**Original Research Article**

**India's Dual-Track Economic Diplomacy: Mini lateral Engagement vs. Bilateral Trade Agreement in the Indo-Pacific**

**ABSTRACT**

This research paper examines India's evolving economic diplomacy in the Indo-Pacific, driven by a "dual-track" approach of mini lateral engagements (Quad, I2U2) and bilateral agreements. It analyzes the operational and functional differences between these two approaches, highlighting how India leverages each to achieve distinct objectives, from addressing comprehensive regional security issues to promoting trade and investment. The study employs a mixed-methods approach, combining policy document analysis, trade and investment data analysis, and to assess the impact and implications of India's engagements. Findings indicate that mini lateral platforms amplify India's diplomatic influence and provide leverage in bilateral discussions, while also introducing complexities that require careful management. India's strategic choices are conditioned by geopolitical alignments and economic complementarities. Ultimately, the success of India's economic diplomacy depends on its ability to effectively manage these trade-offs and leverage its mini lateral and bilateral engagements in a complementary manner to navigate the complex dynamics of the Indo-Pacific.

***Keywords:*** *India, Indo-Pacific, Mini lateralism, Bilateralism, Economic Diplomacy*

## **1. INTRODUCTION**

India's foreign economic policy in the Indo-Pacific is driven by a fascinating duality, strategically employing both mini lateral engagements and bilateral trade agreements to achieve its overarching objectives of boosting exports, increasing global market share and fostering economic growth through destination based diversification of trade. This multifaceted approach reflects a nuanced understanding of the regional geopolitical and economic landscape, allowing India to leverage different arena for specific purposes [(Panda 2023)](#f70499968bd1d991e704fafe2d2b6fb9). The phenomenal rise of China as a significant economic and military power has stimulated India to re-evaluate its foreign policy and seek partnerships to address its strategic limitations [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074). India's Indo-Pacific strategy has emerged as an avenue to broaden its presence and harness partnerships to safeguard its strategic interests [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074). This dual-track system allows India to navigate the complexities of the Indo-Pacific, balancing its relationships with major powers while pursuing its economic and security goals [(Liu and Jamali 2021)](#3faf69d23e96226afcf4032122634907). India's proactive multi-alignment strategy marks a departure from its historical non-alignment stance, as it actively engages with major powers like the United States, Japan, and Australia, alongside other significant global players such as the United Kingdom and France [(Hall 2016)](#6430d02c6fb52b4655e6df42828c541a).

## **2. Mini lateralism and Bilateralism**

Mini lateralism, exemplified by groupings like the Quadrilateral Security Dialogue (Quad) and India, Israel USA and UAE (I2U2), serves as a platform for addressing shared concerns and promoting collective interests with like-minded nations [(Pant and Saha 2020)](#95baf1edebe61e7ec2f73d6af31b2f89). These groupings facilitate cooperation on specific issues, such as supply chain resilience, technology development, and infrastructure projects, allowing for targeted and efficient action [(Sullivan 2021)](#a6de7af27a338f836cf5c6c6aaca3b4a). The Quad, comprising India, the United States, Japan, and Australia, has evolved from a primarily security-focused dialogue to encompass broader economic cooperation, particularly in response to China's growing influence in the Indo-Pacific [(Paik and Park 2020)](#dffd12f661084e3d54d12b15e8d795f6). The I2U2, which includes India, Israel, the United Arab Emirates, and the United States, focuses on promoting economic cooperation in areas such as water, energy, transportation, space, health, and food security [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074). The I2U2 was initially formed in October 2021 with a focus on infrastructure, transportation, and maritime security in the region. The first official summit was held virtually in July 2022.  This mini lateral approach complements India's bilateral engagements, allowing for a more comprehensive and adaptable approach to regional economic diplomacy. These mini lateral arrangements provide India with a flexible framework to address specific challenges and opportunities in the Indo-Pacific, while simultaneously fostering stronger bilateral ties with key partners.

Bilateral trade agreements, on the other hand, provide a more traditional avenue for fostering economic cooperation, reducing trade barriers, and promoting investment flows. India has actively pursued bilateral trade agreements with countries like Australia and the UAE, and is currently negotiating agreements with the UK and the EU. These agreements aim to enhance market access, promote trade diversification, and strengthen economic partnerships with key trading partners. India's bilateral trade agreements also serve as a tool for promoting its economic interests and enhancing its influence in specific regions. By strategically utilizing both mini lateral and bilateral approaches, India can optimize its engagement with different partners and adapt to the evolving dynamics of the Indo-Pacific region.

