

FUNCTION OF THE MINISTRY OF EXTERNAL AFFAIRS (MEA) IN INDIA'S ECONOMIC DIPLOMACY

Jayaramaiah G.M

Associate Professor

Department of Political science, Government First Grade College, Kadugodi, Bangalore

ABSTRACT

In simultaneous progress, the USA worked to promote its national interests through economic diplomacy. The Marshall Plan served as an iconic instance of fostering economic diplomacy in Europe. The USA's economic diplomacy has been marked by the "carrot and stick" approach. Simultaneously, during the cold war era, the formation of the World Bank [WB] and the International Monetary Fund [IMF], the oil shocks of the 1970s, and the creation of the New International Economic Order (NIEO) propelled the advancement of economic diplomacy.

Keywords : Economic Diplomacy, MEA, Challenges etc.

INTRODUCTION:

Foreign policy is a crucial component of a sovereign state framework and is viewed as the essence of a state's perspective in its international interactions. It serves as a tool for a nation to safeguard and advance its national interests. The primary focus of a nation's national interest stays the same, which is to protect its territorial integrity and sovereignty, improve the economic and social welfare of its population, foster opportunities for advantageous trade relations with other nations, and leverage soft power by promoting cultural assets. A nation's foreign policy is constantly changing, with the actions taken shaped by the current government. The responsibility for shaping foreign policy lies with the appropriate Foreign Ministry. The Foreign Ministry formulates the nation's foreign policy while considering various internal and external influences. India's foreign policy, similar to that of other nations, hinges on the fundamental tenet of safeguarding national interest. The Ministry of External Affairs (MEA) is the government body in India responsible for formulating and executing the country's foreign policy.

ECONOMIC DIPLOMACY

Diplomacy is an art. It is an art of conducting relationships for a gain without conflict. It is the chief instrument of foreign policy. The goal of diplomacy is to further the state's interests. The ability to practice diplomacy is one of the defining elements of a state. It is the method of seeking maximum national advantage without using force and preferably without causing resentment. Diplomacy stands accepted as the mainstay and the core process of relations among nations. The process of establishment of relations among nations begins effectively by the establishment of diplomatic relations among nations. According to Harold Nicholson, "Diplomacy is the management of international relations by means of negotiation; the method by which these relations are adjusted and managed by ambassadors and envoys; the business or art of the diplomat." In recent years, however, there have been noteworthy philosophical and theoretical swings in the study of diplomacy. Scholars have highlighted the necessity of understanding international relations outside the narrow state-centric security approach.

The outcome of this approaches has led to the diversification in the application of Diplomatic activities. The modern diplomatic practices has led to application of 'Soft' power approach,

operation of newer technological developments etc. In this aspect there has been shift in the study of Diplomacy. The diplomatic theories which were purely based on political aspect of state relations has started to give prominence to economic aspect of state relationship. This has given rise to importance of Economic Diplomacy. Essentially diplomacy of any country focuses primarily on political diplomacy. It means to say that diplomats are primarily engaged in political relations. The stronger the political relations between countries the closer is the relations in other areas including economic. In the recent decades the study of diplomacy has shifted from focus on the diplomacy of economics to study of economic diplomacy. Accurate definition regarding Economic Diplomacy is hard to find. Broadly speaking, Economic Diplomacy can be defined as formulation and advancing policies relating to production, movement or exchange of goods, services, labour and investment in other countries. According to the Association of Indian Diplomats, *“Economic diplomacy is the art of serving economic security and strategic interests of a country using economic instruments in the conduct of state-to-state relations”*.

