

FOREWORD

Economic Diplomacy – Changing Contours

Globalisation has radically transformed the contours of international economic relationships between countries, throwing up new challenges and complexities in the economic, social, political and cultural spheres. In this scenario of interconnectivity and interdependency, with an increasing number of players striving to influence the outcome of economic relationships, economic diplomacy has assumed immense significance and posed new challenges to diplomats around the world.

With the ever increasing integration of markets, economies and cultures, the term ‘diplomacy’ itself has undergone an enormous change in connotation. This transformation encompasses a widening and deepening of the dimensions of diplomacy, a gradual evolution of its modus operandi and a change in the role and nature of players involved in it. Terms like non-state diplomacy, corporate diplomacy, business diplomacy, NGO diplomacy and track two diplomacy have found their place in the lexicon of economic diplomacy.

In an outward-looking, liberal, macro-economic framework increasingly being embraced by major world economies, economic interdependence and requirements of policy coordination have overlapped. Transnational economic interests, which were prominently confined to sovereign interests, have now become greatly diverse, with a wide cross-section of state and non-state entities entering the processes of international economic agenda-building and decision-making.

Among the non-state actors, multinational corporations are powerful pressure groups at the global level, with profound penetration into systems of international economic policy formulation. Apart from this, research institutions, media, environmental groups and other non-governmental organizations endeavour to influence the shape of the international economic agenda.

Within the government too, the conduct of economic diplomacy has become increasingly dispersed with various Departments interfacing with their foreign counterparts and seeking facilitation and support of our Missions. State governments too are competing among themselves for allocation of greater economic space and commercial advantages by instituting competitive concessional policies and incentive structures. With a high premium being attached to economic performance of state governments, this has become an important diplomatic dimension, especially in a highly diverse, pluralistic country such as India.

These economic and commercial pursuits of different state and non-state entities, assiduously followed with multiple strategies and varied tools, are not always in harmony with each other, thereby raising issues of consistency and consolidation of economic agenda at the national level. Employing effective methods of arriving at a consensus in competing economic agendas, conflict resolution and promotion of mutual trust in the best national interest is a major challenge to diplomats.

Added to this are economic episodes of lasting consequence like the recent global financial crisis which precipitate changes in the rules and contours of the international economic agenda and equations. Seamless adjustments in the content and tools of economic diplomacy are, therefore, a pre-requisite for business and corporate survival. Such dynamism is also necessary to avoid disruptions in the growth trajectory of

economies. India has done very well, on this count, in the recent past.

The right mix of policies and infusion of resources, coupled with the strong fundamentals of the Indian economy, have ensured that India has managed to maintain an impressive growth rate, high foreign exchange reserves, increasing exports, rising foreign investment, both direct and institutional, and a healthy and consistent trend in all the macro-economic indicators. India has established itself as a major global player in information technology, biotechnology, pharmaceuticals, telecom and other areas. This new paradigm shift in economic strength need to be translated into strategic global influence.

The Government of India has taken various initiatives to raise the profile of India as an emerging economic power in the international arena. Our foreign investment policy is among the most liberal and India is fast emerging as one of the most favored investment destinations in the world. We have been negotiating for greater market access for our products under the Doha Development Round in the WTO with a view to protecting our trade interests. We have also been pursuing a strategy of forging trade and commercial alliances in the form of bilateral and regional free trade agreements and comprehensive economic partnership agreements. Our contribution to the world economic and financial architecture through various groupings like the G-20, IBSA, SAARC, World Bank and IMF among others is well known.

Undoubtedly, globalisation and rapid technological progress have fundamentally changed the way business is done worldwide. Indian businesses and enterprise have shown enormous resilience in an increasingly competitive global economy and have played an important role in driving our growth process. They have not only taken up the challenge of tapping new markets for exports and become successful entrepreneurs, but have also become major investors abroad

and entered into mergers and acquisitions energetically. In this scenario, the role of diplomats in facilitating and supporting the efforts of the business community has become more pronounced. They need to actively reach out to investors and partner with other organs of the government and the private sector to promote trade, foreign investment and technology flows.

Economic interests have increasingly become the prime mover of India's international relations. The focus of our economic diplomacy has shifted towards the need to protect and promote our economic and commercial interests abroad and to exploit the opportunities thrown up by the fast integrating world. Bilateral Free Trade Agreements, Multilateral Trade Negotiations, Bilateral Investment Protection Agreements, technology transfer, diversification of export markets, promotion of foreign direct investment, reforms of the international economic and financial infrastructure, promoting energy security through diversification and acquisition of oil and gas resources, and accessing scarce raw material assets have become important components of our economic diplomacy strategy.

The new vistas of the profession provide diplomats with profuse opportunities, but also pose difficult challenges, transcending which, necessitates continuous capacity building and upgradation of skills in sharing and optimally utilizing the available diplomatic space. As expounded in this collection, diplomatic space has been substantially widened with the infusion of networking as an instrument of diplomacy, especially for non-state players.

Having mentioned the complexities that the term diplomacy has come to signify, with the multiplication of its dimensions, tools and players therein, it should be placed on record that trade, aid and investment still constitute the cornerstones of economic diplomacy. This compendium, hence, rightly devotes

its greatest attention to these issues, encapsulating recent developments and presenting interesting case studies in different country contexts. It gives me great pleasure in commending this collection to all observers of foreign policy, students and academia as a valuable reference point on the changing role of Missions and the challenges faced by them in bringing together various stakeholders through diplomatic engagement, and in fostering trade and investment as principal tools of economic diplomacy.

In conclusion, I wish to compliment Ambassador Kishan S Rana for conceptualising this book and presenting an interesting compendium of articles highlighting the challenges of India's economic diplomacy in the globalised world of the 21st Century. My thanks to Bipul Chatterjee, co-editor, and to CUTS International for sponsoring this book.

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