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## Introduction: The Role of Embassies

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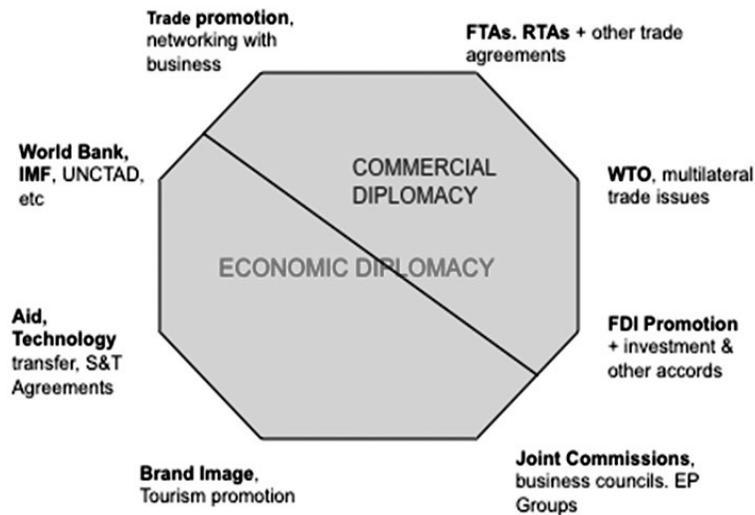
### Introduction

Economic diplomacy is a multi-hued activity, easy to describe in broad brushstrokes, but harder to pin down with precision. From the perspective of members of diplomatic and commercial or trade services, and those that are the ‘customers’ or users of these services, economic diplomacy is a plural set of practices, all aimed at advancing the home country’s external economic interests.

Is it different from commercial diplomacy? Opinions differ; some of those that have worked in this métier tend to see commercial diplomacy as a subset of the wider compendium of economic diplomacy. For instance, typically, commercial diplomacy would not include the management of economic aid – either as a donor or as a recipient – but that would clearly fall within the rubric of economic diplomacy. The same may apply to managing relations with international economic organisations, such as the World Bank and the International Monetary Fund, or the UN regional commissions such as the

Economic Commission for Asia and the Pacific (ESCAP). A chart showing their characteristics and differentiation is set out in figure 1.

**Figure 1: Economic & Commercial Diplomacy**



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For business enterprises, industry bodies, consultants, users, and all those directly concerned with overseas economic activities, such distinctions are not of great interest. They are much more concerned with the way official agencies and the business promotional bodies can help them to navigate their way in their profit-oriented activities in foreign markets. They are the true customers of economic diplomacy.

Seen this way, the ministries and their subsidiaries, the embassies and consulates, as also chambers of commerce, industry bodies, export promotion bodies and the research agencies connected with this work, are all service providers to these real-world customers. Their task is to provide

information, and facilitate these customers in their overseas interactions. When the government agencies set the policy framework by framing rules and laws that govern such activities, or negotiate bilateral, regional or global agreements, they are still in their basic role of service providers. The customers are the real owners of economic diplomacy. They are also the actors that actually generate trade in commodities and services, execute foreign investment activities at home and abroad, and implement technology partnerships.

### **Economic Diplomacy: Origin & Stages**

When did economic diplomacy originate? In rudimentary form, external exchanges commenced when inhabitants of different habitations, regions, and city-states exchanged products with one another, and offered services to one another. The oldest documentary records we have of commercial exchanges between kingdoms are the Amarna Archives, the clay tablets of Middle Egypt of the period 1460-1220 BC, which were transcribed fairly recently.<sup>1</sup> They detail the extensive trade that existed in that era among the countries and civilisations of Egypt and West Asia. Elsewhere, the Silk Routes of India-China and China-Europe, namely the western routes that traversed Central Asia and the eastern and southern route that traversed what is today Myanmar, provide similar evidence of exchanges of goods, religious artefacts, and manuscripts, between peoples and cultures separated by vast distance and geographic barriers. Kautilya's *Arthashastra*, the masterly 3<sup>rd</sup> century BC treatise on statecraft, has extensive references to the management of economic affairs.<sup>2</sup>

