

Networking with Local Partners: Experience in Silicon Valley, Mauritius and Germany

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Economic diplomacy, as practiced on the ground by the diplomatic and commercial systems of different countries, often passes through three evolutionary phases, *salesmanship*, *networking* and *regulation*.¹ This may not apply to small states, or those that have but one or two main export assets, but it probably holds good for a majority of countries, developing and developed.

The first stage is obvious; it involves helping the exporters from the home country to improve their sales to foreign countries. Embassies and trade offices work with individual home enterprises, business chambers and others. They usually

1 See Rana, 'Economic Diplomacy: The Experience of Developing Countries', Nicholas Bayne, and Stephen Woolcock, *The New Economic Diplomacy: Decision Making and Negotiation in International Economic Relations*, 2nd edition, (Ashgate, London, 2007), pp 201-20

give special emphasis to the export of new products and accessing new markets, be these foreign countries where the home country is relatively absent, or parts of large foreign states where a similar situation obtains. The salesmanship effort includes mobilisation of foreign direct investment (FDI), i.e. reaching out to potential foreign investors, to attract them to the home country.

The second phase of networking involves working with groups of stakeholders at home and abroad, consisting of entities that have obvious, as well as indirect connections, with the advancement of bilateral economic relationships. In the latter category, one might work with banks, regional branches of political parties, universities and media groups – in my experience, in the US and Germany, each of them acted as local hosts for economic promotion events targeted at companies and businessmen. This is described below in detail.

The third phase, regulatory activity, is a product of globalisation, where commercial work extends to establishing, defining and managing the framework within which economic exchanges take place. This also covers air and shipping links, cooperation in financial services and the like, all of which are handled by functional ministries, but involves the Foreign Ministry as well. Notwithstanding the myth of free markets, the management of such economic rules is increasing the focus of bilateral, regional and global discussions among states. While this is primarily handled from the capital of the national system, the Economic Diplomat and the Embassy abroad are significant contributors to this process.

In the experience of many countries, these stages in economic work have represented a natural progression, responding to the shifting global economic environment, which we now call 'globalisation'. As interdependence between countries has grown, so has the institutional response. In practice, as a country migrates to a higher diplomacy phase,

the new set of activities is added on the top of the other activity, without shedding the lower stage activity. Thus, the most active practitioners of economic diplomacy handle the concurrent tasks of marketing their country, reaching out to wide home and foreign networks and contributing to the management of the regulatory framework.

These are heavy demands, but they mesh with one another to produce valuable synergy, as also a multiplier effect. Success in export marketing may lead to new opportunities for networking and give better insight also into the regulation issues. This becomes a reaffirmation of the virtuous circle effect. It should not be surprising that in the view of many envoys at bilateral assignments, 50-70 percent of their time is now taken up with economic work.²

For a newly independent country, it is possible to move in agile fashion and conduct all the three activities, and thus shorten the learning cycle. This may particularly apply to the transition countries in East and Central Europe, and in Central Asia, which over the past 15 or 18 years have moved from rigid command economies to market capitalism. This gets us far from our theme, but the subject needs deeper study.

Let me describe some real life networking experiences, to describe the ways in which this activity contributes to the advancement of economic objectives in bilateral situations. The examples are drawn from the author's assignments in the US, Mauritius and Germany.

Living on the edge of the Silicon Valley in the late 1980s was exhilarating, during my three years as Consul General in San Francisco (1986-1989). Several entities and individuals became our economic outreach partners. One of them was the representative office of the Bank of India. Taking advantage

2 This was affirmed by the ambassadors and high commissioners of France, Germany, Singapore and the UK at meetings held at New Delhi by the Confederation of Indian Industry in 2004 and 2005.

of their downtown location in a well-known office complex, they launched a monthly 'economic forum' for discussion on India-related issues, at which prominent Indian entrepreneurs and Americans were invited, to meet visiting Indian personalities; the charismatic industrial icon, Ratan Tata, was one of our speakers, as were visiting delegations of businessmen. The usual format was a talk by a local or visiting speaker, followed by a discussion. This meshed well with the emerging climate of economic optimism, when we recall that in those years, under Prime Minister Rajiv Gandhi, India had initiated tentative reform measures.

