... issues of trade; issues of investment, of science, of agriculture; issues of the environment, of transport, crime-fighting, drug-busting, all these things have now interrupted the traditional world of diplomacy.

... It is increasingly difficult to distinguish between what is political in diplomacy and what is economic, and indeed, whether there is a dividing line between the two which has any validity at all.¹

Seen from this perspective, the economic liberalisation measures undertaken by some states in the post-Cold War era should not be merely assessed in terms of their domestic priorities but also in terms of their impact on the conduct of foreign policy.

An outward economic orientation which the liberalisation measures called for indicated that states were interested in obtaining 'clout' in international arena by becoming economic powers of consequence. While domestic economic prosperity and strength were certainly the immediate objective of these reforming states, their medium to long term objective was the desire to obtain sufficient influence in the global arena. Therefore, economic liberalisation, apart from having direct effects on some aspects of foreign economic policy, has had certain inevitable foreign policy consequences, even if they are categorised as 'second-order foreign policy effects'.²

¹ Christopher Meyer, "The Future of Diplomacy", available at http://Britain-info.org/bistext/embassy/24mar98.stm...
Under the circumstances, liberalising states cannot avoid a shift in their emphasis as they struggle to move from a purely politico-strategic perspective to that of an economic/functional one. This in turn would also force them to search for new diplomatic instruments to achieve their altered foreign policy goals. While some states have been more skilful in adapting to these requirements, others have been slow to grasp the imperatives of multi-dimensional diplomacy.

**Brief outline of the chapter**

This chapter discusses the restructuring of economic diplomacy in a post-modern environment where traditional state-to-state diplomacy is being fragmented and made more complex due to the participation in international economic relations of a growing number of non-state actors and an increasing number of other government ministries. Non-state actors like Business Diplomats and Transnational economic NGO Diplomats, with their multitude of transborder alliances, and pressure groups have added to the traditional domain of economic diplomacy a “supraterritorial relations” component thereby partially undermining the sovereignty of states in conducting international economic relations. At the same time, faced with globalisation and competition for foreign direct investment as well as with the growing influence of international economic standard setting organisations (WTO, ITU, ILO etc), many countries have come to expect that diplomats specialised in Economic Diplomacy and Commercial Diplomacy more effectively serve their national interests in the economic and business spheres. The Ministries of Foreign Affairs need to expand their institutional capabilities in dealing with non-state actors and other government ministries and learn to manage the multiple boundaries of today’s complex economic
and political realities. Economic diplomacy each day is more relevant than the traditional diplomacy of power politics. Important issues like: trade agreements between European Union and USA, tariffs agreements between European Union and MERCOSUR and also a depth knowledge of Multilateral regimes such as: WTO, UNCTAD and UNIDO are important reasons to identify and train a new type of diplomat – The Trade Diplomat.3

We live in a world where more and more business executives and government officials have to work and negotiate with people from other countries. These countries have different laws and institutions, follow different business practices, speak different languages, and are influenced by different cultural norms. The new global economy has created a demand for business executives and government officials who can manage complex international economic relationships effectively. Corporations need executives who can negotiate joint ventures, contracts and sales agreements with foreign-based companies, as well as manage relationships with a wide range of governments around the world. Governments need officials who can negotiate agreements and who can help to resolve conflicts among nations in a wide range of commercial, social, environmental and other domestic issues related to trade.

Business executives and officials who deal with international commercial issues require a new kind of professional training in the public and private conduct of commercial diplomacy. This new breed of commercial diplomat combines the role of diplomat with the role of economic manager.4

Many of the problems and opportunities that arise in international commerce inevitably have a political dimension. For this reason, success requires not only an ability to deal with economic issues but also an ability to navigate political and legal channels and to help mold public opinion globally.

Commercial diplomacy is the work of public officials from Foreign Ministries and overseas missions and officials from other government departments such as Trade/Commerce as well as private economic actors in support of the business and finance sectors of the economy. Commercial diplomacy involves the promotion of inward and outward investment and the promotion of exports in trade. The whole chain of policy analysis, policy-making, advocacy, and negotiations leading to international agreements on international trade and investment issues has come to be referred to as commercial diplomacy. The field of commercial diplomacy is practiced by a variety of professionals including trade policy makers, trade negotiators, private industry representatives and many other players who have a stake in policy decisions affecting international trade and investment.

This chapter seeks to bring forth the modifications in the traditional concept of diplomacy with the evolution of the idea of commercial diplomacy. This is done by analyzing the changed relationship between economics and diplomacy, by focusing on, shift from geopolitics to geo-economics and the notion of ‘competition state,’ which tries to address the renewed relationship between business and state. The next section brings out the meaning and scope of the area of commercial diplomacy followed by tracing a theoretical approach to the issue area. The chapter concludes

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with addressing a new subject, ‘privatization of commercial diplomacy’ which brings out the role of business chambers in international trade negotiations. Finally, Indian case study on commercial diplomacy is analysed.

**Evolution of Commercial Diplomacy**

Viewed earlier as a peripheral activity best left to commercial secretaries and specialists from other departments, the building of trade and economic relationships has moved to the center of diplomacy. This is an interesting turn of the wheel of history. Even a couple of decades back, commercial diplomacy was seen as a “black hole” by diplomats pursuing a fast-track career, and paled in comparison with political work. But if we go back to the origins of diplomacy, like the recently transcribed Amarna archive clay tablets of Middle Egypt of the period 1460–1220 BC, and the extensive trade that existed in subsequent centuries among the countries and civilizations of Egypt and West Asia, we see that trade provided the first motivation for inter-state contacts and agreements. Another example is provided in the spread of colonialism in Asia, following Vasco Da Gama’s journey to India in 1498, and Europe’s “discovery” of the riches of the East Indies. Again the flag followed trade.

Today, diplomatic services place virtually equal emphasis on political and economic work. Rich countries and developing nations alike consider the mobilization of inward foreign investments (FDI) and export promotion as the essence of advancing interests in foreign countries. Over a dozen nations around the world use the

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Australian and Canadian model of an integrated ministry that handles foreign affairs and external trade; others like UK have achieved similar unity of action with joint new structures that handle trade and investment promotion through the embassy network, under the direct charge of the Foreign Office. Thus economics is a major component of contemporary “integrated diplomacy”. In a word, economics permeates diplomacy. In the same way that law was seen as the foundation of diplomatic studies in the past, economics is now the sine qua non of contemporary training. (Example: Germany now attracts more economists than law graduates in its diplomatic service.) No diplomat can afford not to master this so-called “dismal science”, both to understand the dynamics of world affairs, and to integrate economics into all his work. At headquarters, politics and economics are intertwined in bilateral and multilateral work. In the embassy, every diplomatic official, regardless of work domain, must weave into his or her job the economic perspective in the same manner that he or she also keeps an eye on the political dimension.

The US–China relationship, in the way it has developed in the past 20 years, is one outstanding example of the way economics becomes a driving force in shaping political relations. Each time the US administration or the Congress has considered human rights issues or the Taiwan issue in a manner that is contrary to the interests of Beijing, US business lobbies that are fixated on that country’s immense market potential, become active to “safeguard” their export interests. This is one way economics becomes a driver of political relationships.9

A different example is provided by the way India–US ties have evolved after India’s nuclear tests of May 1998. The non-proliferation concerns of the US some European states, and Japan had led to the imposition of an explicit policy of economic “sanctions”. Gradually these sanctions have been modified and lifted, at least in part because of the business attraction offered by this “Big Emerging Market”.¹⁰ In both cases astute eco-political diplomacy has been marshaled by the country affected, to neutralize adverse political circumstances, using also wide networks of non-state constituencies, especially the corporate communities within the other nation.

