

**“Soft power efforts, hard power gains”
India’s economic diplomacy towards Africa using Nigeria and
Kenya as examples**

by

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PLAGIARISM DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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Abstract

Economic diplomacy and commercial diplomacy as soft power tools plays an increasingly significant role in the enhancement of national economic goals and enhanced economic relations between countries. Economic diplomacy is carried out by a government to support its foreign policy goals or diplomacy (or both) by using a wide range of economic and diplomatic tools. The impact of diplomatic efforts to enhance economic relations can be measured through the growth of bilateral trade and FDI over a period of time, as well as the removal of trade barriers and increased cooperation in international organisations like the World Trade Organization.

“Foreign policy is the outcome of economic policy, and until India has properly evolved her economic policy, her foreign policy will be rather vague..” - Jawaharlal Nehru

India’s foreign policy has increasingly become a function of its economic policy, and economic goals. As these goals have expanded to focus on different regions across the world, India’s economic diplomacy toolkit has expanded to allow for the participation of more actors, in various arenas. No longer can India rely solely on the soft power it derives from a shared history and shared foreign policy principles. With bilateral and multilateral economic cooperation expanding across the globe, there is increasing pressure on countries to harvest both soft, hard and smart power efforts to build relations that serve their domestic economic and foreign policy goals. This thesis examines the concept and practice of economic diplomacy as it relates to India and Africa. While the existing literature on the subject is extensive, it is lacking in the analysis of country-level exploratory studies, and comparisons on a regional level across the African continent. More specifically, it serves as an attempt to demonstrate the nuanced nature of India’s economic diplomacy efforts in Africa. This study examines aspects of the economic diplomacy of India as it relates to Nigeria and Kenya, with the aim of investigating how different economic diplomacy efforts have translated into strengthened economic relations and benefits. These efforts are measured through the contribution of both state activities by the Ministry of External Affairs, and non-state entities such as business organisations and the diaspora. These benefits are measured in the study through trade flows and foreign direct investment data. The discussion makes the conclusion that economic diplomatic efforts between strong regional economies can translate into enhanced trade and investment relations, and that India’s efforts in this regard can be considered nuanced and vastly different in different regions in Africa.

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1. Outline of Study

India has become an important economic power, currently ranked the 9th largest economy in the world (World Bank, 2015), and forecast to be the third largest economy by 2030 (Bloomberg, 2015). It has become an influential actor in global economic decisions as part of both the G-20 and the G-8+5 (the G-8 plus the five leading emerging economies) and may ultimately attain a permanent seat on the United Nations Security Council. India used to pride itself in its socialist ideals and non-aligned stance in international affairs, but is now considered to be one of the capitalist and entrepreneurial success stories in the last twenty years. Economic growth of 7.05% average (International Monetary Fund, 2015) from 2000 to 2015 has brought with it economic reforms which have raised per capita GDP and lowered poverty rates, accompanied with a growing self-confidence in international fora as a key ally and as a swing state in the global balance of power.

Alongside this, Sub-Saharan Africa has seen its own economic rise. The region is the world's fastest-growing continent and over the next decade its GDP is expected to rise by an average of 5% a year, due to increased diversification, foreign direct investment and increased regional and international trade (International Monetary Fund, 2015).

India and the Sub-Saharan African region have had a long-standing, historical relationship and India's engagements in Africa present an opportunity to further understand South-South relations at the intersection of political and economic relationships between states. The third India-Africa Forum concluded in New Delhi during the last week of October 2015, and was the most recent formal attempt to foster economic and development ties between India and the African continent.

Much has been written on India's rise, Africa's rise, India's growing presence in Africa, the rise of the Indian multinationals on the continent, and the opportunities for greater cooperation with the continent. Scholars such as Naidu (2008), Pham (2007), McCann and Mawdsley (2011) have all presented analysis on the nature and impact of India's economic engagements in Africa. Overall, the existing analysis focuses on the region as a whole and McCann and Mawdsley (2011) present a more regional analysis in their book *India and Africa – Changing Geographies of Power*. However, while there is a large amount of academic focus on the India-South Africa relationship, there is less of a focus on comparing this relationship to other regional "powers" such as Kenya and Nigeria, both the largest economies in East and West Africa, respectively. The existing literature primarily uses FDI and trade data to demonstrate the gains from increasing cooperation with Africa, and this study aims to contribute in a similar fashion, but comparing these gains across Nigeria and Kenya.

Economic diplomacy¹ plays a significant role in the enhancement of national economic goals and enhanced economic relations between countries. The impact of diplomatic efforts to enhance economic relations can be measured through the growth of bilateral trade and FDI over a period of time. This study “starts from the premise” that economic diplomatic efforts between “regional hegemons” can translate into enhanced trade and investment relations and that India’s efforts in this regard can be considered nuanced and vastly different in different regions in Africa.

Given India’s rise as a leading emerging market, with its growth philosophy and Indian brands and companies permeating throughout the rest of the world, alongside the rise of African economies in prominence in recent years, it would be beneficial to understand the manner in which these states interact and how foreign economic policy shapes or is shaped to reflect these interactions.

1.1 Problem statement

The problem giving rise to this study lies in the attempt to understand the intersection between the state, and the private sector, how they function optimally as one “foreign policy system” and how changes in economic approaches affect foreign policy. As countries have become more economically integrated, the prominence of non-state actors in the foreign policy arena has increased, particularly in terms of global economic issues. In the case of India, the role of large Indian multinationals and their prominence in Africa has begged the question of whether they have done so, independently or in coordination with the country’s foreign policy, and whether India’s foreign policy has adapted to accommodate these actors or not.

1.2 Rationale

This study aims to contribute to this body of literature by demonstrating through country comparisons, that India’s foray into Africa is a function of its foreign economic policy evolution, armed with a traditional and non-traditional foreign policy toolkit. Understanding the deeper integration of countries, and the manner in which they engage with one another directly forms the foundation of this study. This is particularly true for middle-power countries, engaging with one another directly, and outside of international and regional organizations. More importantly, countries engage with one another at the intersection of domestic and international political relationships and through various economic actors and decisions.

¹ Economic diplomacy can broadly be regarded as cross-border economic activities from one state to another, which involves both state-level and non-state actors.

1.3 Research aims

The study will examine how India's foreign policy has been shaped to meet its international economic goals, and how this has been applied to its engagements with states in Africa, through the examples of two very different African countries. It is increasingly important to closely examine the nature of these engagements, to identify and open up further areas of cooperation, to the benefit of both India and these African countries.

From a theoretical perspective, the biggest aspect that will be explored in this study is the extent to which India's evolution towards soft power efforts result in hard economic power as well as soft power gains. This study aims to contribute to the existing body of literature on India's economic diplomacy in Africa by demonstrating through country examples that India's foray into Africa is a function of its foreign economic policy evolution, armed with a traditional and non-traditional foreign policy toolkit. It examines aspects of the economic and commercial diplomacy of India as they relate to Nigeria and Kenya, with the aim of investigating how these foreign policy efforts have translated into strengthened economic relations through increased trade and FDI.

A number of objectives flow from this. The first is to deepen the understanding of how Indian foreign policy has changed, under different party rule, under different leadership figures, and as the country's economic orientation has shifted. This objective provides a basis through which to understand how foreign policy is made and how it has evolved in India, what the influencing factors are, and how different parties see the role of foreign policy in its strategic agenda. Through the use of examples, the use of economic diplomacy as a foreign tool by the Indian government needs to be analyzed.

The second is the study of the nature of India's economic engagement in Sub-Saharan Africa and its evolution since 2000, both in terms of increased commercial and economic diplomacy. As the fastest growing continent, rich in natural resources needed by India, and home to some of the largest Indian diaspora communities, it has become increasingly important to understand how India's foreign policy strategy has evolved to include Africa. This section of the study will examine the foreign policy actors and their influence in driving India's Africa agenda, and the public and private drivers of this strategy. In light of the changing nature of India's foreign economic policy, we hope to demonstrate how India's engagements in Africa represent a similar confluence of government and business in foreign policy.

This confluence will then be practically exemplified by looking at Kenya and Nigeria. It would be useful to understand any similarities and differences in India's foreign policy strategies towards each of these countries, and the drivers of these differences. These countries represent two regions on the continent (East and West Africa), and are considered to be the largest economies (in nominal GDP terms) in these regions. Both countries have large Indian diaspora representations and business communities, and represent complimentary economic structures relative to India. These country examples will act as a microcosm to understanding whether India's evolving and more flexible foreign economic policy towards Africa is a clear representation of the nuanced nature of its overall policy.

1.4 Analytical framework

This thesis is based on a broadly liberal understanding of international relations as involving a plurality of actors, not just states, who favour cooperation over conflict.

Soft Power

An important component of this study, within a liberal perspective concept, is the use of soft power. Soft power is the ability to affect others to obtain outcomes one wants through attraction rather than coercion or payment (Nye, 2008), as opposed to hard power which specifically refers to economic and military power. Hard power relies on tangible power resources. Economic diplomacy grounds itself in the soft power sphere, in that it relates to the relationships and interactions between economic entities, whether these are countries or companies, in the private and public sphere.

Nye (1990:154) published his seminal work on "soft power" emphasizing the shift in defining power in terms of population, territory, natural resources, economic size, military force and political stability, to factors of technology, education, influence in international organisations and economic growth. He states that "proof of power lies not in resources but in the ability to change the behaviour of states" (1990:155). This was the distinguishing factor between hard and soft power. The international system includes more non-state actors than countries and the economic resources of these actors (transnational corporations, for example) far outweigh those of most countries. As actors have become more diversified, so have the goals of many states. National security threats now include the economic and ecological, and not merely security concerns. More importantly, soft co-optive power has become just as important as hard power in promoting culture and ideology as attractive. Nye (1990:168) describes co-optive power as the ability of a country to "structure a

situation so that other countries develop preferences or define their interests in ways consistent with its own”.

According to Nye (2008:96), a country’s soft power rests primarily on the following three resources: its culture and the level to which it is attractive to others; its political values and how it acts at home and abroad; and its foreign policies , and how legitimate they are, and the level to which it increases its moral authority. In the economic diplomacy sphere, engagements between countries are often motivated by shared political values and foreign policy goals. Furthermore, the attractiveness of “imported” cultural values often resonate in countries that have large diaspora communities. In terms of foreign politics, soft power has led to countries competing on how credible they are. Whereas previously, economic and military size would determine the power players, Nye (2008:100) argues that in an information age, where information is readily produced and distributed, the international game could become about whose “story” wins. Shashi Tharoor, the former Minister of State for External Affairs in India, also provides a definition of soft power, from a practitioners perspective (2012:277): “A country’s soft power to me, emerges from the world’s perceptions of what that country is all about”. The table below (Gilboa, 2008:61), draws on Nye’s work, and demonstrates the differences between hard and soft power as applied by states:

Table 1: A comparison between hard and soft power

	Hard Power		Soft Power
	<i>Military</i>	<i>Economic</i>	
Behaviour	Coercion; deterrence	Inducement; coercion	Attraction; agenda-setting; co-optation
Resources	Force; Threats	Sanctions; payments	Values; culture; policies; institutions
Government Policies	Coercive diplomacy; war; alliance	Aid; bribes	Public diplomacy; bilateral and multilateral commercial and economic diplomacy

The biggest criticism on Nye’s work on soft power was that many states’ ability to exercise soft power only existed due to exercising the very hard power resources and behaviour shown in the table above. Furthermore, often soft power can be rendered completely useless and in contradiction to national or religious values (e.g. American values are rejected by countries like Iran). In response to this, Nye and many other scholars presented “smart power” as the ability to combine and balance hard and soft power (2004). Wilson (2008:111) defines smart power as the “capacity of an actor to combine elements of hard and soft power in ways that are mutually reinforcing such that the actor’s purposes are advanced effectively and efficiently”.

Economic Diplomacy

If soft power can be seen as a foreign policy tool, economic diplomacy can be considered an arena in which it is utilised. Melissen (2005:2) describes diplomacy as one of soft power's key instruments. Gilboa (2008:56) makes the argument that the dramatic changes in how international relations evolved, has demanded a transformation in the goals and methods of foreign policy. Similarly to the discussion above on "soft power", territory and raw materials have taken a backseat to image, reputation and the means of attracting and persuading states towards cooperation.

*"... it is increasingly difficult to distinguish between what is political in diplomacy and what is economic, and indeed, whether there is a dividing line between the two which has any validity at all."*²

Diplomacy should be seen as means of connecting economies and states with the aim of building social relations, both domestically and within the broader international system. Gilboa (2008:57) draws on the work of Signitzer and Coombs (1992:138) in the likening of diplomacy to a method of "public relations" for states.

For the purposes of this study, the following distinction made by Lee & Hudson (2004:358) is critical: diplomacy should not be seen as an instrument of the state alone, but as the aggregate of public and private interests within the state. A more specific definition is provided by Baranay (2009:1) purports that, in practice, the phrase assumes the diplomatic official activities that are focused on increasing trade and investment as well as participating in the activities of international economic organisations, i.e. acting in the economic interests of the country at the international level. He argues that the following factors promote economic diplomacy (2009:5):

- 1) global and regional integration;
- 2) the rapid expansion of the market economy, alongside liberalization and the increasing international interactions between countries through trade and FDI;
- 3) the aspirations of transnational corporations to expand, the internationalisation of labour and the increasing need for government assistance to facilitate this;
- 4) the increasing need for countries to project a positive environment as part of its international image, a determinant for tourism, trade and investment.

² Meyer, C. 1998. British Ambassador to the US. "The Future of Diplomacy". Foreign and Commonwealth Office.

In the practice of economic diplomacy, the actors have become much more complex as the global economic and political environment has evolved. While the ministries of foreign or external affairs are the central government actor in most countries, Pigman (2005:392) argues that the most significant non-foreign ministry actors are the departments of international trade, industry and finance, as well as central banks. However, Huntington (1978:71) makes the argument that matching economic power to foreign policy goals more often than not present different challenges: bureaucratic bottlenecks, interest group influence, parliamentary processes and debate, and alliance diplomacy between countries. The arena of economic diplomacy usually involves activities that require a hybrid of public sector and private sector actors, with different goals and strategies.

Given the spaces where countries engage with one another on economic diplomatic activities, there is an increasing need for these departments to work cohesively in how they represent their government, on a national and sub-national level. The actors become responsible for wielding soft power as an economic diplomacy tool, in how they make their policies and practices attractive to others. These departments work alongside non-state economic entities such as civil society groupings and business representation organisations such as chambers of commerce or industry organisations. Saner & Liu (2001:3) describes this as a “multiplication of diplomatic actors” in economic diplomacy efforts required by a single country. Even within countries and within governments, these actors have multiplied as decentralization and devolution of power to provincial governments or counties of power has increased. In the case of India as an established example and Kenya as a newer example of how devolution of power has been put into practice, regional and local authorities have increasingly sought to promote their local economies through international ties. This indicates that the activities that constitute economic diplomacy are taking place on different levels of government, at the same time.

Orthodox study of diplomatic systems focuses on interstate politics in bilateral and multilateral settings, while new diplomatic studies combine economic and political interests at both the domestic and international levels, organized by government-business partnerships. The state operates through these partnerships in the global economy, rather than on its own.

Lee and Hudson (2004:343) provide a comprehensive overview of the changing nature of diplomatic practice in a number of states, and the prioritization of commercial and economic diplomacy. The development of formal business-government linkages has become a common feature in the foreign service package. With this, the emergence of business interests within diplomatic systems has also emerged (2004:344).

As the tool to carry out the foreign economic policy, economic diplomacy is carried out by a government to support its foreign policy goals or diplomacy (or both) by using a wide range of economic tools and can be defined as diplomacy where diplomatic means are used to achieve economic and foreign policy goals (Haan, 2010; Okano-Heijmans, 2008). Alternatively, economic diplomacy can be understood as “the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity, including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage, it has bilateral, regional and multilateral dimensions, each of which is important” (Rana, 2007:1).

The concept of “economic diplomacy” is often used interchangeably with commercial diplomacy which, on the other hand, emphasizes the government’s role, being defined as “government service to the business community [and the state], which aims at the development of socially beneficial international business ventures” (Naray, 2010a). A simple definition is provided by Lee and Ruël (2012:3): “Commercial diplomacy is the international relations of business”. Commercial diplomacy revolves the work of diplomatic missions in support of the home country’s business and finance sectors and “includes the promotion of inward and outward investment, as well as trade” (Ozdem, 2009:8). Commercial diplomacy consequently includes “all aspects of business support and promotion (trade, investment, tourism, science, and technology, protection of intellectual property)” (Naray, 2010b:8). Lee (2004:51) additionally mentions the role of the private sector by defining commercial diplomacy as “the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes”. According to Lee and Ruël (2012:1), the emergences of economic blocs such as the BRICS have refreshed the shift in the international economic environment with the inclusion of new big companies acting transnationally. The strategies of these actors, alongside those of nation-states now determine the trajectory of the global economy.

