

**Proceedings of the Training Programme on  
Economic Diplomacy**

**Jaipur, India, March 24- 26, 2014**



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## **Introduction**

CUTS International organised a training programme on “Economic Diplomacy” for middle/entry level officials in Jaipur, during March 24-26, 2014. The Department of Commerce, Ministry of Commerce and Industry, Government of India through the Centre for WTO Studies is supporting these programmes, which seeks to fill the vacuum that exists in terms of institutional base for economic diplomacy.

This programme brought experts/resource persons together to explore and deliberate various aspects of economic diplomacy. Over a period of three days the participants were able to sharpen their skills on economic diplomacy through lectures, real life experiences of resource persons, simulation exercises, group discussions, etc. And at the end, participants acknowledged that learning with which they were enriched from the programme was extremely valuable. Based on the feedback received from the participant and resource persons, the programme was successful in terms of:

- quality of participation;
- resource persons;
- resource material; and
- administrative and logistical arrangements

## **Objectives**

- To meet the imperative of having trained government officials at various levels who are involved in economic diplomacy;
- To ensure coherence between India’s domestic economic policies on the one hand and its present international commitments and future economic opportunities on the other; and
- To develop/strengthen the capacity of relevant government officials in economic (particularly in trade and investment) diplomacy relating to bilateral, regional and multilateral negotiations.

## **Scope**

The programme covered the following areas related to economic diplomacy:

- Introduction to Economic Diplomacy: It covered the evolution and scope of Economic Diplomacy and interaction between various key stakeholders, such as ministries/departments; trade promotion bodies; commerce chambers and sectoral associations; Indian embassies; foreign missions; non-state actors
- Group discussion on a case study developed on Department of Commerce Challenge Fund to Indian Embassies for trade and investment promotion activities. A set of ‘issues’ were posed for discussion

- Presentation from the Group discussion wherein participants presented on ‘how the Challenge Fund has worked and how it can be improved’ and there was discussion on their presentations.
- Domestic Regulatory Environment for Effective Economic Diplomacy
- Group discussion on a case study on the major roles and responsibilities of various domestic stakeholders for promoting trade and investment
- Group presentation by participants what, why and how to address the relationship between Ministry of Commerce & Industry and other relevant sectoral ministries/departments and foreign missions for promoting trade and investment’ and there will be discussion on their presentations
- India’s Strategy on Trade and Investment Negotiations
- Group discussion on a case study on trade-offs in trade and investment negotiations and how to analyse trade-offs through cost-benefit analysis was prepared. A set of ‘issues’ were posed for a simulation exercise.
- Group presentation followed which ‘results of their simulation exercise – what trade-offs they have considered, why and how they have arrived at those trade-offs through cost-benefit analysis’ and there was discussion on their presentations.

## **Participants**

The programme was attended by 15 officials from the Ministry of Agriculture & Cooperation, Ministry of Environment & Forests, Ministry of Road Transport & Highways, Department of Electronics, Ministry of Communications & IT, Ministry of Power, Department of AYUSH, Department of Animal Husbandry, Dairy & Fisheries, Department of Biotechnology. These officials have been handling work related to promotion of trade and investment and negotiations on various bilateral, regional and multilateral issues in their respective territorial divisions. The list of participants is attached herewith as *Annexure 1*.

## **Resource Persons**

Resource persons comprised of eminent experts and practitioners in the field of economic diplomacy and related matters, which included:

- Kishan S. Rana, Former Indian Ambassador to Germany and Professor Emeritus Diplo Foundation
- Sanjeev Ahluwalia, Independent Consultant on Economic Regulatory Issues
- Bipul Chatterjee, Deputy Executive Director CUTS & Faculty in Diplo Foundation programme on Economic Diplomacy

## **Opening (Day 1)**

**Pradeep S Mehta**, Secretary General, CUTS International warmly welcomed all the participants to the programme and presented a brief background of CUTS International. In his opening remarks, he highlighted the need for placing greater emphasis on Economic Diplomacy as universally recognised and emphasised that politics may no longer drive economics as economics is increasingly driving politics. Economic considerations are at the forefront of efforts to achieve foreign policy goals. Countries have been slower in recognising this than others have been disadvantaged especially those in the developing world and India is learning its importance.

Mehta articulated that Economic Diplomacy, therefore, is not about trade negotiations but it entails promotion of trade & investment; achieve objectives in energy security and realisation of political objectives through economic action by subsuming commercial activities. Its footprints extend to intergovernmental multilateral agencies, such as the WTO, World Bank, the International Monetary Fund, United Nations Conference on Trade and Development, United Nations Development Programme, and agencies active in economic affairs, joint commissions and other bilateral and regional groups that deal with economic activities, issues relating to aid, technology, and science and technology agreements that impact, and matters relating to tourism promotion and the country brand – though this also connects with public diplomacy.

Thus, Economic Diplomacy has a wider implication and needs a whole of government approach. It calls for partnerships with many actors, according to Mehta. He cited an example that governments and embassies, the main actors, facilitate and provide services, while business enterprises are the predominant and direct beneficiaries. Simultaneously, exports, investments and technology acquisition generate employment, contribute to higher tax revenues and help the country's socio-economic growth.