A shift from Geo-Politics to Geo-Economics

The merit of being first at predicting this shift from geopolitics to geo-economics probably goes to some well-known academic authors, such as Paul Kennedy, Jeffrey Garten, Edward Luttwak and Lester Thurow, at the end of the 80s and the beginning of the 90s. The project of ‘Europe 92’ and the emergence of Japan and the Asian Tigers as economic powerhouses in those years contrasted sharply with the relative decline of American economic strength. With varying emphasis these authors were the first to claim that international relations would inevitably evolve into competing economic blocs. Power relations would no longer be determined by military might but by economic weight.¹¹

Against the background of an American recession, the officials of the first Clinton administration were probably influenced by the argument. Economic concerns, as the above quoted newspapers rightly suggest, clearly came to the


¹¹ Ibid p- 32
forefront of American diplomacy in the beginning of the 90s. According to the former State Secretary of Foreign Trade Pierre Chevalier: 'don't forget: trade is war.' In world trade everything is being used to conquer or maintain market shares. Pierre Chevalier's quotation above is one among many references to globalisation as the main explanation for the prominent role governments play in export promotion today. Another line of argument explains that growing international competition, considered to be the companion of globalisation, forces governments to offer increasingly competitive conditions for international companies to invest. In order to secure foreign investments and high-qualified jobs, governments need to enter into negotiations with transnational companies, presenting themselves 'if not as supplicants then certainly as suitors seeking a marriage settlement'.

**Competition State**

Political scientists have developed the notion of 'Competition State' in order to describe what is said to represent a changed relationship between states and business. The objective reality is that the modern global corporation has a power and reach that rivals all, but a few, modern states. Size is a measure that invites comparison. While market capitalization and Gross Domestic Product (GDP) are measurements of different indexes, both are clear indicators of size. When comparing the GDP of the world's nations with the market cap of the world's top companies, what one sees is striking. In Africa, literally from A to Z, the world's largest

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14 G.F. Kennan, Diplomacy without Diplomats', *Foreign Affairs*, 76, 1997, pp.198-212;
companies dwarf the economies of countries on the sub-continent. Angola’s GDP is $7 billion; Zimbabwe’s is about $8 billion. South Africa’s GDP, which is the sub-continent’s largest, is $162 billion. Tanzania has a $7 billion GDP. The world’s top five corporations, in terms of market cap, are General Electric at $542 billion, Intel at $416 billion, Cisco Systems at $395 billion, Microsoft at $322 billion, and Exxon/Mobil at $289 billion. With such size comes a power to impact on the fortunes of countries disproportionate to what historically was believed to be possible. In the same way one country’s foreign policy can affect the domestic policy of another country; likewise the corporate policy of a global corporation can affect the domestic policy of a country. At the most basic level, a global company’s decisions can literally change a country’s economic course overnight.

In the present global environment, corporations are much less creatures of national identities than they were in the past. This is the case because of the increased importance of worldwide markets and worldwide operations. In 1993, General Electric generated 16.5 percent of its business globally, McDonald’s did 46.9 percent, Nokia did 85 percent, Toyota did 44.6 percent, and Wal-Mart did no business beyond the domestic market. By 1999, General Electric did 30.1 percent, McDonald’s did 61.5 percent, Nokia did 97.6 percent, Toyota did 49.5 percent, and Wal-Mart did 13.8 percent of their business outside the US. With the increased importance of worldwide markets has come an increase in worldwide operations. According to some estimates, somewhere in the neighborhood of 90 percent of America’s white collar and clerical jobs could be outsourced to other countries over the next ten to fifteen years.

As a result of this phenomenon, the Government of India projects that as many as fifty million new white collar jobs could be created there. Political leaders and corporate chieftains, and corporate boards and government bureaucrats, need to become more effective in operating at the nexus where politics and business meet. If they do not, the effect will be felt on the economic growth of countries and the growth of corporate profits.

**Commercial Diplomacy; Meaning and Scope**

Commercial diplomacy is diplomacy with a commercial twist—diplomacy designed to influence government policy that affects global trade and investment. Commercial diplomacy encompasses the analysis, advocacy and negotiating chain leading to international agreements on the increasingly diverse set of trade-related issues. The number of people involved in making and influencing trade policy has grown in tandem with the number of issues covered by trade negotiations. In the past commercial diplomacy was concerned largely with negotiations over tariffs and quotas on imports. In today's more interdependent world, trade negotiations cover a much wider range of government regulations and actions that affect international commerce. They cover, for example: tariffs, quotas, and customs procedures, health, safety, and consumer and environmental protection standards, regulation of such service industries as banking, telecommunications and accounting, laws concerning fair competition, bribery, and corruption, Industry specific subsidy programs such as agricultural support programs, trade-related investment measures, policies affecting foreign investment and foreign exchange controls, also historically "domestic" policy issues, such as taxation and immigration policies.
Commercial Diplomat

The primary practitioners of commercial diplomacy are trade officials, who are charged with solving trade problems created by government policy actions and negotiating international trade and investment agreements. Commercial diplomacy skills are also required of officials in many other government departments and ministries with trade-related responsibilities—covering foreign affairs, finance, agriculture, industry, labour, health, the environment, and the regulation of banks, telecommunications, air transportation, or the licensing of professionals. The same skills are also required of managers in international government relations departments of industry associations, corporations, unions and non-governmental organizations. These organisations frequently have a stake in the outcome of trade policy decisions, and therefore play a role in the domestic and global political advocacy and coalition-building process which usually precedes government-to-government negotiations on international trade and investment issues. Skill in commercial diplomacy is required of corporate managers posted in foreign countries, who must interact extensively with the host government on a broad range of regulatory issues, and officials in international organizations dealing with global trade, investment and trade-related regulatory issues.

Commercial diplomacy has become so important in recent years because:

- Trade and foreign investment have consistently grown faster than domestic output in most developed countries since World War II and therefore now constitute a significant share of the GNP of those countries.

- The more recent adoption of market-oriented economic reforms and export driven growth strategies by most developing and former communist countries...
has served to integrate these countries more effectively into the global economy.

- The globalization of production through the outsourcing of components and business services has multiplied the need to coordinate closely the activities of enterprises in many different countries.

- The negotiation of new regional trade agreements to eliminate barriers to international trade and investment—agreements such as the European Union, Mercosur, and NAFTA has significantly expanded the role and impact of trade agreements.

In fact, in the aftermath of the Cold War, trade agreements have become the principal means of strengthening political relationships and security ties among countries. This is further accelerating international cooperation on a wide range of domestic policies and issues. Commercial diplomacy is therefore an increasingly important skill for government officials, issue advocates, and business managers who need to interact with their foreign counterparts on a day to day basis.

