

*Understanding India's*

# Economic Diplomacy



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## Introduction

India, with its rising economic prowess, is emerging as a global leader in the world order which is being reshaped by multitude of shocks like increasing polarization, geopolitical tensions, and economic slowdown. However, converting these challenges into opportunities so as to meet India's international aspirations, demands recalibration of its economic diplomacy programme.

This calls for a need to understand what is Economic Diplomacy and why is it important? What are the key instruments of Economic Diplomacy and what is their relevance? How successful has India been in using the key instruments of Economic Diplomacy in pursuing its global aspirations? What are the focused regions for India's Economic Diplomacy and why are they important? What are the key challenges in pursuing India's Economic Diplomacy? And, how India's Economic Diplomacy could be improved to enable it to achieve its national interest?

## What is Economic Diplomacy and why is it important?

- » Economic diplomacy is a **foreign policy tool** and is broadly defined as the aspect of diplomacy that **focuses on international economic relations**.
- » It is therefore an art of serving economic, political, and strategic interests of the country by the **use of economic instruments in conduct of International relations**.
- » It is designed to **influence policy and regulatory decisions of foreign governments as well as those of international organizations**.
- » Economic diplomacy is necessarily **performed by the official representatives** of the State **but** with the changing scenario today the **private sector has an important role to play** and function to perform in its successful implementation.

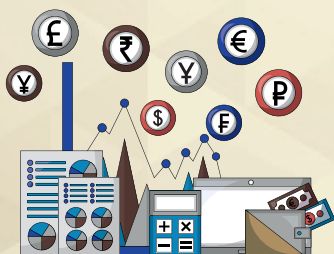
### Objectives of Economic Diplomacy

-  Projecting the country as a major economic power
-  Securing favourable multilateral trade negotiations
-  Access to foreign resources and promotion of foreign investments in the country
-  Promotion of exports and businesses abroad.
-  Realisation of political objectives through economic actions

## What are the key instruments of Economic Diplomacy and what is their relevance?

- » **Attracting investments and promotion of exports:** It helps a country becoming an economic power which in turn gives strong voice to the country in global politics.

❖ **Wealth creation by the USA** by attracting foreign firms' investments is a noted example for this. Similarly, adoption of economic reforms by China in the late 1970s helped **China become a major global economic power**.



For decades, the **US was the main destination for foreign firms' investments**. Some of the reasons for the attractiveness of the United States for foreign firms include:

- » **Best regulatory performance** in paying taxes.
- » A **large and wealthy consumer market**.
- » **Culture of diversity** and innovation.
- » **Access to deep capital markets** and world's top talents.

Adoption of **economic reforms by China** in the late 1970s helped China become a major global economic power. These reforms included:

- » Encouraging the formation of **rural enterprises and private businesses**.
- » **Liberalising foreign trade** and investment.
- » **Relaxing state control** over some prices.
- » **Investing in rising industries** like solar panel.

» **Mobilising finances for partner countries:** Financial assistance to partner countries helps the country bolster its **image as a credible development partner** besides aiding the creation of **political influence and constituencies**.

❖ **For Example, China's growing international clout** has been credited for such financial assistance to neighbouring countries like Pakistan and Nepal for developmental projects.

» **Building support to set and enforce international rules:** Ability to set and enforce rules for multilateral organisations acts as a leverage to **shape the international order** for meeting the interest of one's own country.

❖ **For example,** the existing international order embodied in a network of international organizations like **WTO, UNSC** has been **mostly shaped by developed countries like US, UK and Russia** and thus, are **favourable to them**.

» **Economic sanctions:** Economic sanctions are defined as the **withdrawal of customary trade and financial relations** for foreign- and security-policy purposes including counterterrorism, non-proliferation, democracy and human rights promotion, conflict resolution, etc. It is used **to elicit favourable policy response from a country** with which, otherwise, the political terms are not good.

❖ Sanctions have been the **defining feature of the Western response led by the US to several geopolitical challenges**, including the nuclear program of Iran and North Korea and Russia's intervention in Ukraine.



**Financial support for partner countries is provided in different ways:**

» **Sovereign:** For example, the Japan International Cooperation Agency is a governmental agency that delivers the Official Development Assistance for the government of Japan.

» **Multilateral:** For example, the Asian Development Bank (ADB) was established as regional financial institution focusing primarily on the development of Asia-pacific region.



» With the **shift of economic power from West to East**, experts suggest that absolute and frequent sanctions by the West may put the **financial leverage of these countries at risk in the long run**.

» As a result, these countries **now resort to selective sanctions**. Recent US sanctions against Russia is one such example.

❖ The US imports **approximately 96% of the country's potassium fertilizer from Russia**, and relies on Russia and its allies Kazakhstan and Uzbekistan for roughly half of the uranium powering its nuclear plants.

