and reducing its carbon emissions. However, achieving these three objectives



simultaneously presents significant challenges due to occasional conflicts between them. For instance, efforts to mitigate local pollution and tackle climate change may encounter obstacles when affordable energy sources, particularly coal, are relied upon to meet the increasing energy demand at a cost that is accessible to all (Nandy, 2016). This reliance on coal can undermine environmental goals, as it is a major source of carbon emissions and local pollutants.

Both Japan and India recognize the importance of balancing climate action with sustainable economic growth. This recognition has led to a mutual understanding of the need to explore and implement various strategies to ensure a reliable and sustainable energy supply. Joint initiatives between the two nations in renewable energy, energy efficiency, and clean technology are critical components of this strategy. These initiatives aim to reduce dependency on fossil fuels, lower greenhouse gas emissions, and promote the use of alternative energy sources such as solar, wind, and hydroelectric power.

Renewable energy projects, such as solar farms and wind parks, can provide sustainable alternatives to coal and other fossil fuels, offering a cleaner, more sustainable energy solution. Japan's expertise in renewable energy technology and India's vast potential for renewable energy generation create a synergistic opportunity for collaboration. By leveraging Japan's technological advancements and India's natural resources, both countries can make significant strides in their renewable energy goals.

Energy efficiency measures are another crucial area where Japan and India can collaborate effectively. Japan's experience in developing energy-efficient technologies and practices can be invaluable to India as it seeks to improve its energy efficiency across various sectors, including industrial, commercial, and residential. Implementing energy-efficient technologies can help reduce overall energy consumption, lower costs, and decrease emissions, contributing to both environmental sustainability and economic growth.

Clean technology innovations also offer promising solutions to address the challenges of sustainable development. Joint research and development efforts in areas such as carbon capture and storage (CCS), advanced battery technologies, and smart grid systems can enhance the sustainability of energy systems in both countries. These technologies can help manage energy demand more effectively, integrate renewable energy sources into the grid, and reduce the carbon footprint of energy production and consumption.

Additionally, policy frameworks and financial mechanisms that support sustainable energy projects are essential to drive progress in this area. Both countries can benefit from sharing best practices in policy development, regulatory frameworks, and financial incentives that promote investment in renewable energy and energy efficiency. Public-private partnerships (PPPs) can also play a vital role in mobilizing the necessary resources and expertise to implement large-scale sustainable energy projects.

## **Challenges and Opportunities**

While the partnership between India and Japan has yielded significant benefits, several challenges need to be addressed to maximize its potential fully. One of the main challenges is the over-dependence on Japanese products and services, which could potentially hinder the development of local industries in India. This reliance on Japanese

technology and expertise, while beneficial in the short term, may prevent India from developing its own technological capabilities and industrial base. To mitigate this, India needs to focus on building its domestic industries through technology transfer, skill development, and fostering innovation.

Additionally, both countries face significant issues related to climate change and sustainable economic growth. The urgency of addressing climate change necessitates coordinated efforts and innovative solutions. For instance, balancing economic growth with environmental sustainability is a complex challenge. While economic development is crucial for improving living standards and reducing poverty, it often comes with increased environmental degradation and carbon emissions. Therefore, India and Japan must work together to find sustainable pathways for growth that minimize environmental impacts.

Opportunities for collaboration are abundant and can be leveraged to overcome these challenges. Joint ventures in renewable energy projects, such as solar and wind energy, can help both countries reduce their carbon footprints while meeting their energy needs. Japan's advanced technology in renewable energy and India's vast potential for renewable energy generation provide a complementary match that can be exploited for mutual benefit.

Furthermore, enhancing energy efficiency across various sectors presents another opportunity. Japan's expertise in energy-efficient technologies and practices can significantly benefit India as it seeks to improve energy efficiency in industrial, commercial, and residential sectors. By implementing these technologies, India can reduce its overall energy consumption, lower costs, and decrease emissions, contributing to sustainable economic growth.

Investing in clean technology and innovation is also crucial. Both countries can benefit from joint research and development efforts in areas such as carbon capture and storage (CCS), advanced battery technologies, and smart grid systems. These technologies can help manage energy demand more effectively, integrate renewable energy sources into the grid, and reduce the carbon footprint of energy production and consumption.