For the purpose of this study, both the economic and commercial diplomatic aspects in the study of foreign policy are employed. A working definition can be understood as follows: *Economic and commercial diplomacy is the use of diplomatic means to support economic and commercial activities, such as export and foreign direct investment promotion. It is pursued with resources available to the home country, and is aimed at outputs such as economic stability, the expansion of a country’s commercial footprint, a national competitive advantage and economic partnerships in international fora. Countries thereby target greater cooperation on a bilateral or multilateral basis, employing international organisations, regional economic communities and their structures, and the private sector (both domestically and abroad).*

The majority of the literature that attempts to understand this is centered on the history of the United States, and the role of commercial relations to further the interest of large American corporations. As these corporations grow and globalize, the political economies of the trade partners of the US have increasingly demanded the attention of the government. Garten (1997:69) highlights this as a tension-filled sphere, where the values widely treasured in the US have not matched the economic and political goals of these existing and potential economic partner states. The justification for the government devoting this level of attention to business is because the state and corporate sector need each other to succeed. However, different states place commercial interests at different levels of centrality in foreign policy. Malmgren (1972:44) made a similar point: In trying to address the shortcomings of the National Security Council, and New Economic Policy in as early as 1972 as an example, solving the interests of a domestic commercial issue demanded a balancing or bridging of an overseas government's position, with a domestic American policy position. Such disputes eventually led to the creation of a Council of Foreign Economic Policy within the US administration in 1954.

As early as 1925, Dennis (1925:90) wrote a paper on the economics of diplomacy, and the strategic importance of this study for the United States to balance being the wealthiest country and managing the benefits of "commercial imperialism", with the costs of "military imperialism". Trade development needed to be promoted as the basis for international friendship.

It is also critical to a behavioural approach to foreign policy, especially in terms of understanding the variety of actors and mechanisms involved in the making of foreign policy and seeking correlations between outcomes and circumstances (Rohrlich, 1987:62). Foreign policy may also be defined as the interaction of state behavior, the confluence of environmental variables, and the bureaucratic, structural or societal dynamics that are the product of these interactions.

Yakop and van Bergeijk (2011:3) discuss economic diplomacy within the neoclassical school of thought. The primary argument from this school of thought on economic diplomacy would be that it is unnecessary, because firms whose products or services are competitive enough, should be able to enter foreign markets on their own, without government assistance. It assumes that "economic diplomacy" as a government service would operate at the same cost to the country as an export subsidy. However, governments need to be involved in these activities because certain products and markets need signaling from governments as to their importance for diplomatic and economic reasons. Where state-owned enterprises or infrastructural projects are involved in FDI projects for example, state-to-state engagement is necessary, either to welcome or promote the benefits of these projects. Similarly, the promotion of trade in a certain group of products or services require

negotiation with regards to tariffs and barriers to entry. These efforts may need to be accompanied with higher-level state engagement at international organisations such as the World Trade Organization.

1.5 Research methodology and limitations

The larger part of this study is exploratory as it attempts to understand India's foreign policy evolution, and how its engagements with Sub-Saharan Africa are viewed within this context. In particular, the emergence of economic and commercial diplomacy as a key foreign policy tool is examined. The literature that is employed is a combination of primary sources (from former Indian foreign officers and Ministers) and secondary sources from various scholars on the subject of Indian foreign policy, and India-Africa cooperation.

The final chapter will make use of two examples to demonstrate the application of India's foreign policy in Africa, through economic diplomacy. This study will be historical in nature, focusing on foreign economic engagements from 2000 to 2015, as measured by trade flow, and FDI flow data, which will be analyzed through comparisons between Nigeria and Kenya as examples. To further demonstrate the nature of these engagements, annual reports from the India EXIM Bank and Ministry of External Affairs have also been incorporated. It should be emphasized that this study is narrowed to India's outward engagements, and excludes the reciprocal engagements by actors from the three example countries (e.g. Kenya's economic diplomacy activities towards India).

In terms of the literature on India-Kenya relations, and India's economic diplomacy strategy towards Kenya and East Africa as a whole, there are limited academic articles that investigate this. McCann (2010; 2011) and Nzomo (2014) are two authors who have focused on this relationship, particularly from a soft power perspective, investigating the pragmatic approach that India has followed in its engagements, and the role of the diaspora in promoting India's foreign economic policy in Kenya. In terms of the literature on India-Nigeria relations, and India's economic diplomacy strategy towards Nigeria and West Africa as a whole, there are various sources of literature that examine India's resource-seeking activities in Africa, and the trade relationship with India in particular.

The above-mentioned data has limitations: credible trade flow and tariff data between India and Africa is only available from TradeMap, supplied by the International Trade Centre of the World Trade Organization. This data is also only available up from 2001 until 2014. The incorporation of data from as early as 1970 would have made a greater contribution to the study, providing a real demonstration of the impact that the change in India's economic diplomacy approach has had on

economic activity. Similarly, data on country-to-country foreign direct investment from India to these countries is only available from 2003 to 2015. The data provided from The Financial Times also only examines greenfield investments, which are cross-border physical investments that companies make in a foreign country, and does not take into account portfolio investments and often excludes M&A (mergers and acquisition) activity. The data also often excludes cross-border state and parastatal-led infrastructure projects.

Finally, a large portion of the academic literature on India-Africa economic relations has been done in comparison to China's economic relations with Africa. A number of studies have compared and contrasted the different nature of these relationships, often with the aim of highlighting the different goals and methods that India and China have in their economic relationship with different countries across Africa. This study, however, will focus solely on India's relationship with Africa, since the aim is to examine the toolkit that India uses, and not compare its approach with other emerging powers.

1.6 Chapter outline

The remainder of the thesis will be structured in the following way:

Chapter 2 outlines the changes in orientation in India's foreign policy space, by examining the historical trajectory of foreign policy in India, and the influence of changes in leadership and self-identity in the Indian state. The influence of the federal system and business organizations, the foreign service, and the diaspora is also examined.

In 2008, after the India-Africa Forum, Indian Prime Minister Manmohan Singh declared that "no-one understands better than India and Africa the imperative need for global institutions to reflect current realities and to build a more equitable global economy and polity" (Malghan & Swaminathan, 2008). Chapter 3 aims to capture these trends and observations as a function of India's changes in its own foreign policy as will be highlighted in this chapter.

In Chapter 4, India's nuanced evolving foreign economic policy is exemplified in its engagements with Nigeria and Kenya, with the growing importance of commercial and economic diplomacy. This will be demonstrated with data comparisons measuring foreign direct investment, trade and bilateral dialogues and agreements. In additions, the example will examine state assistance in economic diplomacy - in the form of state visits, sub-national commercial diplomacy, and engagements in fora such as the World Trade Organization, and the use of the diaspora business communities. What is

very clear from the existing literature is that the research focus on a country-level is very limited outside of the India-South Africa bilateral relationship.

2. The evolution of India's Foreign Economic Policy

2.1 Introduction

Across the literature, there exists no single government statement outlining India's foreign economic policy, which is the intersection between foreign policy and a country's economic policy. This chapter aims to show the shifts in India's foreign economic policy, before and after the Cold War. The policy shifted from one reliant on "self-reliance" and non-alignment in international economic affairs before the Cold War, towards one that shows India embracing its membership of many different international fora. This shift was supported by economic liberalization domestically, and changed international political dynamics after the dissolution of the Soviet Union. The different officials leading external affairs also played a role in directing India's foreign economic policy, alongside the Indian private sector. The alterations of India's foreign economic policy are a result of both domestic and external pressures and restraints. More importantly, India's "sense of self" under various leaders has served as guidance in its shift from an inward-focused, self-reliant stance to an outward, integrated international re-orientation.

The reorientation of the India's foreign economic policy shows very clearly that India has recognized and used its soft power as an economic diplomacy tool, although the country's foreign economic policies have not intentionally aimed to increase its soft power.

2.2 Shifts in foreign economic policy ideology in India

2.2.1 India's foreign economic policy before The Cold War

Chiriyankandath (2004:200) attributes the original parameters and "tone-setting" of Indian foreign policy to Jawaharlal Nehru, the country's first prime minister after independence. This is due to the position he carved out during his seventeen years of leadership, placing India as an influencing power in Asia and Africa, maintaining neutrality during the Cold War, and as a frontline participant in the Non-Aligned Movement. According to Kale (2009:43), India's foreign economic policy under Nehru was built on the "conjoined principles" of economic self-reliance and political alignment, or the four principles of "anti-colonialism, non-alignment, peaceful co-existence and renunciation of force in the settlement of international disputes" (Maitra, 1967:793). Rubinoff (1991:313) makes the point that a key characteristic of Nehru's neutralism was an ambivalent attitude towards both the major powers and other states in the non-aligned movement. This would bring a large degree of criticism from other states, particularly after the Bandung Conference of non-aligned countries, held

in Indonesia in 1955. At this conference, India was thought to have failed to take leadership, and was criticized as having too passive an approach to non-alignment. This would repeat itself at the Belgrade Conference in 1961.

Nehru's influence on Indian foreign policy is a common theme across the literature of this time period. In the 1950s and 1960s, in particular, Nehru monopolised foreign policy (Jain, 1990:75) and was virtually unchallenged in his stance due to a lack of interest, basic education and debate on foreign policy issues, even though he passed away in 1964. Mehta (2009:221) argues that Nehru's understanding of "non-alignment" still permeates through Indian foreign policy thinking, in that Indian policy is not swayed by the idea of balancing power between itself and the West, or itself and China. However, as will be discussed below and in later chapters, India's more recent foreign policy decisions to align with the groupings such as the BRICS can be seen as another movement away from Nehru's strict non-alignment policy.

The Sino-Indian border war in 1962 served as a turning point in the way India saw the world: With the leadership change to Indira Gandhi in 1966, the world according to India was composed of threats rather than opportunities, while maintaining the position of neutrality – a more realistic foreign policy view. Ganguly & Pardesi (2009:4), two of the most prominent scholars on the evolution of India's foreign policy, hold the view that India's foreign policymakers followed an idealistic foreign policy, to their detriment, until the border war with China in 1962. It was in light of this event that Indians began to privilege the idea of autonomy in its engagements with other states. Given the focus from the rest of the global powers on the Cold War, India began crafting a foreign policy that had its foundation in maintaining the greatest possible level of independence, weighed down by the colonial history of the country. Maitra (1967:794) make the argument that, given the limited money and power India had at the time, it could not be expected to lead the non-aligned movement. Rather, given that the pillars upon which India's foreign policy was built were no longer in place, it was time to reorientate towards a more self-interested view of the international system.

During her first tenure as Prime Minister, Indira Gandhi was criticised as having a too similar an approach to foreign policy issues as Nehru on a multilateral level, but she did succeed in attempting to reconcile relations with China and Pakistan (Rubinoff, 1991:326). When the Bharatiya Janata Party (BJP) took over in 1977, the Foreign Affairs Minister A.B. Vajpayee make significant strides in repairing relations with China and Pakistan, but these efforts were undermined by domestic politics, as well as the Chinese invasion of Vietnam which took place at the same time as an official state visit from India in February 1979. Their focus was on establishing friendly relations with the United States, particularly on issues of nuclear disarmament, and appeasing the Soviet Union. Noorani

(1979:231) describes foreign policy under the BJP as being even-handed, and quotes Vajpayee as having emphasized that continuity in foreign policy under the BJP is more pronounced, and change in policy is more subtle.

From a foreign economic policy perspective, in the decades to follow, India's focus on non-interference was closely mirrored by a lack of involvement in the global economy. Policies of state-led industrialisation coupled with "export pessimism" (Ganguly & Pardesi, 2009:10) led to a schism between India and the rest of the global economy. Following the oil crisis in 1972, India chose to spearhead the Group of 77, a group of developing countries in search of a more equitable representation and influence in the global economic and financial system. However, India was not able to obtain any concessions from Organisation of Petroleum Exporting Countries (OPEC) as a resource-poor developing country. India's influence remained limited to South Asian and regional issues. Sridharan (2002:57) brings together an important discussion of the necessity of economic strength in a country's arsenal of both hard and soft power, making the argument that states who are more economically powerful are better able to command diplomatic influence, particularly in international organisations. The lack of this component of India's foreign policy arsenal was critically important in understanding India's lack of influence before economic liberalisation would take place in 1991.

During the 1970s, India's foreign economic policy thrust was more concerned with attracting foreign aid to support the domestic economy. However, the economy remained strained due to low productivity, an inefficient public sector, and the high levels of bureaucracy and inefficiency in trade and investment policies. Indira Gandhi's second tenure from January 1980 was accompanied by greater domestic stability in terms of her power base, which gave her greater freedom to pursue a larger international profile. She pursued initiatives in Africa, Asia and the Middle East, using fora such as the Commonwealth, the Non-Aligned Movement, the Asia Games and the Delhi Summit in 1983. This set the tone for her son Rajiv Gandhi to follow, particularly in his stance on South Africa and the diplomatic pressure that India exerted on the country to end the apartheid system. What is clear from the leadership of the different Prime Ministers is that domestic challenges often came in the way of placing India as an exemplary leader within the global system. During Indira Gandhi's tenure, sectarian issues in states such as Assam, and the Punjab, that involved other countries, often undermined broader efforts at multilateralism and bilateralism. Similarly, during Rajiv Gandhi's tenure, unresolved issues in the Punjab, Assam and the Muslim-Hindu discord undermined his position internationally. This is a challenge that has repeatedly played itself out: the inability of leaders to infuse the country with high purpose (Mansingh, 1984:207).

Within the realist perspective, one could argue that the shaping of India's foreign policy has been justified in terms of the "national interest" (Chenoy, 2007:3553) and gaining a greater power status within the international system. An interesting point made by Mistry (2003:2948) is that, based on its foreign behaviour stance, India had chosen to try "to be everything to everybody" in its application of neutrality, opting to be affected by events rather than control them. Mehta (2009:218) explains how India's identity is largely grounded in power, but this power is defined by the power of its example: By showing the rest of the world how to maintain a strong democracy, manage its diverse population and have a distinguished economy, it could be seen as a great power. According to Kapur (2009:200), India's foreign policy in the 1980s was characterised by a mismatch between India's ambitions to be a major power within the international system coupled with a decline in economic influence. This was easier to implement until a lack of capital funds forced the country to interact with partners on both sides of the Cold War, and integrate itself in global supply chains, the international trade system and the, albeit slow, reception to international investment.

Pant (2009:97) highlights an important point in understanding foreign policy from India's perspective and that is the "lack of an instinct for power". Understanding the foreign policy stance of a country lies in the way it exercises military, economic or political power. This is in line with the work of Hans Morgenthau (1948) who argues that the prestige of a nation lies in its reputation for power. Similarly, Mehta (2009) argues that the gap between aspiration and ability in the way India sees itself, is the root cause of the absence of foreign policy frameworks. Most of the scholastic analysis on the topic has been through an ad-hoc examination of India's performance on international economic indicators or its foreign policy decisions and actions in international economic "events".

The theme of *non-alignment* within the evolution of India's foreign policy in the past 20 years warrants discussion. While political rhetoric has always reiterated India's stance of neutrality, and non-alignment within international political affairs, its economic engagement with the international system provides examples of an alignment with the Global South in multilateral fora such as the World Economic Forum, the World Trade Organization and the Group of 20. Chenoy (2007:3551) observes that, officially, India continues to adhere to the concept of non-alignment within a multipolar world, with multiple power nodes and coexistence of states with multiple cultures and markets and multilateral institutions and international laws. India sees a multipolar international system as an extension of the concept of non-alignment, according to Chenoy. Its foreign economic policy is influenced by the need for multipolarity and not the over-dominance of one power. One could argue that this demonstrates a shift from a "belief system"³ model of decision-making on

³ Heywood p.428

foreign policy, where concepts and values are the key driving factor, towards a more “incremental”⁴ model, where policy-makers make decision within a general framework, but adjust according to a changing factor or environment. Within the foreign policy space, countries adopting the latter model are often characterised as “muddling through” and not making bold decisions, but allowing for flexibility and consultation, as described by Lindblom (1959). Chiriyankandath (2004:200) claims that choosing to be non-aligned in its engagements with other countries, during the time of the Cold War, was as strategic and it was a principled choice to achieve peace in a divided international system

Criticism of this position was that it never resonated in domestic economic policies, and some policies were actually to the country’s detriment, for example India’ support for OPEC concessions, which increased the price of oil. This brought about a change in India’s foreign policy once the Cold War ended, bringing along with it various challenges to both the political leadership making the policy, and the bureaucrats putting them into practice. The reorientation included an openness to engagement with the United States and the Western alliance, a strong focus on domestic economic policies, increased attention to building up the country’s military capabilities and finally, a greater role for India and India’s interests in the global system. The dissolution of the Soviet Union further added to the need for a change to the country’s state-led and state-regulated industrialisation approach, and this further emphasised the need for a change to foreign policy. This even led, under the direction of Manmohan Singh, the Finance Minister at the time, to India entering a structural adjustment program with the International Monetary Fund.

2.2.2 India’s foreign economic diplomacy after the Cold War

On an economic level, India’s fiscal crisis due to the Gulf War in 1991 and the oil price effect on the economy, forced a re-evaluation of the country’s international economic policies, by the then Finance Minister Manmohan Singh. The initial considerations to liberalise the economy had been put on the table by Prime Ministers Indira Gandhi and Rajiv Gandhi.