The most visible commercial diplomats are those who work in ministries of trade and industry—those who negotiate international trade and investment agreements and resolve policy conflicts that impact international commerce. Officials in other government departments and international organizations that have a stake in trade policy, including those concerned with foreign affairs, finance, agriculture, industry, labour, health, environmental protection, bank regulation, telecommunications, air transportation, and the licensing of professionals, also require commercial diplomacy skills, however. Finally, professionals and managers in a wide
range fields, require commercial diplomacy skills. They are corporate government-relations departments, overseas subsidiaries that interact with host government officials on a regular basis, Industry associations, Unions, and Non-governmental organizations.

Because these individuals have a stake in the outcome of trade policy decisions, they engage in the domestic and global analyses, and advocacy and coalition-building processes that precede negotiations on international trade and investment issues. In order to influence this process, they need to be able to understand and address the economic impact of trade policy decisions. To be truly effective in this area, the commercial diplomat must utilise the full range of political advocacy tools and techniques to obtain government decisions favorable to the stakeholders he or she represents.

Evolving an Approach to Commercial Diplomacy.

In a growing number of countries diplomatic systems are being overhauled so that the commercial activities of diplomatic services have been centralised, the commercial activities of diplomats have been extended, and business interests have been formally integrated within diplomatic systems. These changes result directly from the tendency of governments to reorganise, and in many cases merge, their trade and foreign ministries, as well as the strategy of building formal business-government links within diplomatic institutions. 16 While none of these features is unfamiliar to previous diplomatic systems, what is exceptional is the relative neglect

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of the commercial aspects of diplomacy within diplomatic studies. This lack of attention to the commercial and business elements of diplomacy in traditional theories of diplomacy means, trying to analyse contemporary changes to diplomatic organisation and practice without a suitable conceptual and analytical framework. Highlighting the significance of a political economy approach to diplomacy, and also engaging with orthodox approaches to diplomacy, this section begins to develop some analytical and conceptual tools to better identify, explain and understand changes in diplomatic systems as well as the increased influence of private interests in diplomatic practice now under way.

This section deals with the changes in diplomatic practice and organisation in a growing number of states: more specifically, the emerging importance attached to commercial elements of diplomacy. In North America, Europe, Southern Africa, and Asia, commercial diplomacy has become a foreign policy priority of various governments. To implement this new policy emphasis, governments have restructured their diplomatic institutions in a number of ways. Some states, for example Canada, Australia and Belgium, have reformed their organisational structures in quite dramatic fashion by merging their trade and foreign ministries into one department. Others, such as the United Kingdom (UK) and the Czech Republic, have created new joint bodies of these two ministries to coordinate commercial diplomacy. Other countries with combined trade and foreign ministries include Albania, Austria, Fiji, Republic of Korea, Mauritius and New Zealand.

At the centre of these new diplomatic structures we find formal business-government partnerships. Such partnerships are also present in states that have not
introduced organisational reform, such as the United States (US), South Africa, Germany, Norway, Brazil, Sweden and Tunisia, and are evidence of the widespread prioritisation of commercial diplomacy in the international objectives of an increasing number of states. The development of formal business-government linkages within government as well as increased government spending in support of business interests are now a common feature of commercial diplomacy. In sum, governments are reorganising their diplomatic systems so that commercial activities are far more centralised and the commercial activities of diplomats are extended. More crucially, new diplomatic practices based upon the ascendancy of business interests within diplomatic systems have begun to emerge.

With such changes already established in many countries, and under consideration in many others, we may well be witnessing substantively significant changes to the practice of diplomacy in the twenty-first century: changes that are fashioned by commercial interests. The key features of this diplomacy are, first, it combines the economic and the political at both domestic and international levels. Second, government-business partnerships have become the key organising principle as well as an attribute of the state in the world economy. Third, the public interest is conceptualised as a collective expression of private interests. Some of these features are common to most diplomatic systems of the Western and non-Western world. What is uncommon, however, is the recognition of these features in the 'canon of diplomatic studies', rendering them present-but-invisible in most accounts of the theory of diplomacy and practice. Thus, while orthodox diplomatic studies might usefully explain traditional interstate high

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17 By canon of diplomatic studies we mean the body of work written by scholars largely from the UK and the US that forms the core reading material for diplomatic studies courses in UK and US universities.
politics in bilateral and multilateral settings, it fails to identify, explain and understand many changes to diplomatic systems and in particular the increased influence of private interests in diplomacy which is of growing relevance today.

The current diplomatic system - a system in which commercial activities predominate in terms of the relative percentage of resources spent on them - challenges a number of inferences that are core to the dominant view of diplomacy found in the canon of diplomatic studies. These include structural inferences such as the separation of politics and economics in diplomatic processes and the conceptualisation of diplomacy as an autonomous political process as well as an attribute of the general political interest in the international political domain. Also included is the stronger inference that traditional diplomacy is the privileged domain of professional diplomats, conducted almost exclusively by Foreign Service personnel and officials from Foreign Ministries. We thus find ourselves conceptualising and analysing a diplomatic system that is at variance with the chief intellectual tenets of diplomatic studies. The challenge now is to develop a way of conceptualising and analysing diplomacy that can identify, explain and understand these sorts of changes to diplomatic practice.

Let us first assert that diplomatic practice is and always has been much more than the traditional interstate high politics that it has largely been portrayed as, and in so doing rejects the implicit novelty of commercial diplomacy contained within traditional accounts. This is not to conclude that nothing has changed. Instead, the argument is that commercial diplomacy has always been an integral part of diplomatic practices, but that its form is currently undergoing restructuring, that is, the relationship between

In order to make such an argument we will proceed as follows. First, we will recount the traditional and popular account of diplomacy; that is, diplomatic relations are the very stuff of 'high' politics. Such an account is flawed because it is a partial, indeed singular, rendering of a more complex and multifaceted history of diplomatic practices. An explanation for this myopia is found in the way the academic relationship between diplomacy and International Relations (IR) is constructed. Thus the second part of this section concerns itself with how hegemonic interpretations of international relations serve to impose a contrived understanding of diplomacy. The dominant interpretation revolves around a series of dichotomies that mask alternative 'origins' of diplomacy and diplomatic systems. Third, clearing the ground for a political economy approach, we will recount some alternative origins of diplomatic practices, and thus their historical form. In order to explain the continued relative neglect of these alternative accounts we engage with the theme of IR as an ongoing discourse. Once this is done, we will be in a better position to analyse the contemporary changes in diplomatic institutions first highlighted. The conclusion presents these as changes contained within an unbroken diplomatic tradition of ongoing public and private engagement, something that has been obscured by the predominant rationalist approach found in the diplomatic studies canon.

In approaching diplomacy in the first instance as containing political and economic elements, analysis is then able to focus upon changing public-private
relationships within state structures. We could then begin to address crucial issues which as yet have largely been ignored, remain paradoxical or unanswerable, in the current diplomatic studies outline and justify the need for a political economy approach to diplomacy. These would include for example: the changing institutional structures of national diplomatic systems, normative issues regarding the relationship between private business interests and the public interest, the reconfiguring of diplomatic actor identities as private actors become officially involved in diplomatic processes, discourses of a profession in peril.

