INDIA'S WORLD
INTERNATIONAL AFFAIRS • INDIAN INTERESTS

Vol 2 (Issue 6), June, 2026

Indian Corporates and the MEA: The Case for Doing More

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Indian Corporates and the MEA

The Case for Doing More

India's diplomats once focused largely on politics and protocol. Today, they are expected to secure energy supplies, support overseas investments, open markets, and defend India's strategic commercial interests abroad. In a world where economics and geopolitics are increasingly inseparable, and where goodwill alone offers little protection, is India prepared for the hard realities of economic diplomacy?

BY **KISHAN S. RANA** and **DEEPAK BHOJWANI**

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The nation's business enterprises have a right to diplomatic support for overseas marketing; they are India's job creators, adding to the national income, and earning vital foreign exchange. Do they receive the requisite support? Yes, in that embassies and consulates do help them; yet no, much more could be done.

Right up to the late 1960s, "economic diplomacy" did not figure in anyone's diplomatic lexicon. The First Oil Shock in 1973 pushed foreign ministries to a revaluation; official support for business became integral to national interest. In India, Bimal Sanyal, heading the MEA's Economic Division, saw the future. India immediately expanded its embassy network, with special attention to the oil producers. With that came an altered work agenda. Example: during the then mandatory "instructions meeting" for outbound ambassadors in August 1975, Prime Minister Indira Gandhi told co-author Rana, heading for Algeria: "We enjoy good political understanding with President [Houari] Boumediene ...but that is good as far as it goes. Your task should be to work to develop an economic relationship that is commensurate with that." It became a lodestar.

Salience to economic work led to uncharted waters. Methods, templates, and "best practices" evolved over the next decade, or longer. For example: should home enterprises be charged by embassies that helped them beyond providing generic information? A split emerged between developed and developing countries; the former shifted to a "services payment" model, while poorer states even now treat sustained support for business visitors as a gratis service. One best practice example is Singapore's Economic Development Board (EDB), which is among the world's best investment promotion agencies. It is autonomous, not answerable to any ministry, with overseas offices at 14 key locations, including nine in the US.

Made in India

Developed by Hindustan Aeronautics Limited, the Dhruv became one of India's first indigenous military platforms to secure export orders abroad.

IMAGE COURTESY: Sean D'Silva / Wikimedia Commons

INDIAN BUSINESSES CANNOT RELY ON THE GOODWILL OF FOREIGN PARTNERS IN A WORLD WHERE SHIFTING PRIORITIES MAY LEAVE COMPANIES HOLDING DEBT OR HALF-FINISHED PROJECTS

Attempts at promoting the India Brand abroad had mixed results. For instance, in Latin America, through diplomacy with outreach at the highest level, Hindustan Aeronautics Ltd. won an order for seven Dhruv helicopters in 2008 from the Ecuadorian Air Force against stiff competition. The crash of two helicopters soon thereafter was denounced by the Ecuador establishment as pilot error. Two years later, two more helicopters crashed; the Indian establishment failed to convince its clients of their ability to provide support. Thereafter, a chance to sell 26 Indian howitzers to Colombia—also interested in Arjun tanks—floundered because of bureaucratic delays in India. They eventually bought from the French. Promising openings in a region that was keen to diversify closed.

Some Notable Successes

Diplomatic contacts enabled Indian public sector oil companies to establish a foothold in Venezuela, Brazil, and Colombia. Venezuelan President Hugo Chavez had earlier turned his back on India, but welcomed ONGC after a successful visit to India in 2005. Term contracts for swap of crude for diesel were signed between Brazil's Petrobras and India's Reliance Industries. Jindal Steel's planned \$2 billion investment in Bolivian iron ore, on the other hand, produced a bitter dispute and arbitration, which favoured Jindal, but the project floundered. China now has access to those rich ore deposits.

Prime Minister Narasimha Rao's economic reforms of the 1990s, born of necessity, went further than most expected. He allowed the first-ever 100% foreign owned venture in India—by Sony—followed by an FDI policy encouraging private power plants and more via the Foreign Investment Promotion Board. PM

Lithium Quest
Indian Ambassador Dinesh Bhatia in Argentina, where India secured a key lithium concession in Catamarca in 2024 as part of its search for critical minerals.

Rao's Singapore Lecture in 1995, moderated by Lee Kuan Yew, salvaged a relationship damaged through earlier Indian neglect. The Look East policy lacked substance, though India managed to negotiate a free trade agreement with ASEAN in 2009. India's Commerce Ministry, claiming India had a bad deal, is renegotiating the terms.