That forum had several direct and indirect outcomes. In early 1987, group of young Indian information technology specialists, working in major companies such as Intel, IBM, HP, Xerox, Sun Micro and others, decided to launch a 'Silicon Valley Indian Professionals Association' (SIPA); we responded with enthusiasm when asked if the Consulate General would work with them. In a short time, the monthly meetings of SIPA began to draw audiences of several hundreds and their membership snowballed; attending and speaking at these gatherings became a must-do activity for visiting Indian business delegations.

Working with the young leaders of SIPA broadened my thinking and taught the virtues of open communications, where one had to deal on a level playing field with others, some of them rather critical of the bureaucracy. These technocrats, in turn, took on roles as internal evangelists in their companies, spreading awareness of the emerging opportunities in India. We saw proof of this a little later, as narrated below. Very indirectly, SIPA became a precursor of the highly successful network of venture capitalists and budding entrepreneurs, TiE ('The Indus Entrepreneurs'), founded in 1992, that has 11,000 members and 53 chapters in 12 countries, in virtually all the places where South Asian technology business is located.

In 1986, the very first software development centre in India set up by a foreign enterprise, Texas Instruments at Bangalore, had gone into operation; India's software exports in that year were around US\$10mn, resembling a gleam in the eyes of a futurist. We decided that year to organise for the first time a series of 'Software India' conferences, to showcase India's nascent IT capability, before invited audiences of US companies.³ This proposal was made to Ambassador P K Kaul around February 1987 during his first visit to the West Coast; it gained his enthusiastic support and was accepted by New Delhi. SIPA became our partner of choice, and our brainstorming asset, in the lengthy preparation that we undertook. The first Software India event took place at Palo Alto in September 1987 and the group of about a dozen Indian companies that joined the roadshow travelled thereafter to Seattle, Los Angeles, and Dallas (then part of our jurisdiction area), before going on to Chicago, New York and Washington DC. N R Narayana Murthy was one of the early participants, in what became an annual series.

For this Consulate General, UC Berkeley, together with Stanford University, the two world-renowned institutions located in the San Francisco Bay Area, were always the two prime partners for different academia-related activities. In 1988, our multiple friendships at Berkeley were leveraged, for the establishment of a bi-monthly 'India Forum'; Berkeley wanted our help in reaching out to the increasingly wealthy Indian diaspora – and three years later, thanks to the fine work by my successor Satinder Lambah, this led to the establishment of an India chair at this university, and another one at Stanford as well.

3 As at all software promotional events, especially in the early stages, this meant appealing to several different clusters of companies, such as potential partners for technology co-operation, potential investors in India, including major IT companies, and users of IT services, such as banks, insurance companies and the like.

At these gatherings at UC Berkeley, academics, NRIs and business entrepreneurs were invited to speak; one evening, the CEO of a major chip design company VLSI Technology narrated to the group their Indian experience.⁴ They turned their attention to the Indian market in the late 1980s at the urging of their Indian employees. In 1988, taking advantage of our regulations of the time, which permitted foreign companies to gain privileged market access, as NRI entities, if 60 percent of the ownership was in the hands of overseas Indian. They set up a subsidiary in which their Indian technocrats held 60 percent, with the rest in the hands of VLSI. This was an innovative device. Someone asked the CEO what might happen if the shareholding Indians left their company; he replied that they had no problem with that, and that they trusted both their employees and the arrangement.

Of course, not every idea worked. Our Silicon Valley friends urged that Indian companies should consider making strategic investments in high technology start-up enterprises, in the manner in which South Korea and Taiwan had done, with the aim of gaining access to technology and giving an impetus to home production. Based on their advice, we carried out soundings.