Sridharan (2002:58) makes the argument that, by the 1990s, the growing interconnection between economics and foreign policy could not be ignored by the different actors in the international system. Crafting foreign policy strategies have increasingly involved strategies to increase a country’s clout abroad, using the attractiveness of its domestic priorities.

⁴ Heywood p.427

At the time of the fall of the Berlin Wall in November 1989, the Congress Party saw itself defeated in the general elections. Not only did India have to grasp the changed world in which it had orientated itself post-Cold War, it also had to adopt a realist perspective different to the Nehruvian perspective that had guided foreign policy up until then. The changes in the structure of the international system were a guiding factor to India to change its strategic alliances, particularly if it wished to craft a place in the international economy. Rather than align itself to the smaller economies within the Non-Aligned Movement, it saw better opportunities to forge strategic economic relationships with other South Asian, Southeast Asia, East Asia and the USA and EU. This formed the basis of India's foreign economic relations since the 1990s.

The fall of Communism in Eastern Europe took place simultaneously to a change in leadership and a greater movement to a more realist foreign policy perspective. Ganguly (2004:41) identifies the Cold War as a turning point for India's foreign policy. Its stance of non-alignment served as India's ability to remain dissuaded to support a side, and pursue its own interests. More importantly, India took a representative position that outweighed its hard power traits. In this position, India emerged as a "champion of the world's poor and dispossessed" (Ganguly, 2004:41) – calling for the reform of the global foreign aid regime, bodies like the IMF and increased equality in international reform.

The increasingly louder voices of policy-makers encouraging more pragmatism and structure in Indian foreign policy making, rose after the Cold War. This further reinforced the primacy of national interests, but emphasized a increasing need for flexibility in its ideologoes and how it pursues this interest. The end of the Cold War brought with it a realisation that "non-alignment" as the foundation of foreign policy was not the best way for India to proceed in its strategic engagements with the rest of the world. This realisation can be seen as a movement from the idealist perspective, which relied on nomrative judgements on how India regarded its own and other states behaving. Internationalism has always underpinned idealism, and "neo-idealism" in particular (Heywood, 2007:129).

At the forefront of this movement was Jaswant Singh who would go on to become the Minister for External Affairs from 1998 to 2002 and then finance minister in the Vajpayee administration. The Bharatiya Janata Party adopted a foreign policy orientation centred on a pursuit of national interest as the main driver (Chiriyankandath, 2004:201). Hall (2010:602) argues that the new realist stance that arose in India's foreign policy after 1991 was driven by indigenous factors like the economy, and Western influences – with decisions driven by measuring interests rather than moral alliances. For many scholars of the realist school of thought, India's prominence in the international system

was held back by its idealistic stance and its need to be a moral example to other developing countries.

Ollapally and Rajagopalan (2011:145) argue that India's foreign policy has always been grounded in a nationalist perspective, but has been forced to become increasingly pragmatic. The nationalist perspective was borne out of India's Cold War foreign policy, and its view of "non-alignment", emphasizing every country's sovereignty. To the nationalists within India's decision-makers, India's capacity for "strategic autonomy" (Ollapally and Rajagopalan, 2011:146) was the primary goal: Given constant pressure to "pick a side" by other world powers, whether this be China, Russia or the United States, India's foreign policy needed to ensure that its own interest was the primary aim. In practice, this meant that alliances were steered away from. Prime Minister Manmohan Singh, in 2010, maintained that "India is too large a country to be boxed into any alliance"⁵.

Across the analyses of India's foreign policy evolution, is the role that specific individuals have played. Chatterjee (2013:14) makes the point that foreign policy is highly individualistic and lacks a long-term view of its foreign policy goals. An interesting point Chatterjee raises is that the small group of Indian political elite that direct Indian foreign policy are sceptical of what the West perceives as India's rise, and the accompanied expectations that the country's economic rise has brought for its international role in global affairs. This observation is based on the highly individualistic nature of foreign policy decisions within the Indian foreign policy space, discussed earlier. On this point, Chatterjee (2013) describes India as a "would-be great power resisting its own rise".

Mohan (2006:17) identifies three strategic "circles" that can be used to describe India's foreign policy after 2000, as the country's economic rise attracted significant attention. In the first circle, were issues that related to India's immediate neighbourhood where the country has followed an identity of primacy or the regional "hegemon". The second circle would encompass the 'extended neighbourhood': where India acted in a realism approach with regard to protecting its interests and balance other powers such as China. The third concentric circle is the rest of the international system, where India has sought to use its economic clout to act as a great power. Implementing this kind of strategy was difficult when following a socialist system which led to economic decline and a decline in influence, especially after independence. This system basically removed the second and third circles from India's strategy. However, this problem and India's alliance with the Soviet Union during the Cold War were removed at the start of the 1990s, with economic liberalization and openness allowing the country to revisit its foreign policy outside of its direct neighbourhood. This

⁵ India Today. 2010. India too large a country to be boxed into any alliance: PM. <http://indiatoday.intoday.in/story/india-too-large-a-country-to-be-boxed-into-any-alliance-pm/1/112519.html>

saw India form alliances with the United States, China and the Commonwealth countries. In 2002, a group of scholars and former government officials presented a proposal report on a possible blueprint for India's foreign policy, entitled Non-Alignment 2.0. Ganguly (2012) acknowledged the merit in conducting such a study laid in its highlighting of a core weakness of Indian foreign policy across the past few decades: India has developed a tendency to deal with important foreign policy decisions, whether economic, political or security, with a broad general approach.

Ganguly (2004:42), introduces the idea of *moral suasion* to describe India's foreign policy after the Cold War: while the country took a backseat to the disputes between the global powers, disproportionate to the role of its military and geopolitical importance. Rather, India raised its voice for the concerns of the decolonized, non-industrialised countries. Furthermore, India advocated for a change of the global foreign aid regime, a fairer negotiation regime within the World Trade Organisation and the reform of the IMF and World Bank to better reflect and protect the concerns of weaker states. One could argue that this would form the basis of India joining the IBSA (India-Brazil-South Africa) trilateral in 2003, and then later the formalised BRICS (Brazil, Russia, India, China and South Africa) grouping of countries in the 2000s. India's membership of these bodies solidified its movement from non-alignment in its foreign relations, to the country "throwing its hat" into an alliance with other emerging powers with shared domestic and broader economic goals, alongside shared ideals of a fairer international economic regime.

2.3 India's foreign policy in practice today

2.3.1 The influence of economic policy

Bhambri (1982:51) makes the argument that the Indian government had oft found themselves in contradiction with its own foreign policy of non-alignment and a degree of anti-imperialism, particularly when it came to global capitalism. This was primarily due to previous economic policies not pursuing a policy of self-reliance and domestic economic development. This chapter aims to discuss the influence that the liberalisation of India's economy has had on Indian foreign policy.

For India's economy, the 1990s started as a difficult time with a high fiscal deficit, declining growth and a decline in the country's hard currency reserves and high levels of foreign debt. One of the main factors that drove the economic transformation from inward- to outward-focused was the change in perspective amongst the decision-making elite in India's economic and foreign policy sphere (Kale, 2009:50).

One of the main factors that drove the economic transformation from inward- to outward-focused was the change in perspective amongst the decision-making elite in India's economic and foreign policy sphere (Kale, 2009:50). At the start of Indira Gandhi's final term of office, India started undergo focused liberalisation: with the state removing price controls, and lifting licencing requirements. While these had a limited effect on the economy, futher liberalisation was aggressively implemented by the Rajiv Gandhi, until public support for the party declined, as was evident in the elections of 1987.

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The federal system in India has also created the arena for sub-national governments to act within the foreign policy space, although foreign policy is made at the central level. With increasing competition amongst states, economic diplomacy became a key activity for state governments with chief ministers engaging in outbound trade and investment missions, destination marketing and building relationships with other sub-national governments globally (Sridharan, 2002:69). Prime Minister Narendra Modi's activities in the Gujarat state are a prime example of this.

Malone (2011:75) describes India's economy as its "global calling card", due to the impact it has had on power relationships between India and the rest of the world and its clout in global institutions. Since the 1990s, India's foreign poicy was been most heavily influenced by its economic evolution and rapid growth. Chaudhuri (1995:999) highlights the intersection between economic

reforms and liberalisation and India's foreign policy. While the economic reforms of 1991 opened the country to inward FDI and capital flows, and heralded a new era of industrialisation, the influx of foreign business seemed to ignite a furore amongst local Indian companies to exert influence over economic policies, particularly those related to trade and activity in restricted industries. Indigenous enterprises have had to compete, partner with, or be absorbed by incoming foreign companies, particularly in previously protected industries such as textiles and fertilizer. Given India's size of its domestic market, many multinationals have entered the market for export-oriented projects, and domestic-oriented projects.

Nayar (1998:2453) argues that the economic policy shifts that occurred since 1991 in India led to an improvement in the balance between globalisation and nationalism in the Indian economy. These reforms evoked different responses from different business groups. One of these was the Federation of Indian Chambers of Commerce and Industry (FICCI). Originally aligned to the nationalist movement, the organisation was the most influential business association in India but was isolated from the government and its objectives, due to their preference for a socialist organisation of the economy. Another business group was the Associated Chambers of Commerce and Industry (Assocham), which, although it had Indian members, was more focused towards its foreign multinational membership. According to Nayar (1998:2453), the work of these two organisations was overshadowed by the Confederation of Indian Industry (CII) which was considered to be more representative of modern Indian business, with greater resources. All three these organisations were disenchanted by the government's push for economic reforms, and especially the openness to foreign capital which threatened to destabilise the market positions that many of the members of these organisations had accrued. Since firms in India still operated primarily as family-owned business, in the commodity-producing sectors, rather than firms with known consumer goods branding, the threat of foreign capital remained a big concern for these above-mentioned organisations. A massive concern to these businesses was also the lack of support provided by the government to adjust to the shock of a more open economy and the entry of foreign businesses. This discontent amongst the private sector was available to the BJP to exploit politically to a large degree, because their issues played to their ideological position.

2.3.2 The institutional structures supporting economic diplomacy

A common theme amongst scholars on the subject of India's international economic diplomacy is the lack of coordination and coherency in understanding India's decision-making on a bilateral and multilateral level (Mistry, 2009). As far as the role-players in India's foreign policy environment are concerned, they are divided into three groups: The office of the Prime Minister, the National Security

Council, and the Ministry of External Affairs (Chatterjee, 2013:15). Across all these groups, officials at all levels are from the Indian Foreign Service. This institution was borne out of the Indian Civil Service and the Indian Political Service, both of which were created by the British, and which were the source of many officers into the Indian Foreign Service after it was created upon independence in 1947.

Until today, it is considered one of the most prestigious parts of Indian civil service, to the extent where India's foreign service posts abroad, at all levels of seniority, are filled by members of the Foreign Service or career civil servants as they have become, instead of political appointees as one sees in countries like the United States, South Africa and Brazil. It is to this end, given the long tenures and high levels of responsibility that Foreign Service officials hold, that foreign policy decision-making processes have become highly individualistic (Chatterjee 2013:16). What this has resulted in, is a lack of collective thinking in making foreign policy strategy, and more individualistic, ad-hoc decision making and personalised strategic planning. An additional point raised by Chatterjee is that, in addition to this autonomy in decision-making, foreign service officials also work within "anonymity of action" (2013:17). Since the Prime Minister and Foreign Minister take ultimate responsibility for the country's foreign policy direction and action, these factors have resulted in a bottom-up approach to policy-making process.

Rana (2004:67) provides interesting insight into India's model of economic diplomacy, from a practitioner's perspective. He observes that, since the 1973 oil crisis, economic diplomacy become the central work of Indian diplomatic missions across the world. An important component of India's economic diplomacy model lies in the use of business associations and the diaspora to promote and participate in India's foreign policy activities. Such a business association is the Confederation of Indian Industry.

The federal system domestically also plays a large role in India's foreign policy. The liberalisation of the Indian economy brought with it the move to more business-friendly states. At the same time, decentralisation of power made the process of economic reform difficult, due to more diverse interests having to be moderated, and a more volatile political environment with diluted power in the centre. This occurred during a period of having to recognise the impact of globalisation, not only on economic liberalisation but on political activity as well (Gordon, 1997:84). Economic reforms were less unified in their drafting and implementation. Economic liberalisation brought with it a shift in the focus of foreign policy towards other Asian countries, and the United States, particularly after the Cold War. Due to the expansive nature that economic liberalisation and globalisation demanded, geo-economic factors were emerging as more important than traditional geopolitical dynamics

(Gordon, 1997:89). Economic departments in the federal system therefore became an integral part of India's foreign policy apparatus.

Chiriyankandath (2004:202) makes the observation that the incorporation of investment and trade promotion as part of an economic development plan took place irrespective of party positions on economic reform, however divergent they were. This resulted in wealth creation and the uneven economic development of states in the south and west, who are more easily accessible from Europe, the US and the Middle East when compared to the east. Jenkins (2003:63) attempts to assess the extent to which state governments are influenced by shifts in India's economic and foreign policy stance, and how their roles have evolved with these shifts. He makes the observation that, and due to the high-profile and high frequency of trade and investment promotion activity in certain key states in India, there is increasing engagement by subnational units in international economic affairs, and this evidence offers an indication of the level of decline in influence and an increase in reconfiguration by the central government to adapt to the needs of the economy, as well as the changing nature of economic diplomacy in foreign policy globally (Jenkins, 2003:64). This is in line with global trends in what Jenkins refers to as "constituent diplomacy", making reference to the work of John Kincaid on increase in subnational diplomacy, where an increasing amount of countries and their states or provinces are engaging in an increasing number and range of economic diplomatic activities with other countries, multilateral organisations such as the World Trade Organisation and World Bank, and multinational corporations.

In addition, as it became increasingly clear that Indian industries would have to start opening up to international participation, as part of the government's new plans for economic development, their voices also rose in criticism of foreign policy. Since the 1990s, and well into the 2000s, these associations and labour unions have slowed down privatisation, and the lifting of subsidies and tariffs. On this point, India only allowed foreign institutional investors to access the equities market in 1992.

2.3.3 The role of non-state actors

At the Davos 2006 World Economic Forum, the Confederation of Indian Industry (CII), along with the Ministry of Commerce of Industry and the Department of Industrial Policy and Promotion took the responsibility to rebrand India as a place for business. The Indian delegation attending the summit included 40 chief executives, and used the opportunity to showcase India's economic strengths, commercial prowess and soft power, through the inclusion of Bollywood, and Ayurvedic products into the branding of the country (Kale, 2009:58). The alliance between state and business

reorientated India's foreign economic policy since 2000, with the corporate sector promoting "India" as a whole product, through initiatives such as the India Brand Equity Foundation (IBEF).

Kapur (2009:203) makes reference to the work of Sanjaya Baru (2009) which focuses on the influence of Indian business on Indian foreign policy, given the pro-business stance of the BJP. The growth in number, and strength of business organisations such as the CII, sector organisations such as the National Association of Software and Services Companies (NASSCOM), and foreign business councils such as the USIBC, are demonstrative of the collective influence that the private sector has on foreign economic policy. In their outward FDI activities and global profile, Indian companies have increased their interests as well as their bargaining power in shaping India's foreign policy.

2.4 The soft power attributes of India's economic diplomacy

Mitra and Schöttli (2007:20) put forward the argument that, while India's political processes continue to promote the country as a vibrant democracy, there remains a lack of consensus about the core foreign policy stance of the country. One of the key building blocks of India's soft power, as derived from the discussion above, is India's promotion of its hard-fought for democracy, and economic rise post-independence. In terms of the economy, a large part of India's soft power lies not only in its economic growth and growth in size, but rather in the model it used to do so; the contribution that having a highly skilled population makes to economic growth, and stability; and the manner in which Indian multinationals are global leaders in their sectors. This section lays the foundation of how India's soft power has evolved from independence, and the contribution it makes to the country's economic diplomacy toolkit.

Hymans (2009:237) discusses India's soft power or lack thereof ("soft vulnerability") before independence. This argument is based on the strength of the British Empire at the time. India's non-violent freedom movement, led by Mahatma Gandhi, was a key example of how soft power can be used effectively as a political strategy. Nehru continued on this trajectory, putting forward a "softer" kind of power domestically, and in international relations. The growth in the non-aligned movement was a clear signal of the attractiveness of these principles, and a good example of the success of this tool, was the contribution it made in "hastening" the fall of the British Empire worldwide. As discussed in the previous section, India's soft power through its foreign policy followed the same trajectory, albeit muted due to domestic issues and despite the change in leadership that took place during this period.