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1 See Raymond Cohen and Raymond Westbrook, eds, *Amarna Diplomacy: The Beginnings of International Relations* (John Hopkins University Press, 2002)

2 L N Rangarajan, ed. & translator, *Kautilya: The Arthashastra* (Penguin Classics, India, 1992)

Throughout history, trade provided one of the first impulses for inter-state contacts and agreements, as well as war and conquest. Trade was also the driving force in the spread of colonialism. Trade drove Vasco da Gama's journey to India in 1498, and Europe's 'discovery' of the riches of the East Indies, and the journey of Christopher Columbus to the Americas. Often, the flag followed trade.

Though emissaries had been exchanged between kingdoms and empires since times immemorial in many world regions, the first form of modern permanent overseas representation took the shape of consulates, around the 16<sup>th</sup> century; these outposts were established in the Mediterranean, during the Ottoman Empire, when Italian principalities sought commercial markets, and the foreign traders themselves organised a form of joint representation in the ports, to deal with the local authorities.<sup>3</sup> These early consulates saw the advantage of gaining support from their home administrations, and thus were born the first overseas representation offices – the resident embassy came a century or so later.

If we fast-forward to the contemporary scene, what is the content of economic diplomacy? We may consider again the octagonal chart presented above. Based on empirical evidence, we see that economic diplomacy as practised by states and their diplomatic systems in the past 40 years or so usually traverses four stages in its deployment.<sup>4</sup> They are described as below.

- **Promotion** of trade is usually the first key goal, supplemented by promotion of inward investments,

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3 See the chapter on 'Consulates', GR Berridge, *Diplomacy: Theory and Practice* (4th edition, 2010)

4 See Rana, 'Economic Diplomacy: The Experience of Developing Countries', Chapter 11, Nicholas Bayne, and Stephen Woolcock, *The New Economic Diplomacy: Decision Making and Negotiation in International Economic Relations*, 2nd edition (Ashgate, London, 2007)

when around the 1970s, the mobilisation of foreign direct investment (FDI) became a priority for governments. Developing countries ‘discovered’ the importance of economic diplomacy around this time, impelled in part by the urge to improve their trade earnings. For India, the first ‘oil shock’ of 1973, when the price of crude oil quadrupled overnight, provided the real impetus to economic diplomacy. India immediately opened embassies in all the Gulf countries, many headed by young diplomats who were given the rank of ambassador; project exports were a major focus and they delivered result. Matching actions were taken in North Africa. This was also the time when workers and technicians were sent out to the oil-rich countries that were in the midst of implementing ambitious projects. New income streams were created for the labour-exporting countries. Globally, such earnings today total over US\$700bn; in 2008 India earned US\$55bn through such remittances from its overseas workers, technicians, and its diaspora.

- The second broad objective that economic diplomacy has pursued, starting around the mid-1980s, is **networking**, the mobilisation of wide clusters of supporters and participants, in trade and investment promotion, and in technology-acquisition activities. This led to public private partnerships (PPPs), and outreach to multiple actors, both at home and abroad, as contributors to economic diplomacy. Companies, industry bodies, chambers of commerce, thinktanks and business schools were all validated and legitimised as crucial partners. In India that meant working closely with its apex business bodies, especially the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI),

and the Associated Chambers of Commerce and Industry of India (ASSOCHAM). In similar fashion, the score and more export- promotion councils created by the Commerce Ministry, and the Federation of Indian Export Organisations (FIEO) also began to work closely with Indian embassies, to pursue new products and markets.