❖ Imports of neither the **potassium fertilizer** nor the uranium is on the sanction list. Also, ban on Russia's crude oil and gas accounts for only 8% of US's imports.

## How successful has India been in using the key instruments of Economic Diplomacy in pursuing its global aspirations?

» **Attracting investments and promotion of exports:** India has taken various initiatives to increase its **economy's competitiveness on a global scale**. These include:

❖ **Attracting investment in domestic markets** by liberalising norms for foreign direct investments, providing ease of doing business in India, Production Linked Initiatives in various sectors, Make in India initiative, Atmanirbhar Bharat Abhiyan, etc.

☑ As a result of the above steps, the FDI inflow in India was at its highest ever at USD 81.97 billion in 2020-21.

- ❖ **Increasing the overseas direct investments by Indian corporates** by removing the cap on raising funding through the pledge of shares, local assets, and foreign assets.

- **Mobilising financial assistance for partner countries:** India since its independence has been a torch bearer of **Global South-South Cooperation**. This support is extended through multilateral platforms as well as **bilateral development aid**.

- ❖ **Financing through multilateral platforms**

- ❖ **India-UN Development Fund:** The \$150 million fund was established in 2017 by India to work with developing countries in critical areas such as climate resilience, financial sustainability, gender equality, renewable energy, etc.

- ❖ **International Solar Alliance (ISA):** The ISA aims to pave the way for future solar generation, storage and technologies for member countries' need by mobilising over \$ 1000 billion by 2030.

- ❖ **United Nations Framework Convention on Climate Change (UNFCCC):** India has played a key role in advocating for the '**Loss and Damage**' fund at CoP 27. The fund is meant to finance infrastructure rebuilding and economic recovery in developing countries facing huge losses due to climate change induced disasters.

- ❖ **Bilateral development aid:** India provides aid to partner countries through various modalities since independence. With its economic rise, the **development aid has also seen a commensurate increase**. This, in turn, has increased India's **bilateral visibility and capabilities** and also helped India shed the **tag of being an aid recipient** that was common in the 1950s and 1960s.

- ❖ Between 2008 and 2020, India disbursed approximately **US\$8.35 billion as grants and loans** under various development compacts.






- ❖ Furthermore, the **concessional loans** or lines of credit (LoCs), has **more than doubled in the past five years** from \$11 billion in 2013-14 to around **\$30 billion in 2018-19**.

- ❑ LoCs are loans extended to foreign governments **at concessional rates** from money borrowed at market rates by India's **EXIM Bank** from the international market.

## Atmanirbhar Bharat Abhiyan: A step towards creating brand India

- The campaign was launched in 2020 to **promote Indian goods in the global supply chain markets** and help the country **achieve self-reliance**.
- The government took **several bold reforms** such as supply Chain Reforms for Agriculture, Rational Tax Systems, Simple & Clear Laws, Capable Human Resource and Strong Financial System.

### A self reliant India with 5 pillars

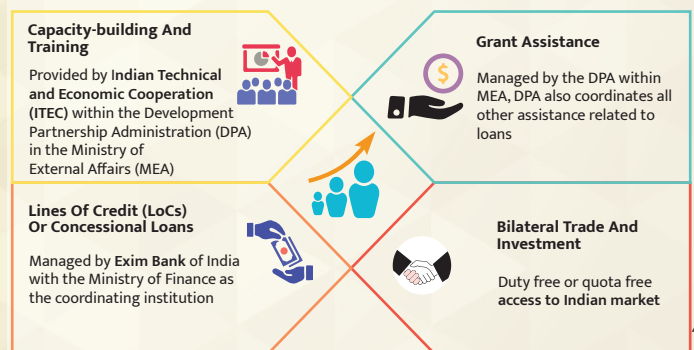
 <b>Economy</b> Quantum jumps, not incremental changes	 <b>Infrastructure</b> Represents modern India	 <b>Systems</b> Technology driven Systems	 <b>Demography</b> Vibrant Demography of the largest democracy	 <b>Demand</b> Full utilisation of the power of demand & supply
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### Key achievements

<b>Reduced dependence</b> on imports of products like Air Conditioners	<b>Self-sufficiency</b> in Indigenous personal protective equipment (PPE) kits.	India <b>exported ~65.5 million indigenous COVID-19 vaccines</b> to >90 countries.	India's <b>merchandise exports</b> have crossed <b>\$ 400 billion</b> for the first time.
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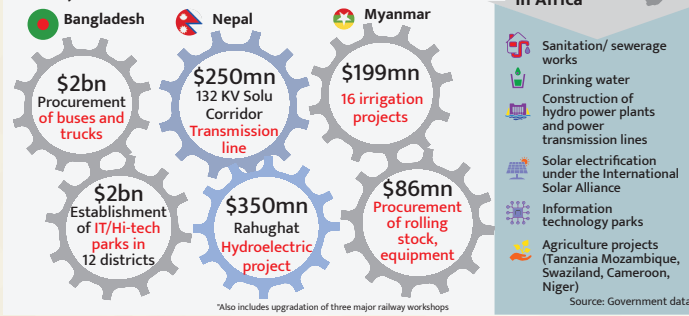


## KEY MODALITIES OF INDIA'S DEVELOPMENT ASSISTANCE



### Ongoing projects aided by India

Bangladesh is the top recipient of India's development assistance, which it currently extends to 63 countries-most of them in Africa and Asia.