Vinod Khosla, one of the founders of Sun Micro and recognised even in 1988 as one of the leading figures in the emerging venture capital industry (Kleiner Perkins Caufield & Byers and now has his multi-billion dollar fund Khosla Ventures), expressed interest in helping us and we learnt that even a relatively small corpus fund of around US\$10mn would suffice for several investments at the first and second financing rounds of startups. But, after consultations with our industry leaders and with the Department of Science & Technology, we realised that the idea was ahead of its time for our

⁴ In 1999, Phillips Electronics acquired VLSI Technology for about US\$1bn.

businesses and government entities, in our system, simply could not sustain the kind of risk that such investments would entail, where the success rate is barely two or three in a dozen investments – even if these successes would probably more than wipe out the losses. We learn that in 2010, the Indian Department of Science and Technology is pursuing ideas along similar tracks.

In each of the above cases, our networking reached out to non-obvious local entities and, using them as multipliers, enhanced our credibility and provided us the means to reach out to a larger audience of businessmen and company executives.

At my next assignment, Mauritius (1989-1992), the situation was very different, requiring change in the outreach methods. This island state calls itself a ‘rainbow nation’, composed as it is of multiple ethnicities. About 70 percent of the total population is of Indian origin (about 51 percent of the total are Hindus and over 20 percent are Muslims, with a clear divide between them); about 25 percent are Creole (descendants of Senegalese and other African ancestors); three percent are of Chinese descent; and about one percent are of French descent, owning about half the sugarcane plantations, besides dominating manufacturing and trade.

In the past, the High Commission had tended to ignore the local Franco-Mauritian companies that dominated business, but it clearly made sense to reach out to them. These companies were the principal local actors and our outreach coincided with their growing awareness of India, as a market and a source of competitive industrial supplies. Trade grew well in consequence and the first of the new Indian investments came in.

This yielded political as well as economic dividend. Soon after arrival in the island state, during my customary call on French Ambassador Phillip Coste – and this courtesy is particularly important in the capitals where the diplomatic

corps is small – remarked that while our two countries enjoy close relations, in Mauritius, local interests sometimes view us as rivals and we should counter this. I agreed completely and we thereafter maintained a steady exchange of visits, to discuss issues of mutual interest. In a similar spirit, I found it useful to reach out to the Creole community, mainly through their political leaders, while taking care to communicate intentions to the majority community, who represented our first line of friendship.

The Hindus of Mauritius have traditionally been, for the great part, small farmers, government employees and factory workers. Our networking reached their community leaders and businessmen, to encourage a movement toward entrepreneurship and self-employment. In mid-1991, we persuaded a leading entrepreneurship development organisation in India, sponsored by the major public sector Indian Bank IDBI, to organise a training seminar, aimed especially at the community of Indian origin and the Creoles, run in partnership with the ministry concerned. That was, alas, a one-time action, but was supplemented with conversations with community leaders, urging them to create their own business development groups, to mentor young people to shift into business activities. While these actions had no direct Indian benefit, it did serve to build strong local connections and help us gain credibility.

The other lesson from Mauritius was that it made sense to involve local activists into providing informal advice to the mission, in a structured way, through periodic meetings with selected groups, with meetings conducted on an 'open-ended' basis, in that they were open to anyone interested. We shared information on upcoming events and made the participants feel that they were our local allies. It worked well in preparing for trade exhibitions and in our marketing and investment promotion efforts.

Germany, where I served from May 1992-July 1995, provided a very much larger and more complex canvas.⁵ Our local networking included the following activities, not all of which were successful. First, we tried to work with the Indo-German Parliamentary Group, one of about 40 such bilateral groups in the German *Bundestag*, hoping that it might serve a promotional purpose. Its Chairperson, Dr Edith Niehuis, an SPD party member and a very fine individual, made it clear to me that while they did meet a couple of times each year and took a parliamentary delegation to India every two years or so, they were not designed as a proactive or promotional body. She used her speech at a dinner meeting at the Embassy Residence to convey this message in a very direct and open fashion, so that there should be no misunderstanding. We remained good friends and she was of indirect help to us in some of our political lobbying.