- The third phase is **country promotion**, which connects with all the economic activities, including the inflow of foreign tourists, which is a key source of employment and for foreign-exchange earning. Many countries took this up as a sustained activity in the 1980s and 1990s. While business takes place even in situations of adversity, a positive country image facilitates trade exchanges. Overseas investments are tied even more closely with the reputation of the country. Rich and poor states alike invest in branding and re-branding. Embassies contribute to this, often as first points of contact; this is one reason for the increased importance that foreign ministries now attach to improving their visa services. As the reputation of home enterprises resonates on the global stage, it interacts with and synergises the country brand as well. Indian missions pushed participation in specialised trade fairs abroad, as well as single-country trade shows, such as the series of 'Made in India' events held across the world, as part of this branding activity.
- The final **regulatory** phase has gained in importance as the management of external economic activity has complexified. The establishment of World Trade Organisation (WTO) in 1995 has elevated trade diplomacy, multilateral, regional, and bilateral, to a new high. Unlike its precursor, the General Agreement on Tariffs and Trade (GATT, the predecessor to the WTO), WTO involves governments, business bodies and public agencies, into detailed management of the conditions

under which trade takes place. The complex negotiations of the ambitious and highly diverse agenda of the WTO raised the salience of regulatory issues, and posed new challenges for developing states in terms of their ‘capacity’ to engage in these negotiations. An influx of free and preferential trade agreements, has also involved governments in complex trade management tasks, and mastering a new lexicon. Indian embassies have been closely involved in the drafting and negotiation of single-country and regional free-trade agreements (FTAs).

These stages have been traversed in succession, as layers of activity that have been added, as countries have moved forward in their external economic activities, but without the activities connected with previous phase abandoned or minimised. For instance, the task of trade and investment promotion does not wither away when networking and regulation management emerge as necessities; country image pervades all other actions, and even small states now exert themselves to improve their brand reputation.

With the passage of time, large home enterprises no longer need support to enter foreign markets, though small and medium sized enterprises still need help. At the same time, the quality of the external economic engagement of governments becomes more complex; they then enter into PPPs, to better manage external economic interests. When home enterprises enter foreign markets as investors – as has happened in the past few years with Indian companies – they need different types of support from official agencies, sometimes to overcome local barriers.<sup>5</sup> And there remain smaller

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5 When Mittal Steel, based in the UK and owned by an Indian entrepreneur L N Mittal, took over the Netherlands-based company Arcelor in 2007, the Indian government supported them, in the face of what was perceived as hesitation in some European countries. Chinese oil companies have faced obstacles in the US in attempts to take over US companies, and this has figured in discussions between these countries.

enterprises that still need support to get into foreign markets, though the nature of their needs evolves. All this adds to the complexity of economic diplomacy, in that the same units that engage in the one activity are also required to address the others.

### **What can Embassies Deliver?**

The focus of the essays in this publication is on the role that embassies and consulates can play, as the public service overseas outposts of the country, to help the real actors of economic diplomacy, the home enterprises and businessmen. In particular, is there a special role that they might play when they represent developing countries, to the extent that this is different from the role played by the diplomatic and commercial missions of rich states? The response provided by the authors of this collection is based on India's experience, but it is also of relevance to many other countries, since the operational conditions for all states seeking market entry and expansion in their engagement are essentially similar.

As many of these essays show, it is the initiative taken by embassies and consulates that often provides the initial impetus, be it in relation to trade or investments. Equally, it is not difficult, for the great part, to motivate home agencies, be it the promotion bodies, such as export councils, or trade associations, and of course the business enterprises. Often it is the mission official on the spot, who identifies an opportunity and flags it for action. This is especially true of the initial phase of the external economic action cycle, described above.

All countries now treat economic promotion as a high priority. Many entrust this work to the diplomatic service, while others handle it exclusively through specialist

commercial services, or ‘trade commissioners’.<sup>6</sup> We believe that detachment of commercial from other diplomatic work sometimes reduces attention to investment mobilisation, and country promotion; one also misses the cross-connections of integrated diplomacy. Countries that do not practise ‘integrated diplomacy’, nevertheless link economic and political work at the apex, giving the ambassador overall charge.