### Key reasons for steep rise in development aid

- To position India as a "leading power".
- Greater availability of disposable resources due to growing size of economy.
- To cap the increasing penetration of China in areas and regions seen as India's traditional strongholds.

➤ **Mobilising support for rulemaking:** India at present has emerged as a leader for South-South Cooperation, and for many decades, has been assuming the role of leadership for **coalition building among like-minded developing countries** to protect the shared interest on **trade, climate change, and development policy**. Some of the examples are as follows:

❖ **Drafting Sustainable Development Goals (SDGs):** India was elected to serve on the **Open Working Group** for drafting the agenda. It adopted a **leadership role in the G77** (bloc of 134 developing countries) and its views are clearly reflected in the outcome document which incorporated provisions like:

- ✦ **Creation of specific indicators and national reviews** on the progress of achieving the SDGs.
- ✦ **Peace and stability in the context of the development agenda** to be looked at from a developmental lens, and not a political one.

❖ **World Trade Organisation (WTO):** India has played a key role in various important yet contentious issues. For example:

- ✦ India assumed the **leadership role** in the inception of 'peace clause' on public stockholding at the **Bali Ministerial Conference in 2013**.
- ✦ India along with South Africa successfully **secured wavering of IPR provisions for COVID-19 vaccines** so that the vaccines are accessible to poor countries.

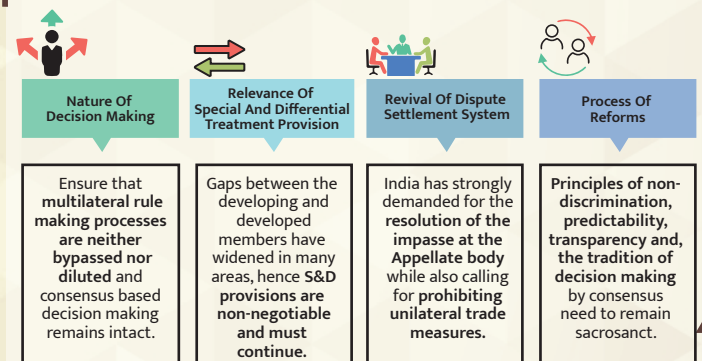
❖ **World Health Organisation (WHO):** Amidst the COVID-19 pandemic that has put a sharp focus on the functioning of WHO, India **proposed a nine point reform agenda to the UN under 'Approach on WHO Reforms'** related to issues like funding mechanisms, criteria to declare Public Health Emergency of International Concern etc.

❖ **Reform in UNSC:** India along with other G4 members (Germany, Japan and Brazil) have proposed several changes in the council to reflect current geopolitical realities and make the organisation more representative, legitimate, efficient and transparent.

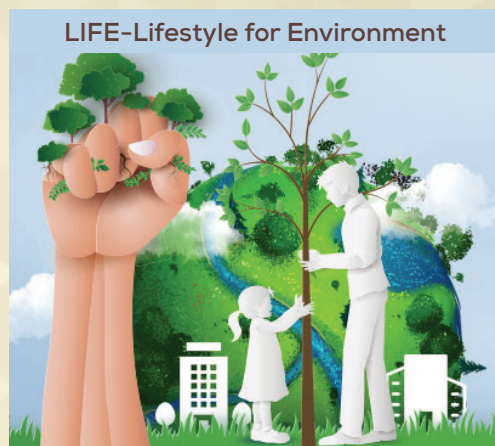
- ✦ These proposals include **expansion** of permanent and non-permanent **membership** to the UNSC, **reform in the body's working methods** and better representation of developing country aspirations, including African countries and Small Island Developing States (SIDS).

❖ **Demand for equity at UNFCCC:** India has been a **central player in climate negotiations**. It has been voicing for the **Principles of equity, and Common But Differentiated Responsibilities (CBDR) and respective capabilities**.