Khilnani (1997:57) argues that the non-alignment policy was out of date by the end of the 1990s, and that India was lacking the foreign economic policy finesse demonstrated by Nehru and Indira Gandhi. In terms of the soft power attributes of India's foreign policy, Shashi Tharoor (2012:277), the former Minister of State for External Affairs, makes the case that, amidst the increasing commentary on India's rise to becoming a world leader, the paradoxes of this rise become more evident: despite the world second largest population, and being one of the fastest-growing economies, it is still a country with high unemployment and poverty levels. However, India's rise in prominence, and how its foreign policy has adapted to match this, has come with the recognition that "the world's respect will no longer be accorded merely to the strongest and richest countries. Those who tell the most persuasive stories-and those about whom the most positive stories are told-will fare better in the (global) public's reckoning than those who win wars." (2012:294). According to Dormandy (2007:125), India wields enormous soft power as the world's largest democracy, and its ability to use democracy promotion actively in other countries. However, when one examines this, there are very few examples where India actively coerces countries who are not considered to be democracies to change their policy orientation.

What has emerged since the mid-1990s in India's foreign policy, is the tight alliance that the government has with the Indian private sector, that has resulted in an identity that forms a strong component of the changes in India's foreign policy (Kale, 2009:59). The growth in large number of Indian conglomerates and multinationals who have expanded across the global economy have become a part of India's foreign policy toolkit, as a soft power tool. This is in line with the previous discussion on soft power encompassing actors outside of the state.

India's soft power source had to change in 1990s, not because of the changes across Indian leadership, but more because of the end of the Cold War and the changes in the Indian economy. Mehta (2009:218) explains how India's identity is largely grounded in power, but this power is defined by the power of its example: By showing the rest of the world how to maintain a strong democracy, manage its diverse population and have a distinguished economy, it will be seen as a great power. This argument implies that power, and soft power, is the result of these efforts. A contrasting argument would question whether or not India's soft power was consolidated only after its economic rise was secured, i.e. only once its hard power was in place, could it serve as an example to other countries.

The liberalisation of the Indian economy and greater integration in the global economy and global value-chains exposed its attractiveness to a global audience. Hymans (2009:252) argues that India's soft power lies in Bollywood, the nuclear bomb, the Indian diaspora and the image of the

Indian economy. If one considers these carefully, it is possible to deduce that all four of these sources are the result of economic diplomacy efforts. These are discussed below:

- Bollywood: The promotion of the Indian film sector as an export product, due to its size in terms of value-added to the economy, employment and viewership in India (given the large population) has not been a difficult project for the Indian trade and investment promotion agencies.
- The nuclear bomb: The BJP-led government can be credited with changing the Indian image abroad to one that is “muscular, realistic and cooperative” (Hymans, 2009:253) in 1998. This can be considered as another instance of India confirming its “realism” foreign policy approach. This was a more attractive approach for countries like the United States to accept, recognising India as a mature and responsible power.
- The Indian economy: The rise of the services sector, and information technology outsourcing, the high levels of foreign direct investment into the country since 1995, and the highly skilled workforce, have all raised the attractiveness of the Indian economic model. The Indian model of growth as an “export” has also raised the country’s international profile and clout in many international fora like the World Economic Forum, and the G-20, with many other countries attempting to replicate the model domestically.
- The Indian diaspora: After 1998, the Bharatiya Janata Party was critical in fostering relationships with Indians abroad, a reversal of Nehru’s dissociation with the Indian diaspora (McCann, 2011: 115). The Indian diaspora is considered a key source of soft power due to their ability to promote Indian political ideals abroad, and the contributions they make to their local business communities. A critical component of India’s commercial diplomacy is the Indian diaspora across the world. Mistry (2003) also highlights the importance of the diaspora in India’s international economy policy, given their influence in the private sectors of their respective countries. This is particularly true for countries that are not only key trade and investment partners, but also those who present strategic alliances in international political fora, such as the BRICS or the Group of 20. The Indian diaspora and community of people of Indian origin in Africa, in particular, present themselves as a critical foreign policy tool in furthering India’s economic interests on the continent.

The liberalisation of the Indian economy has had direct foreign policy implications. Liberalisation is often an area where the ‘hard’ and ‘soft’ power aspects are brought together, since liberalisation has first and second-round effects on variables such as defence spending, and economic bloc formations, for example (Sridharan, 2010:59). The same author argues that India has struggled to grasp the multidimensional nature of foreign economic policy-making that accompanied economic liberalisation. Blarel (2012:29) discusses the indirect and inconsistent nature of India’s soft power

and makes the point that India's cultural values and the attractiveness thereof, have increasingly become a contrast to Western values. However, quantifying these remains difficult. In particular, measuring the impact that they have had on India's foreign policy goals remains unclear.

When measuring soft power, especially in economic terms, it is rather the economic model or model of engagement that should be regarded as the soft power asset, to the extent that it is attractive, and by default, successful enough to be desired by other states (Blarel, 2012: 30). Prime Minister Manmohan Singh oversaw a period of record levels of economic growth, the manner in which the country grew, with state and private sector cooperation, increased outward FDI activity, growth in per capita income and a larger voice for India in international for a because of its successful economic model. Since taking office in 2014, Prime Minister Narendra Modi has placed foreign policy and economic policies at the forefront of his work. More importantly, he has shifted more attention to India's sources of soft power, even by leading a mass yoga practice on International Yoga Day. Drawing on previous BJP stances on the diaspora, Modi reached out to Americans of Indian origin during his state visit to the United States in 2015. During the visit, he spent a large amount of time in San Francisco's Silicon Valley, meeting with Indian tech companies. This event, albeit small in terms of state diplomacy, brought together three key sources of Indian soft power: the IT sector, the success of Indian firms abroad, and an appeal for greater involvement from the Indian diaspora. Prime Minister Modi delivered his maiden speech in the 69th Session of the United Nations Nations General Assembly in 27 September 2014. During his speech, he reiterated a continuance of India's foreign policy, the necessary reform of the UN Security Council, with India being awarded a permanent seat.

3. India's engagements with Sub-Saharan Africa

*"Africa is our mother continent. The dynamics of geology may have led our lands to drift apart, but history, culture and the processes of post-colonial development have brought us together once again."*⁶

Political and economic relations between India and Sub-Saharan Africa used to be superficial, especially since the post-war period, especially since they were linked to anti-colonialist strategies. As this chapter will show, India and countries in Sub-Saharan Africa have stronger economic connections now, due to globalization, and the economic rise of India and Africa. As India's economic foreign policy has evolved as discussed above, so has its policy towards Africa evolved. Given the shared colonization experiences, India had access to many African countries as the British continued to trade between colonies, particularly along the east coast of Africa. However, the process of pursuing deeper economic and foreign policy ties came to a halt during the liberalization periods in many of these countries which lasted many years.

Niranjai Desai, and Anand Sharma are amongst various authors of the evolution of India's foreign policy, in general and towards Africa, who have worked within the External Affairs Ministry. The literature, therefore, is therefore rich in its practical and descriptive overview of the motivation for the African continent to be a focus for India. Indian presence and India's economic diplomacy in Sub-Saharan Africa is also discussed academically by, amongst others, Beri (2010), Dubey (2006), Cheru and Obi (2008, 2011), McCann (2010), Mawdsley (2010, 2011), Modi (2011) and Naidu (2008, 2010).

This chapter aims to explore India's economic diplomacy engagements in Africa alongside its own broader foreign policy strategy, as discussed in the previous chapter. The chapter will look at India's engagements in Africa before and after the Cold War, and the impact that domestic changes and its switch in foreign policy from idealism to a more pragmatic approach, had on how it developed economic relationships in Africa. India's foreign policy toolkit, the institutional arrangements that have come about to support these relationships, and the role that the Indian diaspora played, will be discussed.

⁶ Speech made by Prime Minister Manmohan Singh – India Africa Forum, New Delhi, April 2008.

3.1 India's economic diplomacy to Africa before the Cold War

As Niranjai Desai (2009:415) attempts to provide a historical background to India's engagement with the continent, he attributes the laying of the foundation of the relationship to Jawaharlal Nehru. While Mahatma Gandhi provided an inspirational foundation for many liberation struggles on the continent, Nehru took the first practical foreign policy decision towards Africa when trade sanctions were imposed on the apartheid regime and the High Commissioner recalled from South Africa, during his tenure as Minister of External Affairs in 1946. In addition to this, Naidu (2011:51) points out that the initial period after independence was characterized by India reaching out to African countries through support for the liberation cause, and for their own independence. India became the first country to provide scholarships to African students to study in India, even before it was independent itself. A situation that did provide a supportive backdrop to the India-Africa relationship was the Non-Aligned Movement. With India taking on a leadership role in this movement, it sought to improve its economic interactions with African countries after the Non-Aligned Summit in Havana in 1979, and the Group of 77 conference in May 1981. It laid out its proposals that were grounded in finding coordination between bilateral economic strengths, and using these sectors to pursue a transformation in the bilateral relationships India wanted to have with countries in Africa.

As Nehru sought to promote greater democratization in the international economic order through the Non-Aligned Movement, the geopolitical impact of the Cold War made it clear that Nehru's ambitions would demand resources and attention that India did not have at the time. Another important factor that gave impetus to India's desire for greater cooperation with Africa, was the Sino-India War in 1962, where India saw the half-hearted support it received from many African countries, and saw the need to rebuild its political relationships on the continent (Naidu, 2008:116).

Post-Nehru, Indira Gandhi followed in his work, by reassessing India's Africa policy and introduced the Indian Technical and Economic Cooperation (ITEC) programme. This is a bilateral assistance programme which trains African nationals in India alongside grants and technical assistance to small and medium industrialization initiatives in different African countries. This programme is largely regarded as a form of development assistance and is therefore not included in the discussions to follow.

Various articles (Desai (2009) and Sharma (2007)), credit Indira Gandhi as a key influential factor in India's long-term approach to strengthening ties with various countries in Sub-Saharan Africa: During her tenure, different African governments took measures like wholesale expulsion against the resident Indian communities, Uganda being a key example. Yet this did not deter India's overall

commitment towards cooperation with these countries. Rajiv Gandhi continued on this trajectory, by establishing the Africa Fund within the Non-Aligned Movement, to assist ending colonialism and apartheid in Africa. Naidu (2011:51) argues that it could be perceived that India's closer ties with Africa were greatly influenced by its relationship with the Soviet Union, which aligned with India's support for liberation movements such as the ANC (African National Congress) in South Africa and SWAPO (South West Africa People's Organization) in Namibia and RENAMO (Mozambican National Resistance) in Mozambique. The Africa Fund contributed financially to these movements (Desai, 2009:419). It is clear that the period from independence to 1990, is that India's engagements with Africa have been driven by ideological aims and idealism, promoted by the political leaders of the day.

3.2 India's economic diplomacy to Africa after the Cold War

The end of the Cold War and economic liberalization in India brought a change towards more economic linkages with the continent. As the Cold War ended, and the international economic system began to re-orientate itself, India was forced to re-examine its quasi-socialist economic stance domestically, and its geopolitical position in the South Asian region and wider.

Politically, the shared history with Africa and shared goals of a more equal international order laid the foundation for greater cooperation. The economic impetus, though, arose from the changes that India's economy was undergoing domestically. The economic liberalization described in the previous chapter affected India's view of international trade, and investment. Since 1991, India changed its approach to economic development, towards greater private sector-led trade, investment and overall participation in the economy (Shrivastava, 2009: 126). Similarly, with its foreign policy, the rhetoric changed from an overly ideological tone, to one more linked to technical and economic cooperation that would complement the economic liberalization reforms that were being instituted domestically. Naidu (2011:53) describes this as a "sophisticated blend of geopolitics and geo-economics".

In terms of the post-Cold War relationship with Africa specifically, this was more focused on matching the economic rise and needs of India, with the economic aspirations of countries in Africa, and supporting strong political relationships with the AU and bilaterally. This was overlaid by initiatives such as NEPAD (New Partnership for African Development), which the Indian government supported. This characterized these relationships in the 1990s, and was supported by the need to share technical expertise with developing economies in Africa, through the ITEC programme. In

terms of India's most well-documented foreign policy goal, attaining a permanent seat in the United Security Council, it is inescapable for India to pursue good relations with African countries.

According to McCann (2010), there has been a shift towards a more pronounced strategy to India's economic relations with countries on the African continent. This has been particularly pronounced in its relationships with West Africa, particularly the large oil exporters like Nigeria. It would seem that the past decade has seen a shift from East Africa and other Anglophone Commonwealth countries towards West Africa. However, South Africa has retained its position as a key central area in India's approach to Africa, as it did politically during apartheid and the liberation struggle and economically after 1994, as both countries sought economic emergence (McCann, 2010). Malghan and Swaminathan (2008) provide a more critical overview of India's economic engagements with Africa: they argue that the current model of engagement will not result in gains for the ordinary African because it is driven by the extractive resources sectors, in environments where corruption, both in the private and public sector, are rife. They make the point that India and its African counterparts need to target their diplomatic efforts towards basic social and human development initiatives rather than the transactional, high-level programs currently being pursued.

Michael (2014:341) provides one of the most recent research studies that make the argument that there is sufficient empirical evidence to show that India has successfully implemented new policies with new institutional frameworks to support its economic engagements with Africa. He makes the argument that with its "Indian approach" to engaging with Sub-Saharan Africa countries, India has shown the ability to constructively engage with African countries in terms of trade and investment and support in international institutions.

In terms of India's "pitch" to increasing cooperation with Africa, Cheru and Obi (2011:23) argue that India uses its historical solidarity with Africa, which it grounds in the non-aligned movement, history of decolonization and shared developmental challenges. The official tone on promoting engagements with Africa is that the relationship is based on equality, and mutual respect and benefits (Cheru and Obi, 2011:23).

At the 2005 Asian-African conference in Indonesia, Prime Minister Manmohan Singh revealed India's more balanced approach to foreign policy: balancing the country's national interest with a sense of idealism through promoting internationalism (Mitra and Schöttli, 2007:32). To do this, the Indian government had to pursue different ways of improving cooperation with Africa. This was particularly important during the regime of Prime Minister Indira Gandhi because many African

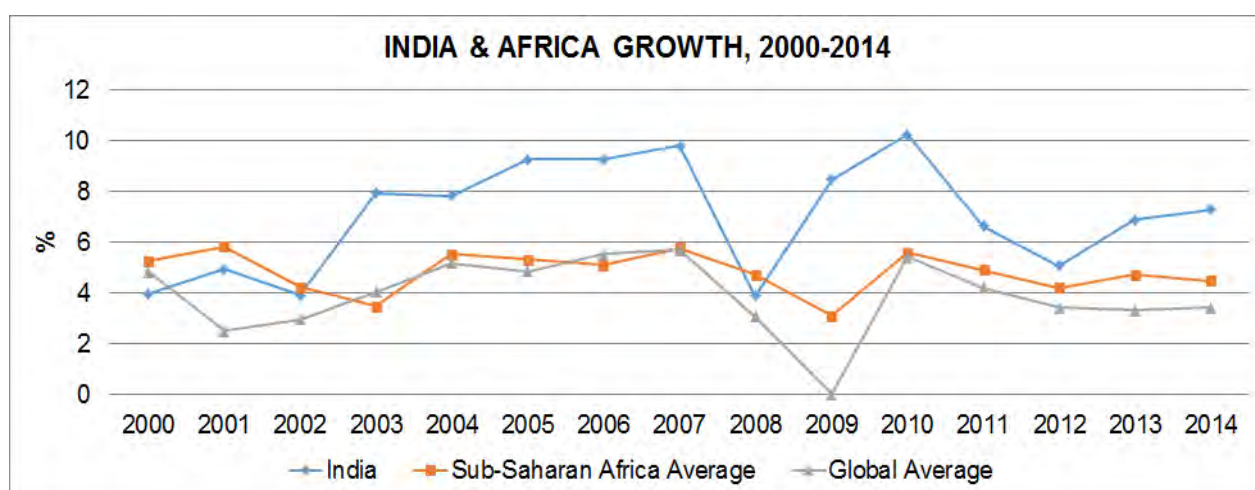
countries were undergoing IMF Structural Adjustment Programs and receiving aid from developed countries.

3.3 Drivers of increased engagement

Large (2008:29) describes the “language” of India’s relations with Africa as having been based in the promotion of partnerships, and political and moral solidarity, but since the mid-1990s, it has taken on a more material, pragmatic and commercially-driven tone. India’s status as the world’s largest democracy has always been lauded as a cornerstone of its attractiveness and soft power in Africa, but more recently, the solidarity of its colonial past and subsequent economic rise have emerged as being more important. India’s growing relationship with countries that are not “democratic” such as South Sudan.

Investigating the key drivers of India’s engagement with Africa needs to be discussed in terms of the changes that the Indian economy had to undergo over the past 25 years, beginning with economic liberalization in 1991. As discussed earlier, this led to rapid growth of the economy, as foreign direct investment flowed into the country to take advantage of the large market size, and skilled workforce, particularly in the services industries. More importantly, liberalization made it possible for Indian corporates and the private sector to expand outside of India (Carmody, 2011: 32). This rapid growth, shown below, both on a macroeconomic and microeconomic level, increased the need for resources, raw materials and a larger market.