Moreover, policy frameworks and financial mechanisms that support sustainable energy projects are essential. Sharing best practices in policy development, regulatory frameworks, and financial incentives can promote investment in renewable energy and energy efficiency. Public-private partnerships (PPPs) can mobilize the necessary resources and expertise to implement large-scale sustainable energy projects.

In conclusion, while there are challenges in the India-Japan partnership, there are also significant opportunities that can be harnessed to address these issues. By focusing on building local industries, enhancing energy efficiency, investing in renewable energy, and fostering innovation, India and Japan can strengthen their partnership and achieve sustainable economic growth. Coordinated efforts and innovative solutions are key to overcoming the challenges and maximizing the potential of this strategic partnership.

## **Future Prospects and Strategic Directions**

To further enhance the India-Japan economic relationship, it is essential to focus on diversifying economic cooperation, increasing market access, and addressing environmental challenges collaboratively. Both countries should continue to invest in joint research and development initiatives, promote educational exchanges, and explore new

areas of collaboration such as the digital economy and green technologies. By adopting a strategic approach, India and Japan can ensure that their partnership not only delivers economic benefits but also contributes to regional stability and sustainable growth.

Diversifying economic cooperation involves expanding beyond traditional sectors and exploring emerging industries where both nations can leverage their strengths. For instance, the digital economy offers vast potential for collaboration in areas such as cybersecurity, fintech, artificial intelligence, and e-commerce. By fostering innovation in these fields, India and Japan can create new opportunities for businesses and drive economic growth.

Increasing market access is another critical area. Both countries should work towards reducing trade barriers and creating a more conducive environment for bilateral trade and investment. This can be achieved through policy reforms, trade agreements, and initiatives that encourage the flow of goods, services, and capital. Enhancing market access will benefit businesses in both countries, allowing them to tap into new markets and expand their global reach.

Addressing environmental challenges together is crucial for sustainable development. Joint efforts in renewable energy projects, energy efficiency measures, and clean technology innovations can help mitigate the impact of climate change and promote sustainable economic practices. Collaborative initiatives in these areas can lead to the development of greener technologies and sustainable solutions that benefit both countries and the global community.

Educational exchanges and skill development programs are also vital. By promoting academic collaborations and exchange programs, India and Japan can enhance their knowledge economies and build a skilled workforce capable of driving innovation and economic growth. These exchanges will also foster cultural understanding and strengthen the bilateral relationship.

In conclusion, the economic diplomacy between India and Japan in the post-Cold War era has shown significant progress and potential. By addressing the identified challenges and leveraging the opportunities, both countries can strengthen their partnership and achieve mutual economic growth and development. A strategic focus on diversifying economic cooperation, increasing market access, and addressing environmental challenges will ensure that the India-Japan relationship continues to flourish, contributing to regional stability and global sustainability.

## **4.2. Comparative Analysis with Other Countries**

This section provides a comparative analysis of India's economic diplomacy with various countries, illustrating the diverse strategies and outcomes of India's international economic engagements.

### **4.2.1. Economic Diplomacy with Russia**

India and Russia have established a robust economic partnership despite challenges such as Russia's economic decline and the lack of transparency in post-Soviet laws. Prior to 1996, India's trade with Russia accounted for only 1% of Russia's total trade (Gidadhubli, 1998). Despite the absence of direct land routes and significant geographical distance,

economic relations have strengthened under Narendra Modi's leadership, facilitated by the strong personal rapport between Modi and Putin.

The two countries formed a joint study group to enhance bilateral trade and explore the feasibility of a Comprehensive Economic Cooperation Agreement (CECA). Although trade has not always met targets, in the fiscal year 2022-2023, bilateral trade reached a record \$44.4 billion, making Russia India's fifth-largest trading partner. Russia primarily exports machinery, electronic equipment, and fertilizers, while India exports pharmaceuticals, electrical appliances, and clothing (Kulik, 2023).