OBJECTIVES OF ECONOMIC DIPLOMACY:

For many centuries, military power and power politics outweighed in international relations. As time grew the need for diversification in diplomatic activities ascended. The primary intention of States in developing diplomatic relations was just to protect its boundary. This primary concept has outgrown its purpose. The need of the day is to persevere diplomatic activities with an intention to accelerate the nations' economic growth. This can be achieved if the objectives of the Economic Diplomacy are successfully achieved. The primary objective of Economic Diplomacy is to advancement of trade and investment; to get access to energy requirements of the country; to achieve set goals in multilateral trade negotiations; to influence economic and commercial policies of the host country; to take steps for avoiding any conflict with foreign governments, economic actors and business class in home countries; to utilize different for available to project the Brand Image of the country, etc.

ORIGIN AND DEVELOPMENT:

The phenomenon of economic diplomacy is not new. It has been in vogue since very long time. Research into the historical records confirm that their existed rigorous trade in the ancient civilisations of Egypt, Rome, India etc. It was regulated by the trading contracts. The beginning of commercial diplomacy between the European states in the 19th century or the 'dollar diplomacy' or 'cheque book diplomacy' of the USA in the early years of the twentieth century, can be sighted as the first instance of modern economic diplomacy.

Later on, the Japanese were the ones, who used the economic diplomacy to gain access to foreign markets and tried to win friends. Thereby, the concept of Economic diplomacy was first mooted by the Japanese. Due to its defeat in the Second World War, Japan had lost its importance in comity of nations. It was sidelined in international politics politically, militarily and in other traditional areas of diplomacy. To counter it the Japanese gave emphasis to internal economic development. This led to rapid growth of the Japanese economy mid-1950s and a concurrent growth in demand for resources and markets. The Government of Japan headed by Nonose Kishi, then formulated the concept of economic diplomacy and actively implemented it in its relations with South-east Asia.

In the parallel development, the USA made efforts to advance its national interest through economic diplomacy. The Marshall Plan, was a typical example of promoting economic diplomacy in Europe. The economic diplomacy of the USA has been characterized by the "carrot and stick" policy. At the same time, during the cold war period, the creation of the World Bank [WB] and the International Monetary Fund [IMF]), the oil crises of the 1970s

and the establishment of the New International Economic Order (NIEO) gave stimulus to the growth of economic diplomacy.

Since the end of the Cold War, international politics has entered a relatively peaceful stage, and economic interdependence has become the primary feature of international relations. This development has led the comity of nations to carry out its diplomacy with associated economic interests. While, on the one hand, the developing countries are hoping to secure aid and attract investment through economic diplomacy, on the other hand, the developed countries hope to expand their influence and maximize their economic interests. The developing countries are in constant endeavor to gain access to developed countries market to sell their primary products.

INDIA'S ECONOMIC DIPLOMACY:

Economic diplomacy has always been integral to India's foreign policy. Strengthening of the institutional and organisational base, growth of status of economical diplomacy in the system of authority is observed practically everywhere. The underlying philosophy behind India's economic diplomacy approach is the same which guide India's foreign policy. Nehru remarked in 1948 that India is committed to internationalism, wherein all countries contribute to the rapid evolution of a new and just economic order under which all nations can live without fear or despair. The functions are expanding, the quality of work is improving, and the number is increasing of the trade and economic missions of the country in the field of support of overseas trade activities, lobbying of interests of domestic companies abroad, trade and political assistance, mobilisation of effective external resources on development purpose.

The Indian discourses on foreign and economic policies tended to be compartmentalised in the past. Economics played a different role then. The quest for hard currency was a major foreign policy concern. Indian missions in the developed world had to ensure that there was enough aid flowing through bilateral and multilateral channels to bridge the foreign exchange gap. Negotiating cheap and reliable oil contracts with producer countries was another task. India took the lead in articulating the need for collective self-reliance and raising the demand for a restructuring of the international economy to suit the needs of the developing countries.