### India's stand on key friction areas in WTO



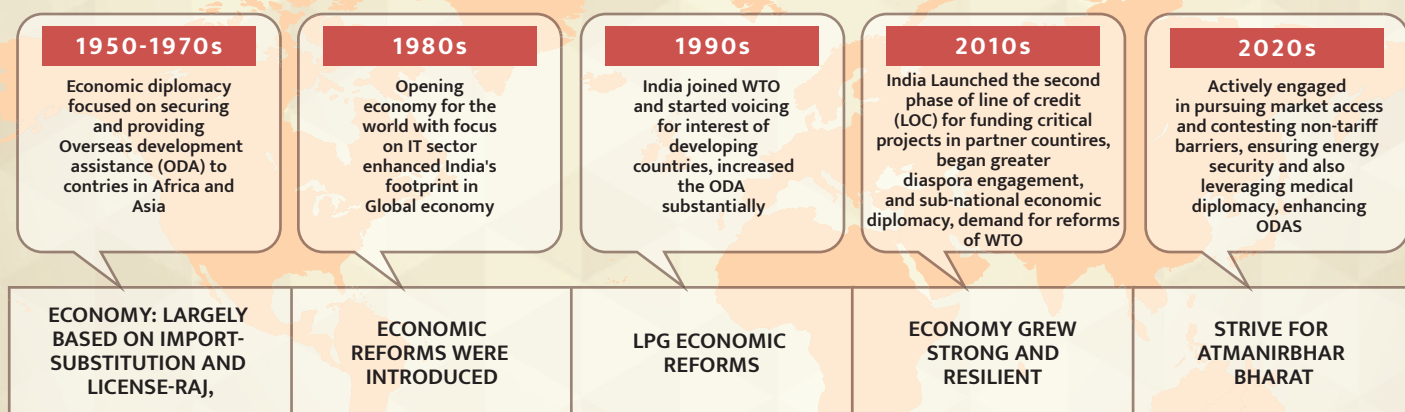
- At CoP 26, India made a strong call for "Climate Justice for Climate change" stemming from the assertion that the **idea of zero emission by 2050** being used by the developed countries ignores their responsibility and **transfers its burden to developing countries**.
- The mantra of **LIFE- Lifestyle for Environment** to combat climate change was also shared to make it a **mass movement of Environment Conscious Lifestyles**.



- » **Economic sanctions:** India **complies with sanctions by the UN but resorts to unilateral sanctions** and trade restrictions against other countries **rarely**. For example, it sanctioned **South Africa's apartheid regime, and blocked trade with Fiji** from 1989 to 1999 over the discrimination of Indians there. More recently, it **revoked Pakistan's Most Favored Nation (MFN) status** in 2019, after a terrorist attack in Kashmir, and **banned over 100 Chinese-developed apps** in 2021, following border clashes. However, India **does not have an autonomous (or unilateral) sanctions programme**.
- ❖ At the same time, India has also been **reluctant in complying with unilateral economic sanction** by other countries **to upheld its strategic autonomy**. For instance,
  - It has secured **waivers to US sanctions on Iran for the Chabahar port** in view of its strategic importance in transporting cargo and humanitarian aid to Afghanistan.
  - It has also successfully secured a **waiver against sanctions by the US through CAATSA** over its purchase of S-400 missile defence system from Russia (India's time tested friend).
  - Also, **India has avoided imposing sanctions against Russia and continued to purchase oil**, in spite of pressure from the G7 nations in the backdrop of Russia-Ukraine war.

In sum, India has pursued its economic diplomacy as per its own national interests and global aspirations. And over the decades, it has been evolved so as to fulfil the demands of the time.

