



# PARADIPLOMACY

## THE PROS AND CONS OF FOREIGN POLICY

# DECENTRALISATION

### INTRODUCTION

The constitutions of federal countries place the duty of conducting foreign policy on the central authorities. However, over the last few years it has been noticed that an increasing number of powers in this regard have been delegated to the constituent units of federations such as: states, provinces, regions, cantons, federal states etc. This trend is also noticeable in India.

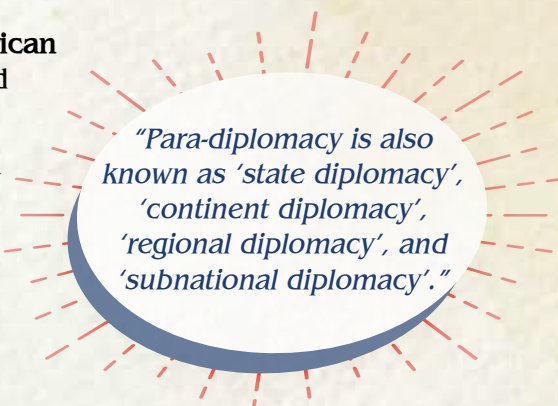
One of the significant objectives of India's current foreign policy has also been to intensify the international activity of states. It is also emerging as a great example of cooperative federalism, placing greater emphasis on states acting as equal partners in the development of the country.

Here in this document, we will try to understand the meaning of a very recent concept of Paradiplomacy and what is driving the increased engagement of sub national governments in international affairs? How significant is it to pursue paradiplomacy in the emerging era of globalisation? What are the challenges in decentralising the powers of foreign policy making to states and what is the way forward in this direction?

## What is Paradiplomacy and how did the concept evolve?

● Paradiplomacy as a concept was **first proposed in 1990 by the American scholar John Kincaid**, who outlined a foreign policy role for local and regional governments within a democratic federal system.

● **Stefan Wolff** describes paradiplomacy as the “foreign policy capacity of sub-state entities (which includes states (provinces and regions) of federations and the autonomous entities of otherwise unitary states), their participation, independent of their metropolitan state, in the international arena in pursuit of their own specific international interests.”



*“Para-diplomacy is also known as ‘state diplomacy’, ‘continent diplomacy’, ‘regional diplomacy’, and ‘subnational diplomacy’.”*

● Due to globalization and transborder flows of information, technology, economy and culture, a significant rise in people-to-people interactions at various levels is taking place irrespective of national borders. This has resulted in **sub-national entities of federal democracies enhancing their international engagement or conducting paradiplomacy.**

### Is Paradiplomacy a feature only of federal democracies?

It depends on the variant/area of paradiplomacy. Economic paradiplomacy, for instance, which is related to trade and investment in particular has become an institutionalized practice across the world – in federal states like the United States, quasi-federal states like Spain and India, non-federal states like Japan and even non-democratic states like the People’s Republic of China.



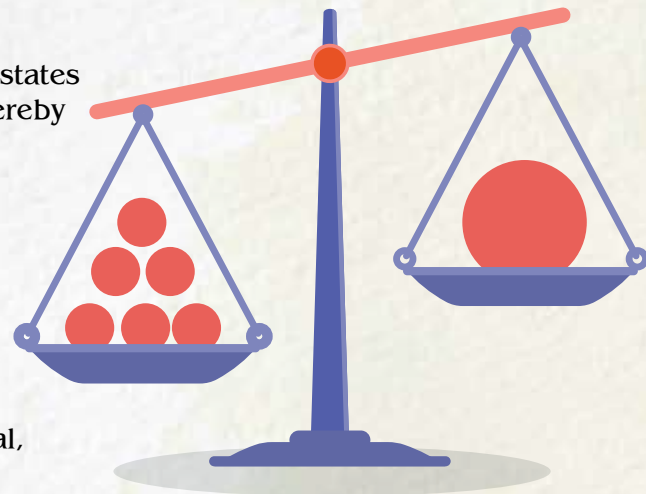
## What is the significance of involving sub national governments directly in foreign policy?