In the early years after independence Indian Heads of Mission concentrated mostly on political work, leaving whatever little economic work was there to specially appointed "commercial representatives." These representatives were drawn from the Commerce Ministry and the Finance Ministry. As the need for of economic diplomacy grew it was thought necessary to appoint a "Super Ambassador" to oversee economic work in the whole of Western Europe in the late fifties. The processes of globalisation have almost completely demolished the distinction between political and economic work. Ever since, India liberalized her economy in 1991, her economic interests as well as economic diplomacy have assumed larger profile in conduct of foreign policy. The economic diplomacy objectives for India revolve around five key goals- to secure market access for its goods and services; ensure global labour mobility; develop physical connectivity that ensures energy and resource security; prevent restrictions on free flow of data, and ensure access to technology and knowledge for Indian industry. Overall, the 1991, economic reforms by which India's economy oriented toward liberalization, a market-based economy and privatization has increased the scope of India's diplomatic priority. It has to support domestic economic reform and create a favourable international environment for its economic development.

CHALLENGES BEFORE THE MEA:

India's rapid economic growth has facilitated its efforts to integrate into the global community. The integration to global economy has led to few challenges to overall governance of India. In particular, it has widened the scope of activity of the Ministry of External Affairs. The expanding economy has increased India needs to import a huge amount of energy and mineral resources every year. It has augmented a bigger role in international fora's by actively participating in global multilateral governance, and preparing to actively undertake international responsibilities. However, with its rapid economic development, the challenges has diversified. Issues like energy security, sea route security, free trade and cooperation have deepened as and the Indian economy got liberalised and globalised. For instance, Energy security considerations have moved India from being a mere buyer of petroleum products to a major investor in equity oil around the world from Sakhalin to Sudan.

EFFORTS OF THE MEA:

With the onset of liberalisation the Ministry of External Affairs (MEA) realised that the MEA's turf and specific responsibilities in international economic affairs needed to be properly defined, identified and carved out. In this direction, in 1995, the office of the Secretary, Economic Relations was created. Thereafter Economic diplomacy and the four divisions, *inter alia*, dealing with Multilateral Economic Relations(MER), Bilateral Economic Matters (ED), Technical Cooperation (ITEC) and Investment Promotion (IPU) were set up. Apart from it the economic desks in the MEA was restructured. The Ministry has been in regular interaction with our Missions, relevant ministries, apex chambers of commerce, commodity boards, media, ITPO (Indian Trade Fair Authority). In the Foreign Investments Promotion Board (FIPB) and other bodies, of which it was a member, the Ministry has been providing value addition through its unique political perspectives. More recently the Ministry has created the States Division, which coordinates the efforts of the State governments of India to seek foreign investments. Also, through its Public Diplomacy Division (XPD), various brochures, books and pamphlets information is disseminated throughout the world.

The Task Ahead:

Economic diplomacy scholars focus on the role of diplomatic actors and the linkages, activities and institutions in which they work as they seek both to create and manage economic interdependence and dependence. Diplomats are key players in negotiations to establish market rules and regulations, the dissemination of norms and cultures in the international economy, the promotion and implementation of economic policies, and the advocacy of public and private economic interests.

In this directions, certain reform suggesting measures are suggested by few think tanks, which includes:

- Raising of officer strength in MEA in Delhi in the next few years even as we wait for staff to grow over time with higher levels of initial recruitment;
- Need to follow up domestically through better inter-Ministerial coordination and with state governments on the multiple opportunities for economic engagement which have opened up;

Further, a study by former diplomats under the aegis of Association of Indian Diplomats have suggested the following reforms for Indian Economic Diplomacy. The report emphasized on

proper training at the entry level of the IFS officers; Increase in the Cadre strength of the MEA; Restructuring the Mission Abroad to encounter the present economic globalization challenges; Coordinated with Trade and Industry Organisation like FICCI, CII etc; giving importance to energy security needs and changes to Aid Diplomacy; Rigorous involvement of the Indian Diaspora in India's economic outreach etc.

SUMMARY:

In overall, the restructuring of the Indian economic system since 1991 has necessitated the need for the governmental organisation to meet the challenges of global order. This is increasing been understood the Ministry of External Affairs. The Ministry has more or less been gearing up to meet the challenges, but more reforms is needed in this direction.

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