In view of the above, Mehta then articulated that this programme will thus cover not only the meaning of Economic Diplomacy but will further impart training on how to practise Economic Diplomacy. It will enunciate on how domestic regulatory environment such as prioritising sectors; building in trade-offs; taking note of new interest groups (business associations, civil society organisations); ensuring compliance with domestic regulatory regime can all help in furthering effective economic diplomacy.

In short, this training programme will not only provide the knowledge of the subject but will further add value by providing the ‘Wisdom’ to practise the skills of Economic Diplomacy which no other training programme elsewhere would provide. He informed the participants that CUTS has held these training programmes successfully in the past. The success and usefulness of the training programme can be measured by the statement by S N Menon, Former Commerce Secretary, Government of India - *I wish I had undergone such training in the past and have learnt a lot from this event.*

He concluded by wishing the participants of an enriching discussion during the programme on the aspects of Economic Diplomacy and appealed to the participants to gain as much as wisdom as they could from the eminent experts/faculties of this programme.

**Kishan Rana**, Former Indian Ambassador to Germany and Professor Emeritus Diplo Foundation in his opening remarks expressed that in today's interconnected world subjects whether it is agriculture, biotechnology or internet governance, all are handled keeping in view both the domestic and external interface and countries are effectively merging these interface to achieve greater economic development. He opined that at the end of the day, every country wants in all its affairs, be it domestic or regional or external, to present a whole of government face to produce policies that are essentially common through the government. Such an approach calls for working with a range of domestic partners because whole of government façade is anyone larger, i.e. the whole of country presentation. In this context, he underlined the importance of participation of non-state actors and for better coordination between several players for effective economic diplomacy.

He further put forward an interesting question to the audience – should India give priority to state enterprises in economic promotion work against private sector enterprises or should they be treated equally? The participants thus were engaged in the session from the beginning and provided varied range of answers. Rana articulated that the question has no one answer but one can certainly stimulate the thought process and which is one of the objectives of this training programme. He further said that the aim of this programme is also to stimulate sharper questions that need to thought about, the issues that the participants would need to address in while in jobs and to facilitate to look at those issues from a different perspectives and in a wider framework. While concluding his opening remarks, Rana applauded the Department of Commerce, Government of India for supporting the programme and welcomed CUTS a Centre for WTO Studies, for coming together to conduct the programme.

**Amit Singla**, Deputy Director (Trade Policy Division), Department of Commerce, while making his opening remarks, expressed his pleasure to speak on behalf of Department of Commerce in the training programme. He further expressed that it is a challenge to speak in presence of two eminent personalities, Rana and Pradeep S Mehta, who are a reservoir of tactical experience and contemporary knowledge on the subject of economic diplomacy.

In his address, Singla dealt with three important aspects that are vital for effective economic diplomacy. Firstly, the global shift towards market-based and outwardly-oriented development. He articulated that a gradual global shift towards more market-based and outwardly-oriented development around the world is witnessed in last few years especially in the emerging economies which have enabled millions of its population to become integrated in global economy for the first time. There has been a quadrupling of global volume of trade in goods between 1980s-2003 which is twice the rate of growth the world GDP. He further expressed that the establishment of the WTO has accentuated the importance of multilateral economic diplomacy and has led to a broadening of international discussions on areas of the economic diplomacy. India is an integral part of this system and in this context the economic interests have increasingly become prime movers of India's international relations and economic diplomacy has attained eminent significance.

According to him, growing importance of the emerging market economies is one the salient features of the global economy and ever deeper integration of these economies in global economic system is of vital importance. He pointed that there have been significant changes in trade and investment patterns in trade and a trend of increasing role of emerging economies is witnessed especially the BRICS (Brazil, Russia, India, China and South Africa) countries and shifts in organisational structure in global production. In this context, he opined that leading economies will need to provide leadership that commensurate with their growing

importance in the global system. Emerging economies lead together with the new pace in the changes in their economies. He underlined India's economic reforms in 1991, subsequent increased growth rate and its importance in India assuming a leading role in the global economic system.

Singla further articulated that India and China were world's leading economies till 17<sup>th</sup> century. And the 21<sup>st</sup> century is also touted to be the Asian century and India will be a lead player managing its transition from a low income country to the higher income country. He said India moves towards attaining its erstwhile position, Economic Diplomacy is of great significance. The focus of economic diplomacy thus is not only to protect country's economic interest but also promote economic interest and to exploit opportunities by fast integrating world through various trade agreements, transfer of technology, increased foreign direct investment, energy security and so on. He concluded by thanking CUTS and Centre for WTO Studies to organise the training programme.

**Shailja Singh**, Assistant Professor, Centre for WTO Studies, expressed that in the highly interconnected world it is paramount importance government officials are well versed with intricacies economic diplomacy and therefore at the request of Department of Commerce, the Centre for WTO Studies has partnered with CUTS. She looked forward for free exchange of ideas and information in the training programme.