#### **4.2.2. India's Reciprocal Economic Diplomacy with the USA**

Post-Cold War, the US recognized India's market potential, leading to stronger economic ties. India's 1990s economic liberalization attracted substantial FDI from American MNCs, addressing a financial crisis. Key sectors include civil aviation, telecommunications, energy, space, defense, biotechnology, and IT. Major US companies operating in India include General Electric, Ford, Pepsi, Microsoft, Intel, IBM, Oracle, Texas Instruments, KFC, and McDonald's. Arms trade is also significant, with India expected to spend up to \$40 billion on arms purchases.

The "Open Skies Civil Aviation Agreement" was signed in 2005. Despite shifts in US political stances on outsourcing, economic relations grew, making the US India's largest trading partner in 2022-2023. Key Indian exports to the US include gasoline, pharmaceuticals, gems, and shrimp, while key imports include gasoline, precious gems, natural gas, gold, and almonds. Bilateral trade is projected to increase by 7.65% to \$128.55 billion in 2022-23 (Mint, 2023).

#### **4.2.3. The Economic Engagements with China**

India and China, both rapidly growing economies, have significant potential to dominate the global market. India has a vast market with a large middle class, while China has the world's largest domestic market and has captured a significant global market share. Bilateral trade between India and China has increased fourfold in the last decade, heavily favoring China. India mainly exports raw materials to China, such as iron ore, cotton, copper, precious stones, and organic chemicals, while importing a wide range of manufactured goods from China, which negatively impacts Indian industries. India has urged China to lower import duties on Indian products and improve market access for Indian pharmaceutical and engineering companies. In 2010, bilateral trade exceeded \$60 billion, with India's exports to China reaching \$20.86 billion.

Despite this growth, China's FDI in India remains low, totaling \$1.738 billion between April 2000 and September 2017, a small fraction compared to investments from Singapore, Mauritius, and Switzerland. Prominent Indian companies operating in China include Ranbaxy, Infosys, TCS, and Reliance Industries. Conversely, major Chinese firms in India include Huawei, ZTE, and TCL, focusing on infrastructure, electronics, and industrial projects. In 2023, imports of Chinese products to India grew by 4.6% in the first four months, reaching \$37.86 billion (Krishnan, 2023).

#### **4.2.4. Economic Diplomacy with the United Kingdom**

India and the United Kingdom have a long-standing economic relationship, revitalized post-independence. Economic ties strengthened significantly after India's 1991 New Economic Policy, boosting mutual investments. The UK is a key market and FDI

source for India, while Indian firms have a substantial presence in the UK, with around 250 companies contributing to the UK economy. Bilateral cooperation spans civil nuclear activities, high-tech trade, clean energy, biotechnology, and IT. Key visits, such as those by UK Prime Minister Tony Blair in 2002 and Indian Prime Minister Manmohan Singh in 2004, have reinforced these ties. Indian exports to the UK include textiles, machinery, petroleum products, and pharmaceuticals, while imports from the UK feature machinery, metals, aircraft parts, and chemicals. The UK is a major G20 investor in India, with significant FDI from 2000 to 2015. The Economic and Financial Dialogue (EFD) was established in 2005 to enhance financial relations. In 2021, the UK and India signed an Enhanced Trade Partnership (ETP), and negotiations for a Comprehensive Free Trade Agreement (FTA) began in 2022, targeting completion by October 2022 (Woolich and Ohlman, 2022).

#### **4.2.5. India's Economic Diplomacy with France**

During the Cold War, Indo-French trade relations were limited. However, post-1990s market liberalization attracted French investors to India's large market. France is now India's ninth-largest foreign investor, with significant FDI in sectors like chemicals, cement, services, fuels, and automotive. About 1,000 French companies operate in India, while 150 Indian companies have invested in France. Bilateral trade and economic relations show positive growth prospects. The Indo-French Administrative and Economic and Trade Committee (AETC) promotes trade and investment, addressing market access issues. In 2018-2019, bilateral trade was \$11.89 billion, with Indian exports to France at \$5.23 billion and French exports to India at \$6.66 billion. A joint economic committee at the trade minister level and several joint working groups in sectors like IT, urban development, agriculture, energy, and road construction enhance cooperation. In 2022-2023, India's exports to France reached \$7 billion, a 26% increase, while imports were \$5.5 billion, up 1.63% (TPCI, 2023).