## EVOLVING DYNAMICS OF INDIA'S ECONOMIC DIPLOMACY

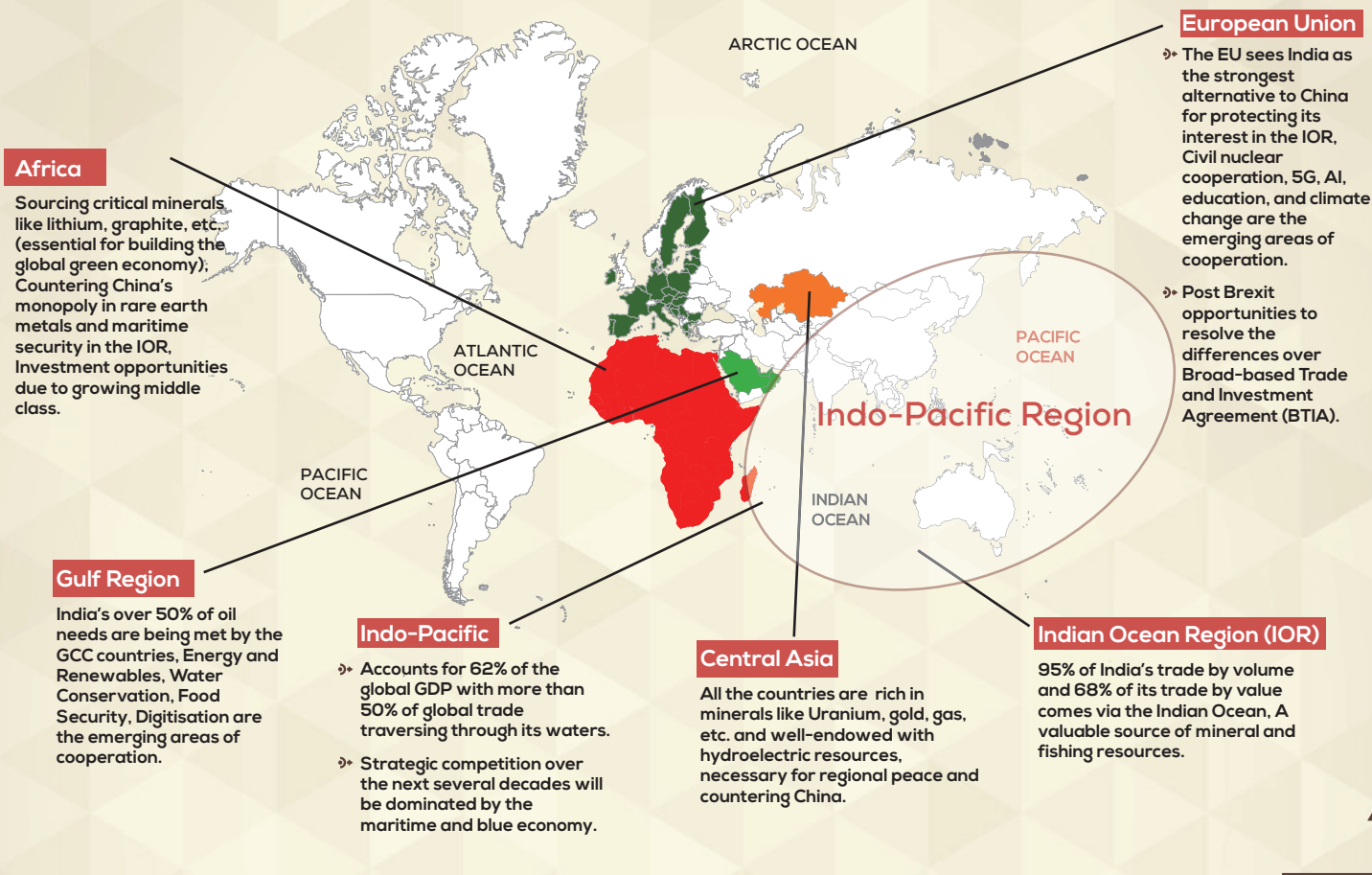


Economic diplomacy was primarily focused on assistance and cooperation

India started signalling its intent to be involved in defining the new rules of the game

## Focused regions for India's Economic Diplomacy in the present era

In the current global order with changing geopolitical realities, certain regions of world are providing significant prospects and opportunities for India to rise and emerge as a global economic player.



## What are the key challenges in pursuing India's Economic Diplomacy?

- **Inability to gather majority support at multilateral platforms:** For example, at WTO, India has not been able to gather enough support for permanent solution for Public Stockholding of Food grains. Similarly, despite India's demand to review the WTO moratorium on custom duties on electronic transmissions (on-line deliveries of 'digitizable products', e.g., of music, e-books, films, softwares etc.) was extended further.
  - ❖ Such moratorium results in a **loss of around \$10 billion per annum globally, 95% of which is borne by developing countries** (UN Conference on Trade and Development report).
- **Lacks a clear strategy for development cooperation:** India is not actively pursuing any specific development goals such as food security, health security, clean energy or education for all. Hence, there is **no synchronisation between different development instruments** and their impacts remains invisible.
  - ❖ **LoCs are typically used by recipient countries to fund small development projects** such as roads, bridges, railway lines, power transmission and water supply systems.
- **Poor implementation of developmental projects:** Implementation has been a key constraint for Indian LoCs, with poor disbursement rates and project completion record.
- **Regional discrimination in Aid:** Most of the aid by India goes to its neighbouring countries. Therefore, other parts of the world like Africa often get neglected.
  - ❖ Scarcity of resources, ensuring security in IOR and curbing dominance of China in IOR are the key reasons for such discrimination.

- » **Compartmentalized bureaucratic structure:** Huge coordination and communication gaps persists within different Ministries. Also, there is a lack of adequate engagement between government and businesses, and capacity constraints persist. This **affects integration of economic and strategic goals.**
- » **Declining share of merchandise in Global Value Chain (GVC):** Although India's overall exports have **been rising**, there has been a **steady decline in merchandise export** (a labour intensive sector ) **growth** after 2011. Despite being in proximity to 'Factory Asia,' India is less linked in GVCs than countries like Bangladesh, Vietnam, etc. due to factors like:

- ❖ **Stagnant growth and financial constraints** in the manufacturing sector.
- ❖ **High logistics costs** that continue to be triple that of China and double that of Bangladesh.
- ❖ **Lower ability to attract foreign direct investment (FDI).**
- ❖ **Falling export competitiveness** in labour-intensive sectors like textiles and clothing, gems and jewellery, and leather and leather products.