Figure 1: India % Africa growth, 2000-2014

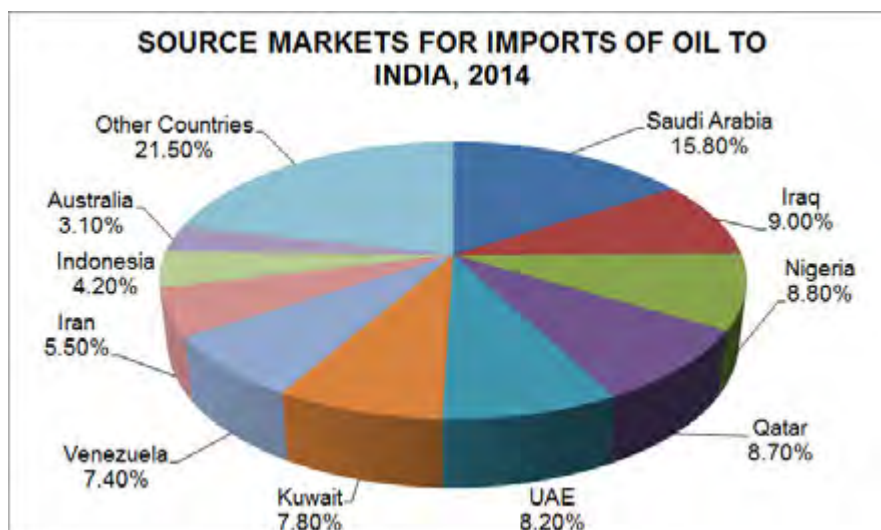


Source: International Monetary Fund, 2016

Cheru and Obi (2011:15) put forward a number of reasons for India’s increased engagement with Africa since 2000. A primary reason, they argue, is energy security, given the rapid growth of the

Indian economy and the increased demand for oil and raw materials. Patey (2011; 2014), Obi (2010) and Vines and Campos (in Kragelund et al, 2010) all argue that this demand has made increased economic engagement with many African countries an economic and political imperative. By diversifying the supplying countries of oil, in particular, India is able to maintain energy security. It is with regards to this aim that Indian commercial interests have become increasingly a part of the Indian economic diplomacy apparatus: Oil companies such as ONGC and OVL have invested in oil- and mineral-rich countries such as Nigeria, Angola, Libya and Egypt, in equity assets, exploration and production blocks and through physical infrastructure such as the pipeline from Khartoum to Port Sudan. Pham (2007:1) makes the argument that India's strategy is grounded in resource-seeking, for oil, copper and other minerals, and market-seeking for business opportunities. As shown in Figure 2 below, India has diversified supply of oil, in terms of geographical region and by country.

Figure 2: India's oil imports by supplying country, 2014



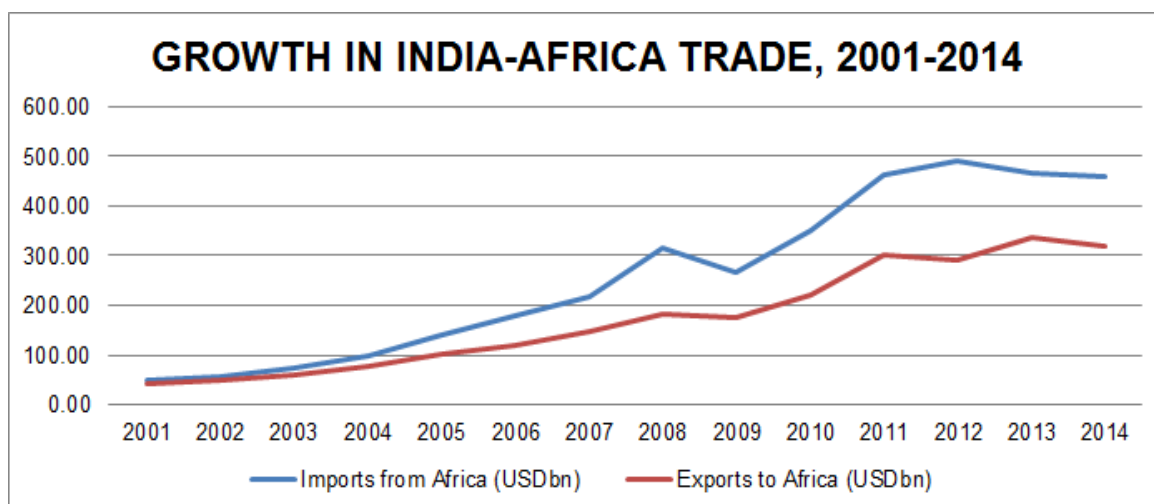
Source: TradeMap, 2016

While post-liberalization, India's relationship with Africa was driven by resources, one could make the argument that it has become increasingly formalized and strategic in nature. Desai (2009:413) describes India and Africa's engagement as being driven by India's view of the continent as strategically and geopolitically important. Not only as a source of raw materials for India's rapid economic growth, but as a market for India's exports, given the rapid economic growth and market growth that has occurred in Africa over the past decade. Beyond the economic attractiveness, Africa's importance to India, particularly since 1990, has been driven by the goals of keeping peace in the Indian Ocean and the need to ensure an alliance from African countries in international

organisations such as the United Nations, and on other economic diplomacy issues, such as international trade liberalization within the World Trade Organization.

Another reason for increased engagement is to secure a market for Indian goods and services (Cheru and Obi, 2011:15). It is in this regard that economic diplomacy has become a critical tool for the Indian government in securing the government-to-government foundation for increased access for Indian businesses through increased trade and investment opportunities. At the 2010 India-Africa Conclave in New Delhi, participants expressed the aim of scaling up trade between India and Africa to USD70bn by 2015. As shown in the table and figures below, trade between India and Africa has increased steadily since 2001. India’s imports from Africa grow by 6% from 2010 to 2014, with imports totaling USD459.3bn in 2014. India’s exports totaled USD317.55bn, growing by 9% from 2010 to 2014.

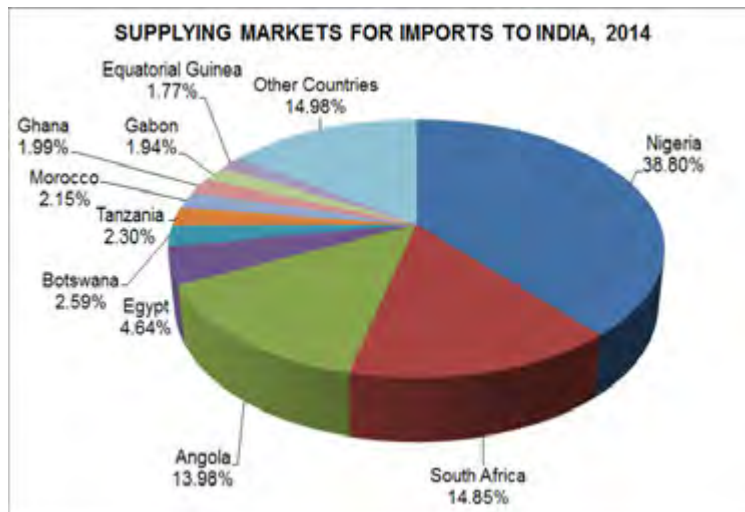
Figure 3: Trade Flow between India and Africa, 2000-2014



Source: TradeMap, 2016

The figures below show India’s top export and import markets in Africa in 2014. Nigeria accounted for 38.3% of all imports from Africa, South Africa accounted for 14.85% of all imports and Angola accounted for 13.98% of imports. These are the only three countries with market share of above 10%, and are also three of the biggest African exporters of crude and refined petroleum and related products and gold.

Figure 4: Imports by partner country, 2014



Source: TradeMap, 2016

South Africa accounted for 16.52% of all imports from Africa, Kenya accounted for 12.72% of all imports and Tanzania accounted for 10.73% of imports. These are the only three countries with market share of above 10%, and are also three of the biggest African exporters of crude and refined petroleum and related products and gold.

Figure 5: Exports by destination market, 2014



Source: TradeMap, 2016

India also saw the need to bolster its military power, primarily to sure its economic interests, in the Indian Ocean. Given that India's oil imports need to travel through the Horn of Africa and Indian Ocean region, India has increased its engagement with African countries in this region through military assistance. This was particularly important in the late 2000s, as extremist organisations and piracy around Somalia were increasingly becoming a threat.

An important point raised by Narlikar (2010:461) is that India has been more willing to provide “club goods” to Africa through projects like the Pan Africa E-Network, technical assistance and training, and bilateral preferential trade agreements, and increased facilitation of trade and investment. These goods serve as an example of the use of “soft power” in order to attain foreign policy and economic goals. Through these engagements, which are more muted than free trade agreement, India has gained support for its foreign policy goals in other international fora such as a permanent seat in the United Nations Security Council, and its goals at the World Trade Organization.

3.4 Economic Diplomacy Apparatus

3.4.1 Institutional linkages

The institutions which have contributed to the formalization of India’s economic diplomacy apparatus for Africa were only instituted in the 2000s. India’s seemingly coordinated approach to economic and commercial diplomacy with Africa culminated with the first formal institutionalized India-Africa Partnership Conclave in March 2005, which was attended by delegations from more than twenty African countries as well as development finance institutions. The purpose of this conclave was to bring Indian businesses and government across all sectors together to identify areas of cooperation. It was launched by the Confederation of Indian Industry, the Indian Ministries of Commerce and Industry, and External Affairs, the Export-Import Bank of India and the African Development Bank. The event was repeated in 2006, 2008 and 2009, in addition to regional conclaves across Africa. In 2007, the conclave was expanded to three regional meetings held in Africa, in the Ivory Coast, Mozambique and Uganda (Naidu, 2008). According to Desai (2009:425), the conclaves created an environment for increased and focused economic relations between India and Africa, as well as an area for increased private sector engagement. By 2014, there had been 10 CII-Africa conclave meetings, with increasing membership and attendance (Michael, 2014:351).

These conclaves provided the foundation for the India-Africa Forum Summit, the first of which was held in April 2008. This event has, to date, been the most structured gathering or engagement to strengthen the political and economic sector. The event was attended by fourteen African presidents, and representatives from the AU, SADC, COMESA, ECOWAS and the Indian government, businesses and private sector organisations. The outcomes from the India-Africa Forum Summit was the “Delhi Declaration” and the Framework for India-Africa Cooperation. The Summit saw the Indian government committing to concrete trade assistance through lines of credit,

preferred market access and development assistance, as well as scholarship opportunities and technical assistance programs.

In order to continue and enhance the systematic engagement with Africa in the coming years, second India-Africa Forum Summit was organized in Addis-Ababa during May 24-25, 2011. This was the first time that such a meeting between India and its African partners at the level of Heads of State/Government was organized in Africa. The third summit on a rotation basis was held in New Delhi, India from 26-30 October 2015. The summit enabled consultations between foreign affairs officials, and a Heads of State Summit, where 54 heads of government met with the Indian government.

3.4.2 India EXIM Bank Lines of Credit & Trade Assistance

The “Focus Africa” programme of the India EXIM Bank was launched in 2002, to provide financial assistance to African government agencies and private sector organisations to facilitate trade with India. The programme currently covers 24 African countries and is considered to have been instrumental in increasing Indian exports to Sub-Saharan Africa (Cheru and Obi, 2011:19). The “Focus Africa” programme when first introduced, focused on seven major trading partners of the region, namely, Nigeria, South Africa, Mauritius, Kenya, Ethiopia, Tanzania and Ghana.

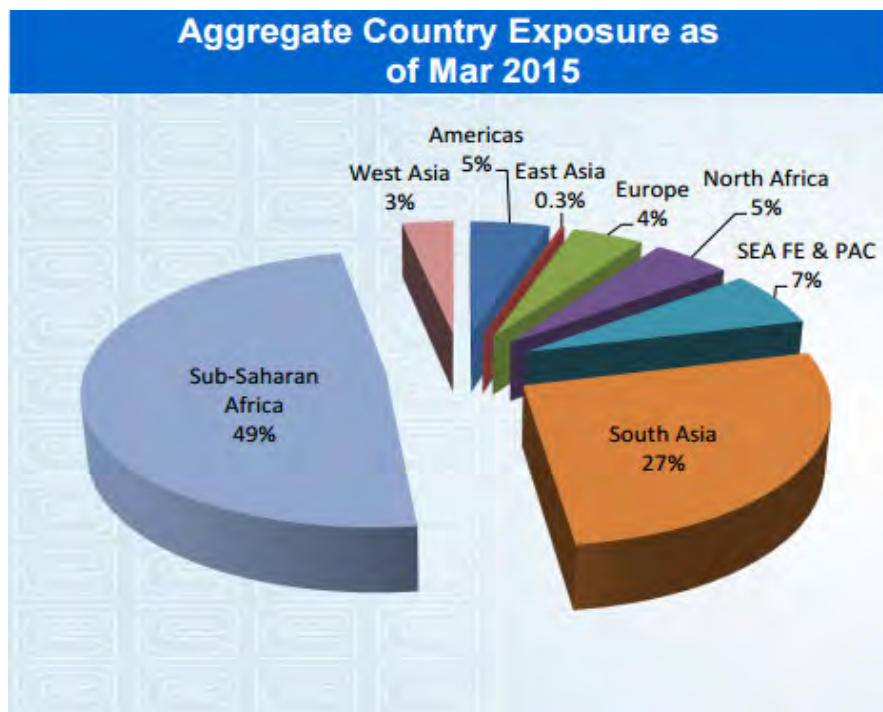
The India EXIM Lines of Credit (LOCs) are made available to countries who import Indian merchandise and services, and these are tailored to every countries’ economy and ability to repay. The India EXIM Bank is a key economic diplomacy apparatus that the government of India uses facilitate trade and investment outside of India. It can be considered a good indication of the role the government sees for the Indian private sector in its economic diplomacy toolkit, particularly towards Africa (Cheru and Obi, 2011:19). However, it is difficult to gauge or measure the extent to which the gains from these LOCs on the African side trickle down to empowering small- and medium-sized African businesses.

These LOCs are another key part of India’s economic diplomacy toolkit, particularly as it pertains to Africa. The programme is coupled with a trade preference scheme under the World Trade Organization Duty Free scheme to all least developed countries, implemented since 2008. Since April 2003, the scheme applies to all countries in Africa.

The “Focus Africa” initiative is a good example of the integration of economic diplomacy initiatives from India, since it involves the Government of India, India Trade Promotion Organization, Export

Promotion Councils, Apex Chambers of Commerce and Industry, Indian Missions and bodies like the India EXIM Bank.

Figure 6: India EXIM facilities to African countries, 2014



Source: India EXIM Bank Investor Presentation, 2015

The India EXIM Bank also has partnerships and equity stake in the Africa Export-Import Bank, the West Africa Development Bank, alongside its lines of credit to various government, state-owned entities and regional development banks. One criticism that can be raised is that the large degree of economic diplomacy activities that are facilitated through India EXIM, are based on credit, thereby increasing the debt load on many African governments and state-owned entities in particular.

In 2004, the Indian government also launched the Techno-Economic Approach for Africa-India Movement (Team-9) initiative. The initiative focuses on nine countries in West Africa (Burkina Faso, Chad, Equatorial Guinea, Mali, Niger, Senegal, Ghana and Guinea-Bissau). In order to broaden commercial relations, the Indian government extended a line of credit of USD50million for the purchase of Indian goods and services (Michael, 2014:343). While this can be considered a developmental assistance programme,

3.4.3 State-led infrastructure development

India has also initiated different infrastructure assistance programs in Sub-Saharan Africa, engaging directly on an official bilateral level. RITES Railway Consultancy and IRCON International, owned by the Ministry of Railways in India, has been involved in railways in various countries in Sub-Saharan Africa, alongside financial assistance from the Ministry of External Affairs (Michael, 2014:344).

An important project that can be seen as evidence of India's commitment to the continent, from a diplomatic level, is the Pan-African e-Network, launched in 2009. The state-owned Telecommunications Consultants India Ltd were tasked with implementing the network at the time, and in 2013, the management thereof was handed over to the AU. The project sought to connect all 53 member states of the UN through satellite and a fibre-optic network to India, and is seen as the massive undertaking to transfer skills through tele-education, particularly in the field of telemedicine, from India to African countries, and improve rural connectivity.