The neglect of the economic dimension of diplomacy in orthodox studies has proved particularly costly in the study, for example, of the impact of non-state actors in multilateral and bilateral diplomacy. The scope for international business groups such as the International Chamber of Commerce, the World Economic Forum, and the Transatlantic Business Dialogue, to influence multilateral diplomacy at the international level has grown with the creation and development of, for example, the GATT/WTO, the United Nations and economic summits.\(^\text{19}\) And at the domestic level, there is a much broader scope of methods of bilateral diplomacy than is suggested by orthodox studies as a result of public-private networks found in the diplomatic services of many countries.\(^\text{20}\) Equally, orthodox studies tend to lose sight of the important expert and technical advice provided by epistemic communities who enjoy formal authority in


multilateral and bilateral diplomacy especially since economic negotiations have become more technical and complex on issues such as intellectual property and services.\(^{21}\)

Commercial Sections of Foreign Ministries and overseas missions, as well as Consuls, have always had an important role to play in commercial diplomacy. It is, however, Consular Sections of Embassies and Consuls that are most commonly associated with overseas commercial activity. The functional distinctions between the Consular Service and the Foreign Service have been reinforced historically by the development of entirely different career tracks for Commercial Officers, Consuls and the Foreign/Diplomatic Service in most if not all countries. The former were, and remain, the poorer cousins while the latter is the home of the high-flyers and also, perhaps more importantly, recruited from the social elite. Indeed, social and cultural factors have been significant factors in the perseverance of an irreverent attitude towards the commercial aspects of diplomacy. In the late nineteenth century and early twentieth century diplomats (who in Europe were predominantly from aristocratic family backgrounds) held the world of commerce (seen by diplomats as a middle-class world) in social contempt. These social and class divisions added to the prominent perception within Foreign/Diplomatic Services that Commercial departments were 'black holes', by high ranking diplomats who were horrified by the prospect of wining and dining middle-class businessmen and the downturn in their careers that commercial postings signified.\(^{22}\)

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Some of those who study diplomacy tend to view commercial diplomacy in a similar vein, seeing commercial work as peripheral rather than central to diplomatic practice.23 Yet if we adopt a deeper historical reading of international relations and make use of a broader range of diplomatic memoirs as well as government documentation, we can reveal a diplomacy that is multifaceted and much more inclusive than the orthodox literature on diplomacy suggests. These sources indicate that diplomatic activity covers many issues - not least economic and commercial issues - and that far from being a departure from traditional diplomacy, economic and commercial aspects are rudimentary to ancient, modern and contemporary diplomacy.

The misrepresentation of commercial diplomacy

In the partial and exclusive rendering of diplomacy that is most commonly given, the wider activities of diplomats - and especially their commercial work - are seen as departures from the more serious concerns of diplomats. The notion that the effectiveness and stature of 'traditional diplomacy' is being reduced as new issues encroach on to the diplomatic agenda is an all too familiar concern of the scholarly response to these changes.24 It was, for example, a key topic for discussion around a short report titled 'Diplomacy: Profession in Peril?' at a recent Wilton Park conference held in London.25

Several personal accounts of diplomacy given by active or retired diplomats record what is mostly the high political content of diplomacy, presenting an incomplete record of their work. Nicholas Henderson's diaries of his service as British Ambassador in Warsaw, Paris, Bonn and Washington from 1969 to 1982 provide perhaps the best example of this. While Henderson claims to show that diplomacy is the management of a 'whole range of practical everyday matters between states', he provides few details of the daily work of the Embassies and their huge staffs. And while there is plenty of incidental mention of commercial work - visits to local industries, trade fairs and the like - there is no attempt to present this as a significant and integral part of diplomatic practice despite the importance to British trade interests of Paris, Bonn and Washington. How sharply this contrasts with, for example, the description of the work of the British Embassy in Iran covering some of the same period. Ambassador Anthony Parsons argues that his Embassy was dominated by commercial work:

"By the end of 1975 I had, with the approval of the Foreign Office, reorganised the Embassy staff to meet our priorities. First came export promotion in all its aspects - dealing with the flood of business visitors and commercial enquiries, helping to organise trade promotions and trade delegations, seeking new commercial opportunities and feeding them back into the export promotion machine back home".

Similarly, retired Indian Ambassador Kishan Rana states that during his career 'I found that over fifty percent of my time was devoted to economic work'.

It is certainly difficult to make much sense of these differing accounts of what comprises everyday diplomacy in the modern era. Like Henderson, most diplomats focus

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almost exclusively on the political content of diplomacy when describing the work of the
diplomat. Also held over from the early twentieth century is the habit of discussing
commercial work in pejorative terms. Henderson, for example, refers to commercial
activities as 'humdrum'.\(^{29}\) Again, contrast this with Rana's statement that commercial
activities are 'one of the most exciting arenas of modern diplomacy'.\(^{30}\)

Of course, what we are identifying might be contrasting individual circumstance
and interests. Yet the evidence of both Rana and Parsons suggests that Henderson, and
others, might well be doing diplomats a disservice by presenting only a partial account
of the everyday work of the Embassy and binding diplomatic identity to a narrow political
schema.

That commercial diplomacy may be uninteresting, is not the key issue for us. What
is at issue is the inaccuracy that attends the representation of commercial work in the
diplomatic studies literature. It simply does not make analytical sense to discuss
diplomatic practice without recognising that commercial diplomacy makes up a
significant part of diplomatic work. Nor does it make analytical sense to relegate
commercial work as a diversion from, or a degeneration of, traditional diplomatic
activities and concerns.

Modern diplomacy cannot be understood as separate functions but instead needs
to be analysed as multifaceted work in which specialist tasks such as commercial work
and information work are interrelated; so much so that it is often impossible to distinguish

\(^{29}\) Henderson, Mandarin, M.F. Herz, 'Making the World a Less Dangerous Place - Lessons Learned

\(^{30}\) Rana, Inside Diplomacy, p. 126.
between the many activities of a diplomat. Members of the UK Diplomatic Service complained, for example, that the 'Duncan Report on Overseas Representation' had mistakenly divided commercial work into political and economic components rather than seeing commercial diplomacy as a composite activity involving both. This, some diplomats claim, led the Duncan Committee to exaggerate the benefits of encouraging private sector involvement in trade promotion (by recommending an increased role for UK Chambers of Commerce). They concluded that the Duncan Committee undervalued the role of professional diplomats in trade promotion. Even diplomats, therefore, are critical of the tendency of outside observers to limit diplomatic identity and processes to the political aspects of their work.