- » **Engaging with China:** Competition from China in the South Asian region, its economic dominance, border frictions, countering China's presence in the Indo-Pacific to safeguard energy and resource corridors are key areas of emerging concerns for India.

- ❖ Experts believe that India's **complete economic decoupling from China is unrealistic** and the challenge is to find a perfect balance in dealing with China.

» **Emerging issues:**

- ❖ **Protectionism:** The **gains of globalisation**, which ensured the free movement of people, goods, services and capital, and brought the world closer, **is being questioned** due to rising inequality.

- » These have also fuelled the debates on decoupling, economic sovereignty and self-reliance, preference to bilateral agreements to multilateral rules and also anti-immigration sentiment.

- ❖ **Weakening multilateral institutions** as the developed countries like the US and the UK, the founders of the liberal multilateral system, have tended to withdraw the support from multilateral institutions.

- » For example, the **Appellate body of the WTO is non-functional** due to the obstruction of appointment of new members to it by the US.

- ❖ **Humanitarian crisis:** The pandemic has reversed decades of progress on the Sustainable Development Goals, with collateral damage to education, health and nutrition.

**Balancing with China: Bridging the gap between aspiration and rationality**



Experts suggest a **recalibration of engagement with China** to constrain negative strategic fallout without bucking the trend of China's economic trajectory through:

- » Negotiating a **level playing field in trade, investments and services in China.**
- » Finding alternative partners in the field of **Artificial Intelligence (AI), 5G and digital technologies.** Recent, reinvigoration of ties with Taiwan for supply of Semiconductors is a good example.
- » **Redefine agendas of multilateral institutions** to shift focus from tariffs, rules of origin and trade deficits to **quality standards, anticorruption norms and green requirements** in contracts.
- » **Find common points of interest and collaboration** with each country and address the economic dependencies on China independently.
- » **Doing away with the compartmentalising the political and the economic ties** as suggested by the Ministry of External Affairs (MEA) in 2003.
- » Supply Chain Resilient Initiative **launched in 2021 by India, Japan and Australia must provide effective alternative to China in time bound manner.**



❖ The ultimate test of India's diplomacy now is about how it would improve the standards of living in its partner countries.

❖ **Emerging technologies:** The Fourth Industrial Revolution is emerging as the backbone of economic growth which necessitates that India must retool some of its own economic diplomacy.

## In Conversation

### Why 'Made in India' is not as popular as 'Made in China'?



**Vinay:** Hey Vini, Happy Diwali! You have decorated your house so well!

**Vini:** Thank you Vinay. I got all these unique decor stuff at a very less price from the market down the lane. But the sad part is all of these are Made in China. I wonder why India can't make these stuff!

**Vinay:** Yes that is true! This is because China has already captured the Indian market of mass consumption goods. India still struggles to manufacture products as interesting and as affordable as Chinese products.

**Vini:** Certainly! But how did China achieve this feat?

**Vinay:** China enjoys the advantage of early entry in global economy as manufacturing factory. It initiated economic reforms and trade liberalisation way back in 1970s. This resulted in mass scale production at affordable prices along with customisation to meet the demands of different countries. You know, China made Barbie dolls have different looks in India and Japan!

**Vini:** That is amazing! But why did India lag behind?

**Vinay:** India had its own developmental priorities after independence. Economic reforms in India began in 1990s but it was gradual unlike China. As a result, India could not become a part of global value chains. However, India definitely excelled in export of IT services and automobiles. For example, tractors of Mahindra are very popular among US farmers.

**Vini:** But, this approach has reduced India's visibility in global manufacturing sector. These companies have their own niche and their products do not serve the masses.

**Vinay:** I agree with you Vini. But I believe, now the 'Make in India' and Atmanirbhar Bharat campaign will certainly give a push to mass manufacturing in India and will promote Brand India across the world!

**Vini:** Yes I hope so too. I look forward to proudly buy more 'Made in India' products in the coming time.



## How could India's Economic Diplomacy be revamped to enable it to achieve its national objectives as well as global aspirations?

» **Domestic reforms:** Economic diplomacy and domestic reforms are intricately linked. How India chooses to engage with the world will primarily depend on:

- ❖ its ability to **build a new narrative** around its strengths and offerings,
  - ❖ its **capacity to build new engines of growth** and productivity (like its pharmaceuticals, automotive and telecom sectors),
  - ❖ its **drive to prosper and grow** and look out for the world,
  - ❖ its **commitment and ability to engage at granular and macro levels.**
- » **Devise an economic diplomacy policy:** India enjoys good ties with its development cooperation partners. To leverage this strength, India must outline a long-term economic diplomacy policy that aims to:
- ❖ Stabilize relations with neighbouring countries.
  - ❖ Respond to the China's belligerence in the Indo-Pacific.
  - ❖ Promote linkages on the Eurasian continent.
  - ❖ Enhance cooperation with major or rising economies.
  - ❖ Defend and develop Indian strategic interests on both land and water.

