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from the RINGSIDE

**Tenets of economic diplomacy**

As India's economy gathers strength and the world becomes increasingly integrated, economic diplomacy assumes importance. This was recognised by the Prime Minister in his early days in office and the constitution of a high-level committee on international economic relations was one positive outcome. The first four decades of independence pre-occupied us in seeking food security and managing our vulnerable balance of payments. This needed successful bilateral diplomacy and bolstering support for Aid India consortium under the leadership of the World Bank. Having successfully achieved these ends, it is only from the mid-1990s that high growth rates, rising foreign exchange reserves, continued economic liberalisation and quest for foreign investment alters our strategy.

So what should be the tenets of economic diplomacy?

- **First and foremost**, as part of the broader foreign policy strategy it must serve overall strategic interest; managing the neighbours, meeting defence requirements, securing energy security or promoting India's legitimate claim to the UN Security Council.
- **Second**, to meet the needs of a growing exporting community and in a broader sense strengthen our position in multilateral fora even while seeking best terms for preferential trade agreements.
- **Third**, actively promote India as a profitable destination for foreign investment even as liberalisation enlarges opportunity and we seek additionality of resources and high quality knowledge capital to enhance competitive efficiency.
- **Fourth**, promote the unique Brand India in seeking investment, attracting tourism, encouraging business outsourcing and a multitude of connected economic activities.
- **Fifth**, as Indian corporates have become globally competitive and seek avenues for overseas investments to service their complex needs; build a credible database, secure its dissemination, make effective interlocution with foreign governments, assist in overcoming legal obstacles and in resolution of disputes which may arise.
- **Finally**, to make strategic investments beyond neighbouring countries in other emerging markets to enhance prestige and fortify leadership in the developing world. This goes beyond aid and includes investment in infrastructure, enhanced technical co-operation and human resource development to name a few.

Do we have the institutional mechanism for these objectives? Perhaps not. Indian diplomats are second to none, and barring exceptions, have effectively used their meagre resources to meet these multifarious demands. No doubt, for decades economic work had low priority. This has changed. However, Missions abroad are

generally over-stretched both for manpower and resources. Barring some cases, representational grants are grossly inadequate to meet these new demands; a significant proportion is spent in servicing visiting delegations.

A tangible plan of action would need to include:

- The budget of the Ministry of External Affairs (MEA) needs a second look. The MEA's expenditure as a percentage of the national budget is around 0.75% compared to 2.15% in Canada, 1.3% in New Zealand, over 1% in Singapore and is significantly lower than many other countries. What is worse is the ratio of staffing of Indian Missions compared to the strength of the Ministry itself; a poor 1:4 compared to international average of 1:1.5. So first and foremost, the Budget as a whole and the proportionality between Missions abroad and the Ministry needs correction.
- The centrality or the goalkeeper role of the Foreign Office has been greatly eroded. Initiatives have been taken by various Ministries. However, the co-ordinative role of MEA needs to be re-established which can synergise the efforts of Economic Affairs, Commerce, Petroleum to name a few. This can be achieved without transferring functions but through vastly improved inter-departmental co-ordinative mechanism. The reorganisation of the Foreign Office involves reorganisation of the Commerce and Economic Affairs Departments as well. In the case of Commerce Ministry, while we need not replicate the USTR, which has a distinguished array of legal experts, the meagre resources of the trade policy division is pathetic. Similarly, if Economic Affairs is to be nodal in catalysing both domestic economic reforms and attracting foreign investment, it needs reorganisation and strengthening in critical areas.
- Reorganising the work of the Indian Missions themselves entails developing high quality database as well as improving the quality of personnel by their secondment from specialised organisations like the CII or other trade bodies. The Foreign Office, both at headquarters and in critical Missions abroad, can scarcely ignore the need to induct talent, expertise and invest in human resource development. We need to learn best practices from countries which have made a successful transaction.

The distractions of coalition politics has left Prime Minister little time for improving governance. Any credible exercise must include reorganisation of ministries and departments themselves. The Foreign Office in tandem with some other economic ministries whose activities have an international dimension need re-focus and reorganisation. The Prime Minister is currently the Foreign Minister as well. This is a time when directions can be given and action initiated to make economic diplomacy symmetrical with the emerging perception of India as the new emerging economic powerhouse.

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