### **Introduction to Economic Diplomacy**

*Kishan Rana, Former Indian Ambassador to Germany and Professor Emeritus Diplo Foundation*

Kishan Rana in this session presented on the tasks of economic diplomacy conducted at home and in the field, organisational structure within which it is carried out, the stages in which way India moves and the principal activities such as the trade and investment, energy security and public diplomacy. He began by elaborating on the definition and evolving dimensions of economic diplomacy. He covered how commercial diplomacy is a subset of economic diplomacy, the basic features of trade and investment promotion; contribution to economic growth. He further elaborated on the relationship between economic diplomacy and other major areas of trade and investment promotion and the relationship between economic diplomacy and public diplomacy.

He articulated that Economic diplomacy is a multihued, plural activity that at its best involves partnerships with many actors. For governments and embassies, the main role is to facilitate, promote and provide services. Business enterprises are the main direct beneficiaries. At the same time, exports, investments and technology acquisition generate employment, contribute to higher tax revenues and help the country's socio-economic growth. Each country's economic diplomacy is different in content, suiting its circumstances.

Rana further elaborated on the major features of economic diplomacy and the way economic diplomacy has evolved over the years. He elucidated on crucial aspects of trade, investments, technology sourcing, aid management by citing his insights and experiences while in foreign service in various countries. He expressed that a key issue in this context is who handles the

country's economic diplomacy? There is no research to show which model is superior, and countries organise their external activities in their own ways, often as a matter of historical legacy. He narrated a few basic trends followed by various countries as to which ministries/bodies handle economic diplomacy.

Rana discussed several stages of economic management which is a crucial component of economic diplomacy. He elaborated on aspects of Salesmanship, advocacy and networking, image building, regulatory management and resource mobilisation in this context. He expressed that this evolution follows its own path for each country and it is important for the policy administrators and those engaged in economic promotion, to understand that such evolution is an important element in economic diplomacy management.

Following the overall framework of economic diplomacy, Rana then discussed the challenges faced in today's economic climate. According to him, the biggest challenge in economic diplomacy is to achieve both harmonisation of national policy, and coordination of promotional activity. This is on account of the fact that many official and non-state actors are involved, and no one among them enjoys primacy. He narrated the Scandinavian model of a single ministry that combines foreign affairs with a wide range of external economic activities is one of the best models, but the panorama of economic activities in a modern state in the age of globalisation is so wide that even in those situations, many other actors have to be brought in. In other countries with a traditional distribution of work among ministries the challenge is so much greater.

He further elucidated on Trade and Investment promotion. In regards to the trade promotion he pointed out India's trade policy and the contents in brief. He suggested that creating an advisory group for trade promotion, comprising of experts from commerce and export chambers, economic think tanks, academics, and leading businessmen who could advise on new opportunities and help to develop policy options would be a healthy option and such consultation would yield better results. He further discussed the focus market scheme in trade policy of India and linked it to the need for identifying the priority markets and setting individual targets for each major trade partner country. He discussed investment promotion in detail and expressed that investment promotion is a core economic diplomacy priority. All countries, developing, emerging and advanced, compete for FDI, as the best kind of capital inflows.

He also laid emphasis on dynamics of public diplomacy and economic issues and articulated that globalisation has inevitably led that world economic issues figure high in domestic debate. Whether the topics under discussion at WTO, or the signing of free trade agreements, double taxation and investment protection agreements, even air traffic accords with foreign countries, attract notice in the national media. He concluded by saying that all these subjects involve inter-ministry dialogue in which think-tanks, the media, and business associations take keen interest.

### **Case Study**

A case study on Department of Commerce Challenge Fund to Indian Embassies for trade and investment promotion activities was prepared for this session. A Challenge Fund was

instituted under the Market Access Initiative (MAI) in the years 2010-11, through ‘match-making exercises’ using the expertise, cultural understanding and networking capital of our commercial posts.

It was intended to support ‘innovative export promotion project proposals’. It was discontinued shortly after it was instituted, and many of the officials are not aware of it. It has now been replaced by ‘India Show’ (with a much larger corpus, involving missions, industry associations and big exporters).

The participants were divided into four groups, i.e. one group was Department of Commerce, Department of Science & Technology, the Indian Embassy in Germany and lastly the Indian Embassy in Jakarta. Following set of issues were posed to these groups to discuss upon depending on the importance of each question from their group’s perspective.

- Contrast the Challenge Fund, and the India Show while considering factors like ease of operation, effectiveness, penetration into markets abroad, facilitating access to newer markets, etc. Which scheme provides a greater role and responsibility to Indian Missions abroad?
- Is it feasible to run both these as separate programs, with different objectives, and used in ways that address specific targets?
- How can Indian Missions abroad better research export markets, providing specific inputs to industry associations and export promotion councils? Does the involvement of industry associations enable participation of various sectors? How can Buyer Seller Meets move concertedly with India Shows in one country, or be used in conjunction with a new Challenge Fund?
- Could there any specific cases where the intended goal of the Challenge Fund to support ‘innovative export promotion proposals’ remains unmet by the India Show?
- Comment on the need for concerted operations between the Ministry of External Affairs, the Ministry of Commerce, and the Economic and Commercial Offices of missions abroad.
- What are the possible checks and balances which should be built into the operation of such funds to ensure optimal use of resources? Can inappropriate use be minimised, or eliminated altogether?