In a practical sense, in most posts, diplomatic missions are simply not involved in the affairs of high politics. At places other than, say, neighbouring capitals, and to some extent the capitals of the major or regional powers, the political relationship is a given and does not call for more than exchanges of views on significant global/regional issues and bilateral developments. Perhaps the most useful account of the multifaceted nature of diplomacy is provided by Lord Trevelyan who describes the diplomat as 'an economist, a commercial traveller, an advertising agent' who '... continues to have a basic political job.' The composite nature of diplomacy and the integration of political and economic interests in diplomatic practice is nowhere more striking than in the Levant area from the late sixteenth to the early nineteenth centuries. In 1582, direct agents of the Levant Company became British diplomats and, until 1805 (when the British government took

over), the company paid the entire costs of providing a diplomatic service in the area.\textsuperscript{34} According to historical accounts, these diplomats combined the roles of royal representatives and commercial agents with assuredness.\textsuperscript{35}

Indeed, they were generally considered more effective in representing both national and trading influences than the regular officials of the General Consular Service. Similarly, the English East India Company and the Dutch East India Company forced the flag to follow trade throughout the East from 1600 to the early nineteenth century.\textsuperscript{36} In the UK 'the search for new markets and new distributive systems had been a national priority' and meant that the company's ship commanders, such as William Hawkings, were 'entrusted with all diplomatic negotiations'.\textsuperscript{37} These composite characteristics are also evident elsewhere and especially in formative US diplomacy.\textsuperscript{38} In the eighteenth century, debates on isolationism between Hamilton, Jefferson and Madison focused on questions of appropriate balance between minimal political connection and maximum commercial relations.\textsuperscript{39} Much later, the historian Williams described the newly independent US as a 'mercantilist state' and highlighted the policy of 'open-door

\textsuperscript{34} A. Woods, 'A History of the Levant Company' Oxford University Press, Oxford 1935.p274
imperialism' to describe shifts in emphasis in US diplomacy from territorial expansion to the promotion of free trade to secure open markets.⁴⁰

In sum, a closer reading of diplomatic memoirs as well as official documentation, and a deeper dip into diplomatic history, reveals a diplomacy that is multidimensional. These sources indicate that diplomatic activity is primarily concerned with the building of economic and commercial relations and that it is sometimes concerned with political relations. Thus, far from being a departure from traditional diplomacy, the economic and commercial aspects are fundamental to it.

Commercial diplomacy: present-but-invisible

Key to our discussion about commercial diplomacy is why it should attract so little attention; certainly, at least, for the scholars of diplomacy, and those who study international relations. At one level, given many of the similarities between the subject-matter of international relations and diplomacy, this mutual inattention appears unremarkable. However, at a deeper level of analysis there is a more informative relationship to be teased out between IR and diplomatic studies. For us, this scholarly marginalisation of commercial diplomacy arises from deeper and more structural reasons than an arbitrary decision about what or what not to study. We argue that the sources of this neglect are found in the way in which both diplomatic studies and IR more generally, conceive of their fields of study. It is within the dominant discourses about what, who, and how to study, that this paradox of commercial diplomacy's

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⁴⁰ W.A. Williams, A William Appleman Williams Reader: Selections from His Major Historical Writings (edited with an introduction and notes by H.W Berger (Chicago, IL: I.R. Dee, 1992)
simultaneous presence-but-invisibility is explicable. In moving towards explaining this paradox, this section of the chapter develops an account of how its dynamics are reproduced by its adherence to the dominant IR approach - rationalism.

There have been two themes running through and informing our arguments so far. First, a historically open-ended interpretation of the nature of international relations, and second, the interdependence of the various spheres of social life. In other words, these other sources of social power are also significant to the study of world affairs, rather than just (one particularly narrow definition of) political power. Moreover, in keeping with the first theme, the manner in which these different elements interact varies through time. These two themes - the historically constituted nature of international relations, and the pervasive significance of socioeconomic factors - tend to be absent in rationalist approaches to IR which, as we will show, inform orthodox diplomatic studies.

Focusing upon these two themes allows us to highlight a series of dichotomies that sustain the particular picture of diplomacy and international relations. Namely, one of political relations between states where 'diplomatic theory is the constitutional theory of a state-system' and diplomatic practice is mostly a process of high political negotiation. This renders much of what goes under the mantle of world affairs invisible and fails to provide a full account of diplomatic practices that includes, for example, the building of bilateral economic relations through the promotion of inward and outward investment as well as export promotion. We identify three dichotomies in particular, which operate to reproduce the orthodox rendering of IR and diplomacy:

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these are the international/domestic, political/economic, and public/private, and in each conceptual opposition it is the former term that is privileged. Hence IR and diplomacy are the study of the international realm of states (public, political power). As such, the three dichotomies 'work' in a mutually supportive manner. For IR and diplomacy the study of the domestic, economic and private is simply not the stuff to help resolve the problems of anarchy. However, a key point amongst critics of this particular constitution of IR and diplomacy is that these conceptual oppositions are unsustainable. They are artificial constructions of an otherwise contingent whole. They render a partial account of origins and required practices while silencing alternatives.

One of the ways to understand the present-but-invisible status of commercial diplomacy within most diplomatic studies is to examine its intellectual history, and in particular the imprint of rationalist thinking on theories of diplomacy. This imprint is most evident in the statist approach underpinning the conceptualisation of diplomacy in this literature. The statist approach sees diplomacy as the study of the international realm of sovereign states and public political power, with the purpose of diplomacy being to overcome anarchy and facilitate peaceful relations. Or, as Watson expresses it, 'to reconcile the assertion of political will by independent entities'. Indeed, it is the very fact of anarchy that, according to most theories of diplomacy, warrants the emergence of a diplomatic system.

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The modern idea of diplomacy

Making distinctions between politics and economics, between private and public, and between international and domestic, diplomacy is generally conceived of in two ways. Broadly defined, diplomacy is a process of communication, negotiation and information-sharing between sovereign states. More narrowly defined, diplomacy is also a foreign policy instrument that belongs (almost exclusively) to states in an international system of anarchy. As a process of communication, negotiation and information-sharing, diplomacy largely revolves around the activities of professional (public) political actors and representatives of the state working in foreign ministries, permanent residencies or in international organisations.

However diplomacy is defined, the consensus view is that it has a constitutive function; it is a means of ordering the relations between states. In its most elevated status, diplomacy is 'essential to the difference between peace and war' and the 'bulwark against international chaos' as well as an ordering principle that can create balances of power.45

Thus conceptualised, the study of diplomacy, as both process and policy instrument, is primarily focused on states and is concerned with the conduct and content of interstate relations and foreign policy. It would be wrong to say, however, that this is the exclusive focus of diplomatic studies. Recently, there has been discussion and recognition of the widening content of diplomacy and also of the emergence of non-state actors as diplomatic agents as well as diplomatic actors found in other government departments. But the literature on these new areas of diplomacy - environmental diplomacy, public

45 Adam Watson, Diplomacy: The Dialogue between States, Eyre Methuen, London: 1982, p. 15
diplomacy and commercial diplomacy - has not found its way into the mainstream of diplomatic studies which still largely concerns itself with what Marshall calls the political foreground.46

This is not to argue, however, that diplomatic studies lack a dynamic approach to diplomacy. Existing accounts of diplomacy have readily and accurately identified diplomacy as a changing process in which diplomatic practice and methods are subject to adjustment in response to both systemic and domestic factors. These include the overall increase in diplomatic activity and the new practices and processes - such as summit diplomacy and multilateral diplomacy - which have emerged in response to factors like the increase in the number of states in the international system and the development of international and regional organisations. Further examples of dynamism are the numerous efforts to increase the professionalism and efficiency of diplomatic processes, which have led to the increased application of new technologies in diplomacy such as the recent innovative use of web pages in consulates and overseas embassies. We could also point to factors such as the greater level of public scrutiny of diplomacy and the increased involvement of government actors from outside Foreign Ministries and Foreign/ Diplomatic Services. As a result of these technological and organisational dynamics, modern diplomatic practice routinely involves rapid communications, less secrecy and increased informal public involvement, increased involvement of officials from other government departments as well as private actors. But while there has been widespread recognition and detailed discussion of procedural and substantive changes to diplomacy, this has not developed into a series of new discourses