The functional and strategic differences between mini lateral initiatives like the Quad and I2U2 and India's bilateral FTAs/CEPs are significant. Mini lateral arrangements often focus on addressing specific challenges or promoting cooperation in strategic areas, such as supply chain resilience or technology development [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074). These initiatives may not always involve binding commitments or legal obligations, but rather rely on voluntary cooperation and shared interests. In contrast, bilateral FTAs/CEPs are legally binding agreements that aim to reduce trade barriers, promote investment, and enhance economic integration between the signatory countries. These agreements typically involve detailed negotiations and specific commitments on tariffs, regulations, and other trade-related issues.

## **3. GEOPOLITICS AND ECONOMIC COMPLEMENTARITY**

Geopolitical alignments and economic complementarity play a crucial role in shaping India's choice between mini lateral and bilateral engagement. Mini lateral groupings like the Quad are often driven by shared geopolitical concerns, such as balancing China's growing influence in the Indo-Pacific [(Kamal and Sahni 2022)](#4fcc340c85f489b7c55c7c21a9c9bb7a). These alignments provide a foundation for cooperation on a range of issues, including security, trade, and technology. However, pure economic complementarity also plays a significant role in India's decision-making process. Bilateral trade agreements are often pursued with countries that offer complementary economic structures, such as access to resources, markets, or technology. For instance, India's FTA with Australia reflects a desire to secure access to critical minerals and diversify its supply chains, while its ongoing negotiations with the UK and the EU aim to enhance market access and promote investment flows. India's ability to leverage both mini lateral and bilateral approaches allows it to pursue a more comprehensive and adaptable foreign economic policy in the Indo-Pacific.

India's strategic calculus involves carefully weighing the geopolitical and economic factors to determine the most appropriate approach for each situation. This multi-vector approach allows India to optimize its engagement with different partners and adapt to the evolving dynamics of the region [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074). India's participation in the Quad, for example, reflects its desire to work with like-minded democracies to promote a rules-based order in the Indo-Pacific and counter China's growing assertiveness [(Kamal and Sahni 2022)](#4fcc340c85f489b7c55c7c21a9c9bb7a). At the same time, India's pursuit of bilateral trade agreements demonstrates its commitment to fostering economic partnerships and enhancing its competitiveness in the global market [(Malhotra 2022)](#85f857eb462330f121f4258a2aca2f64) [(Muraviev, Ahlawat, and Hughes 2021)](#48a57f11e1e9ad7dff533f921b9ad7c6). It is worth noting that India's approach is not without its challenges. Structural weaknesses, stemming from inadequate inter-agency collaboration, impede the effective implementation of India's strategic vision into tangible policies [(Malhotra 2022)](#85f857eb462330f121f4258a2aca2f64). India's capacity to effectively navigate the complexities of mini lateral and bilateral engagement will be crucial for shaping its role as a major player in the Indo-Pacific.

India's growing naval cooperation with countries such as Vietnam, Singapore, and Indonesia further enhances the dynamics of security cooperation in the region [(Ghosh, Sarkar, and Chaudhury 2022)](#08d67d20dc4a736dd2307ca591ee7cd0). The India-Australia security relationship has strengthened significantly in recent years, with both countries elevating their ties to a Comprehensive Strategic Partnership in 2020 [(Malhotra 2022)](#85f857eb462330f121f4258a2aca2f64). This closer cooperation reflects shared concerns about maritime security and regional stability. The strategic use of island territories is one such step, maximizing its strategic interests while responding to changes in the security environment [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074). India's strategic location in the Indian Ocean gives it a unique advantage in promoting regional security and economic cooperation [(Kamal and Sahni 2022)](#4fcc340c85f489b7c55c7c21a9c9bb7a).

India's approach to mini lateralism and bilateralism in the Indo-Pacific reflects its ambition to play a more prominent role in shaping the regional order [(Palit 2021)](#016ddefd805750b38da06623ab3826fb). By actively engaging in both types of arrangements, India aims to promote its economic interests, enhance its security, and project its influence in the region [(Zhu 2014; Ghosh, Sarkar, and Chaudhury 2022; Mukherjee 2019)](#1b00bc37c72c1a8a148322dda3925f57). However, it is important to acknowledge that India's approach also faces constraints. For example, some Southeast Asian nations have expressed concerns about the potential direction of the Quad [(Lee 2018)](#b1acdbe3b29a10bde54a2886ba1eb132). Despite these challenges, India remains committed to pursuing a multi-vector approach that combines mini lateral and bilateral engagement, reflecting its belief that this is the most effective way to navigate the complexities of the Indo-Pacific and advance its strategic goals. India's approach to the Indo-Pacific is also shaped by its historical ties and cultural connections with the region [(Upadhyay 2021)](#d3feb56f8d7f96d90a23f450e4f84f1c) [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074).