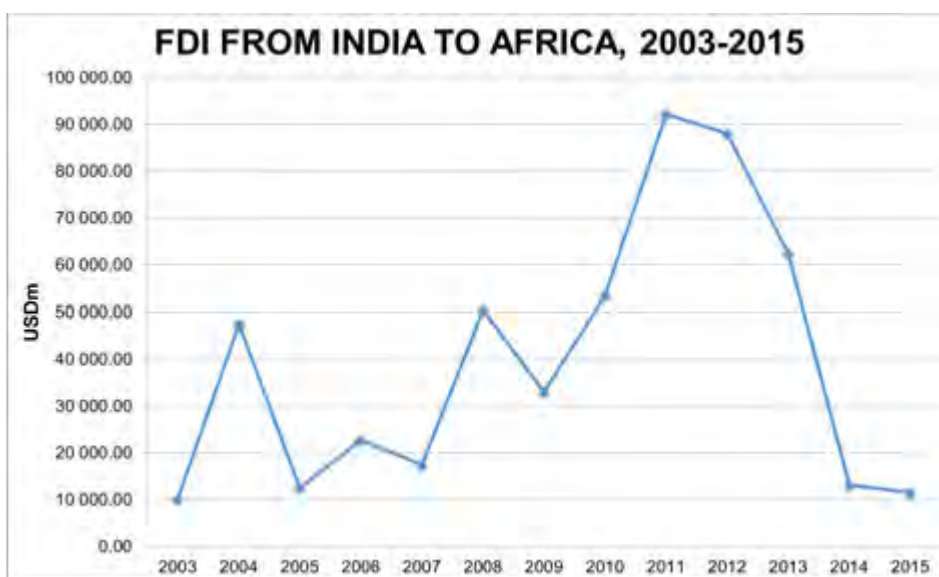
3.4.4 Confederation of Indian Industry (CII) & the Indian company footprint in Africa

McCann (2010:110) describes the Indian government's use of the CII as the vehicle for advancing the efforts of Indian businesses with African ambitions. Since 2002, these have taken the form of business conclaves, and investment and trade missions. In its engagements with Africa, the CII has best collaborated with the India EXIM Bank to arrange the India-Africa Conclaves, with the key shared concerns of market-seeking and resource-seeking. These two aims have been the crux of the Indian private sector's partnering with the government. By using the EXIM Bank as an economic diplomacy tool, the collaboration with the private sector is a joining of soft and hard power.

The CII works together with other trade and industry organisations such as the Associated Chambers and Commerce and Industry (ASSOCHAM), the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Federation of Indian Exporters' Organization (FEIO), all of whom have identified Africa as an area of cooperation through trade and investment (Desai, 2009:422). The economic boom in India and Africa created an opportunity for large Indian multinationals to expand their activities in Africa, as they sought to expand the supplying markets for their raw materials and inputs, and expand the buying markets in they could sell their final goods. These companies, with Mahindra and Mahindra, the Tata Group, Dr Reddys amongst them, have utilized the opportunities presented by the CII and the India EXIM Bank to access various African markets. Indian banks, such as the Bank of India, Bank of Baroda, Canara Bank, and the State Bank of India have increasingly increased their presence in Africa. Figure 6 below shows Indian FDI

flow from India to Africa from 2003 to 2015. As shown in the graph below, FDI from India to Africa peaked in 2011, and has since declined steadily. An investigation into this has revealed that many Indian companies have slowed cross-border activity into Africa in light of tougher domestic credit and consolidation conditions in India since 2013, and the significant decline in global commodity prices experienced which started towards the end of 2014. These factors have led to a decline in cross-border FDI from Indian companies into Africa, and a decline in large capital-intensive investments.

Figure 7: India FDI flow from India to Africa, 2003-2015



Source: FDI Intelligence, 2016

3.4.6 Indian Diaspora

Historically, Indian slaves were shipped to Africa as part of the rise of the Commonwealth on the continent, and to address the need for labour as the Britain attempted to institute industrial and mining activity in the various countries. According to Sherpa (1994), British East Africa had a population of around 330,000 Indians by 1960, with many of them skilled as businessman. Therefore, the presence of these large Indian populations outside of India led to the Indian government post-independence, declaring Africa as a foreign policy priority after 1947. Despite this, the divided support shown towards India during the Sino-Indian War in 1962 from many African countries awakened the need to counter and compete with Chinese interests on the continent. The government's favourable policy towards People of Indian Origin (PIO) was only implemented by the BJP in 1998. The BJP initiated a parliament of PIO in New Delhi in 1998, to engage this group as a foreign policy actor and tool. The Indian diaspora in South Africa is considered to be the largest in Africa, from as early as 1886. There was not always harmonious relationship between African and

Indian communities. There was a perception that Indian traders engaged in commercial exploitation in East and Southern Africa, in particular. Some examples cited by scholars include anti-Indian riots in Durban in 1949, and the expulsion of Indians from Uganda by President Idi Amin.

India's use of the diaspora in Africa has often been described as a key economic diplomacy tool, as it tries to expand relations with the continent. According to Michael (2014:350) 6 million out of 25 million people of Indian origin living outside of India, reside in Sub-Saharan Africa. The diaspora not only contribute in terms of business opportunities and linkages, but they act as a key resource as actors of India's economic and commercial diplomacy and soft power.

4. India in Kenya and Nigeria

4.1 Introduction

Having examined India's overall economic diplomacy strategy towards Sub-Saharan African in the previous chapter, this chapter will examine the nuances, if any, in India's engagements with Kenya and Nigeria. These two examples were selected due to the fact that they are the two largest economies in East and West Africa, respectively. Given their influence in regional political and economic affairs, and in their respective trade blocs, it would be important to see to what India has developed a distinct and nuanced economic relationship, to measure to what extent this relationship has been directed and supported by the Indian government, and what influence India's soft power efforts have been harnessed.

For the purposes of this study, which is to examine the gains India has made from its economic diplomacy efforts in Africa, the trade relationship will be measured using India's export performance to these two countries as an indicator of the market created for India's goods.

4.2 Kenya

4.1.2 Overall economic diplomacy strategy

Historically, the relationship between India and Kenya was based on them being linked by the shipping journeys of merchants in the Indian Ocean. Their shared colonial history by the British facilitated the movement of people from India to Kenya, with the first Commissioner office for Indian residents in East Africa being established in Nairobi in 1948. This would become a High Commission post-independence. High-level diplomatic engagements included a visit from former Indian President Sanjeeva Reddy and former Prime Minister Indira Gandhi in 1981. It was at that this engagement where the Indo-Kenya Trade Agreement was signed. The two countries granted each other "Most Favoured Nation" state and signed double taxation agreements to assist foreign direct investment and trade between the two countries (Nzomo, 2014:101). Following on this, the India-Kenya Joint Trade Committee established in 1983.

In addition, a joint business council was established in 1985 by FICCI and the Kenyan Chamber of Commerce and Industry. However, this group has only met six times from 1985 to 2010. India and Kenya share common membership to the Commonwealth, the United Nations, the World Trade Organisation, the Group of 77, the Non-Aligned Movement, the Group of 33 and the Group of 99.

A key characteristic of India's engagement with Kenya, and the broader East African Community is that it was historically based on ideology, and the Non-aligned Movement, in particular. These countries all suffered through developmental challenges, and were aid-dependent before 1990. This formed a historical foundation for cooperation, based on a shared history of colonialism, political ideologies and similar aspirations (Nzomo, 2014:90).

While the tangible outcomes of these visits are not clear, there have been a series of high level exchanges from India to Kenya in recent years. It does serve as demonstration of the high-level, cross-sectoral nature of the relationship between Kenya and India. The following list is provided by the Ministry of External Affairs (2014):

- Minister for Overseas Indian Affairs, Shri Vayalar Ravi visited Kenya in February 2010.
- Speaker Smt. Meira Kumar led the Indian parliamentary delegation to the 56th Commonwealth Parliamentary Association Conference in Nairobi in September 2010.
- Commerce & Industry Minister Shri Anand Sharma called on Prime Minister Odinga and held consultations with Minister of Trade Ambassador Chirau Ali Mwakwere during his visit to Kenya for the 6th session of the India-Kenya Joint Trade Committee in October 2010.
- Honourable Minister for External Affairs Shri S.M. Krishna visited Nairobi on May 27-28, 2011.
- Minister for Water Resources and Parliamentary Affairs Shri Pawan Kumar Bansal visited Kenya during September 16-22, 2011.
- Minister for Health and Family Welfare, Shri. Ghulam Nabi Azad, visited Kenya from February 12-16, 2012 to chair the 20th Executive Council Conference of the Partnership for Population Development (PPD).
- Minister of State for Human Resource Development Dr. Shashi Tharoor attended the inauguration ceremony of President Uhuru Kenyatta in Nairobi on 9 April 2013 as Special Envoy of the Prime Minister. He called on President Kenyatta on 10 April.

Economic diplomacy institutions that have facilitated trade and investment between India and Kenya includes the India-Kenya Joint Trade Committee and the India-Kenya Business Council. Both bodies have agreed to cooperate in various fields such as power and energy, infrastructure and the services sectors. Given that Kenya is the regional hub for trade and the largest economy in East Africa, India and Kenya also engage on a regional level through the East African Community, the Common Market for Eastern and Southern Africa and the Indian Ocean Rim Association for Regional Cooperation. In terms of trade diplomacy, India was a key partner to the Africa Group of companies at the Doha Development Agenda, and the lobbying for Trade-Related Intellectual Property Rights (TRIPS) in 2001 (Narlikar, 2010:459).

India's use of soft power in its economic diplomacy toolkit in Kenya lie not only in its use of institutional linkages that facilitate trade and investment, the trade assistance through LOC's and, but also in its economic model and its sharing of expertise and technical assistance to promote it. It is interesting that, outside of the Pan African E-Network, there has not been a greater degree in cooperation in the field of Information Technology between India and Kenya, given that this is a key strength of India globally, and Kenya in Africa. The presence of Middle Eastern banks and financing in Kenya does pose a degree of competition for India since there is greater competition for market, and the Muslim population and diaspora from many countries in that region in Kenya also continues to grow. Furthermore, when compared to Nigeria, there has not been a large degree of state-led infrastructure cooperation, especially when compared to the Chinese activities in Kenya. The Standard Gauge Railway project is one such example of a megaproject.

Another area where soft power does show itself, is through the security diplomacy between India and Kenya, which has direct economic consequences as well. Both India and Kenya face similar challenges with regards to terrorism, piracy in the Indian Ocean, and instability in neighbouring countries. Stability in the Indian Ocean in particular, is an economic imperative since it is the trading route between the two countries, and for India's imports of oil from the Middle East (Nzomo, 2014:102). To address these issues, India has supported Kenya through naval assistance, and technical training in the defence sector. An area where cooperation could possibly also be strengthened, especially from a state-level engagement area, is in the devolution process in Kenya. While India has extensive experience in federalism, Kenya has only recently begun a rollout of devolution, slowly providing more autonomy to 47 newly created counties. This is an arena where sub-national experiences can be shared between Kenya, particular in sharing economic diplomacy strategies and trade and investment promotion experiences and expertise.

McCann (2011:6) puts forward the argument that India-Kenya relations reveal an often neglected dimension in the current literature and analysis of India's economic diplomacy with Africa: Due to the fact that Kenya does not have the natural resources that countries like Angola, Nigeria, and Zambia have, there is a sense of pressure from the private sector on government to further deepen relationships on a diplomatic level. India's contemporary relationship with Kenya is reflective of private sector market-seeking activities; given that Kenya is the largest and most diversified market in the region, with the most developed trade infrastructure, through the Mombasa port, and financial markets. The high-level diplomatic relationships, as shown in the list above, that exists across sectors in India and Kenya serves as a demonstration of these activities. Nzomo (2014:89) makes a similar, important point, that diplomacy engagements between India and East African states are less

and less driven by solidarity, and the Global South movement. Instead, they are pragmatic and led by economic imperatives and goals that India can assist these countries in reaching.

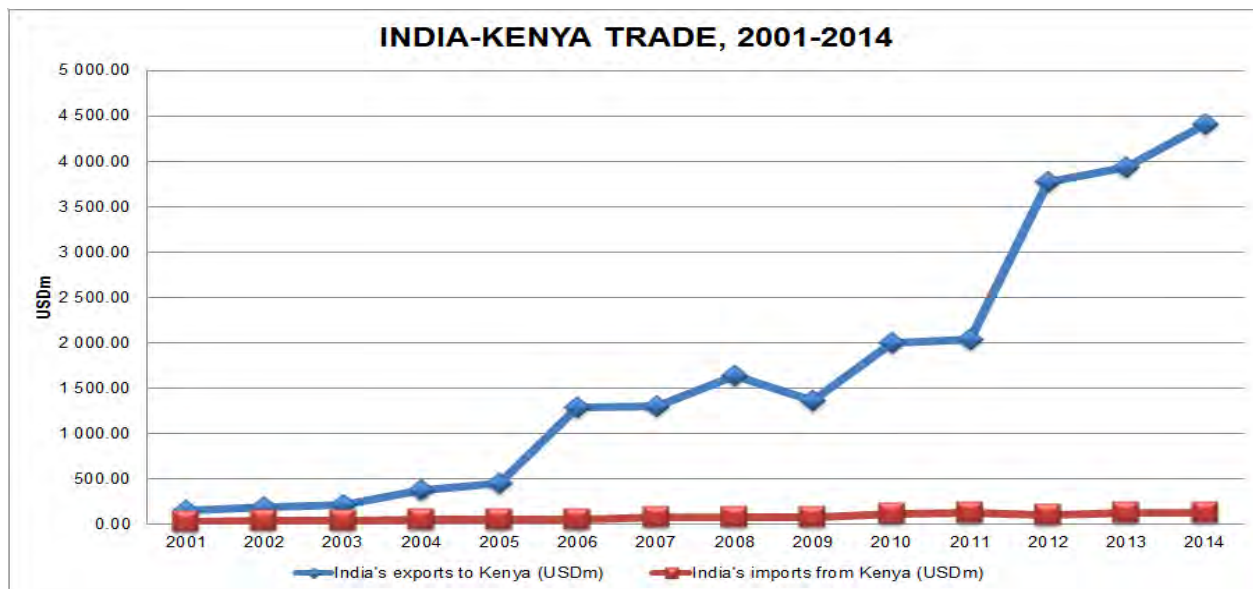
The Indian diaspora in Kenya is an important, but under-utilised, economic asset in India's economic diplomacy toolkit. According to Nzomo (2014:103), there are 70,000 Indian diaspora in Kenya, who control 30% of the private sector. However, according to the Ministry of External Affairs (2003), only 15% of this number are Indian diaspora, 10% are British citizens and 75% are Indian citizens. A large component of the research done on the Indian diaspora in Africa is focused towards East Africa, and not Kenya specifically. Gadzala (2011:101) makes the argument that the Indian diaspora in the region is primarily composed of professionals and small-scale entrepreneurs, to a lesser extent. These communities are usually highly-skilled and well-established, but their ability to serve as complements to economic diplomacy efforts from India is limited. In fact, new Indian entrepreneurs to the East African region have complained about the lack of attention and engagement paid to them from the Indian government (Gadzala, 2011:101). The relationship between the Indian diaspora in Kenya is heavily influenced by the view of the local government of the day. Former President Jomo Kenyatta discouraged Indian involvement in the economy due to the disenfranchisement of Kenyans during colonial rule. However, with greater Indian representation amongst policy-makers in India, this is no longer the case, and there is increased room to harness the Indian diaspora's utility as an economic diplomacy tool, especially from a market-seeking perspective.

4.2.2 Trade and investment results

The trade relationships shown below are demonstrations of the results of the economic diplomacy activities described above. If soft power is grounded in the relationships between states, the trade relationship can be regarded as evidence of a dependency of one country on another, for economic gains. The graphs below reveal that India still derives more economic gain from trade activities with Kenya, given their strong manufacturing capacity and Kenya's relative import dependency. By strengthening the relationship between the two countries through economic diplomacy, Kenya is, in terms of India's overall trade with Africa, the second largest market for Indian exports to Africa, after South Africa, accounting for 12.72% of all exports.

As shown by the graph below, India and Kenya's trade relationship since 2001 has largely been in favour of India. Indian exports to Kenya have increased by 25% since 2010, accounting for 1.4% of all Indian exports.

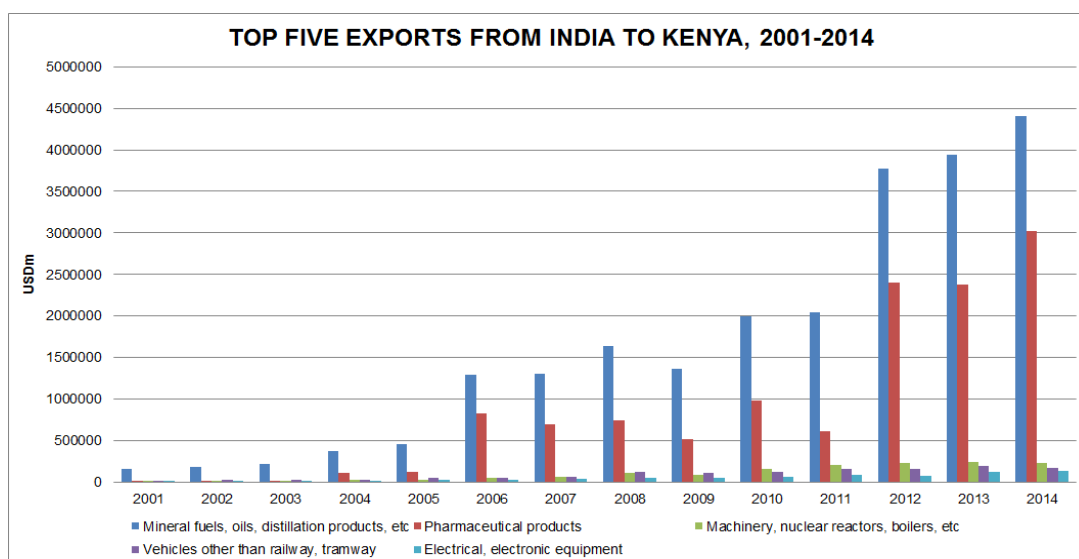
Figure 8: India and Kenya Trade, 2001-2014



Source: TradeMap, 2016

In terms of the nature of trade from India to Kenya, this is shown in the figures below. India's exports of refined mineral fuel to Kenya accounted for 68.57% of all exports in 2014, followed by pharmaceutical products (5.31%), machinery (3.94%) and vehicles (3.02%). Growth in exports to Kenya have grown significantly, particularly in the refined mineral fuels sector, where exports increased by 266% since 2006, and pharmaceuticals increased by 362.56%.