46 Marshall, Positive Diplomacy.p163
within contemporary diplomatic studies. The conceptual framework of diplomacy, the
definition of diplomacy and the systemic environment of diplomacy has been constant
in diplomatic studies from initial days of study to date. In essence the very idea of
diplomacy - that it is a dialogue between states in an anarchic systemic structure of
independent political units - has not changed all that much during some three hundred and
fifty years of scholarship. The concern of this section is with the analytical obstacles this
perpetuity poses for understanding and explaining significant but neglected areas of
study that emerge when the political meets the economic - such as the interaction and
contest between public and private interests within national and diplomatic systems.47

How might this idea of diplomacy be explained? Where does this idea itself
originate? The predominant idea of diplomacy emerges in the various historical accounts
of the development of diplomacy that assign prime significance to the diplomatic system
of the Italian city-state system in the evolution of what is called 'modern diplomacy' that
now operates around the world. With very few exceptions, most descriptions see the
simultaneous emergence of the Italian city-state system and the first organised
diplomatic system in the mid-fifteenth century.48 This historical reading establishes the
idea that diplomacy is constituted by, and also constitutes, state sovereignty. State
sovereignty, in turn, constitutes the anarchic systemic structures characterised by the
separation of the domestic from the international, the economic from the political, and
the private from the public.

47 Jennings and Hopkinson, P. Marshall and N. Ayad (eds.), The Dynamics of Diplomacy,
The Italian city-state system of 'feverish competition between the small Italian states' emerges as the system that leaves a permanent imprint on the evolution of modern diplomatic practice. In his classic work, Harold Nicolson describes how the fall of the Roman Empire created a vacuum of political authority in which 'physically weak' states looked to 'diplomatic combinations' for their defence. Here is the classical realist explanation for the emergence of organised diplomacy and a balance of power.\textsuperscript{49} For example he argues that in the Italian system 'Policy ceased to be stated in the sharp alternatives of obedience or revolt, but became a question of adjusting rival ambitions' and 'it was then that professional diplomacy became one of the branches of statesmanship' and then spread across Europe. Others take Nicolson's description as a given, and proceed to argue that the Italian system became the first organised diplomatic network in the history of the international system 'formed on the basis of a system of interstate relations recognisable as the direct ancestor of the one which exists today.

We can also note the rationalist ontological source of diplomatic studies in its explanation for the transhistorical nature of this system since the mid-fifteenth century. The system of diplomacy that emerged in this era is seen not only as the first diplomatic system in history, but it is one that would have a permanent imprint on diplomatic practice in the twenty-first century. This historical moment in the mid-fifteenth century, a moment that brings forth the unison of state sovereignty and an organised network of diplomacy, itself gives rise to an important conceptual schema - the prominent line that Europe is central to all international relations. From this point the power politics of

\textsuperscript{49} Nicolson, \textit{The Evolution of Diplomatic Method}, p. 30.
Europe becomes the core empirical and conceptual focus of diplomatic studies (and IR) until at least the beginning of the twentieth century, if not beyond. This euro-centrism is evident in the mentors of the theory of diplomacy - Callières, Kissinger, Nicolson, Richelieu, and Wicquefort. 50

The political economy of diplomacy

The prominent line of argument in the canon of diplomatic studies that sees a constitutive relationship between diplomacy and state sovereignty, as well as a constitutive relationship between diplomatic systems and an anarchic system of sovereign states, emerges from a particular reading of history that is informed more by rationalist inferences than by empiricism. In contrast to the arguments presented in this article, this orthodoxy fails to recognise, let alone explain, the commercial activity of diplomats as a core element of diplomatic practice. This is because the traditional approach to diplomacy privileges political transactions and neglects economic transactions. As a result a key analytical difficulty has always been present in diplomatic studies. Namely, the conceptual framework of much of the diplomatic studies literature means that it is ill-suited to the study of commercial diplomacy in general. Therefore, by corollary, it is also ill-equipped for a more particular study of the changes to diplomatic practice currently underway in several countries.

To shift to an approach that seeks to understand and explain these significant changes we need to think about diplomacy in a post-rationalist framework. Broadly speaking this requires ontology based on open-ended historical narratives of diplomacy that does not tie diplomacy to the state and the anarchy, but rather sees diplomacy as a

50 Anderson, The Rise of Modern Diplomacy, pp. 2-3

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means of connecting cultures, economies and states in order to build and manage social relations at domestic and systemic levels. Thus a political economy of diplomacy would identify changes to diplomatic practice as products of the interaction of economic and political, as well as cultural, discourse at domestic and systemic levels in particular historical periods.\textsuperscript{51}

Specifically if we are to understand and explain the functions and content of diplomatic practice we need to do what political economy does. We need to analyse social formation in diplomatic systems; that is, we need to disaggregate diplomatic systems so that we see diplomacy not as an instrument of an autonomous public actor (the state) but as an aggregate of public and private interests within the state similar to Jessop's strategic relational conception of the state as a social relation.\textsuperscript{52} In this way current diplomatic practice then becomes a product of current aggregates of interests, the precise mix of which varies in time producing changes to diplomatic practice. In this way we might explain current reforms to diplomatic practice in terms of moves by private interests to use public political authority (the state) to control the market.

Thus a political economy of diplomacy goes beyond the particular and narrow sense of the political, to a position where we recognise that \textit{economics matters} in diplomacy. Not that we would wish to privilege economics in any essentialist manner, rather we see the necessity of integrating the political and the economic approach in order to help identify the \textit{linkages} between public and private actors and interests - that is, the relationships between public and private within diplomatic systems. Then changes to


\textsuperscript{52} B. Jessop, \textit{State Theory: Putting the Capitalist State in its Place Cambridge: Polity}, 1990. p145
diplomatic practice can be understood in terms of changes to public-private relationships within states that vary through time.

Adopting such an approach not only brings advantages to diplomatic studies, it also adds to our understanding of the international political economy in that it forces a recognition that agents - that is diplomats - are significant actors and part of a dense, yet unexplored, network of market actors in the world economy. After all, current commercial diplomacy - the promotion of inward and outward investment as well as exports - involves the search for competitive advantage in the world economy by diplomat-business alliances. An International Political Economy agenda that includes analysis of current diplomatic practice with its emphasis on commercial diplomacy may well expose the connections between human agency and systemic transformation and stability - and thus add to debates about the relationship between structure and agency in IPE. By identifying diplomat-business alliances as significant actors in the world economy we are, to use Robert O'Brien's phrase, 'rediscovering human agency'\(^{53}\) and moving beyond the state-centered focus of some leading scholars in IPE.\(^{54}\) In recognising relationships between business and diplomats, an IPE agenda that includes the study of current diplomatic practice would also contribute to current IPE debates such as that over the 'privatisation' or 'marketisation' of the state and the issue of state capacity within the world economy.\(^{55}\) Thus we would claim that a political economy approach to diplomacy has a double

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advantage - it adds to the theoretical and empirical utility of diplomatic studies as well as IPE.