» **Improving aid programme:** Unlike China and the West, India does not have substantial resources to support partner countries. Therefore, it should:

- ❖ Prepare a **focused country wise strategy** and identify a few areas like health security, climate change adaptation and gender equality, etc. for closer cooperation.
- ❖ Establish **International Development Cooperation Agency** for deeper and more effective engagement and address the rapidly-evolving competitive development financing landscape.
- ❖ Support **private sector investment** to complement the sovereign development fund and to provide greater flexibility and bandwidth.
- ❖ Greater **collaboration among stakeholders** like Indian Civil Society organisations, Indian diaspora, NGOs to implement development projects in partner countries at low costs.
  - » For example, Pratham and Barefoot College are playing an important role in Africa.



» **Annual Status of Education Report (ASER)** surveys of Pratham is a citizen-led survey to assess learning outcomes of children across rural India. Organisations from various countries in Latin America, Africa and Asia are designing and implementing ASER through the **People's Action for Learning (PAL) Network**.

» India's **Barefoot College International** forges a first-of-its-kind, **women-centered**, global network dedicated to sustainable development for **marginalised rural communities in over 90 countries**. Each centre offers **illiterate and semi-literate women locally relevant training opportunities** that centre around self-advocacy and resilience.

» **Climbing-Up the GVC Export Ladder:** Targeted sector-level policies are needed to ensure firms are gainfully linking into GVCs. Also, effective implementation of National Master Plan (NMP) under **PM Gati Shakti** for Multi-modal Connectivity and **National Infrastructure Pipeline (NIP)** is needed as they would:

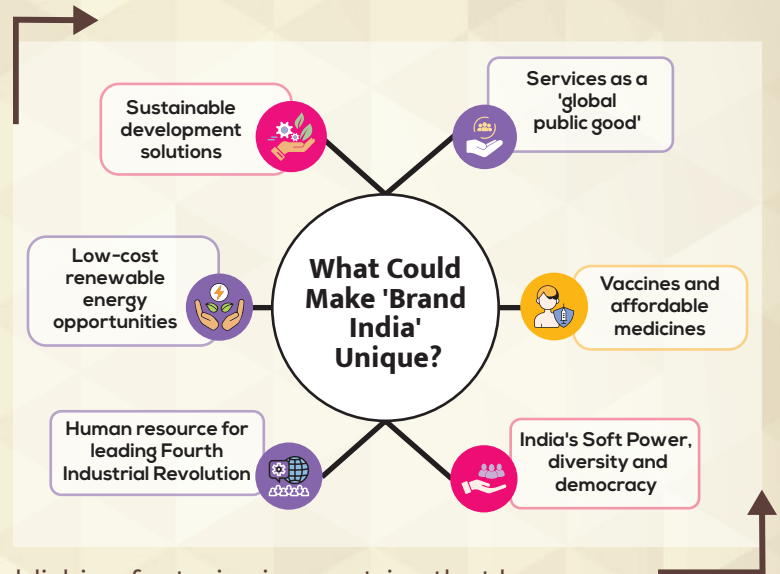
- ❖ Facilitate the ease of doing business
- ❖ Improve trade logistics and address infrastructural challenges
- ❖ Last-mile connectivity to expand GVC linkages

» **Emerging opportunities**

❖ **Health diplomacy:** International Yoga Day and establishment of WHO Global Centre for Traditional Medicine in Jamnagar, Gujarat are the bright spots to enable India to make a coalition of like-minded constituents for negotiations at the WHO.

» However, the outcomes of global health strategies are tied to the national context. Therefore, to demonstrate leadership in global health diplomacy, India must bolster its own public health system.

- ❖ **Domain experts for digital sector:** Tech expert Nandan Nilekani was made the Chairman of Unique Identification Authority of India for implementation of Aadhaar successfully.
  - ✦ This model of attracting experts must be replicated in negotiations at multilateral institutions on issues like cybersecurity, data privacy, etc.
- ❖ **Minilateral organisations:** India should also consider playing a proactive leadership role in minilateral organisations such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Mekong–Ganga Cooperation (MGC) to build support at multilateral platforms like WTO and UNSC.
- ❖ **Dedicated Ministry for Blue Economy:** This will put all components of a blue economy, including security, maritime budgetary allocation, naval acquisitions, maritime trade, energy needs, etc. under a single body resulting in improved policy making and execution.
- **Promoting Brand India:** India must bring a core offering that encapsulates exactly what makes 'Brand India' unique (refer infographic).
- **Flexibilities in policy making:** Economic diplomacy, in today's world, entails adjustment of policies in the interest of augmenting advantages to the country.
  - ❖ For example, high tariffs faced by India's apparel industry in key markets such as the EU and the UK as compared to zero duty access given to competing nations like Bangladesh and Cambodia are adversely affecting India's exports performance.
  - ❖ Such a trade barrier could be overcome by establishing factories in countries that have FTAs in these lucrative markets. Thus, when it comes to export promotion, "Make In India" should also incorporate "Make With India".