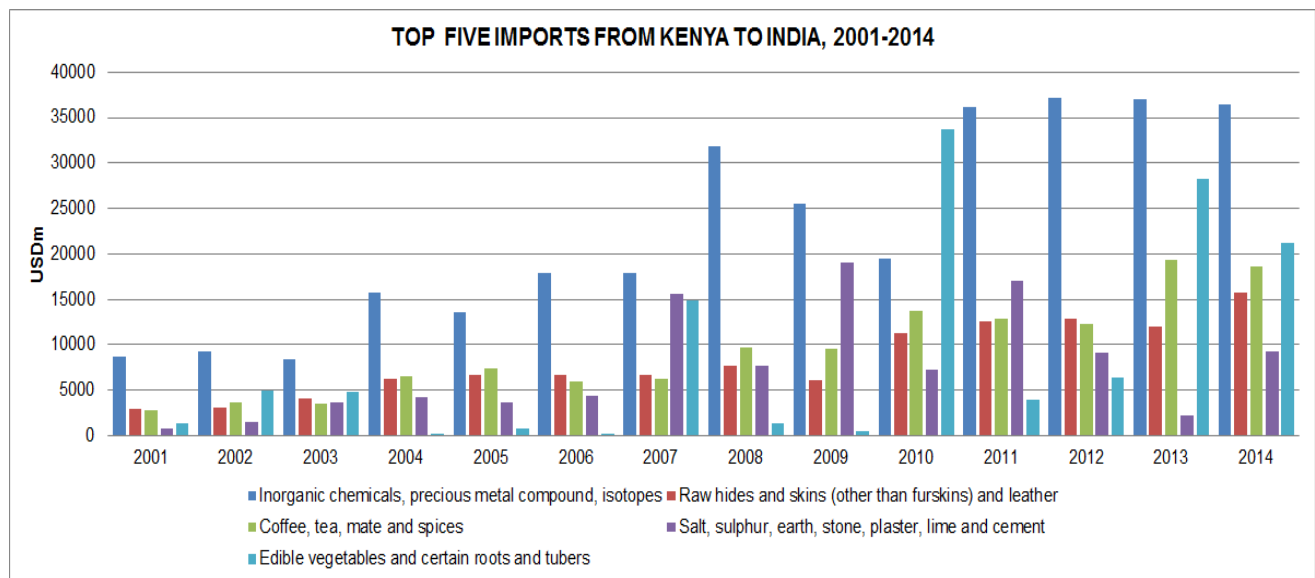
Figure 9: Top Imports from Kenya to India



Source: TradeMap, 2016

While the trade relationship still shows India’s stronger “soft power” position with Kenya, the benefits of stronger economic diplomacy ties has impacted Kenya’s exports to India as well. India’s import profile from Kenya is highly diversified. In 2014, the top five imports were organic chemicals (28.54% share of all imports), followed by raw hides (12.35%) and coffee, tea and spices (14.54). Growth in imports from Kenya has also seen significant growth since 2006 with the top imports all growing in excess of 100%. However, from 2013 to 2014, there has been a slight decline in exports of inorganic chemicals (-1.47%), coffee, tea and spices (4.22%) and edible vegetables (25%).

Figure 10: Top Exports from India to Kenya, 2001-2014



Source: TradeMap, 2016

In terms of FDI (foreign direct investment), Kenya has attracted projects from Indian companies across all sectors. Since 2003, a total of 39 greenfield FDI projects were initiated, with 10 of these in the financial services, software and IT services and business services sector. The diversified nature of the FDI that Kenya has attracted from India demonstrates the opportunities identified by Indian companies, and again, speaks to the benefits of the multi-sector economic diplomacy approach the two countries have adopted towards one another.

Table 2: India's FDI to Kenya, 2003-2015

Project Date	Parent Company	Industry Sector	Capital Investment (USDm)	Jobs Created
Sep 2015	Tata Group	Automotive OEM	79.44	50
Jul 2015	ISON	Business Services	58.59	1000
Jun 2015	Mahindra Group	Automotive OEM	118.34	38
Oct 2014	Software Business Consulting (SBSC)	Software & IT services	187.47	61
Jun 2014	Bharti Group	Communications	74.99	51
Jan 2014	TVS Group	Non-Automotive Transport OEM	710.05	348
Jul 2013	Bharti Group	Communications	74.99	51
Apr 2013	Canara Bank	Financial Services	128.89	18
Feb 2013	ISON	Business Services	235.51	1000
Sep 2012	Apollo Hospitals Group	Healthcare	31.64	37
Sep 2012	Bharti Group	Communications	74.99	51
Sep 2012	Hero Cycles	Non-Automotive Transport OEM	710.05	348
Jul 2012	Ashok Leyland	Automotive OEM	1 107.26	864
May 2012	Bharti Group	Communications	13 452.35	89
May 2012	Nestor Pharmaceuticals	Pharmaceuticals	373.77	350
Mar 2012	JMR Infotech (Trasset)	Software & IT services	67.96	16
Jan 2012	Koenig Solutions	Business Services	171.07	39
Oct 2011	Apollo Hospitals Group	Healthcare	28.12	26
May 2011	Nestor Pharmaceuticals	Pharmaceuticals	58.59	60
May 2011	Spanco	Business Services	52.73	335
Feb 2011	Su-Kam	Electronic Components	138.26	157
Dec 2010	Mahindra Group	Software & IT services	199.19	222
Oct 2010	Healthcare Global Enterprises (HCG)	Healthcare	34.21	32
Oct 2010	Spanco	Business Services	52.73	335
Jul 2010	Bharti Group	Communications	530.78	1000
Jul 2010	Nagarjuna Group	Chemicals	12 420.08	942
Jun 2010	Rainbow Group	Paper, Printing & Packaging	89.75	39
Aug 2008	Manaksia	Metals	410.10	320
Aug 2008	Tulsyan NEC	Metals	182.67	143
Nov 2007	Dabur India	Consumer Products	46.87	130
Nov 2007	Glenmark Pharmaceuticals	Pharmaceuticals	49.21	40
Jun 2007	Dr Reddy's	Pharmaceuticals	49.21	40
Aug 2006	Life Insurance Corporation (LIC)	Financial Services	126.54	91
May 2006	Ashapura Group	Metals	23.43	18
May 2006	Indian Oil (IOC)	Coal, Oil and Natural Gas	260.12	54
Apr 2006	Tata Group	Automotive OEM	118.34	38
Dec 2005	NTPC Limited (National Thermal Power)	Alternative/Renewable energy	2 714.84	54
Jun 2004	Indian Oil (IOC)	Coal, Oil and Natural Gas	41 009.69	705

TOTAL	76 252.84	9 192.00
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The soft power strength of India’s corporate sector, assisted diplomatically by the state, has driven the growth in the economic relationship with Kenya. This approach is well-suited Kenya’s economic structure and lack of natural resources, which requires India’s economic diplomacy activities to be more targeted at “market-seeking”, or Indian companies and bilateral engagements aimed at promoting exports. Despite the strong Indian diaspora community, the Indian business community’s contribution is more muted than one would expect.

4.2 Nigeria

4.2.1 Overall economic diplomacy strategy

The economic and political relationship between India and Nigeria is also grounded in their history as former colonies of the British Empire. It is through colonialism that Indians were sent to work in African colonies as the British moved the labour force around. Kura (2009:1) puts forward the view that the Indian independence movement served as inspiration for Nigeria, as India was the oldest British colony, and it paved the way for independence in other colonies. More importantly, India’s non-violent approach to liberation was implemented by Nigeria, a stark contrast to other African states. India’s continued support for non-discrimination and a more equitable world order, in its overall foreign policy, had curried support from Nigeria and laid the foundation for diplomatic relations between the two countries.

India established a diplomatic mission in Nigeria in 1958, even prior to it obtaining independence. This was followed by a visit by Nehru to Lagos in 1962. The relationship after this point involved Nigeria’s participation in the ITEC programme, with students attending Indian universities. In terms of shared expertise, the Indian government assisted in the establishment and operations of the Nigerian Defence Academy and other defence institutions. Vasuvedan (2010:3) argues that, out of respect for Nigeria’s sovereignty, India did not intervene in the civil war in the country, but it did appear to neglect the diplomatic relationship between the two countries during this period. This was done, in spite of the danger that such a strategy would have on its role in the West Africa region. As early as 1978, the Nigeria-India Friendship Association was formed to promote cooperation amongst communities.

In terms of the economic strength of the Indian diaspora in Nigeria, current estimates are that around 30,000 people of Indian origin reside in Nigeria. The Indian diaspora in Nigeria and West

Africa as a whole have enjoyed a more peaceful co-existence with the government of the day, than what has experienced in East Africa. What was clear, was that India’s diplomatic stance in Nigeria did not affect the market that Indian businesses saw in the country. The Chellaram Group, was the first Indian business to establish a business in Nigeria in 1923 and still operates today (Vasudevan, 2010:4). During the 1970s and 1980s, the Indian private sector was also a key actor in the Nigerian textile industry. Given that India’s relationship with Nigeria is largely state-led and “resource-seeking”, there is a smaller “soft power” role for small diaspora communities to play, especially given the size of the energy sector in Nigeria’s economy.

Modern economic diplomatic relations, post the civil war in Nigeria, were resumed in 1998. The Indian government offered a USD5million grant to assist Nigeria in small and medium-enterprise assistance, the machine tools sector revitalisation and the restoration and restructuring of the Nigeria National Railways (Vasudevan, 2010:8). The resumption of active economic diplomacy also included the revival of the Nigeria-India Joint Commission.

While many of these pledges did not come to completion, it has rather been a function of domestic politics in Nigeria, than a lack of engagement from the Indian government. In March 2000, the then Indian External Affairs Minister reiterated the Indian government’s pledge to assist in railway rehabilitation (Lagos-Kanu Railway), in addition to the revival of a steel plant and the establishment of a 100MW power plant. None of these have been completed, and the railway rehabilitation has since been awarded to the Chinese Railway Company.

In terms of diplomatic engagements, in 2007, former Prime Minister Manmohan Singh met with former President Umaru Yar’Adua in Lagos, and addressed the Nigerian National Assembly, pledging further cooperation between the two countries. The Abuja Declaration on Strategic Partnership, signed by both partner governments, was meant to solidify the relationship. In 2000 and 2007, President Obasanjo conducted a state visit to India to hold discussions on the hydrocarbons sector. This visit to Nigeria was the first after an almost 45-year gap.

Table 3: Diplomatic Visits from India to Nigeria since 2000

Date	Representative	Focus of Discussion
March 2000	External Affairs Minister Satya Mey Vajpayee	Third Session of India-Nigeria Joint Commission
December 2003	Prime Minister Shri Atal Behari Vajpayee	Commonwealth Heads of Government Meeting
September 2006	Speaker Lok Sabha Shri Somnath Chatterjee	52 nd Commonwealth Parliamentary Conference
October 2007	Prime Minister Manmohan Singh	Bilateral Discussions & signing of Abuja Declaration on Strategic Partnership

July 2008	Special Envoy to the Prime Minister Shri Anand Sharma	Bilateral trade discussions
January 2010	Honourable Minister for Commerce and Industry Shri Anand Sharma	Namaskar Africa event
January 2010	Minister for Petroleum and Natural Gas Shri Murli Deora	Bilateral visit

Source: Alao, 2011; Author's own

In August 2015, an “India Show” was organized by the High Commission in association with Confederation of Indian Industry (CII) in Lagos, Nigeria. The theme of the trade and investment promotion event was called “Enhancing Trade and Investment between Indian and Nigeria” and was opened by the Indian High Commissioner to Nigeria along with the Deputy Governor of Lagos state and Deputy Governor of Benue state. A key differentiator in the relationship is that Lagos is the only African city to host an Indian Engineering Export Promotion Council, to promote the growth of the machinery and electrical equipment sector.

The two countries strongly oppose all forms of terrorism, which precipitates a degree of security diplomacy, especially since the Indian government is involved in projects on the ground, which could be under threat of terrorist attacks. Such projects include power sector projects in the Enugu, Cross River and Kaduna states.

India's relationship with Nigeria, on a multilateral scale, has seen them as members of the British Commonwealth, the United Nations, the Group of 77, the Non-Aligned Movement and the Group of 15. The two countries also interact within the Asia-Africa Strategic Partnership, the United Nations, and are signatories to the Monterrey Consensus, and the Doha Development Agenda.

India's economic diplomacy with Nigeria has been largely driven by investments and trade within the energy sector, with the Indian state taking a lead role. There has been increased cooperation between the Indian and Nigerian energy ministries in this regard. India's involvement in the oil sector in Nigeria is largely in crude oil purchase contracts, and participation in the refineries sector. In 2005, an MOU was signed between India and Nigeria to further deepen cooperation in the resources sector. However, despite the high level of state-drive activity in the sector, Indian business deals remain affected by domestic politics in Nigeria. The reversal of oil block offers made by the Obasanjo administration, once the Yar'Adua administration took office, due to what was deemed financial irregularity and a lack of progress, has left India open to greater competition from other countries (Vasudevan, 2010:7). ONGC-Mittal Energy Ltd and the Nigerian government for a USD6bn oil infrastructure deal. In 2010, the Indian Minister for Petroleum and Natural Gas announced India's commitment to partnering in developing two oil blocs in Nigeria. Additionally, a deal was concluded between ONGC (Oil and Natural Gas Corporation Ltd), Mittal and the NNPC

(Nigerian National Petroleum Company) to build a refinery and pursue activities in the natural gas sector in 2010 (Cheru and Obi, 2011:19).

West Africa as a whole has become a key trading and investment destination for the Indian government and private sector, as it seeks to diversify its energy sources. In return, India has utilized its soft power assets as a post-colonial economic success story, to share these lessons in West Africa, alongside sharing technical expertise. The main areas of cooperation between Nigeria and India, on a diplomatic level, has been in the ICT and defence sectors. Cooperation in the defence sector has involved technical assistance, training and trade in defence goods. The Indian government also assisted in the establishment of Information Technology laboratories to service the defense sector. Another area of cooperation is the ICT sector, and the use of the ITEC (Indian Technical and Economic Cooperation) programme.

An interesting perspective provided by Vasudevan (2010:15), is the weak diplomatic presence from India in Nigeria. Despite Nigeria's economic importance in the West African region, and as the largest economy in Africa, India's High Commission in Nigeria is concurrently responsible for Chad, Benin, Equatorial Guinea, Sao Tome and Principe and Cameroon. It is therefore not well-equipped and operates below-potential in enhancing the country's economic diplomacy in Nigeria and promoting trade and investment opportunities and coordination.

4.2.2 Trade and Investment results

As mentioned above, India-Nigeria relations have been grounded in the energy and defence sectors, and this is evident in the trade relationship to be described below. Based on 2014 trade data, Nigeria is India's largest trade partner in Africa. Since Nigeria began exporting oil to India in 2006, the country has overtaken South Africa as the largest trading partner, with its share of trade with India increasing since 2012. Overall, Nigeria accounts for 0.90% share of India's exports to Africa, and 3.41% share of imports from Africa.

As shown below, India's trade with Nigeria is largely in Nigeria's favour, with the growth of imports from Nigeria significantly higher than the growth of imports exports from India. Exports have almost flat lined in terms of annual growth, compared to the significant growth in imports from Nigeria. In 2014, exports increased by 13.84% while imports declined by 0.86%. More significantly, since 2000, exports from India increased by 4.57% while imports from Nigeria increased by 209.2%.