Because of the predominantly rationalist approach to diplomacy - an approach that is based largely on a statist reading of international relations - much of the diplomatic studies literature is unable to perceive, let alone analyse, the commercial elements of diplomacy. Thus to date, commercial diplomacy has suffered a present-but-invisible status within diplomatic studies. This blindness produces a partial disclosure of what constitutes diplomatic practice. By using diplomatic memoirs, government records as well as alternative studies of the origins and development of diplomacy, we can overcome this blindness and provide ample evidence of the significance and continued presence of the commercial elements in diplomacy. Indeed, contemporary changes to the institutions and practice of diplomacy have created a diplomatic practice in which the balance between the commercial elements and political elements of commercial work has swung very much in favour of the former.

At present there is a clear disjuncture between the theory of diplomacy and diplomatic practice. Most diplomatic theorists would have us believe that diplomacy is the stuff of high politics, yet we know that this position obscures the practice of a diplomacy that is far more complex and multifaceted. Not only do we know this intuitively, diplomats and official government records tell us that this is so. More significantly, we also know that commercial elements of diplomacy have always been embedded in diplomatic practice; diplomats have always undertaken commercial activities. As long as theories of diplomacy continue to divorce market relations from political relations
when understanding international relations, there is always the danger of masking the commercial elements of diplomacy.

In this section we have shown the necessity of adopting a political economy approach that integrates market relations with political relations and thus conceptualises diplomacy as a continuous political-economic dialogue. Focusing upon the key characteristics of the contemporary changes - the development of new institutions and the formal inclusion of business representatives and thus business interests - is important. Not because it helps us reach artificial conclusions about the demise or resilience of traditional diplomacy, but rather because it provides a means to identify and understand the change in public-private relationships within state structures - an issue that is already of current academic concern within IPE but much overdue in diplomatic studies.

Privatising Commercial Diplomacy.....

In the United States and the European Union, important aspects of commercial diplomacy are undergoing a gradual process of privatisation. New institutional arrangements permit private groups (predominantly industry associations and firms) to petition for the initiation of trade disputes, propose agenda items for multilateral negotiations in the World Trade Organization, and even conduct negotiations on regulatory reform outside the customary state-to-state channels. These institutional innovations—the United States' Section 301, the European Union's Trade Barriers Regulation, formal and informal consultation processes surrounding WTO negotiations, and the Trans-Atlantic Business Dialogue—are not neutral in the domestic-level competition over protection and free trade. They are mechanisms that
empower exporters alone, and not all equally. While reshaping the international politics of trade policy, the movement toward privatising commercial diplomacy raises questions about states' allocation of influence among competing interest groups, industries, and social classes.

The story of "privatised" diplomacy begins with Section 301 of the US Trade Act of 1974, which provided a mechanism for private parties to petition the executive branch for the initiation of negotiations intended to reduce foreign barriers to US exports. While Section 301 was initially easy to dismiss as a mere outward projection of American protectionism, it has since served as a model for European mirror legislation in the form of the Trade Barriers Regulation (TBR), through which private parties can petition the European Commission to initiate negotiations with foreign states over barriers to European Union (EU) exports. Along with these developments, the Transatlantic Business Dialogue (TABD) has emerged as a forum for private (company-to-company) negotiations on proposals for trade-related regulatory reform that are submitted jointly to the governments of the United States and the European Union. Section 301 and the TBR provide private parties with access to the standard (state-to-state) diplomatic channels, while firms participating in the TABD not only initiate but also carry out negotiations.

These institutional developments are worthy of study for a number of reasons. First, while industry influence on trade policy is far from novel, institutionalised access


58 Ibid
of this type is a relatively new and evidently growing phenomenon. Firms and industry associations in many states have long had access to petition processes for "defensive" (protectionist) measures such as anti-dumping, countervailing duties, and safeguards, but the US and European petition processes under Section 301 and the TBR give industries access to "offensive," market-opening measures, putting the state in the role of an actual (versus merely figurative) agent of sectoral interests. 59

Second, the European and American experiences of "privatised" diplomacy are different in a number of interesting respects, not least in the greater frequency of use of 301 versus the TBR, and it is worth exploring the origins of these differences.

Third, cases under 301 and the TBR are carried out in the shadow of, and frequently within, the dispute settlement procedures of the World Trade Organization (WTO). In this respect the two policy measures exhibit a richer and differently sequenced set of political interactions than those customarily treated in the theoretical literature on two-level games. There, heads of state initiate agreements, legislatures exercise ratification power, and interest groups, when they appear at all, serve to advise the legislature on its ratification decision. In 301 and the TBR, following a broad legislative delegation of authority to an administrative agency (the US Trade Representative in the US, the Directorate-General for Trade in the EU), interest groups petition for initiation of negotiations, administrative agencies undertake negotiations without need for legislative ratification, and in many cases the rival claims of the relevant states end up being adjudicated by an international institution.

Finally, there are some normative issues to rise about privatised diplomacy, above and beyond the claims of "aggressive unilateralism" and camouflaged protectionism leveled, not unjustly, at Section 301. Watchdog groups suspicious of industry influence have reviled the TABD as a subversion of democracy (Ralph Nader's group Public Citizen, with characteristic subtlety, has labeled it the "Tricky Alliance of Business Dictators"). Hysteria aside, it seems hardly likely that an organization composed of chief executive officers of multinational corporations would act in the public interest except by coincidence. There is reason then to ask how influential this group has been and is likely to become, and to explore countervailing tendencies that might offer a similarly institutionalised means of interest-articulation to interest groups other than business.

Commercial Diplomacy; Case of India

The economic liberalisation measures unveiled by the government sought to push the country into the global mainstream with a view to transforming India into an economic power of consequence. Much of the anticipated success of this new aim depended on an integrated strategy of bringing economic and foreign policies closer. Prompted by Prime Minister Narasimha Rao, who was keen that 'the Ministry of External Affairs (MEA) and Indian embassies abroad should pay more attention to the economic and technological aspects of foreign relations, instead of getting mired in the abstractions of speculative political analysis', the Economic Division within the

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MEA was reorganized to handle three specific tasks: (a) the management of bilateral economic relations and the Indian Technical and Economic Cooperation (ITEC) programmes; (b) the management of multilateral economic relations with international organizations involved in developmental, social, economic and technological issues affecting India; and (c) the effective and objective-oriented projection abroad of India's economic reforms and the restructuring of the Indian economy to ensure positive responses and inputs from the international community. For the first time the Foreign Secretary became a regular member of the Foreign Investment Promotion Board (FIPB) and an ex-officio member of the Apex Committee of Secretaries dealing with economic policies. 

Fresh thinking, albeit at a rudimentary level, on the subject of commercial diplomacy seemed to be taking place along with an effort to revamp certain institutional arrangements. Apart from long-established divisions in the ministry to deal with economic issues, an Investment Publicity Unit (IPU) was set up in the 1990s specifically to disseminate economic information and coordinate the economic and commercial activities of Indian Missions abroad in the light of the reforms under way in the country.

The commercial offices functioning in Indian missions abroad were expected to provide yet another institutional base to promote India's trade and investment with the outside world. As a result of the reforms the Ministry of Commerce (MOC) in consultation with the MEA has been engaged in restructuring

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62 Ibid.
and streamlining the Indian commercial wings with a view to making them more
efficient and productive.\textsuperscript{63}

Apart from the fund allocated by the MEA towards publicity, which
includes trade-related activities, the MEA and Indian missions have also helped to
put in place several joint business councils (JBC) and related initiatives with key
industrialised countries.\textsuperscript{64} These exist with all the G-7 states and they have facilitated
bilateral interactions. Indo-US JBC has organized three summits in different zones of
India, such as the east, south and the west. They have helped revolutionize the
perceptions of foreign investors and have led them to better appreciate the
opportunities available in the country.