Following the group discussion, each group presented their views and conclusions. Amb Rana then provided his inputs and discussed each groups’ presentation. In conclusion of the exercise, some common points came out are: i) India Show and Challenge Fund are different but both are needed and are concurrent requirements; ii) Challenge Fund is focused broadly on innovative ideas and example was cited in this context was export potential survey in niche market; iii) what Challenge Fund provides is a small pockets of money and which may not be enough as many a time Embassies do not have funds for discretionary work; iv) suggestion was made to make assessment of funds should take place after a while rather than an immediate reaction; and v) suggestion on identifying niche was also made.

The participants took keen interest in this exercise. The simulation exercise proved to be extremely useful for the participants in order to understand the key points in regards to the application of economic diplomacy.

## **Day 2: Domestic Regulatory Environment for Effective Economic Diplomacy**

*Sanjeev Ahluwalia, Independent Consultant on Economic Regulatory Issues*

Sanjeev Ahluwalia made a presentation entitled *India: Domestic governance; external trade and investment. Are they separate silos?* He provided an overview of the various elements that contribute to the fostering of an effective domestic regulatory environment. He began by noting that India is part of increasingly integrated world and the extent to which India is participating within the global economy can be assessed using integration indicators. He used four examples of different integration indicators as discussion points and asked the participants to debate whether these indicators were accurate measures of integration. The integration indicators included: i) growth of international trade; ii) investment and FDI; iii) export of labour; and iv) growth of services.

After a robust discussion with participants he continued with the presentation and noted that although there could be much debate on the accuracy and relevance of certain of integration indicators, the global outcome of increased integration over the last few years had been undeniably positive: GDP growth in developing countries and a reduction in world poverty. He stated that integration is a national choice and that while those countries that have chosen to pursue this path have enjoyed numerous benefits they have also had to deal with a slew of new challenges. He noted that the benefits included new business opportunities, jobs and higher government revenue and that the challenges, on the other hand, included new risks such as increased vulnerability to international business cycles and international political instability and the erosion of a country's national sovereignty.

He cited an example of India's performance using the 2014 World Bank Doing Business report as an integration indicator. He noted that India ranks 132<sup>nd</sup> out of 189<sup>th</sup> for trading across borders; 34<sup>th</sup> on investor protection and 186<sup>th</sup> on enforcing contracts. He stated that in order to increasingly derive more benefits from this new context, India will need to undergo a restructuring process.

This adaptive restructuring will require firstly, the use of new skills in government notably in negotiation, collaboration and an ability to enhance competitive advantage. He noted that this was important as vertically segregated federal structures are limited in their ability to respond to integrated delivery chains. As a result there is a need to: move from ministerial silos to multi-disciplinary task teams; foster democratic accountability and; partner with non-government entities. Secondly, he noted that there is a need to facilitate specialisation and well-defined functional allocation to enhance performance. He stated that the issue was that government needs to increasingly: focus on policy; delegate and the devolve regulation to independent commissions and self-regulating entities and; move out of owning and managing businesses. The third component of adaptive restructuring is ensuring that there is a move to rewarding the assessment and management of risk and not solely assume a risk avoidance approach. This would require the use of the SMART target-setting.

In conclusion he stated that international integration is a national choice and although many countries have benefitted from it, it changes a country's existing social and economic equilibrium. He stated that in order to become increasingly integrated, the private sector needs to be allowed more freedom by the government; changes in the country's political architecture and the way the judiciary functions are necessary and; there is a need to ensure that the growth derived from this increased integration is inclusive.

### **Case Study & presentation from group discussions: 1970'S Oil Boom**

Participants undertook a case study on the major roles and responsibilities of various domestic stakeholders for promoting trade and investment. The session began with a brief overview of the theory behind creating a domestic regulatory environment for effective economic diplomacy.

The module that had been prepared for the session highlighted that effective stakeholder consultations are a necessary element for fostering an effective domestic environment as a country's external economic activity comprises many different actors – both state and non-state. The strategy, however, can only be pursued in economic diplomacy if there is leadership and political will at the top. In order to achieve this, countries have to adopt a whole-of-government approach. Although this requires complex coordination, the entire government needs to be enlisted to ensure a coordinated approach to economic diplomacy. Additionally the interests of different domestic constituents as well as India's external commitments must be taken into consideration while evaluating the nation's approach to economic diplomacy.

After going through the theory, participants worked on a case study that focussed on the 1970's oil boom and discussed the domestic factors that could have helped India attract more investment from the Gulf countries. The case study for the session was drawn from Ambassador Talmiz Ahmad book chapter entitled *Promoting UAE Investments into India: The Role of The Indian Embassy* in the CUTS International's book: *Economic Diplomacy: India's Experience*.

The case study began by contextualising the discussion noting that seemingly overnight, the oil boom of the 1970s fundamentally transformed the economic, social and cultural landscape of the Gulf Cooperation Council (GCC). Countries that once held peripheral roles within the global economy were suddenly thrust to the centre stage and suddenly acquired the financial resources to significantly upgrade their infrastructure, put in place a welfare system and enable their hydrocarbon and petrochemical sectors to attain world standards.