No one has analysed if entrusting political, economic and all other diplomatic tasks to one single set of officials, who rotate between these jobs, works better than having specialists for each work area. For one thing, in small establishments this separation just isn’t workable. Similarly, in small embassies, where an ambassador may have only one or two diplomats assisting him, everyone pitches in to handle the full range activities, including consular, cultural, information, and diaspora outreach tasks, besides political and economic work. The US diplomatic service has five specialised ‘cones’ within which officials work, and two of these are political and economic affairs – and it has a separate commercial service. The US is virtually unique in operating such sub-sections among state department officials; Australia has a separate commercial cadre and a consular service.<sup>7</sup>

**M P M Menon’s** essay describes well the manner in which political actions mesh with economic diplomacy (he writes about his experience in the Gulf region and elsewhere).

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6 Until about 30 years ago, a majority of countries had separate commercial services for external economic work, but the trend has been for integration with other diplomatic tasks. A major exception is the US, which has a separate Commercial Service that operates under the US Commerce Department, but at the level of the ambassador the work is fully integrated.

7 Many European diplomatic services ran such sub-cadres up to about the 1950s, but thereafter shifted to a single service handling the full range of tasks, except that some such as the Germans have specialists from their Economics Ministry to handle economic work.

### Trade Promotion

A high economic priority for virtually every country is export promotion. While facilitating the expansion of existing export product lines is an obvious concentration area, it is in the promotion of *new export products*, and the exploitation of *new markets* that embassies can provide special help to home enterprises. We see this in a striking fashion in the several essays in this collection.

For developing countries, external markets pose several kinds of problems. First, home exporters do not know the basic environment in foreign states, and do not have the capacity to invest in exploration, much less pay consultants to advise them on entry strategies. Associations of exporters at home confront a like problem, though on paper they should be able to carry out market surveys and the like.

Second, foreign regulations on safety and environmental standards, and other norms laid down by potential markets are little understood by home exporters, and pose real non-tariff barriers (NTBs) to entry.

Third, home exporters lack credibility with potential foreign customers, and this becomes a chicken-and-egg syndrome, making it difficult to break this cycle of unfamiliarity.

In such situations, the diplomatic mission engaged with commercial promotion has its work cut out. The simple kind of things it needs to do include the following.

- *Informing home business associations and individual enterprises on the basic economic conditions in the target country* – Such ‘country notes’ are available on the websites of the bigger countries and one needs to simply adapt these to one’s needs. This is a useful first step, and connects with producing sector-specific guides for home exporters; commercial officials are seldom well-trained in such tasks – and clearly this should be a priority in training programmes – but it is possible to

learn on the job, and the very act of undertaking such tasks becomes a learning process. **Sujan Chinoy** describes this well in his essay (covering a range of economic promotion activities out of Shanghai and Sydney).

- *Consular work* – Often seen as routine, also throws up business opportunities, as evident in **Arjun Asrani's** essay (strongly focused on Japan, he also describes the role of official entertainment and teamwork at different locations).
- *Analysing the potential markets for the home country* – A simple method is to match the export basket of one's country with the import basket of the target country; this identifies the potential, the more so when it is matched with actual exports from home to that market. Next, one needs to identify the potential competitors and analyse their products that reach that market. That provides clear indication of the areas where one might concentrate, provided the price and other conditions are suitable. We see this in **Anup Mudgal's** essay (on the planned manner in which product lines were identified to pursue new markets in Mexico), and in the narrative offered by **A Gopinath** (covering the promotion of exports of meat and tea to Egypt).
- *In parallel, contact has to be established with the importers of the selected products or services, and sensitise them on what the home country might offer* – Often, this involves persuading them to visit the home country; it also helps to put potential importers in contact with existing local importers of other products, to overcome potential hesitation and other obstacles. **Harsh V Shringla** narrates well the local problems that have to be traversed (he writes about supplying granite from India for the Ben Gurion airport in Israel).