## **4. CONTEXTUALIZING INDIA'S INDO-PACIFIC STRATEGY: LITERATURE AND THEORY**

The existing literature on India's foreign policy has predominantly focused on its bilateral relations with major powers and its role in multilateral institutions. In comparison, India has received relatively limited attention [(Malhotra 2022)](#85f857eb462330f121f4258a2aca2f64). This paper seeks to address this gap by providing a framework for understanding India's strategic use of mini lateralism alongside its traditional bilateral engagements.[(Pulipaka and Garg 2021)](#a75c4deca9614e342ee2f560e6116dab). The utilization of mini lateralism serves as a tool for India to expand its reach, leveraging collaborative partnerships to surmount capacity limitations while safeguarding its strategic interests [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074). This research contributes to the broader academic discourse on middle-power diplomacy, coalition building, and the evolving dynamics of international relations in the Indo-Pacific [(Baruah 2020)](#d6daf619cfda8f4d1e613fc65eb41074).

# **5. Comparing Mini lateral and Bilateral Approaches**

The initiatives undertaken by Quad distinguish themselves through their emphasis on addressing comprehensive regional issues, thereby diverging from the concentrated approach of bilateral agreements that tend to center on trade and investment elements. By examining the functional and strategic differences between mini lateral and bilateral engagements, it becomes clear that India strategically employs each approach to achieve distinct objectives. Quad's focus extends to domains such as supply chain resilience, technological cooperation, and infrastructure development, surpassing the narrower scope of traditional trade pacts [(Sharma 2010)](#9d284961a76177762c7cec28bd6de824). The Quad's initiatives also aim to counter China's growing assertiveness in the region by providing alternative development and security options. The main focus of QUAD is on maintaining a free, open, and prosperous Indo-Pacific region, emphasizing a rules-based order and respect for international law. In the Indo-Pacific region, a new security arrangement

**Table - 01 India’s bilateral and mini lateral trade for FY 2022-23**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Entity** | **Total Trade (USD Bn)** | **Exports (USD Bn)** | **Imports (USD Bn)** | **Trade Balance (USD Bn)** | **Agreement** | **Type** |
| Philippines | 4.15 | 2.1 | 2.05 | 0.05 | AITIGA | Regional |
| Japan | 22.07 | 5.58 | 16.49 | -10.91 | CEPA | Bilateral |
| Australia | 26.32 | 6.93 | 19.39 | -12.46 | ECTA | Bilateral |
| UAE | 84.5 | 31.6 | 52.9 | -21.3 | CEPA | Bilateral |
| China | 113.83 | 15.32 | 98.51 | -83.19 | None | Bilateral |
| USA | 128.55 | 78.31 | 50.24 | 28.07 | None | None |
| ASEAN | 131.57 | 44 | 87.57 | -43.57 | AITIGA | Regional |
| QUAD | 176.94 | 90.82 | 86.12 | 4.7 | None | Group |
| I2U2 | 223.36 | 117.8 | 105.56 | 12.24 | None | Group |
| APEC | 609.63 | 192.32 | 417.31 | -225 | None | Group |

called "The Squad" has emerged. It's a minilateral grouping consisting of the United States, Japan, Australia, and the Philippines. This formation in May 2024 is seen as an effort to address regional security concerns through traditional hard power politics particularly those stemming from China's actions in the South China Sea. However, India is not the member of The Squad but overlapping membership with Quad, I2U2 and AUKS provides an opportunity to balance the China in South Asia region in particular and in Indo-Pacific in general.

**Figure-1 Composition of India’s Trade and Trade Balance in Indo-Pacific FY 2022-23**

The I2U2, on the other hand, concentrates on promoting economic cooperation and investment in specific sectors, such as clean energy, water, transportation, space, health, and food security [(Mohan and Govella 2022)](#768a22123462ead6f5bab8b8ddbe44cd). The I2U2 aims to foster innovative solutions to shared challenges and promote sustainable development through joint projects and initiatives.

**Figure-2- Composition of India’s Export and Import in Indo-Pacific FY 2022-23**

India's bilateral FTAs and CEPAs with countries like Australia and the UAE are primarily aimed at reducing trade barriers, promoting investment flows, and enhancing economic partnerships.