The case study placed India within the scenario and noted that alongside the changes in the Gulf, the Indian economy too was also undergoing some transformations of its own. Up until the 1990s India had been subjected to a stagnant growth rate of about four per cent, however, with the onset of economic reforms, India began to generate growth rates of about nine per cent per annum. It noted that today, the Indian government is committed to maintaining growth through liberalised policies pursued in tandem with robust governmental intervention in support of the weaker strata of the population.

While the book chapter continues to discuss the measures that Ambassador Ahmad undertook in his capacity as the Ambassador of Saudi Arabia, the purposes of the case study was to look at what domestic conditions India would need to address to foster a domestic regulatory environment for improved economic diplomacy. After much discussion it was highlighted that during the 1970's India was still a fairly closed economy therefore a more market-oriented domestic policy could have aided in increasing the amount of investment India attracted during this period.

The groups were again divided into groups and were asked to deliberate on a set of issues. This was followed by presentation of each group with inputs from Sanjeev Ahluwalia. The participants took keen interest in this exercise. The simulation exercise proved to be extremely advantageous for the participants to understanding the importance of domestic regulatory environment, the whole of government approach *vis-à-vis* effective economic diplomacy.

### **Day 3: India's Strategy on Trade and Investment Negotiations**

*Bipul Chatterjee, Deputy Executive Director, CUTS International*

Bipul Chatterjee, Deputy Executive Director, CUTS International welcomed the participants and began by underscoring the linkages between economic diplomacy and domestic issues and emphasised on need to deconstruct the proposition of the linkage in order to derive a fundamental comprehension.

He drew the attention of the participants to the contextual frameworks and simulation exercises of the first two days that imbued a refined understanding about current challenges in regards to economic diplomacy and appreciate various stages and most important elements of economic diplomacy, described by Ambassador Kishan Rana.

He further underlined "trade "as a causal link to economic diplomacy historically. He cited example of English merchants having their representatives at different ports when Rbtish trades conducted business in India. Economic diplomacy starts with trade and ends with trade and investment, he further stated.

In this context, he described the significance of socio-economic indicators. He engaged participants by posing a question to them on the types of socio-economic indicators that should be considered before getting into negotiation. The answers included, demography, GDP, overall size of an economy, purchasing power, infrastructure, cultural alignment, complementarities and technological advancement. One of the participants emphasised on the need for 'timely up-gradation of an agreement to trade in services, creating ways for foreign investments' as a crucial strategy to completely bind the relationship. To this, Chatterjee asserted that in India's context one should not miss the important aspect of level of poverty while considering the socio-economic indicators before negotiations.

He suggested on listing down major indicators, assess how those indicators are affected or/and are getting affected from trade and investment and analyse the relationship between

trade and poverty. For instance, foreign direct investment could be analysed in terms of whether it may help generating employment/bringing in new technology/reducing the level of poverty. He articulated that there should be an informed decision making process.

He then moved on to discuss the importance of ‘whole of government approach’ and invited opinions on the ‘whole of government approach concept’, the importance of whole of government approach ‘the concept per se’, what is the current status in India at the Central Government level? what can be to improve the current situation?

One of the participants argued that the whole of government approach needs to be deconstructed to remove conflicts and therefore delays or marring the well informed decision in securing a good agreement. It should be concise and that is possible if the relevant ministries departments and other stakeholders are on the same table. Another participant pointed out that the whole of government approach is not completely lacking but it is not as frequent as it could be. In some scenarios, there are ministries who do not even consult each other. The discussions such as this enriched the session.

Chatterjee, having noted that, suggested various ways that can be employed in the process. He said that first and foremost one needs to set clear objectives—that need to be spelled out clearly. This could be followed by listing the partners/set of narratives which will help in developing an appropriate framework structure

- Accordingly draw the stages/level of engagement with relevant departments/ministries/stakeholders
- A strong and consisting consultative mechanism should be developed

Drawing from the discussion with participants, it came out that that all the ministries including Ministry of Commerce and Ministry of External Affairs need to have a policy coherence unit at the departmental, higher and at the PMO level for promulgating a precise understanding of economic diplomacy of India. One observation noted that still in India there are ministries which are not coherent to each other. This kind of incoherence does not improve the situation rather deteriorates it further.

The discussion further highlighted that there is a need to engage not only the union ministries but also the other stakeholders such as the state governments in order to assess the level of tribal displacement, environmental affects and other detrimental factors, if any. Further before finalising, the decision needs to be backed by the cost and benefit analysis provided by these stakeholders/agencies. During the discussions, it was also highlighted that there exists a number of committees on investment/infrastructure/skill development, economic advisory council, i.e. the framework/mechanism exists however such a mechanism is not functioning as effectively as it should for various reasons.

Various pertinent points were raised such as the inadequacy for promoting actual work in the area of trade and investment, need to intensify the process of internal and external consultation by constituting economic coordination council within the few ministries and

their departments. The discussion thus reflected the varied positions of various ministries and the ways in which coordination could be achieved and to facilitate the whole of government approach.

Chatterjee in response stressed on developing institutional mechanism which can reduce delays and policy uncertainties in future. Going further, it was suggested that before going to a negotiating table, it would be desirable to consider the following in context of going for Free Trade Agreement (FTA) negotiation.

