

## **A STUDY ON MINISTRY OF EXTERNAL AFFAIRS (MEA) HISTORY, POLICIES & KEY FUNCTIONS**

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### **ABSTRACT**

In the simultaneous progress, the USA pursued its national interest via economic diplomacy initiatives. The Marshall Plan served as a prime example of fostering economic diplomacy in Europe. The economic diplomacy of the United States has been marked by the “carrot and stick” approach. Simultaneously, the cold war era saw the establishment of the World Bank (WB) and the International Monetary Fund (IMF), the oil crises of the 1970s, and the formation of the New International Economic Order (NIEO), which fueled the expansion of economic diplomacy.

**Keywords :** Economic Diplomacy, MEA, Challenges etc.

### **INTRODUCTION:**

Foreign policy is a crucial component of a sovereign state system and is viewed as the essential force behind a state’s approach to its international interactions. It is a tool available to a nation to safeguard and advance its national interests. The primary focus of a nation's national interest stays unchanged: to protect its territorial integrity and sovereignty, improve the economic and social welfare of its citizens, foster opportunities for advantageous trade relations with others, and utilize soft power by promoting cultural resources. A country's foreign policy constantly changes, and the government in power makes decisions regarding related actions. The responsibility of shaping foreign policy lies with the relevant Foreign Ministry. The Foreign Ministry formulates the nation's foreign policy by considering various internal and external factors. India's foreign policy, similar to that of other nations, is grounded in the fundamental principle of safeguarding national interests. The Ministry of External Affairs (MEA) is the governmental body in India responsible for formulating and executing the country’s foreign policy.

### **ECONOMIC DIPLOMACY**

Diplomacy is a skill. It is a skill of managing relationships for benefit without dispute. It serves as the primary tool of foreign policy. The aim of diplomacy is to advance the state's objectives. The capacity to engage in diplomacy is a key characteristic of a state. It is the approach of pursuing the greatest national benefit without employing violence and ideally without inciting animosity. Diplomacy is recognized as the foundation and central mechanism of relations between countries. The establishment of diplomatic relations among nations effectively initiates the process of forming relations between them. Harold Nicholson defines diplomacy as “the handling of international relations through negotiation; the approach through which these relations are negotiated and handled by ambassadors and envoys; the practice or skill of the diplomat.” In recent years, there have been significant philosophical and theoretical shifts in the field of diplomacy studies. Researchers have emphasized the importance of comprehending international relations beyond the limited state-centric security perspective

The result of these methods has resulted in a broadening of the use of diplomatic efforts. Contemporary diplomatic practices have prompted the use of a 'Soft' power strategy, implementation of advanced technological advancements, and so on. In this context, there has been a change in the examination of Diplomacy. The diplomatic theories that focused solely on the political dimension of state relations have

begun to emphasize the economic facet of state interactions. This has led to the significance of Economic Diplomacy. Essentially, the diplomatic efforts of any nation primarily concentrate on political diplomacy. This indicates that diplomats are mainly involved in political connections. The more robust the political connections among nations, the tighter the ties are in other fields, including economics. In recent decades, the examination of diplomacy has transitioned from an emphasis on diplomatic economics to the investigation of economic diplomacy. Finding a precise definition of Economic Diplomacy is challenging. In general terms, Economic Diplomacy can be described as the creation and promotion of policies concerning the production, transfer, or trade of goods, services, labor, and investments in foreign nations. The Association of Indian Diplomats states that "Economic diplomacy is the practice of advancing a nation's economic security and strategic goals through the use of economic tools in managing international relations."