India is considered a latecomer to the great game of resource capture and supply chain reliability. That overlooks successful attempts to access scarce natural resources abroad. The acquisition of oil equity through billions of dollars of investments in Russia, Latin America, and Africa provided the security of supply needed for a mammoth domestic refining capacity of 258 million tons of crude (by 2025), generating 15 to 20% of India's exports. Had the Indian consortium "Kabil India" moved faster in Chile, Argentina, or Bolivia, negotiating concessions for their massive lithium deposits, we could have seen dividends before the successful signing of the agreement in Catamarca, Argentina, in 2024. The Indian-Chinese partnership in the Greater Nile Petroleum Operating Company in Sudan, in which India's ONGC invested a total of $2.5 billion since 2003, nearly found itself adrift after hostilities broke out in that country. The Chabahar Port in Iran is another case in point. In Mozambique, Indian state firms ONGC Videsh, Bharat PetroResources, and Oil India together have invested over $20 billion in the gas-rich Rovuma basin, holding 30% in the project. Unfortunately, politically engineered violence stalled the project; "force majeure" was lifted only in 2025.

Whole of Government Effort

Indian businesses cannot rely on the goodwill of foreign partners in a world where shifting priorities may leave companies holding debt or half-finished projects. Indian diplomacy can open doors and provide ground support, but it cannot take Indian business over the line in all situations. Such situations call for a whole-of-government effort.

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An impression persists that Indian missions abroad work for MEA. That may inhibit other ministries from tasking them with work demands,

Unfinished Business

Diplomatic outreach opened doors in Latin America, but several high-profile Indian ventures struggled to convert opportunity into lasting success.

advancing Indian interests. As a branch of the government, foreign ministries serve all official agencies. For sure, they have limited staff (typically, Indian embassies average three to four officials at diplomat rank, including the ambassador; support staff, home-based and locally engaged, average five or seven in number). What they can tackle is finite, but when the stakes are important, they should be approached by all agencies.

Another challenge: "ministerial turf", and sensitivity over intruding into the work domain of another official agency. The world over, foreign ministries face challenges in their pursuit of the national economic agenda. The UK is an example of the challenges faced by its Foreign Office, as shown in Tom Fletcher's *Future FCO Report* in 2016. Commerce, finance, industry or trade ministries view foreign ministries as intruders. Virtually *all* Indian embassies and consulates (except for "permanent missions" that work at the UN and some specialised agencies) engage in commercial and economic promotion, regardless of "wings" or funding. And commercial firms that seek MEA help often become investors overseas. Thus, placing commercial work in a separate box does not really work.

MEA's 2024-25 Annual Report devotes eight pages to economic diplomacy. Extracts: "...for promotion of trade, tourism, and technology, ED Division created a comprehensive dashboard...(which) enables the Ministry to assess the performance of Missions in advancing trade, tourism, and technology... ED Division, in collaboration with the Department of Commerce (DoC), engaged with Indian Missions abroad to support merchandise export efforts."

The Annual Report of the Department of Commerce (2024-25) says, "The Commercial Wings of our Missions abroad serve as an extension of the Department of Commerce (DoC) to coordinate, disseminate responses from the Government and report on the significant trade and economic developments." At present, 83 commercial wings have staff under the budgetary control of this Department. But embassies are unified entities; the ambassador supervises all the activities, and also prioritises economic work. Leading from the front, ambassadors enjoy access to foreign corporates not available to other diplomats. Advancing Indian interests is a single, holistic activity.

MEA's Economic Division is actually a de facto "department" within MEA, with ten divisions, also handling Indian foreign aid for over a decade; aid is an adjunct to advancing business interests. MEA has long considered an advisory body for economic diplomacy, composed of business association leaders and corporate heads, to advise the ministry on what help Indian corporates need, and identifying shortcomings in the existing process. The MEA seems inhibited by the reaction of major economic ministries.

Business entities have no interest in turf, vested interests, or jurisdiction struggles. They seek committed, sustained support for entering foreign markets and pursuing opportunities. Economic diplomacy demands a "whole of government" approach. And MEA, with 180 missions and posts abroad, has the means and capacity to deliver. That is a lot of existing infrastructure to which more can be added, with a particular focus on getting the coordination architecture and its domestic modalities right. iw

ABOUT THE AUTHORS

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IMAGE COURTESY: Ministry of Commerce & Industry, Government of India (GODL-India)