- *Credibility is also built when home exporters and manufactures take part in trade shows in the target country* – There is a whole set of craft skills pertaining to successful trade-show participation overseas. Some like the Indo-German Chamber of Commerce have built considerable expertise in this, and it pays a first-time exhibitor to read the available literature on the subject; the International Trade Centre at Geneva also has considerable material on this.

V S Seshadri's essay (on methodically exploiting the market for footwear in the US), illustrates the calculated manner in which trade shows can be used. It is often best to join an established trade show, rather than hold a single-country special event; in attempting the latter in an advanced market the key problem is always to get the right clients to come to one's event. In countries where a trade show culture is yet to be built up, or when one has a politico-economic compulsion to make a splash, it may also pay to hold one's own 'Made in India' type of special fair.

- *One option, not often tried out, is to permit an exporter to hold a small buyer-seller show on the premises of the embassy or consulate, if necessary, charging the exporter for any additional direct expense for this purpose* – The larger embassies now have their own small trade centers that can host such events. This adds to the credibility of the exporter and also incidentally builds the embassy's contacts with the home enterprises. All too often, government agencies miss out on the perspective of their domestic customers. Shiv N Malik's essay narrates how business perceives the role of embassies (particularly his experience in relation to important negotiations in Japan, as seen by the head of a public-sector enterprise).

- *Visits by business delegations are a key method for export promotion and for FDI mobilisation* – **Apoorva Srivastava** describes the way such visits can transform the perception of key decision-makers (she narrates the way business connections were developed with the French fashion industry). The embassy's professionalism is visible in the way such visits are planned; the effort to create a broad catchment of potential business partners eventually narrows down to a handful, for first business contacts and trial orders. It is the one-to-one meetings that lead to business, and this hinges on effective 'match-making' between the buyer and seller. On the other hand, when the exporter from home has built up business contacts, and aims at expanding business, the task is in many ways easier, in that the home exporter has already a good handle on his prospects, and needs little more than marginal or incremental help from the embassy.
- *In a bilateral relationship, each country takes care of its own export promotion* – Does this mean that one should do nothing in relation to the exports of the other country? While this cannot be a high priority, it is useful to remember that there exists a duality in commerce, the fact that countries are both exporters and importers. Thus helping with trade on a total basis makes good sense. That applies particularly to problem-solving, that is, in relation to helping business partners to resolve trade disputes. The old prescription might have been that official agencies might mainly act as facilitators, urging the disputants to work for solutions.

But consider **Amar Sinha's** essay (on the travails of an Indian software company in an unnamed Asian country); in some situations, embassies have to play a more vigorous role. This becomes essential when local businessmen marshal support from the local authorities,

to the point of misusing the legal process. Economic relations cannot advance if businessmen do not have confidence in one another's capacity to overcome problems as they come up, in the normal process of trade.

*Each point made above can be backed up by practical examples, and the essays in this collection bear this out in their own ways, in the real situations that arise in different country environments.*

### **Investment Promotion**

Mobilising FDI for the home country is the other major leg of economic promotion. The same mix of issues comes up as with pushing exports: establishing credibility; finding the first breakthrough; cultivating potential investors from the target country; organising business delegations; taking part in investment promotion events, and the like. Energy security is a growing preoccupation, and also entails focused actions, as described by **Deepak Bhojwani** (covering Indian oil diplomacy in Latin America), while **Jawed Ashraf** addresses this issue from a neighbourhood perspective (sketching the progress of the on-and-off hydropower projects with Nepal). Some of the embassy tasks are:

- Cultivating business chambers and industry associations on a permanent, ongoing basis is essential, especially when local companies are unfamiliar with the partner in an investor role. **S Swaminathan's** essay provides vivid insight (covering Indian investment in the Brazilian pharma industry). Embassies can facilitate visits by business and eco-political delegations from the target country. The latter especially includes visits of delegations led by ministers and local or provincial leaders, who very frequently now take with them

business delegations. It is not sufficient to say that the embassy of the counterpart country will take care of such visits; the embassy's contacts and credibility hinge on how effectively it supports such visits and smoothens their path.