#### **4.2.6. India and BRICS**

BRICS is an intercontinental economic forum where China is India's biggest challenge. The different approaches of Russia and India to the multipolarity of BRICS. It is an intercontinental forum whose main purpose is to serve the economic interests of the m5 member states. Economic diplomacy can be done through this forum. Both India and Russia are doing the same. For Russian leaders, the BRICS informal association represents and embodies the ideal of multipolarity. Some experts argue that the BRICS countries are helping Russia use its power against the United States and its allies. Russia's recent conflict with the West aims to politicize this forum. India must not fall into Russia's trap and must not lose its independence in the execution of its foreign policy. Bharat Karnad said in his recently published work, "While the deterioration of India-Russia relations raises concerns about an effective BRIS and the realization of India's independent role in the world, its potential cannot be ignored. For example, about the future broader defense industrial cooperation between the four member states, which could yield a huge Russia-India-Brazil (RIB) defense industrial combination equal to anything in the West" (Karnad, 2018). But relations between India and China are hostile because of the border issue. There has long been a quiet rivalry between these two neighbors. So I think it can be an obstacle for BRICS banks (Nandy, 2014).

#### **4.2.7. India and Shanghai Cooperation Organization (SCO)**

This organization can be viable for India. India is highly dependent on Russia to get facilities from the SCO platform. It was Russia that pushed for India to join the SCO; India became a full member in 2017. The SCO can be seen as a vehicle for multipolarity as it strengthens ties with other major powers, perhaps even to the extent that it can be used as a soft balance against NATO through regional alliances (Cooley, 2012). India's Central Asia policy and Afghanistan policy depend significantly on India's presence in the SCO. Russia can take an active role in the SCO to enable India to freely pursue its foreign policy in Central Asia. India and Russia have done energy cooperation through various channels. In 2015, the two countries signed a memorandum of understanding on the exploration and production of hydrocarbons in Russia. Major contracts in the nuclear power sector were signed in 2014 and 2015. It was decided that Russia would build at least 12 nuclear power plants in India and also supply India with crude oil. In 2016, several agreements in the hydrocarbon sector were also signed.

#### **4.2.8. India's Economic Engagements with African Union (AU)**

India's economic liberalization helped create economic ties between the two. Indian products have a very good demand in the African market. Generally, Indian pharmaceutical companies like Cipla and Ranbaxy supply cheap generic drugs to African Union countries. India supplies technology, IT, cars, bikes, chemicals, food, etc. India imports minerals, mines, gold, diamonds, etc. Trade between India and Africa has grown rapidly in recent times. The volume of business is currently 70 billion dollars per year. India is currently Africa's fourth-largest trading partner. India has decided to finance projects instead of giving subsidies. In addition, it has not helped predatory African regimes that can resist proper governance reforms (Taylor, 2012).

#### **4.2.9. India's Economic Diplomacy with ASEAN**

Economic Cooperation: Trade and investment relations between India and ASEAN have grown steadily and ASEAN is India's fourth largest trading partner. India's trade with ASEAN is \$81.33 billion, which is approx. 10.6% of India's total trade. India's exports to ASEAN countries account for 11.28% of our total exports. Investment flows are also significant in both directions, with ASEAN accounting for about 18.28 percent of investment flows to India since 2000. According to data maintained by the DEA, FDI from ASEAN countries to India from April 2000 to March 2018 was approximately \$68.91 billion, while from April 2007 to March 2015, FDI from India to ASEAN countries was approximately \$38.672 billion. The ASEAN-India Free Trade Area was completed with the entry into force of the ASEAN-India Services and Investment Agreements on 1 July 2015. ASEAN and India have also worked to increase private-sector engagement. ASEAN India Business Council (AIBC) was established in Kuala Lumpur in March 2003 as a platform to bring key players from India and ASEAN countries into one platform for business networking and sharing ideas. Trade between India and the ASEAN region reached \$110.39 billion in the latest financial period i.e., April 2021 to March 2022, with exports to ASEAN countries at \$42.327 billion and imports from ASEAN at \$68.07 billion (Indian Mission to ASEAN, 2022).