In the opinion of a former India diplomat, the economic reforms and the era
of globalisation have left an indelible mark on diplomacy.\textsuperscript{65} In the Indian context it
means that the reforms make it imperative for diplomacy to create a conducive
external environment to facilitate the reform process. A sustained effort therefore
must be made to derive the maximum benefit out of bilateral relationships to promote
the country's economic interest. Political diplomacy and economic interest at the
moment are not fully integrated, but they must be more smoothly merged so that
there is better coordination between the two even if interests span across more than
one ministry. Just as the 1973 oil crisis led to a sense of urgency and quick follow-up
measures by Indian missions to market projects and boost Indian exports, the

\textsuperscript{63} \textit{Annual Report 1999-2000.} Ministry of Commerce and Industry, GOI, New Delhi.

\textsuperscript{64} Rana, \textit{Inside Diplomacy}, pp.53-4.

\textsuperscript{65} P.M.S. Malik, 'The Face of India's Economic Diplomacy: The Role of Ministry of External
Affairs', in \textit{India Foreign Policy: Agenda for the 21st Century} Indian Foreign Institute, New
Delhi: 1998, p.239.
liberalisation measures make it essential to register the causal link between reforms and India's external standing.

Although these measures are indicative of the seriousness with which commercial diplomacy is regarded, there is really no clear-cut decision-making process at work. The MEA and the MOC are definitely the key players, but beyond that the contours of decision-making are not identifiable. As a former Special Secretary (Economic Relations) in the MEA observes:

'A major prerequisite of a successful foreign economic policy has to be the arrangement of a structure for policy-coordination which would ensure that India's trading and expanding economic interests are adequately covered and served. This would require that the Ministries of Commerce, External Affairs, Finance, Industry and Labour are held jointly responsible for the formulation of policies as well as negotiating strategies on the variables of international financial, trade and technical norms and regulations. While the need for this has been accepted in theory, there has always remained a considerable gap in its actual execution in practice, arising out of considerations of turf and personal ambition.'

66 Harish Kapur, India's Foreign Policy, 1947-92: Shadows and Substance, Sage publishers, New Delhi, 1994, p.60.

Multiple Actors and Multi-Layered Diplomacy

At another level, a closer relationship between government departments and the private sector has developed which is indicative of a positive shift in the attitude of the foreign policy bureaucracy towards the business community.

Economic liberalization and reform programmes created new norms under the terms of reference by which the bureaucracy started functioning. The interaction between the government departments and the private sector became more
cooperative, more frequent and more positive. The FICCI, CII and the ASSOCHAM leaderships played a very important role in bringing about this transformation.\textsuperscript{67}

This provided for the involvement of the private sector in India's foreign economic policy to some extent. The Confederation of Indian Industry (CII) has been assiduously engaging important members of the diplomatic community resident in India to market the available investment opportunities. With the establishment of 'CII International' last year traditional economic diplomacy has gained a significant player.\textsuperscript{68}

No less remarkable is the fact that every high powered ministerial visit abroad has begun including an influential group of business leaders. These business delegations have grown larger and larger. Even at multilateral forums like the Group of 15 meetings, special efforts are being made to provide opportunities for businesses to showcase their products. The ministerial visits abroad are not confined to the ministers of the central government alone. State governments have also become active participants in publicizing the attractions of their states as appropriate destinations for foreign investment.

**Challenges and Impediments**

This part began with the observation that Indian foreign policy had somewhat altered its goals with its emphasis on a more purposeful promotion of India's economic interests abroad, for which Indian diplomacy was to be pressed into service. But the challenges for Indian diplomacy are several. To begin with, officials

\textsuperscript{67} Business News-India Today Online, 3 Jan. 2000.

hold divergent views about the promotion of commercial diplomacy. Institutional inadequacy is also a handicap and the third problem relates to the policy discontinuities of the political executive (coupled with the vested interests of the bureaucracy in some cases) which have to be constantly rationalised and explained to foreign audiences without making India look ridiculous. This is a tall task.

In considering the nature of India's commercial diplomacy one comes across several interesting observations by Indian diplomats. One is the extreme view that Indian commercial diplomacy is practically nonexistent. The other is a moderate view which claims that a noticeable beginning has been made in this area but a lot remains to be done to make the Indian missions abroad sensitive to this dimension of diplomacy. Yet another opinion is that there is no point in talking about economics blunting the edges of awkward political relations, especially with those countries with whom India has serious territorial disputes, particularly Pakistan. According to this view, unless the territorial issues are resolved first no realistic commercial diplomacy is feasible at a bilateral or regional level. It is argued that unless politico-strategic issues are amicably settled not only will the scope for functional cooperation remain limited, but it will also be unable to provide any spillover effect of the sort seen in regionalization efforts like that of the European community. It is pointed out that precisely because of this; initiatives like the South Asian Preferential Trading Arrangement (SAPTA) have remained non-starters. In other words, the distinction between high and low politics cannot be wished away.

69 Kripa Sridharan, *The ASEAN Region in India’s Foreign Policy* Dartmouth, Aldershot, UK, 1996.p256
Not having had a 'trading state' tradition, by which a nation attempts to augment its influence through economic means like trade and aid, Indians probably find it hard to take to commercial diplomacy as naturally as perhaps the British, who have always regarded trade and finance as diplomatic instruments. The younger Pitt is said to have stated: 'British policy is British trade.' As a matter of fact, the colonial experience where the flag followed trade in an unsavoury manner, highlighting the seamier side of commercial penetration, may very well have had the opposite effect of making this kind of diplomacy an object of derision in India. The East India Company syndrome, which needs no elaboration, sums up the disparaging attitude towards commercial initiatives by foreigners who want to set up business in India. Notwithstanding such misgivings, the imperatives of integrating the Indian economy with the global economy are nudging the policymaking community towards a more open mind on this issue. Therefore, the recent attempts to project India's foreign economic policy in a way that would make the country an important international player have become standard diplomatic fare. But proclamation is one thing and implementation an entirely different game. There is a noticeable gap between the two in the way in which India has gone about implementing its foreign economic policy.

Of late, a great deal of concern has also been expressed about the ineffective way in which Indian diplomacy deals with vital multilateral trade issues. Indian diplomacy has been consistently at a loss to manage deftly such multilateral trade

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negotiations as in the World Trade Organization (WTO). Although India was part of the Uruguay Round's final agreements signed at Marrakesh, it failed to get its interests protected on intellectual property rights and exports of goods and services. Indian diplomats are out of depth when it comes to handling and monitoring WTO activities and in using its dispute settlement mechanisms to challenge non-tariff barriers affecting Indian exports and other discriminatory trade practices.\textsuperscript{72} India's lack of proper negotiating skills was reportedly once more in evidence during the WTO meeting in Doha, where it started off by proclaiming textile export quotas as the core issue but ended up tamely pushing it to the sidelines under pressure.\textsuperscript{73}