- Even more than in the case of trade, investors are attracted by 'success stories' the more when they are narrated in honest terms by other foreign investors. Everyone expects the country seeking FDI, be it at an investment-promotion seminar or at a large business conference, to say good things about their home country. It is the narratives from other investors that are listened to with special attention. The embassy should invest effort into searching out such exemplars, and bringing them on board in their investment mobilisation efforts.
- World Bank studies, and the experience of successful investment promotion agencies from countries such as Ireland and Singapore has shown that the clinching element in investment promotion is sustained cultivation of selected target companies – sometimes called the 'rifle shot' method. Effort goes into making the determination as to the best targets to pursue; home agencies can help in this, if they have the skill and inclination, but even without that the embassy can act on its own initiative, using common sense, combined with real understanding of the scene in the target country. **Talmiz Ahmad** describes the manner in which the promotional role is played out on the ground (covering the intensive actions deployed in the UAE to obtain inward FDI).
- Embassies can also play a key role in improving the 'conversion rate' between investments that are approved by home authorities, and those that are typically implemented. Part of the reason for this gap between the two is that even after approval, some foreign

companies take time to move forward with the investment project; some projects are abandoned if business plans change. India has found that at times the actual conversion or implementation rate has been as low as 30 percent. The essential element is for the embassy to be in the information loop from the outset, when projects of a certain size are approved at home. In many countries, this simply does not happen, and it is part of the hiatus between the MFA's system and the other branches of government.

- As economic development moves forward, countries that were primarily recipients of FDI slowly morph into exporters of capital, venturing out to external markets with their own FDI. To start with, developing countries tend to focus on countries less developed than their own. Thus by the 1980s, Indian enterprises were investors in some African countries – for instance by that date in Kenya, three leading companies, Raymonds, the GP/CK Birla group acting through Orient Paper, and the Life Insurance Corporation of India were the principal investors in major projects, each of which was a remarkable success. Embassies usually do not have a large role when the FDI goes to developed markets.

But even major investors face situations when some form of government help is needed, as billionaire LK Mittal found in 2006 when he faced what was perceived as potential prejudice in his efforts to take over Luxembourg-based company Arcelor; the Indian government issued statements of support, and held meetings with European ministers in several capitals; the merger went through. We may be sure that Indian diplomatic missions played a role behind the scene. Generally speaking, in a globalised world, the principal actors handle mergers and acquisitions abroad in close

confidentiality. But missions have a role in assisting to sustain an enabling environment, with discreet intervention as needed by the home enterprise. These points connect with the issue of country image, as narrated in the concluding essay in this collection.

- Sub-state entities, such as provinces, cities and regions, and parts of countries often conduct their own activities to attract FDI. Most Indian states send delegations abroad, using the diaspora from their own regions as points of contact and as catalysts. But we have not moved to a situation where such entities establish their own overseas representatives or official agents for this purpose, as some rich and large countries have done. Embassies play a large role in dealing with these actors, assisting their delegations and dignitaries, both inbound and outbound.

*All countries and regions, rich or poor, strive to attract investments, given that it contributes to economic growth. Besides FDI, 'portfolio investment' and other forms of indirect investments that come in through the stock market or as private-equity contributions are also sought, but they have a lower priority because such investments are more volatile. Funds from abroad, invested in the home-capital market move in and out with rapidity, and are in the nature of fair-weather friends. They have a positive role, but are usually not the focus of promotional efforts.*

### **Technology Acquisition**

This is an understated area of promotional activity, not because it is unimportant, but rather due to the fact that it is usually the principals, i.e. the enterprises seeking or selling their technology that are in the best position to know their external market, and diplomatic missions are usually not in a position to do more than setting up an enabling environment,

or to help resolve problems. In one instance in Germany in 1994, when a major Indian enterprise ran into problem with the initial operation of a plant that incorporated technology from a major German enterprise, the embassy used its contacts with the latter's CEO to obtain a promise that no effort would be spared in overcoming that issue.