## Conclusion

India's economic diplomacy, since independence, has largely been guided by **international cooperation and solidarity** with existing associations and partnerships despite an **unusual blend of altruism and pragmatism**. The 'new normal' economic diplomacy should seek for balance between competition and cooperation, aspirations and the achievable, and regional and global. It should be navigated on the strong foundation of rules-based collaboration. Also, India's concerted actions at home will determine its evolution as a key player on the global platform.



# TOPIC AT A GLANCE

**Economic Diplomacy** is a foreign policy tool that involves the **use of economic instruments in conduct of International relations** for serving economic, political, and strategic interests of the country.

 <h2>Key instruments of Economic Diplomacy</h2>	 <h2>India's success in its usage</h2>
<ul style="list-style-type: none"> <li>» <b>Attracting investments and promotion of exports:</b> It helps a country becoming an economic power.</li> </ul>	<ul style="list-style-type: none"> <li>» Various initiatives have been taken like liberalising FDI norms, PLI schemes, Atmanirbhar Bharat Abhiyan to increase <b>economy's competitiveness on a global scale</b>.                             <ul style="list-style-type: none"> <li>❖ The FDI inflow in India was at its highest ever at USD 81.97 billion in 2020-21.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>» <b>Mobilising finances for partner countries:</b> It bolsters country's image as a credible development partner.</li> </ul>	<ul style="list-style-type: none"> <li>» <b>Financing through multilateral platforms:</b> India-UN Development Fund, International Solar Alliance (ISA), etc.</li> <li>» <b>Bilateral development aid to partner countries</b> in the form of grants as well as lines of credit (LoCs).</li> </ul>
<ul style="list-style-type: none"> <li>» <b>Economic sanctions:</b> To elicit favourable policy response from a country with which, otherwise, the political terms are not good.</li> </ul>	<ul style="list-style-type: none"> <li>» India <b>complies with sanctions by the UN but resorts to unilateral sanctions</b> and trade restrictions against other countries <b>rarely</b>.</li> </ul>

 <h2>Key challenges in pursuing India's Economic Diplomacy</h2>
<ul style="list-style-type: none"> <li>» <b>Inability to gather majority support</b> for reforms in multilateral platforms like WTO.</li> <li>» <b>Lacks a clear strategy</b> for development cooperation which makes <b>development efforts less visible</b>.</li> <li>» <b>Regional discrimination and poor implementation of development aid</b> due to scarcity of resources, <b>efforts to curb the influence of China in the IOR</b>, etc.</li> <li>» <b>Compartmentalized bureaucratic structures</b> which affects integration of economic and strategic goals.</li> <li>» <b>Decline of share of merchandise in Global Value Chain (GVC)</b> due to stagnant growth and financial constraints in the manufacturing sector.</li> <li>» <b>Competition from China</b> in the South Asian region.</li> <li>» <b>Emerging issues</b> like protectionism, weakening multilateral institutions, humanitarian crisis, etc.</li> </ul>

 <h2>Ways to revamp India's Economic Diplomacy to enable it to achieve its national interests and global aspirations</h2>
<ul style="list-style-type: none"> <li>» <b>Domestic reforms:</b> To build a new narrative around strengths, offerings and new engines of growth and productivity, etc.</li> <li>» <b>Devise an economic diplomacy policy:</b> To stabilize relations with neighbouring countries, respond to the China's belligerence in the Indo-Pacific, promote linkages on the Eurasian continent, etc.</li> <li>» <b>Improving aid programme:</b> Focused country wise strategy, establish International Development Cooperation Agency, Support private sector investment to aid programmes, etc.</li> <li>» <b>Climbing-Up the GVC Export Ladder:</b> Effective implementation of PM Gati Shakti and <b>National Infrastructure Pipeline (NIP)</b> to facilitate the ease of doing business, improve trade logistics and address infrastructural challenges, etc.</li> <li>» <b>Leverage Emerging opportunities:</b> Pursue Health diplomacy, engage domain experts for digital sector, play leadership role in minilateral organisations, etc.</li> <li>» <b>Promoting Brand India, Flexibilities in policy making</b>, etc.</li> </ul>