● **Strengthens the federal structure:** As it brings the powers of diplomacy to the regional level, it places greater emphasis on states acting as equal partners in the development of the country thereby reinforcing the federal foundation.

● **Propelling their competitive advantage:** States are often times outfitted and more suited to initiate diplomatic measures in sectors such as commerce, trade, cultural and educational exchanges and foreign direct investment (FDI).

➤ For example, border states in any country are often better placed to enhance diplomatic relations with other governments in their neighbourhood because of geographical, cultural, historical and economic reasons.

● **Globalization of localism:** Paradiplomacy helps in making space for a ‘decentralised dimension in international debates’, and ‘internationalisation of domestic issues’ by bringing regional issues on the global stage. It therefore facilitates local interpretation of global issues such as climate change and seek the municipal benefit of global solutions to local problems.



- **Strengthen public leadership:** Paradiplomacy contributes to a multi-stakeholder dialogue and goes along with the appearance of new territorial leaders, strengthening of situated social capacities and mobilisation of resources to localise the Sustainable Development Goals (SDGs).
- **Sharing of best practices:** Paradiplomacy allows exchanges of inputs, as well as the consolidation of collaboration platforms through different networks to dialogue and share good practices, particularly focused on essential public services.
- **Economic logic:** In a federal system, the resources of the Union are limited and where periodic elections decide the fate of ruling parties, a dynamic Chief Minister cannot remain complacent and simply rely on assistance from the centre. Paradiplomacy facilitates in sharing the costs and to pool the forces and resources of foreign policy-making with federal governments.
- **Rising global importance of cities:** 21st century is considered as the Age of cities. Cities are the economic and social powerhouses, hubs for social development, immigration and cross cultural connectivity, affluent players in climate change and an important driver of 4th industrial revolution.
- **Improving country's image:** Paradiplomacy widens choices, deepens connections with foreign partners, extends the home country's reach, and brings economic and other benefits.

*In recent years, the term 'city diplomacy' has gained increased usage and acceptance, particularly as a strand of paradiplomacy and public diplomacy*

*Town twinning, as it's more commonly called, is a concept where cities develop their own foreign relations based on cooperative agreements. These pairings can be conducted for cultural or economic exchanges, which, in turn are beneficial to both cities/towns.*

*Can you think of any such arrangement in India?*



## Case Studies: Paradiplomacy across the world

### São-Paulo, Brazil

In Brazil, the **municipal model of diplomacy** evolved following the promulgation of new constitution that allowed decentralization of the federation. The Ministry of External Relations now has a separate administrative service that creates dialogue with municipalities and states.

- In 2012, the São Paulo state government passed a decree adopting its own plan for conducting international relations that aimed at attracting foreign investment.
- In 2013, the State of São Paulo became the **first subnational government in the Southern Hemisphere to sign direct bilateral agreements with the United States and Britain**. Today, all 26 government departments of Sao Paulo have foreign partnerships or projects, especially in the infrastructure sector.

### China

China has made intelligent use of paradiplomacy to propel its impressive FDI performance, using a **hybrid model** that combines central coordination and municipal diplomacy. Beginning in the early 1980s, the **"Open Coastal Cities" program** was one of the flagship initiatives to attract FDI.