#### **4.2.10. India's Economic Diplomacy with Gulf Countries**

The Gulf countries are key economic partners for India, crucial for trade, investment, and remittances. Qatar is a significant supplier of natural resources, ranked 9th in OPEC and 13th globally. Kuwait, India's fourth-largest crude oil supplier, provided about 10% of India's energy needs in 2014-15, with bilateral trade totaling \$14.58 billion. India's imports from Kuwait in 2014-15 were \$13.38 billion, primarily crude oil worth \$11.47 billion. The decline in imports compared to 2013-14 was due to falling oil prices and reduced purchases by Indian companies.

India's trade with all six Gulf Cooperation Council (GCC) member states, including the UAE and Saudi Arabia, expanded significantly in the financial year 2021-22, driven by increased economic activity. As India considers negotiating a Free Trade Agreement (FTA) with the GCC, these growing trade figures underscore the importance of the Gulf region to India's economic strategy (India Briefing, 2023).

#### **4.2.11. India's Economic Engagement with South Korea**

Since the market reforms of the early 1990s, India has significantly strengthened its economic relations with South Korea, particularly under the "Look East" policy advocated by former Prime Minister Manmohan Singh. The signing of the Comprehensive Economic Partnership Agreement (CEPA) in 2010 marked a pivotal enhancement in bilateral trade, which exceeded \$20.5 billion by 2011, reflecting a 70% increase. Despite experiencing a slight decline in subsequent years, trade rebounded by 2017 and achieved a record \$27.8 billion in 2022, representing a 17.3% increase from the previous year. Bilateral relations were elevated to a strategic partnership during President Lee's visit to India in 2010, underscoring the deepening of economic ties. Significant investments from major South Korean corporations such as Samsung, Hyundai Motors, and LG, amounting to over \$4.43 billion, have further cemented this relationship. Noteworthy investments include Kia Motors' \$1.1 billion for a manufacturing facility and Samsung Electronics' \$760 million for expansion. Furthermore, 603 large and small Korean enterprises are currently operational in India. Indian investments in South Korea are substantial as well, nearing \$3 billion, with major contributions from Tata Motors and prominent IT companies. These economic engagements have facilitated mutual growth and bolstered bilateral cooperation (Yadav, 2023).

#### **4.2.12. India's Economic Diplomacy with the Central Asian Region**

India has strengthened economic diplomacy with Central Asia through regular high-level visits, despite unbalanced trade due to the region's economic vulnerabilities. Key engagements are with Kazakhstan and Uzbekistan, with trade value between Kazakhstan and India increasing from \$138.42 million in 2010-2011 to \$701.67 million in 2014-2015. Central Asian imports from India include coffee, tea, minerals, pharmaceuticals, and machinery. India views Central Asia as a crucial partner for energy and natural resources and has extended a \$1 billion credit line to boost trade, investment, and development projects in sectors like energy, health, IT, agriculture, and education.

## **5 Conclusion**

This study aims to delineate the evolution and strategies of India's economic diplomacy from 1991 to the present, with a specific focus on Japan's role within the

framework of the Special Strategic and Global Partnership. The research illustrates how India's economic policies have evolved with globalization and highlights the significance of the partnership with Japan. It also identifies strategic measures undertaken by India to enhance its economic competitiveness and addresses the challenges and opportunities encountered in this process.

India's economic diplomacy has transformed from an idealistic approach to a more pragmatic and globally integrated strategy. The economic reforms initiated in the early 1990s under Prime Minister Narasimha Rao opened the economy to foreign investment, significantly increasing India's global economic engagement. Today, India maintains robust economic relationships worldwide, particularly with Japan, resulting in substantial investments in infrastructure and technology. However, challenges remain, such as over-reliance on foreign technology and investment, climate change, and the need for sustainable development. By focusing on domestic industrial development, energy efficiency, and innovation, India can overcome these challenges and ensure long-term economic sustainability. This study also has limitations, including reliance on secondary data and limited geographical and temporal analysis.

The contributions of this research include adding to the literature on economic diplomacy and providing insights into India's national strategy and policy recommendations. Future research should explore India's economic relationships with other regions, utilize primary data for higher validity, focus on the impact of digital technology, and conduct long-term analysis. This will enrich our understanding of India's economic diplomacy strategies and how the country continues to adapt to global economic dynamics.

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