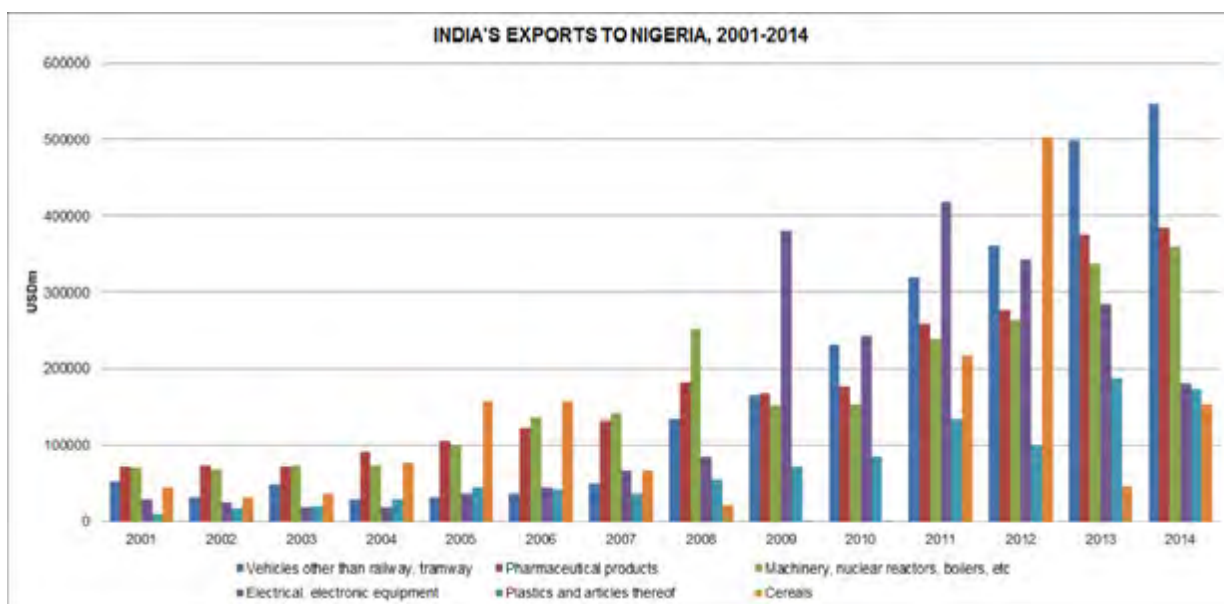
Figure 11: India-Nigeria Trade, 2001-2014



Source: TradeMap, 2016

As shown in the graph below of the top five exports from India to Nigeria, India's exports to Nigeria are diversified in terms of sectors. What can be deduced from the data, is that Indian businesses are increasingly finding markets for their products in Nigeria, outside of the hydrocarbons sector. Vehicle manufacturers in particular, have seen exports rise by 1401% since 2006, accounting for 19% of all exports in 2014. Pharmaceuticals, machinery and electrical equipment have increased by 215%, 165% and 304%, respectively.

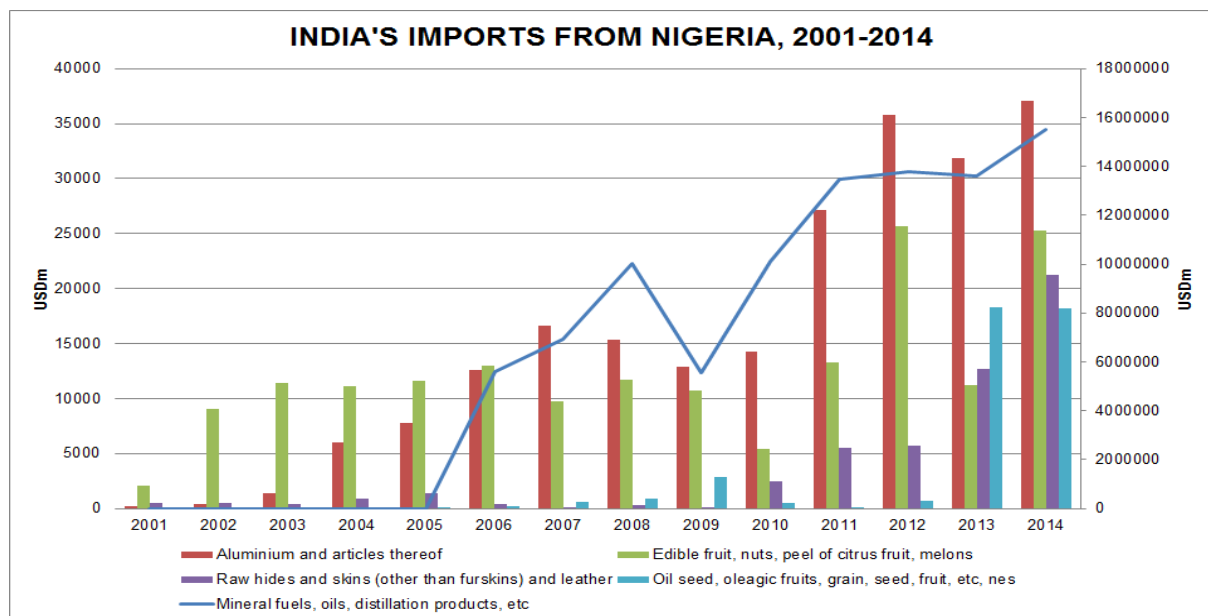
Figure 12: India's Top 5 exports to Nigeria, 2000-2014



Source: TradeMap, 2016

As shown in the graph below of the top five imports from Nigeria, India's imports from Nigeria is dominated by hydrocarbon imports. In 2014, this product group accounted for 98.96% of all imports, with the total imported value at USD15.5bn. Not only is this the biggest group, but since oil imports started in 2006, imports of oil have increased by 176.7%. The graph below plots oil imports on the secondary axis in order to demonstrate the increasing trend of import growth for other goods. Imports of aluminum articles from Nigeria to India increased by 195.17% since 2006. Goods that have also seen exponential growth are raw hides (5000% growth) and oil seeds and grains (8295%). This trade basket does demonstrate the opportunity for India to increase its engagements with Nigeria to promote trade in other sectors outside of oil, given the increased demand shown from the growth in imports.

Figure 13: India's Top 5 Imports from Nigeria, 2001-2014



Source: TradeMap, 2016

In terms of FDI (foreign direct investment), the Indian automobile sector has been an active participant in Nigeria, particularly, Tata, Ashok Leyland and Mahindra. Since 2003, this sector has attracted 9 FDI projects by Indian companies. Similarly, the extractive sectors (coal, oil and natural gas, metals and minerals) have also attracted 9 projects. Noticeably, there have been 31 FDI projects initiated in the financial services, software and IT services and business services sectors since 2003. The diversified nature of the FDI that Nigeria has attracted from India demonstrates the opportunities identified by Indian companies. What this data lacks to inform on, is the level of state assistance that has facilitated these investments, as well as the amount of state-led investment into Nigeria by the Indian government.

Table 4: India's FDI in Nigeria, 2003-2015

Project Date	Parent Company	Industry Sector	Capital Investment (USDm)	Jobs Created
Nov 2015	Aegis Limited	Business Services	118.34	n/a
Oct 2015	RateGain	Software & IT services	67.96	500
Oct 2015	Square Yards Consulting	Real Estate	420.64	9
Sep 2015	Tata Motors (SA)	Automotive OEM	1 297.08	20
Aug 2015	CIMGlobal	Business Services	79.68	423
Jul 2015	Vikram Solar	Electronic Components	33.98	17
Jun 2015	Mahindra & Mahindra (M&M)	Automotive OEM	118.34	11
Mar 2015	VVF	Consumer Products	190.99	38
Feb 2015	Wipro	Software & IT services	84.36	243
Jan 2015	Vizury Interactive	Software & IT services	67.96	55
Jun 2014	ICICI Bank	Financial Services	128.89	10
Apr 2014	Jindal Steel & Power	Coal, Oil and Natural Gas	359.71	17
Apr 2014	Wipro	Software & IT services	65.62	163
Sep 2013	Cyberoam Technologies	Software & IT services	67.96	70
Aug 2013	Celkon Mobiles	Communications	30.46	10
Jul 2013	Cennergi	Alternative/Renewable energy	4 073.90	10
Jul 2013	Zomato.com	Software & IT services	67.96	62
Jun 2013	Vserv.mobi. (Vserv)	Software & IT services	67.96	10
Apr 2013	Zomato.com	Software & IT services	67.96	10
Feb 2013	Coal India Limited (CIL)	Coal, Oil and Natural Gas	260.12	10
Feb 2013	Mahindra & Mahindra South Africa	Automotive OEM	119.51	54
Mar 2012	HCL Technologies	Communications	113.66	39
Mar 2012	Mira Inform	Business Services	79.68	151
Mar 2012	Khopoli Investments	Alternative/Renewable energy	1 822.00	17
Feb 2012	Jindal Africa	Coal, Oil and Natural Gas	585.85	22
Feb 2012	JSW Energy	Coal, Oil and Natural Gas	6 538.12	21
Jan 2012	Shrenuj	Consumer Products	190.99	116
Nov 2011	Wipro Technologies	Software & IT services	1 534.93	243
Sep 2011	Praj Industries	Industrial Machinery, Equipment & Tools	33.98	1000
Jul 2011	Larsen & Toubro (L&T)	Industrial Machinery, Equipment & Tools	33.98	17
Jun 2011	State Bank of India (SBI)	Financial Services	128.89	17
May 2011	Dabur India	Consumer Products	190.99	17
Apr 2011	Country Club India Limited (CCIL)	Leisure & Entertainment	92.56	243
Mar 2011	Somany Ceramics	Ceramics & Glass	135.92	4
Feb 2011	SRF	Plastics	647.60	148
Feb 2011	Sumi Motherson Group	Automotive Components	220.28	497
Jan 2011	Minerals and Metals Trading (MMTC)	Minerals	24.61	165

Oct 2010	Suzlon Energy	Engines & Turbines	92.56	13
Sep 2010	Aegis Limited	Business Services	171.07	13
Jul 2010	Mahindra & Mahindra (M&M)	Industrial Machinery, Equipment & Tools	285.90	39
Mar 2010	Apollo Tyres	Rubber	621.00	401
Mar 2010	Apollo Tyres	Rubber	621.00	217
Dec 2009	Union Bank of India	Financial Services	128.89	217
Oct 2009	ITC Infotech	Software & IT services	161.70	17
Oct 2009	Shrenuj	Consumer Products	51.56	49
Sep 2009	Cura Software Solutions	Software & IT services	179.27	18
Jul 2009	Aurobindo Pharma	Biotechnology	117.17	162
Jun 2009	Systime	Software & IT services	67.96	88
Apr 2009	Tata Steel	Metals	3 748.29	10
Jan 2009	Canara Bank	Financial Services	128.89	1012
Dec 2008	Tega Industries	Industrial Machinery, Equipment & Tools	119.98	17
Oct 2008	Tata Steel	Coal, Oil and Natural Gas	19 230.03	74
Jun 2008	Apollo Tyres	Rubber	621.00	146
Jun 2008	Apollo Tyres	Rubber	621.00	217
Jun 2008	Bank of India (BOI)	Financial Services	128.89	217
Apr 2008	Tata Motors (SA)	Automotive OEM	191.69	17
Nov 2007	Tata Consultancy Services (TCS)	Software & IT services	161.70	98
Aug 2007	Bank of Baroda	Financial Services	128.89	49
Oct 2006	Ashok Leyland	Automotive OEM	1 121.32	17
May 2006	Bank of India (BOI)	Financial Services	128.89	423
May 2006	Indian Oil (IOC)	Coal, Oil and Natural Gas	260.12	17
Apr 2006	Indian Hotels	Hotels & Tourism	1 520.87	54
Dec 2005	Tata Motors	Automotive OEM	119.51	280
Nov 2005	Tata Motors	Automotive OEM	1 121.32	39
Dec 2004	Teledata Informatics	Software & IT services	23.43	423
Oct 2004	ICICI Bank	Financial Services	128.89	9
Sep 2004	Mahindra & Mahindra (M&M)	Automotive OEM	118.34	17
Aug 2004	Usha Comm	Software & IT services	179.27	38
Apr 2004	Indusind Bank	Financial Services	128.89	162
Apr 2004	Syndicate Bank	Financial Services	128.89	17
Nov 2003	Tata Iron & Steel	Metals	621.00	17
Oct 2003	Bharat Biotech	Biotechnology	786.21	817
Jul 2003	State Bank of India (SBI)	Financial Services	128.89	124
Feb 2003	Ramco Systems	Software & IT services	117.17	17

Source: Financial Times, 2016

While India's activities in Kenya can be seen as "market-seeking", India's economic diplomacy in Nigeria can be described as "resource-seeking", which has resulted in a Nigeria holding a stronger soft power position, even as India's largest trading partner in Africa. Economic diplomacy activities from the Indian government have been motivated by its own energy needs and supporting its

economic goals, even so far as to become directly involved in the hydrocarbons sector in Nigeria, through the state-owned oil company. The difference in the two approaches to Kenya and Nigeria do demonstrate a nuanced approach to using soft power, and economic diplomacy to ensure hard power gains.

5. Conclusion

This study aimed to demonstrate firstly, how the changes in India's foreign economic policy have led to a more directed economic diplomacy strategy, and secondly, how this strategy has been put into practice in Africa, using Nigeria and Kenya as examples. These two countries were selected due to their economic leadership in West and East Africa, respectively, and because of their very different economic structure and relationship to India.

What India's foreign policy reorientation has demonstrated, is that soft power has emerged as a key economic diplomacy tool. India's history of being colonised and its leadership in global organisations such as the Non-Alignment Movement has made the country an example for other countries to follow. The reorientation of the Indian economy and putting into practice foreign policy that supports its economic goal, has attracted many countries to its model of growth. The liberalisation of the economy in 1991 forced a refocus in Indian foreign policy towards the rest of the world, and Africa in particular, from one that is based in idealism, towards one that is more pragmatic and realist – aligning foreign policy decisions to serve the economic and political goals of the country as it has become one of the largest economies in the world. India's alliances within the BRICS and IBSA groupings also serve as a further sign of deviation away from the idealism practiced in foreign policy during the popularity of the Non-Aligned Movement.

What is also clear, is that the increasingly pragmatic nature of India's economic diplomacy efforts especially since economic liberalisation in 1991 has not changed under the different ruling parties, new Indian Prime Ministers and new Ministers of External Affairs. Since 1991, both the Congress Party and BJP have held power, yet economic diplomacy efforts have remained with the institutions that have been created for them. More specifically for India's economic engagements with Africa, is that these institutional linkages such as the India-African Forum summits and the cooperation with the India EXIM Bank have increased and deepened. Given the BJP's previous demonstrations of support for the Indian diaspora, when they previously held power, it would be important to see whether the current administration under Prime Minister Narendra Modi is able to further deepen these relationships and better utilise these communities as soft power assets.

If one examines the examples set forward, what is clear from the relationship between India and Kenya, and the broader East Africa, is that the soft power of India's corporate sector and their cross-border activities has driven the growth in the economic relationship between these two countries. When compared to India's activities in West Africa and Nigeria in particular, it is clear that this approach is a result of Kenya's economic structure and lack of natural resources. India's

economic diplomacy activities are therefore more targeted at “market-seeking”, or Indian companies and bilateral engagements aimed at promoting exports. Kenya also has a strong Indian diaspora community which could support its economic goals on the continent. However, given the highly ethnicized nature of the domestic Kenyan economy, the Indian business community’s contribution is more muted than one would expect. An interesting avenue for future research into this relationship would be to examine the economic diplomacy relationship in terms of the services sector, given India’s global leadership in this area, and Kenya’s rise as a services hub in East Africa and the Horn of Africa.

India’s economic diplomacy activities in West Africa, and in Nigeria in particular, can be described as “resource-seeking”, given its oil resources. The Indian government has played a larger and more active role in fostering the relationship with Nigeria, as the government has increasingly seen the need to diversify its energy sources and become energy-secure as the economy has grown at such a rapid pace. Nigeria is currently India’s largest trading partner in Africa. The Indian government has become directly involved in the hydrocarbons sector in Nigeria, through the state-owned oil company. This is a different approach to Kenya, and it further demonstrates the pragmatism at play in India’s economic diplomacy activities. Furthermore, India’s history as a former colony and its economic model of growth and the success of its corporates has also emerged as a soft power tool, beyond the diaspora.

What has emerged from the study is the recognition of the small amount of academic study on comparing India’s use of soft power in Africa, on a country-level, and on a regional level within Africa. A significant amount of research has been conducted on the India-South Africa relationship, and the inclusion of South Africa to this East vs West Africa approach could also add to the body of literature on India’s economic diplomacy. Furthermore, the evolution of India’s soft power use on the continent could be further examined, especially from a corporate-sector led approach, and beyond studies on the diaspora.

From a policy perspective, the diversification of trade partners for countries in Africa, and the increased avenues for financial assistance and cooperation, whether it be from China or the Middle East, should be a concern for India. Should India want to increase its presence on the continent, whether it be through bilateral trade, investment or greater provision of “club goods” to regional blocs in Africa or the continent as a whole, it will need to more aggressively harness its relationships with its partners on the continent. What the examples of Kenya and Nigeria have shown is that there is significant demand for Indian goods, and growing markets for Indian investment activity, and given the economic pressure on other emerging powers like China, Russia and Brazil, India is in a

prime position to further solidifying its economic diplomacy strategy towards Africa. Furthermore, these relationships can be further deepened in terms of support on multilateral issues such as the United Nations Security Council reform.

India's engagements with Kenya and Nigeria have also demonstrated that India's economic diplomacy strategy towards Africa is a function of both hard and soft power efforts. Its domestic economic growth has contributed to the growth in strong corporates, able to engage in cross-border investment and export activities and domestic markets able to increasingly absorb and demand greater volumes of imports from Africa. However, the official rhetoric from India has remained grounded in overcoming colonialism successfully, and setting an example to other countries. By utilizing "smart" power by exporting technical expertise, and serving as an example of how to grow the economy successfully, and produce an attractive workforce and a strong corporate sector, India serves as an example of how economic diplomacy can be an arena where soft power efforts can result in hard power gains.

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