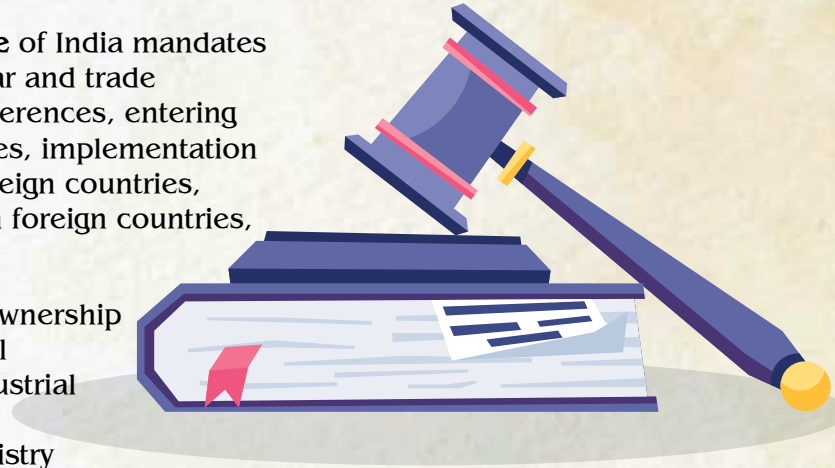
- 14 coastal cities were allowed to **maintain preferential policies** such as reduced custom duties and permits for foreigners to operate financial and tertiary businesses. This policy was later extended to all provincial capitals followed by the next phase of innovation, where municipal foreign affairs offices were opened in major economic cities.
- Starting 1992, FDI into China took off and by the next decade, China was accounting for a third of global FDI.
- China has now evolved a **"one country two system model"** that allows it control as well as provides Macau autonomy. As a consequence, today, Macau not only conducts cross border relations, but also participates in organisations like the WTO and IMF.

# How is India faring in terms of **paradiplomacy**?

As per Indian constitution, foreign affairs is exclusively a “union” subject.

● **Item 9-20 of the Union List from the 7th Schedule** of India mandates Delhi’s role in Foreign affairs, diplomatic, consular and trade representation, participation in international conferences, entering into treaties and agreements with foreign countries, implementation of treaties, agreements, and conventions with foreign countries, foreign jurisdiction and trade and commerce with foreign countries, import and export.

➤ **For instance**, all FDI-related policy on sectors, ownership quotas and other matters are decided by central government institutions: the Department of Industrial Policy and Promotion (DIPP), the Foreign Investment Promotion Board (FIPB) and the Ministry of Commerce. **State investment promotion boards exist** but are primarily single-window clearance systems that assess and approve bids.



● **States’ ability to have a say in the country’s foreign policy making is, at best, ad hoc and contingent** on factors such as - where a given state is located and which political party is in power there.

However, **India has witnessed a swift boost in its para diplomatic activities in the last few years** where state governments are proactively engaging with the central government on foreign policy issues that affect their interests. For example:

● **Vibrant investment summits** designed by several states like Punjab, Goa and Gujarat have demonstrated to be excellent platforms to showcase their investible projects on a broader canvas.

● **Border states have been pushing for greater cross-border trade.** Punjab, for instance, has pushed for additional trade routes at the Wagah border and Tripura has set up and championed border haats or markets along the India-Bangladesh border.

● **Rising foreign collaborations:** States like Andhra Pradesh, Telangana and Tamil Nadu, ruled by regional parties, have taken the lead in collaborating with foreign companies in managing some of their municipal services.

## Is Para Diplomacy and Parallel Diplomacy same?

● No. While paradiplomacy is official engagement between the government officials of two or more nations, Parallel diplomacy (also called as **Track II diplomacy** or “backchannel diplomacy”) is the practice of “**non-governmental, informal and unofficial**” contacts and activities between private citizens or groups of individuals, sometimes called ‘non-state’ actors.

● **Track 1.5 Diplomacy** on the other hand is when both officials and non-officials are engaged in a diplomatic negotiation.



● **Kerala as a cosmopolitan state** through its diaspora and its highest foreign remittances in India is coordinating in diplomatic relations with the Middle Eastern countries.

● **High-powered ministerial delegations**, such as the one held in August 2019 led by Indian Prime Minister to Vladivostok included four Chief ministers to explore the potential of outward investments and strike partnership with Far East provinces.