- First of all, number of FTAs and their major trading partners need to be jot down in a tabular format
- Overlaps should well be analysed further
- Clear cut strategy should may be undertaken after all analyses

Referring to Australian Economic diplomacy Strategy *vis-à-vis* India, resource persons underlined the importance of following four essential elements which should be taken into account for having a strategic approach/document on Economic Diplomacy. They are:

- a. Impact on Business regulatory framework
- b. Enhancing trade and investment
- c. Helping in more and better economic growth
- d. Helping our own traders and investors (either through FDI or through facilitating more trade)

He then elucidated the example of Australia's economic diplomacy *vis-à-vis* India and articulated that Australia is following the aforementioned ingredients of how to influence the Indian business regulatory environment, how to enhance trade and investment with India, how to help the overall economic growth of India and how to help Australian traders and investors in order to do more and better business with India?

He further discussed that in addition to above, it is essential to assess the impact on the third/excluded countries *vis-à-vis* bilateral, regional, multilateral FTAs by taking into account even the strategic interests. He cited India's FTA with Sri-Lanka and underlined that it was not reciprocally beneficial but was of strategic importance for India. He argued that it is important that assess if such political and strategic interest could also be served otherwise and not only by FTAs.

According to him, the negotiating capital needs to take into consideration – what will be the impact on third country, political and strategic interest and the impact of their actions on economic growth and various other stakeholders/interest groups? In most assessment one tends to limit the assessment to producers of commodities and services but it needs to be extended to the impact on another country's consumers as consumer is an essential ally in economic diplomacy. Consumers can be effectively aligned in a country Economic

Diplomacy framework. In that respect, an important tool of economic diplomacy is to understand and convey the benefits of an action to both the acting and recipient country.

In this context, he mentioned that the role of media to be essential in disseminating the above information. He further asserted that media component of economic diplomacy is not only helpful and essential in conveying the information to the respective citizenry but will also educate them about the potential benefits. He said by embarking on this idea one can significantly create an informed climate that will enhance the decision making processes.

He also stressed that on the well-drafted media strategy to be in place as it is crucial in the context of trade and investment negotiation. It can help both the benefactors and beneficiaries in developing an enhanced understanding of core dependent socio-economic indicators. This can also help generating information regarding harmonisation of standards related to Intellectual Property Rights (IPRs), Labour and Environmental Standards, Public Procurement and Sanitary and Phyto-sanitary (SPS) measures. He pointed out at Singapore's strategy as a good example for understanding of how through its economic diplomacy, one of the poorest countries could transform themselves in one of the richest countries.

He emphasised that before entering into trade and investment negotiations a country should clearly understand the objective (what is to be achieved) in context of FTAs, PTAs, bilateral trade, Comprehensive Economic Partnership Agreement and Comprehensive Economic Cooperation Agreement. With regard to India's Look East Policy, it was noted that India does not have a strategy paper to secure its political and economic interest appropriately. It is essential to have strategic interests considered while developing FTA with other country(s).

Referring to a number of existing and under-negotiation FTAs, Chatterjee argued for the need to explore India's investment relationship with the partnering countries was stressed. In the negotiation process, contentious issues related to public procurement, NTBs related to standards, SPS-related issues block the timely achievement of an agreement. For this a country needs to be fully and adequately prepared. And, therefore, importance of preparations which are much needed in concluding such partnerships. Exceptions and demands need to be well identified and suitable negotiating capital further be deployed to conclude the process.

He further pointed at next stage of the extensive stakeholder consultation which is one of the most important requirements in order to derive right kind of expectations and demands. Citing an example, he said that in the Doha Round of negotiations at the WTO, Centre for WTO Studies conducted extensive stakeholder consultation on behalf of Department of Commerce & Industry. The findings of that made a strong case for India to not to succumb to international pressure to significantly reduce its tariffs in a particular sector.

He further articulated Japanese model that presents a good example of stakeholder consultation. The Japanese proceed further only after they consult their relevant stakeholders. They first list-out the type of stakeholders and then do extensive stakeholder consultation. He argued that although this increases the costs, this is still a solid approach to clarify expectations and demands in a right sense. He suggested that in exploring the prospects of

EU-India FTA and its finalisation, the Department of Commerce could undertake aforementioned consultation approach with the concerned ministries, departments, sectors and other relevant state and non-state actors.

He thus explained not only the various modes of negotiations such as bilateral, plurilateral, multilateral and multi institutional but also described the two concepts of distributive bargaining and integrative bargaining in negotiations. The former looked at negotiations from the perspective of a zero sum game and therefore based itself on the concept of Zone of Possible Agreement (ZOPA) with a reservation price and an aspiration price. He said it is good to first consider Low-Hanging Fruit approach and then build upon it for further negotiations. He suggested on not sticking to the culturally sensitive demands and on the necessity of being clear on country's interests, making demand backed by the data for effective negotiations.

According to him, once the modalities are decided, it is essential to conduct regular interaction with respective foreign missions of India which is one of the important components of economic diplomacy. Regular interaction with high commissions and embassies particularly with their economic and commercial sections can help in making trade possible and to actually happen in real time. He concluded the session by laying out on the case study on negotiations on industrial goods which involves several sticky points and that such simulation exercise can provide insights of negotiating and ironing out differences to arrive at a win-win situation which is the aim of any negotiations.