In the larger embassies that have science attachés, it makes sense to involve them with investment-promotion actions, and to harness their technical knowledge to identify the sectors that should be a priority, for inbound and outbound business delegations. In 2010, it was learnt that India was in the midst of expanding its network of science & technology counsellors in embassies abroad, from the existing low figure of four to more than double that number. That is timely. Usually, technology comes in with FDI flows, but in some cases a foreign partner prefers a lower form of collaboration, the technology or licensing agreement. This can be a major vehicle of partnership, and sometimes serves as a prelude to financial investments. We see this indirectly in several essays.

### **Aid Management**

In countries that are donors or recipients of external aid, the diplomatic establishment has a role to play. An increasing number of developing countries play both these roles. It is rather seldom that inbound aid is handled in the foreign ministry; usually it is the planning ministry, or finance, or an economics ministry that handles this task. In such situations, embassies keep up regular contact with the donor establishments in the country of assignment, but play a rather small role on substantive issues. But in relation to outbound aid, embassies identify potential projects, for financial and technical aid, and help monitor the implementation. Few developing countries have full-time aid specialists in their overseas embassies, though in the case of developed countries

that are major donors, recourse to such specialist staff is the norm.

Now that overseas funding is increasingly delivered via NGOs, in both the donor and recipient states, contact with such organisations is a priority task for embassies. That has the incidental advantage of widening the contacts of embassies, and deepening their understanding of socio-economic dynamics in foreign states.

Aid diplomacy also intersects with commercial diplomacy in the leverage it provides for trade, service and investment opportunities for the donor country. Thus export credits, as well as loans and grants given as ‘official development assistance’ (ODA) are directly linked with business for the donor, or have an implicit connection, even if in nominally such aid is ‘untied’. This also entails close connections between embassies and home enterprises, to suggest the projects, services and equipment to be furnished. **Navdeep Suri**’s essay and the one by **Gurjit Singh** (covering respectively India’s successful foray into Francophone West Africa and the management of technical aid as a driver of relations in Ethiopia) provide an authentic portrait of India’s aid diplomacy.

### **Regulatory Environment**

The increasingly managed nature of trade and other economic relations directly involves governments in issues that did not figure in bilateral and multilateral dialogue in the past. **Amar Nath Ram**’s essay captures well the scene from a key vantage point (covering a range of issues between India and the EU, as seen from Brussels). **Siddhartha Mitra** narrates the importance of bilateral free trade agreements (FTAs), as also the operation of the law of unexpected consequences; (he writes about India’s first bilateral FTA, with Sri Lanka, signed in 1999). **Leela K Ponappa** provides an insider view (describing

in fine detail the internal process and the negotiations behind that important FTA accord).

After 1995, the WTO is the focus of action on an array of economic regulatory issues, especially with the Doha Round of negotiations launched in 2001 remains unconcluded. The essay by **Mohan Kumar** covers this (sketching the picture as seen from Geneva, and the manner in which our diplomats strive to advance Indian interests).

### **Building Partnerships**

In the 2<sup>nd</sup> edition of the excellent guide *The New Economic Diplomacy*, the book's co-author and editor Sir Nicholas Bayne posits three major tensions as the drivers of today's commercial and economic diplomacy.<sup>8</sup> These are between: political and economic issues; state and non-state actors (NSAs); and public and private entities. As this book shows, these are among the connections that drive the manner in which economic diplomacy is practised on the ground.

Most of the activities sketched above entail extensive interactions between the official diplomatic establishment and non-state actors, both abroad and at home. This comes across in a number of essays in this collection, notably in the essays by **Tarun Das** (describing the working of strategic groups set up in recent years, composed of non-officials, for Track Two dialogue with key partner countries).