● **Chief Ministerial presence in international bodies** like the India China Provincial Leaders’ Forum, their participation in summits like the One Belt One Road, and their practice of directly availing loans from the World Bank.

## Factors that contributed to the growth of Paradiplomacy activities in India

- **Historical Factors:** Country's geopolitical context (in terms of contested borders, shared cultures, and economic ecosystems), creates ripe conditions for state participation in foreign policy.
- **Emergence of a coalition and regional political parties since 1967:** This exerted enormous pressure on the federal structure of India, with the institution of the seat of Governor and the issue of state autonomy gaining prominence. The partisan behaviour of central governments to these states forced them to look for alternative models of development for their respective states.
- **Economic liberalization:** Under LPG reforms of 1991, important sectors of liberalisation—such as development of industrial infrastructure, power, agriculture and irrigation, health and education—all came under the jurisdiction of states. Indian states following the economic reforms of the 1990s have extensively contributed to India's foreign policy decision-making.
  - For example, it was in 1992 that India first commenced its operations in the power sector to private foreign investors when the Maharashtra government agreed with Texas electric giant, Enron, and General Electric to fund its Dabhol Project.
- **Globalisation:** As globalisation has eroded traditional boundaries, the Central government can be aided by the subnational involvement in international affairs to meet the challenges posed by new political, economic and social forces.
- **Government initiatives** like Digital India, Make-in-India, Smart cities mission such as the ASEAN smart cities network and good governance initiatives have further helped in promoting para-diplomacy through foreign investments.
- **Institutional changes**
  - **States Division** has recently been created in the Ministry of External Affairs (MEA), in line with his vision of a "Team India" where states can attract foreign investment and compete with each other through "competitive federalism."
  - **Sister-city agreements:** Since 2014, there have been several sister-city agreements, for instance, between **Mumbai-Shanghai**, **Ahmedabad-Kobe**, and **Varanasi-Tokyo** to develop cultural and economic links and exchange best practices. This will pave the way for an enhanced economic relationship between the two vibrant cities as well as the two countries.



States are therefore acting as entrepreneurs and are rolling out pathbreaking initiatives coupled with fiscal prudence to scale new heights. This helps to build trust and provide a congenial investment climate spreading a positive investment sentiment.

However, despite their relative autonomy in carrying out these activities, **Indian states still do not have an independent role in foreign policy as it is still under the jurisdiction of the Centre.**

# What are the concerns associated with paradiplomacy?

● **Lack of coherence in policies:** The biggest concern is that states might speak in different voices from the centre, complicating coordination. Multiplicity of voices (called as 'segmentation') emanating from the same country to the international arena makes it difficult to present a coherent national foreign policy affecting the bilateral relationship at the central level.

➤ For instance, in the US, when the central government decided to withdraw the United States from the Paris Agreement on climate change, twelve state governors (both Democrats and Republicans) created the United States Climate Alliance (currently endorsed by 30 governors), because they refused to abandon the Paris' principles.

● **Increasing influence of states on the country's foreign policy:** States may be more inclined towards pursuing their parochial interests beyond what is generally considered good for the country as a whole.

● **May compromise with other important public issues:** In order to attract FDI, sub national governments might compromise on tax collection, environmental regulation and other compliance issues, to the detriment of their residents.

● **Me-tooism of the paradiplomatic behaviour:** Certain non-central governments began establishing contacts of paradiplomatic nature exclusively to emulate the success that others had achieved using similar techniques.

➤ But the mere imitation, especially when it occurs without reflection or an assertive analysis of its costs and benefits, can lead to large paradiplomatic fiascos, as was the case of the representative offices.

➤ For instance, in the 1980's, just to imitate the international success that the Canadian province of Quebec had had in France, many non-central governments rushed to open representative offices abroad. However, the costs of establishing and maintaining offices without a specific purpose greatly exceeded its benefits, which is why a period of closing of representations took place.