### **Case Study & presentation from group discussions**

A case study on Critical Dimensions of India's Participation in the Non-Agricultural Market Access (NAMA) negotiations, was prepared in order to provide the participants with a flavour of trade-offs in trade and investment negotiations and how to analyse trade-offs through cost-benefit analysis was prepared. The case study provided the background of negotiations in NAMA goods in the WTO. The case study provided them with modalities of implementing tariff cuts and was also helped with issues that may be of interest to the developed and developing countries. The participants were divided in two groups and a set of 'issues' were then posed for a simulation exercise.

Groups then discussed among themselves the case study to understand how they can better negotiate with the other group and the interest they were supposed to protect and promote. Accordingly each group worked on their negotiating strategy based on the following questions which were supplied to them.

#### *Questions for Discussion*

1. Following the release of the NAMA 2008 negotiating text, the Chairman of the Automotive Components Manufacturers Association made the following statement "The auto component industry feels that such proposals trample of the economic aspirations of millions of industrial workers in the small and medium enterprises in the component industry". What do you feel is the impact of the 'anti-concentration

clause' on the freedom to identify sensitive sectors by developing countries? How can these negotiations be structured best in order to protect employment-intensive sectors? What will be the impact of the anti-concentration clause on progressing in the value chain?

2. How will you undertake preparations for negotiations on NAMA? What are the specific insights which would inform and add value to the negotiation?
3. Is the formula for tariff-cuts germane to the interests of developing countries? Juxtapose this method of tariff-cuts against the request and offer approach. Propose a variant of this formula which better preserves the interests of developing countries.
4. How can the free-rider problem in sectoral initiatives be countered?

Thereafter groups went onto negotiate the keeping in mind the abovementioned questions. They also presented 'results of their simulation exercise – what trade-offs they have considered, why and how they have arrived at those trade-offs through cost-benefit analysis' As result there was robust discussion on their presentations and how to achieve a win-win situation in a negotiation. The exercise provided the participants with an idea of negotiations in trade and investment and also proved to be successful in terms of understanding the importance of strategy and how to develop a negotiating strategy.

### **Closing and Evaluation**

In the closing session, it was reiterated that successful negotiations can only be achieved through consultation and cooperation where both parties could achieve a win-win situation. Chatterjee elaborated on the concepts of conflict, which could take the form of confrontation or co-operation/negotiation.

Chatterjee further recalled various modes of negotiations such as bilateral, plurilateral, multilateral and multi institutional were described. He reiterated the two concepts of distributive bargaining and integrative bargaining in negotiations. The former looked at negotiations from the perspective of a zero sum game and therefore based itself on the concept of ZOPA with a reservation price and an aspiration price.

The participants were then asked to provide general views on the programme. Participants expressed that the training programme provided them with better understanding and exposure of various aspects related to economic diplomacy. They appreciated and acknowledged the rich experience and expertise of resource persons, quality of resource material and overall administration of the training programme. They evaluated the training programme as shown below:

- The programme was a success in terms of quality of participants, resource persons and resource materials, and administrative and logistical arrangements.
- It was beneficial for the organisers in respect of how to customise the course module and methodology for conducting such training programmes in future.
- Resource Persons were eminent experts in their fields and had rich experience. They related theoretical aspects with their practical experiences and made the learning process easier for the participants.

- Resource persons and participants found the resource material informative and useful in terms of imparting knowledge on various aspects of economic diplomacy.
- Sessions were structured in a manner that provided enough time for discussions. The group of participants although represented various government departments however they brought wealth of their experiences which resulted in active interaction with resource persons during each session.
- More than sixty per cent of the participants wanted to attend similar training programmes in future and some of them were keen that such a training programme could be organised for all levels of government officials so as to enable decision making on building strategies in respective fields. A few of them also wished for an advance level programme if topics pertaining to their area of work are incorporated – in other words, there is a need for offering customised training.

Beside the above-mentioned highlights participants recommended the following:

- The programme could have been for at least a week.
- It could also have covered specific aspects of the WTO Agreements on Trade Related Aspects of Intellectual Property Rights (TRIPs), Technical Barriers to Trade and SPS Measures.
- Case studies and simulation exercises could have been circulated before the training programme so that they could have gone through it in advance.
- One resource person from industry could have been included for conducting a session on negotiation, since s/he might give a different perspective of negotiation.
- Foreign participation could have been encouraged