Second, during the course of our media outreach activities, we found a couple of regional newspapers willing to host business promotional meetings. Such meetings were held in Düsseldorf and in Stuttgart. That supplemented our contacts with the chambers of commerce in different cities and regions. In like fashion, some banks came forward and hosted business meetings for their client companies.⁶

Third, we found, on occasion, similar interest on the part of regional units of the major political parties in hosting business meetings; I recall well such a meeting held in Mannheim in 1994, through the personal interest of a CDU party member of parliament. In like fashion, some of the state

5 Details of our economic diplomacy-related activities are narrated at length in my first book; see Rana, *Inside Diplomacy*, Manas Publications: New Delhi, 2000; (revised paperback edition August, 2002).

6 German banks enjoy especially close links with companies; the latter tend to have a 'house bank' that is their chosen partner for a wide range of financial and business activities. The banks too play the role of 'universal banks', more so than in most other Western countries.

governments, especially the tiny city-state of Bremen and the technology leader Baden-Württemberg, were especially friendly in organising business outreach seminars and other programmes.

Fourth, we found the state (or *Länder*) governments especially receptive to business promotion – it had been a similar story in the US. It proved the old adage that some of the most fruitful diplomatic work is conducted outside the capital. By keeping close links with the leaders and senior officials in these states and in the key cities – Berlin, Bremen, Frankfurt, Hamburg, Munich and Stuttgart especially come to mind – we found fertile ground for a continual flow of German business visits to India. In these contacts, some leading members of the Indian community played a valuable role.

A final instance of networking in Germany involved working with major entities dealing with economic cooperation. In 1992, we started with the representatives of Indian companies, inviting them to quarterly meetings in Bonn, then the federal capital. The representatives of different public enterprises and associations were invited, including Air India, the State Bank of India, the Indian Trade Promotion Organisation and the Engineering Export Promotion Council, besides any visiting businessmen who happened to be in town.⁷

We exchanged information on upcoming activities; after a couple of meetings it occurred to us that it made sense to include also the German entities that worked on India, so in early 1993, we began to invite representatives of the Chamber of Commerce DIHT, the Industry Body BDI, the Technical Cooperation Entity GTZ, two major development banks KfW and DEG and the Indo-German Chamber of Commerce (IGCC). They responded with enthusiasm and the group

⁷ In those days, we had no representatives of private Indian companies stationed in Germany, but in principle, there would be no reason to exclude them from such groups.

became livelier and productive, providing thorough information exchange on visits of delegations and a range of promotional activities. About a year from the start, towards the end of 1993, representatives of the Federal Economics Ministry asked if they could attend; that added further value to the exercise. In 1994, the Foreign Office's South Asia *referat* (division) joined the group.

Embassies traditionally hold such meetings with local representatives of their home enterprises. The novelty was to include the representatives of German entities, on the simple premise that economic cooperation is a two-way process, involving what is often called 'low diplomacy', because it does not generally involve high secrecy and is predicated on both sides working together. Including the representatives of federal ministries was unorthodox, but paid us rich dividend in goodwill and transparency, to say nothing of getting good ideas on future activities. Traditionalists may argue that Foreign Ministry officials do not go to embassies to conduct substantive discussions, but we encountered no such inhibition from the German Foreign Office.

As for foreign ministries, we have the example of the Canadian Department of Foreign Affairs and International Trade, which selects target countries each year and places them front and centre, in the course of 'forum discussions', where businessmen from Canada and that country, academics, media persons, and officials from that country's embassy are invited for half-day discussions on bilateral themes – economic, social and even political. The aim is to raise the level of awareness and understanding of that country; several sessions are held during the year. This too is a networking method that has great merit and is worthy of emulation. Canada is one of the leading practitioners of innovative public diplomacy and such initiative fits into that broad category.

Some of the above ideas may resonate with practicing diplomats, those at embassies, commercial offices, as also colleagues who work in trade or foreign ministries, handling commercial and economic outreach. The lesson we learnt was that it was possible to try out different forms of networking, provided that the local environment was conducive. One can only judge the result by trying out some of the ideas, after a careful assessment of the risk-to-gain equation.