## India's case: What are the existing and potential challenges faced by India in the application of paradiplomacy?

● **Vast cultural, religious, economic or geographical diversity among states.**

● **Different and often conflicting interests** between individual states and between particular states and the federal government.

➤ This is more discernible in case of border States with strong regional parties. For example, **Teesta Water Sharing Agreement** could not be signed due to resistance from West Bengal Government.

● **Excessive decentralisation with regard to international activity could contribute to undermining the unity and integrity of the country.**

● **Indirect influence of state governments** in foreign policy decisions has potential to **affect India's bilateral relations** as well as its standing on international laws.

➤ For example, India's abstinence from voting in a United Nations General Assembly Resolution condemning alleged human rights violations in Sri Lanka due to pressure from the Tamil Nadu government influences *India's opiniojuris regarding its understanding of human rights violations.*

● **Security concerns particularly in North Eastern States:** For instance, Bhutan has been cautious of engaging more with Indian states as opposed to the federal government due to active extremism and insurgency and growing political polarisation in the region.

● **Low level of awareness and a lack of experience** among the Indian political, administrative and academic personnel (acting in the advisory capacity) in regards to the possibilities of stimulating states to taking actions in the international arena.

- **Limited financial space of states:** Lack of financial resources make the fruitful paradiplomacy related operations such as opening consular offices, hosting visits of foreign dignitaries etc. unsustainable for non-central governments. It is more particular where states are financially dependent on the centre to a large extent as is the case for most Northeastern states in India.
- **Lack of data or theory:** Currently, there is no solid theory, backed by quantitative or qualitative data, that gives an account of how or why non-central governments decide to participate in the international arena, or how the State could better articulate their interests.

While paradiplomacy throws up fresh challenges for the Indian government, the involvement of state governments in the domain of foreign policy certainly addresses the issue in greater depth.

## What is the way ahead for coherent incorporation of paradiplomacy in India's international affairs?

- **Balancing of the roles:** Central government can join forces with the subnational unit, co-ordinate or monitor subnational international initiatives, and manage to harmonize the various trans-sovereign activities with its own policies. The main role of the Centre would be to monitor state-led initiatives that could have adverse national impacts.
- **Identifying good practices,** and provide local authorities with better technical arguments to enhance their political-strategic discourses on why it is appropriate to upgrade paradiplomacy.
  - Best practices at local levels can be showcased as solutions for global issues.
- **Effective institutional mechanisms** through the creation of consulates or consular offices in individual states or setting up of federal foreign affairs offices under the supervision of the MEA.
  - Officers stationed at these regional offices can be trained to better handle security issues and can also be groomed to work to take the Centre's goals forward and not work against the national good.
- **Legislation:** The Centre, at a later stage, could also take steps to introduce formal legislations acknowledging the essence of paradiplomacy and its implementation in various states in a way that pushes forward India's stand on key issues of global importance.
- **Exploring the role of border states in security of national borders:** Sometimes the Union government is guided by broader international issues and overlooks the local conditions while resolving the border disputes. State governments can play a proactive role and pre-empt the Union government in such settlements.
- **Strengthening existing coordination mechanisms** such as the Inter-State Council and National Development Council.
- **Leveraging technology to encourage states' participation:** For instance, States' participation has increased in the times of COVID with the availability of virtual platforms for meetings.



# Has the COVID pandemic contributed to or hindered paradiplomacy?

Both Central and sub national governments had to step up to deal with the global pandemic and its fallouts, which had both positive and negative impacts on developments in the field of paradiplomacy-



● **Internationalization of non-central governments:** It was witnessed, especially through decentralized cooperation which also generated direct benefits for the sub-state entities.

- For example, Frankfurt (Germany) has donated 10,000 euros to its twin city of Milan (Italy) to help in the fight against the pandemic.
- Also, emergence of virtual platforms for sharing experiences enhanced cooperation within organizations such as United Cities and Local Governments (UCLG), UN Habitat etc. further contributed to the development of paradiplomacy.