## Training Programme for Indian Government Officials On Economic Diplomacy

*March 24 - 26, 2014, Jaipur*

### Agenda

<b>Day Zero (Sunday): 23.03.2014 (Arrival of the Participants)</b>	
<b>Day 1 (Monday): 24.03.2014</b>	
<b>0930-1000</b>	Pradeep S Mehta, Secretary General, CUTS International  Kishan S Rana, Former Ambassador to Germany & Professor Emeritus, Diplo Foundation  Amit Singla, Deputy Secretary, Department of Commerce, Government of India
<b>1000-1030</b>	<b>Tea/Coffee</b>
<b>1030-1230</b>	<b>Economic Diplomacy Today</b> <ul style="list-style-type: none"> <li>• <b>Evolution and Scope of Economic Diplomacy:</b> Commercial diplomacy as a subset of economic diplomacy; evolving dimensions of economic diplomacy; basic features of trade and investment promotion; contribution to economic growth; relationship between economic diplomacy and other major areas of trade and investment promotion such as through energy diplomacy; relationship between economic diplomacy and public diplomacy</li> <li>• <b>Key Stakeholders:</b> ministries/departments; trade promotion bodies; commerce chambers &amp; sectoral associations; Indian embassies; foreign missions; non-state actors</li> </ul> <p><i>Kishan S Rana, Former Ambassador to Germany &amp; Professor Emeritus, Diplo Foundation</i></p>
<b>1230-1400</b>	<b>Lunch</b>
<b>1400-1600</b>	<b>Group Discussion</b> <p><i>A case study on Department of Commerce Challenge Funds to Indian Missions for export promotion activities - a set of 'issues' will be posed for discussion.</i></p>
<b>1600-1630</b>	<b>Tea/Coffee</b>
<b>1630-1730</b>	<b>Presentations from Group Discussion</b> <p><i>Groups will be asked to present 'how the Challenge Fund has worked and how it can be improved' and there will be discussion on their presentations.</i></p>

<b>Day 2 (Tuesday): 25.03.2014</b>	
<b>0930-1000</b>	<b>Recap of Day One</b>  Archana Jatkar, Coordinator & Deputy Head, CUTS Centre for International Trade, Economics & Environment
<b>1000-1030</b>	<b>Tea/Coffee</b>
<b>1030-1230</b>	<b>Domestic Regulatory Environment for Effective Economic Diplomacy</b> <ul style="list-style-type: none"> <li>• <b>Facilitation of domestic decision-making through effective stakeholder consultations:</b> whole-of-government approach to economic diplomacy; prioritising sectors; building in trade-offs; taking note of new interest groups (business associations, civil society organisations); ensuring compliance with domestic regulatory regime</li> <li>• <b>Developing a knowledge base to inform negotiators:</b> building early-warning systems to address trade and investment concerns; facilitating collection of information which can be analysed for future negotiations; institutionalising monitoring and evaluation mechanisms to understand impacts of previous engagements</li> </ul> <p><i>Sanjeev Ahluwalia, Independent Consultant on Economic Regulatory Issues</i></p>
<b>1230-1400</b>	<b>Lunch</b>
<b>1400-1600</b>	<b>Group Discussion</b>  <i>A case study on major roles and responsibilities of various domestic stakeholders for promoting trade and investment - a set of 'issues' will be posed for discussion.</i>
<b>1600-1630</b>	<b>Tea/Coffee</b>
<b>1630-1730</b>	<b>Presentations from Group Discussion</b>  <i>Groups will be asked to present 'what, why and how to address the relationship between Ministry of Commerce &amp; Industry and other relevant sectoral ministries/departments and foreign missions for promoting trade and investment' and there will be discussion on their presentations.</i>

<b>Day 3 (Wednesday): 26.03.2014</b>	
<b>0930-1000</b>	<b>Recap of Day Two</b>  Archana Jatkar, Coordinator & Deputy Head, CUTS Centre for International Trade, Economics & Environment
<b>1000-1030</b>	<b>Tea/Coffee</b>
<b>1030-1230</b>	<b>India's Strategy on Trade and Investment Negotiations</b> <ul style="list-style-type: none"> <li>• <b><u>Identification of product/services for negotiations:</u></b> analyses of commodities/sectoral strengths through a market share analysis (and other techniques); target setting and integrated actions for trade and investment promotion in/from priority countries, particularly for capturing a place in regional/global value chains; enabling technology acquisitions, facilitating access to trade finance; using technology to run simulations, cost-benefit analyses, sustainability impact assessment, etc.</li> <li>• <b><u>Learning from the history of India's trade and investment negotiations:</u></b> lessons from India's bilateral/regional/multilateral negotiations on trade and investment issues</li> </ul> <p><i>Bipul Chatterjee, Deputy Executive Director, CUTS International</i></p>
<b>1230-1400</b>	<b>Lunch</b>
<b>1400-1600</b>	<b>Group Discussion</b> <p><i>A case study on critical dimensions of India's participation in the NAMA (Non-Agricultural Market Access - industrial goods) negotiations under the Doha Development Round - a set of 'issues' will be posed for discussion.</i></p>
<b>1600-1630</b>	<b>Tea/Coffee</b>
<b>1630-1730</b>	<b>Presentations from Group Discussion</b> <p><i>Groups will be asked to present 'results of their simulation exercise – what trade-offs they have considered, why and how they have arrived at those trade-offs through cost-benefit analysis' and there will be discussion on their presentations.</i></p>
<b>1730-1800</b>	<b>Feedback</b> <p><i>Participants will be asked to provide their feedback.</i></p> <p>Bipul Chatterjee, Deputy Executive Director, CUTS International Archana Jatkar, Coordinator &amp; Deputy Head, CUTS Centre for International Trade, Economics &amp; Environment</p>