Abroad, the non-state partners include: business associations, plus enterprises that are engaged in economic interactions; thinktanks, universities, and institutes, not to forget business schools; media institutions; local associations that have connections with the home country, including groups of returned students and friendship associations; members of

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8 Nicholas Bayne, and Stephen Woolcock, *The New Economic Diplomacy: Decision Making and Negotiation in International Economic Relations*, 2nd edition (Ashgate, London, 2007)

eminent-person groups and other friends, and in effect any organisation that has the will and capacity to help. At home, the same spectrum of agents is available.

Furthermore, the very act of engaging such actors opens up prospects for the embassy to widen its connections, and work with them as much for economic as for other activities. All too often, it is the cross-connections between actors helping outside their main action areas that produce that synergy on which building bilateral relationships today hinges.

The diaspora can be a key associate in economic diplomacy, as some of the essays, and the personal experience of most diplomats bears out. In the countries where they are present in large numbers, this is self-evident. We see this in the role played by them at individual and at group levels, as narrated in some essays, such as the one by **Kishan S Rana** (sketching the role of diaspora and other non-state actors at San Francisco and elsewhere). Even in foreign capitals where only a handful of local resident compatriots are to be found, they are partners of choice, for the local knowledge they possess, and the leads they can provide in relation to opportunities, be it in the economic, cultural, or even the political arena.

Economic diplomacy connects closely with the country brand, because a country's trade and investment destination profile both contributes to, and is influenced by the reputation that the country enjoys internationally. Foreign ministries and their agents, the network of embassies, are directly concerned with this. It is another matter that in many developing countries a 'whole of government' approach either does not exist, or is under evolution. Image-building takes many forms, and works especially well when it takes the shape of 'PPPs'. We see this in **N Srinivasan's** essay (covering the role played by the leading industry association CII, acting with Indian missions in organising car rallies in the South Asian countries). **Rajiv**

**Bhatia's** essay on India's strategic partnership with South Africa looked at the economic and political context of a key bilateral relationship. Our collection is rounded off with **Som Mittal's** essay which covers possible areas of partnership between an industry and the Indian missions.

### **A Final Point**

Do all embassies function as sketched here? The cases covered in these essays do not always reflect the norm. At the same time, there subsist within the Indian diplomatic structure many unsung heroes, those that work hard to deliver value to the country and the stakeholders. In every system, identifying the best serves to inspire others, as an open demonstration of what is possible, and helps raise the bar for all.

From this perspective, some broad ideas can be offered. First, any kind of proactive action involves the risk of failure, or the possibility of being unable to achieve fully the set objective. That might lead one to conclude that inaction is risk-free, though in reality, inaction is as much a response as anything else; alas, most public administration systems do not identify, much less levy sanction against, the sins of omission. A good system ought to encourage proactive actions; it should guide its officials towards good judgment, through training and sound mentoring.

Second, motivation is at least partly connected with reward. While the very best officials are self-driven, some recognition for outstanding performance is good for any system. Given that the entire Indian promotion system is seniority-based, with no more than a mild seasoning of merit factored in, reward takes the shape of the assignments entrusted. In this respect, the Ministry of External Affairs (MEA) does well in entrusting key overseas assignments mainly to high performers,

with low regard to rank.<sup>9</sup> But better methods of reward are needed.

Third, MEA sorely needs to work out a good performance-management system, which would indirectly help to strengthen economic diplomacy. With the entire public administration system moving towards ‘output accounting’ – via the annual budget outcome reports that each ministry is now required to submit to the Parliament, this is a logical corollary.

The narratives that follow speak with both eloquence and persuasion.

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<sup>9</sup> The distribution of the 20-odd ambassadors in Grade I (equivalent to secretary to the Government of India) at any point in time shows this. More than a few are at salubrious but unimportant Western capitals, while embassies in key neighbourhood countries are headed by envoys in Grades II or even III.