### **OBJECTIVES OF ECONOMIC DIPLOMACY:**

For numerous centuries, military strength and power dynamics dominated international relations. As time passed, the necessity for variety in diplomatic efforts increased. The main goal of States in establishing diplomatic relations was solely to safeguard its borders. This main idea has exceeded its intended function. The current requirement is to continue diplomatic efforts with the aim of boosting the economic development of the nations. This can be accomplished if the goals of Economic Diplomacy are successfully met. The main aim of Economic Diplomacy is to promote trade and investment; to secure access to the country's energy needs; to accomplish specified objectives in multilateral trade talks; to affect the economic and commercial policies of the host nation; to take measures to prevent conflicts with foreign governments, economic entities, and businesses in home nations; to leverage various means to enhance the Brand Image of the country, among others

### **ORIGIN AND DEVELOPMENT:**

The occurrence of economic diplomacy is not recent. It has been fashionable for a considerable period. Studies of historical documents verify that there was intense trade in the ancient civilizations of Egypt, Rome, India, and others. This trade was governed by trading agreements. The emergence of commercial diplomacy among European nations in the 19th century, along with the USA's 'dollar diplomacy' or 'cheque book diplomacy' in the early 20th century, can be seen as the initial example of contemporary economic diplomacy.

Subsequently, the Japanese employed economic diplomacy to access international markets and sought to cultivate alliances. Thus, the idea of Economic diplomacy was initially proposed by the Japanese. As a result of its loss in the Second World War, Japan lost its significance in the community of nations. It was marginalized in international politics in terms of military, political, and other conventional diplomatic aspects. In response, the Japanese focused on developing their internal economy. This resulted in swift expansion of the Japanese economy in the mid-1950s and a simultaneous increase in the need for resources and markets. The Japanese Government under Nonuse Kishi devised the idea of economic diplomacy and actively applied it in its interactions with Southeast Asia.

In the concurrent progression, the USA worked to promote its national interests via economic diplomacy. The Marshall Plan served as a prime illustration of advancing economic diplomacy in Europe. The economic diplomacy of the United States has been marked by a "carrot and stick" approach. Simultaneously, in the cold war era, the establishment of the World Bank (WB) and the International Monetary Fund (IMF), the oil crises in the 1970s, and the formation of the New International Economic Order (NIEO) encouraged economic development.

Following the conclusion of the Cold War, global politics has entered a more tranquil phase, with economic interdependence emerging as the key characteristic of international relations. This progress has prompted the global community to conduct its diplomacy alongside related economic interests. On one side, developing nations seek to obtain assistance and attract investment via economic diplomacy, while on the other side, developed nations aim to enhance their influence and optimize their economic benefits. Developing nations continually strive to access developed countries' markets to sell their raw materials.

### **INDIA'S ECONOMIC DIPLOMACY:**

Economic diplomacy has consistently been a key component of India's foreign policy. The enhancement of the institutional and organizational foundation, along with the elevation of the economic diplomacy's status within the authority system, is witnessed almost universally. The fundamental philosophy driving India's economic diplomacy is identical to that which influences India's foreign policy. In 1948, Nehru stated that India is devoted to internationalism, in which every nation aids in the swift development of a new and equitable economic system where all countries can exist free from fear or hopelessness. The functions are widening, the quality of output is enhancing, and the count is rising of the country's trade and economic missions in supporting international trade activities, advocating for domestic companies overseas, providing trade and political aid, and mobilising effective external resources for development purposes.

Historically, Indian discussions on foreign and economic policies were often divided into separate categories. At that time, economics served a different purpose. The pursuit of hard currency was a significant issue in foreign policy. Indian missions in developed nations needed to guarantee that sufficient aid was coming through both bilateral and multilateral channels to fill the foreign exchange gap. Another responsibility was to negotiate low-cost and dependable oil agreements with producing nations. India spearheaded the call for collective self-reliance and emphasized the necessity for a restructuring of the global economy to meet the requirements of developing nations.