In contrast, India's bilateral FTAs and CEPAs with countries like Australia and the UAE primarily focus on reducing tariffs, increasing trade volumes, and promoting investment flows. These agreements aim to create more favorable conditions for Indian businesses to access foreign markets and attract foreign investment to India.

## **6. Implications for India's Economic Diplomacy**

The use of mini lateral engagements has the potential to both enhance and constrain India's bargaining power in bilateral negotiations within the Indo-Pacific region. Mini lateral platforms like the Quad and I2U2 can amplify India's diplomatic influence and provide additional leverage in bilateral discussions.

However, mini lateralism may also introduce complexities and constraints to India's bilateral negotiations. The success of India's economic diplomacy hinges on its ability to effectively manage these trade-offs and leverage its mini lateral and bilateral engagements in a complementary manner [(Juutinen 2018)](#042baf3aaff1c3936fd71cb8d1902282). India's strategic choices regarding mini lateral versus bilateral engagement are influenced by a combination of geopolitical alignments and economic complementarities. While geopolitical considerations often drive India's participation in mini lateral groupings like the Quad, pure economic complementarities tend to be the primary drivers of its bilateral trade agreements.

For instance, India's strategic alignment with the US, Japan, and Australia in the Quad is largely motivated by shared concerns about China's growing assertiveness in the Indo-Pacific region [(Kliem 2020)](#be49b4c0ab445793b2b0d27184132e25) [(Paudel 2021)](#c69fa33c7f7ec62fc2a0e24920fe53fe).

## **7. Conclusion: Navigating a Multi-Vector Economic Diplomacy**

India's "dual-track" economic diplomacy, characterized by the simultaneous pursuit of mini lateral engagements and bilateral agreements, reflects a strategic approach to navigating the complex and evolving dynamics of the Indo-Pacific region.

This multi-vector approach allows India to pursue its economic and strategic interests through multiple channels, leveraging the strengths of each approach while mitigating potential risks and limitations. Moving forward, India's ability to effectively manage and synchronize its mini lateral and bilateral engagements will be crucial for maximizing its influence and promoting its interests in the Indo-Pacific [(Mukherjee 2019)](#f6ea7d131f9dc136aabbb2864e426477). India's foreign policy demonstrates its ability to simultaneously engage with different countries, while standing up for its principles [(Silove 2017)](#6f68dbe2843095194ca3b367f2525038). India's active participation in these mini lateral groupings demonstrates its commitment to working with like-minded countries to address shared challenges and promote regional stability [(Paudel 2021)](#c69fa33c7f7ec62fc2a0e24920fe53fe).

India's economic diplomacy will play a crucial role in shaping the future of the Indo-Pacific and advancing its vision for a more secure, prosperous, and inclusive region [(Mansingh 2010)](#999d7b359ffe2cb7330d8d584647b2e9) [(Kukreja 2020)](#530391084380025e9eb480996a0613d3) [(Palit 2021)](#016ddefd805750b38da06623ab3826fb) [(Paudel 2021)](#c69fa33c7f7ec62fc2a0e24920fe53fe). India has shown the necessary factors to establish a grand strategy, those being: economic resources, defense infrastructure, political intent, geopolitical maturity, policy confidence and administrative competence [(Silove 2017)](#6f68dbe2843095194ca3b367f2525038). By adopting a multi-vector approach that combines mini lateral engagements with bilateral agreements, India can effectively leverage its strengths, mitigate potential risks, and advance its strategic interests in the Indo-Pacific [(Panda 2023)](#f70499968bd1d991e704fafe2d2b6fb9). As India's global influence continues to rise, its ability to leverage mini lateralism and bilateralism in a synergistic manner will be critical for achieving its long-term strategic objectives and contributing to a more stable and prosperous world [(Sinha and Dorschner 2009)](#6a05c9cbfc1bd53e604b3b7ef0cb5dbe) [(Mohan 2006)](#5322b29fe53e5decb7260b52d74b07a2). India is using such forums to create avenues to deepen cooperation [(Panda 2023)](#f70499968bd1d991e704fafe2d2b6fb9). As India enhances its global engagements, it will dedicate resources to elevate its strategic advantages in the Indian Ocean and South Asia (Baruah 2020). India's vision underlines the broader principles of democracy and the rule of law (Baruah 2020). It strives to establish its unique position on the global stage through multi-alignment, facilitating balanced partnerships (Malhotra 2022). This approach enables India to maintain strategic autonomy and contribute to global stability (Malhotra 2022). It is evident that India is poised to utilize its economic and strategic capabilities to shape a more favorable regional order, enhancing its influence and contributing to a more stable and prosperous Indo-Pacific (Baruah 2020).

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