● **Augmented presence of central governments in the international arena:** Due to the urgent and global nature of the crisis, Central Governments had to under take unilateral responses in the form of implementing restrictions to free transit, tightened border controls etc. This affected non-central governments who were left with little to no say on how the pandemic was dealt.

- For example, closure of borders left large contingents of migrants stranded without work in many cities, making the local authorities responsible to handle a situation generated by the central government.

## CONCLUSION

Paradiplomacy is still in its nascent stages in India. However, the current administration is keen to encourage state governments to develop paradiplomatic relations.

Indian states are also increasingly overcoming their relative passivity in foreign relations and harnessing their ability to promote trade and investment.

Given India's future global requirement firmly ensconced in seeing a reformed and more liberal economy today, it is important for India's leadership to strengthen its political presence by making space for a more inclusive federal structure. Each of the 29 states in India has its own strategic advantage and opportunities. The role of states is propelling their economic advantage would play a crucial role in India's rise to becoming a five trillion-dollar economy in the next few years.





## TOPIC AT A GLANCE

### Paradiplomacy

- Concept was first proposed in 1990 by John Kincaid.
- It is the foreign policy capacity of non-central governments and their participation, independent of the central government, in the international arena.

### Significance of Paradiplomacy

- Strengthens the federal structure as it places greater emphasis on states acting as equal partners in the development.
- Propels the competitive advantage of sub-national government.
- Facilitates globalisation of localism by bringing regional issues on the global stage and finding local solutions to global problems.
- Strengthen public leadership
- Allows exchange of best practices at local levels.
- Facilitates resources and cost sharing of foreign policy-making with federal governments.
- Rising global importance of cities necessitates city level diplomacy.
- Improves country's image as it widens choices, deepens connections with foreign partners, extends the home country's reach.

### Paradiplomacy in India

India has witnessed a swift boost in its para diplomatic activities in the last few years.

Constitutional Provisions	Emerging trends	Contributing Factors
<ul style="list-style-type: none"> <li>● Foreign affairs is exclusively a "union" subject under item 9-20 of the Union List in the 7th Schedule.</li> </ul>	<ul style="list-style-type: none"> <li>● Vibrant investment summits by Gujarat, Goa, Punjab.</li> <li>● Greater cross-border trade through border haats.</li> <li>● Rising foreign collaborations in Andhra Pradesh, Telangana and Tamil Nadu.</li> <li>● High-powered ministerial delegations.</li> <li>● Chief Ministerial presence in international bodies and summits.</li> </ul>	<ul style="list-style-type: none"> <li>● Historical Factor like contested borders, shared cultures, and economic ecosystem.</li> <li>● Emergence of coalition and regional political parties since 1967.</li> <li>● Economic liberalization.</li> <li>● Globalisation.</li> <li>● Government initiatives like Digital India, Make-in-India.</li> <li>● Creation of States Division in the MEA.</li> <li>● Sister-city agreements.</li> </ul>

### Challenges in Paradiplomacy

- Lack of coherence in foreign policy when states speak in different voices from centre.
- May compromise with other important public issues like tax collection.
- Me-tooism i.e. mere imitation of the paradiplomatic behaviour by states.
- Limited financial space of states.
- Lack of data or theory on effective participation of states in international arena.
- Diversity among states in India
- Security concerns particularly in North Eastern States.
- Low level of awareness and a lack of experience

### Way Ahead

- Balancing of the roles of central and non-central governments.
- Effective institutional mechanisms through the creation of consulates in individual states and training of officials.
- Introducing formal legislations.
- Exploring the role of border states in security of national borders.
- Strengthening existing coordination mechanisms such as the Inter-State Council.
- Identifying and showcasing good practices.
- Leveraging technology to encourage states' participation.