In the initial years post-independence, Indian Heads of Mission focused largely on political tasks, delegating the sparse economic duties to designated "commercial representatives." These delegates were selected from the Ministry of Commerce and the Ministry of Finance. With the increasing demand for economic diplomacy, it was deemed essential to designate a "Super Ambassador" to supervise economic activities across all of Western Europe in the late fifties. The processes of globalization have nearly eradicated the difference between political and economic activities. Since India liberalized its economy in 1991, its economic interests and economic diplomacy have taken on a more prominent role in foreign policy. India's economic diplomacy targets five main objectives: to obtain market access for its products and services; facilitate global labor mobility; create physical connectivity that guarantees energy and resource security; avert limitations on the unrestricted flow of data; and secure access to technology and knowledge for Indian industries. In general, the economic reforms of 1991 that shifted India's economy towards liberalization, a market-oriented approach, and privatization have expanded the range of India's diplomatic focus. It must back domestic economic reform and establish a positive international setting for its economic growth.

### **OBSTACLES FACING THE MEA:**

India's swift economic expansion has aided its attempts to connect with the global community. The integration into the global economy has posed several challenges to India's overall governance. Specifically, it has expanded the range of operations of the Ministry of External Affairs. The growing economy has led India to require a significant annual import of energy and mineral resources. It has increased its involvement in international forums by engaging in global multilateral governance and

getting ready to assume international responsibilities. Nonetheless, alongside its swift economic growth, the challenges have become more varied. Concerns such as energy security, maritime route security, free trade, and collaboration have intensified as the Indian economy underwent liberalization and globalization. For example, concerns about energy security have shifted India from simply purchasing petroleum products to becoming a significant investor in equity oil globally, from Sakhalin to Sudan..

### **EFFORTS OF THE MEA:**

With the arrival of liberalisation, the Ministry of External Affairs (MEA) recognized the necessity to clearly define, identify, and delineate its domain and particular duties in international economic matters. In this context, the Economic Relations Secretary's office was established in 1995. Subsequently, Economic diplomacy and the four divisions were established, including Multilateral Economic Relations (MER), Bilateral Economic Matters (ED), Technical Cooperation (ITEC), and Investment Promotion (IPU). Besides that, the economic teams in the MEA were reorganized. The Ministry has maintained consistent communication with our Missions, pertinent ministries, leading chambers of commerce, commodity boards, media, and ITPO (Indian Trade Promotion Organisation). Within the Foreign Investments Promotion Board (FIPB) and other organizations of which it is a part, the Ministry has been contributing value through its distinctive political viewpoints. Recently, the Ministry established the States Division to coordinate the initiatives of India's State governments in attracting foreign investments. Additionally, via its Public Diplomacy Division (XPD), different brochures, books, and pamphlets are distributed globally.

### **CHALLENGES:**

Scholars of economic diplomacy emphasize the significance of diplomatic agents and the connections, actions, and organizations within which they operate while aiming to establish and control economic interdependence and reliance. Diplomats are essential participants in discussions to create market regulations and rules, the spread of norms and cultures within the global economy, the advancement and execution of economic strategies, and the support of both public and private economic interests.

In these directions, specific reform proposals are recommended by several think tanks, which encompass:

- Increasing the number of officers in MEA in Delhi over the coming years while anticipating staff growth gradually with higher initial recruitment levels;
- It's essential to enhance domestic follow-up via improved inter-Ministerial coordination and collaboration with state governments regarding the numerous economic engagement opportunities that have emerged;

Moreover, research conducted by ex-diplomats under the guidance of the Association of Indian Diplomats has proposed the subsequent reforms for Indian Economic Diplomacy. The report highlighted the necessity of adequate training for entry-level IFS officers; boosting the cadre strength of the MEA; reorganizing overseas missions to address current challenges of economic globalization; collaborating with Trade and Industry Organizations such as FICCI and CII; prioritizing energy security requirements and adjustments to aid diplomacy; and the active participation of the Indian Diaspora in enhancing India's economic outreach, among other issues.

### **SUMMARY:**

Overall, the reorganization of the Indian economic system since 1991 has required the government to address the challenges of the global order. This is increasingly being recognized by the Ministry of

External Affairs. The Ministry has largely been preparing to address the challenges, but additional reforms are necessary in this area

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