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How 'Soft' is India's Economic Power? The Impact of India's Soft Power on its Exports

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Abstract:

Heading the G20 presidency in 2023, as India spear-heads its way into a new international regime, policy makers are working towards enhancing India's global image. Along with this, as the fastest growing economy, India has seen a steady rise in its volume of exports and an increase in its global shares too. While these two trends may seem isolated, they are not, and establish a bidirectional causality. Owing to the globalised supply chains, an increase in exports, exposes the global consumer to other socio-cultural, heritage, media and educational influences. This is easily understandable in terms of China's large soft power influence in regards to its massive manufacturing exports. However, this relationship works vice-versa as well, wherein, an increased soft power influence leads to an increase in export volumes. This relationship has been extensively developed by Andrew K. Rose wherein he quantified the gain that a country receives when its global influence is considered to be admirable by others using a standard gravity model of bilateral exports. Using this theoretical foundation, I have tried to explore this relationship in India's context by studying trends in soft power indexes and export statistics.

Keywords: Soft Power, Economic development, India, Global Soft Power Index, Commodity Exports.

Introduction: Despite the growing academic speculations of the decline of nation states, the international sphere still happens to remain dominated by the billiards ball model of nation state theory. States are still, if not sole then, the most important players in the international game. But the rules have not remained the same since then. From a predictable bipolar world, we moved to an inherently unipolar scenario, which is now being challenged by polarization of regional centres. While most attributed this spectacular display of influential dominance to military and economic might, Joseph Nye in 1990 coined the term "Soft Power" to explain forces and factors other than the traditional hard powers to explain this phenomenon. As a result, several inquisitive studies into this domain have enriched the world of international politics with soft power becoming an integral part of strategic

cultures and foreign policies of nations worldwide. In the recent times India has been witnessing an increase in both its economic power and soft power influence. Through this paper I attempt to investigate the relationship between India's simultaneous economic and soft power rise in the world and suggest ways to utilize this two-way causal relationship in more beneficial ways.

In the realm of international relations, the interplay between hard power and soft power holds significant influence. Hard power and soft power are two ways of influencing others in world politics. Hard power encompasses military strength, economic coercion, and assertive tactics employed by nations to achieve their objectives on the global stage. On the other hand, soft power revolves around a nation's cultural appeal, political values and societal allure. It involves attracting admiration and cooperation from other countries through cultural exports, diplomatic engagement, and shared values. While hard power provides leverage and security, soft power fosters goodwill and influence on the global community. Striking the right balance allows a country to shape perceptions, build partnerships, and contribute constructively to the world. India has both hard and soft power resources that can help it achieve its growth and security goals. India's foreign policy, hence, is based on the concept of 'smart power', which means using both hard and soft power at appropriate times and situations. In this paper our focus will remain on soft power and its causal and consequential details.

Despite the disrupted global supply chains and looming threat of a global recession, India's economy has bounced back in a robust manner after the COVID lockdown. India's economy witnessed a significant expansion of 6.1 percent in the fourth quarter of the fiscal year 2022-23, resulting in an impressive annual growth rate of 7.2 percent. India's GDP growth in the current fiscal year has been significantly influenced by its robust exports, as private consumption and investment faced challenges in changing course. An important lesson from the Asian experience is the establishment of incentive structures that prioritize higher relative profitability in the export sector compared to other industries. Despite possessing inherent strengths and potential, India's share in global merchandise trade has remained below 2%, unlike other successful Asian nations. India has often been perceived with suspicion by its bilateral partners due to unreliable delivery of foreign investments, especially in infrastructure and capacity building in African and Latin American nations. So, an avid image building will go a great mile to improve India's chances of utilizing the buoyant growth conditions of the global trade. Additionally, the composition of India's exports needs a radical transformation, as the export basket primarily consists of traditional products and lacks cutting-edge items. About 70% of India's exports target only 30% of world trade, which comprises items with a declining global share. The key to achieving a sharp economic recovery lies in a strong emphasis on exports. India must seize the opportunity to integrate itself into global value chains (GVCs). To make this happen, coordinated and robust policy actions are necessary at all levels of government. Given the constraints on fiscal space, private consumption, and investment, prioritizing exports as the driving force for growth is imperative for India's foreseeable future. Keeping this in mind,

in this paper we focus mainly on exports to determine trends in economic growth with respect to soft power influence along the same conceptual foundations as those of Andrew K. Rose, however, not using the same mathematical quantitative outlook, rather in a more qualitative respect.

Soft Power and Exports:

A Two-Way Causation: We have a thorough understanding of India's export ability and soft power presence separately. But in a world characterized by complex interdependence, it is challenging to completely detach domestic matters from foreign policy, particularly for a nation aspiring to play a more significant role globally. While the vertical and horizontal growth in the exports of a country, largely add to its soft power influence, the vice-versa has also been found to be true. This in essence has established a two-way causal relationship between exports and soft power. To understand in simplistic terms, the economic 'hard' power of a country in essence adds to its popularity globally. This can be understood by the debt trap economic aggression coopted by China. Nations, despite being aware of the repercussions of loans granted by China, still find themselves unable to resist the deep pockets it has to offer. China, as a country still happens to enjoy much popularity despite these unfair policies. The recent economic emergencies in Pakistan and Sri Lanka are living examples of how, economic might, can at times, more often than not add to the soft power influence. Another way to look at this relationship is by reversing the causation. Countries which enjoy greater soft power influence get greater economic opportunities in bilateral trade globally. This can be understood by studying foreign investments and export value shares. Countries which enjoy a positive reputation and greater soft power influence tend to receive greater foreign investment. Also, in the global markets, people would be more interested in buying a commodity or service from such a country than the one with a lesser soft power influence. Hence, the export volume in bilateral trade and global share of exports for countries with greater soft power tends to be higher than those with lesser soft power penetration.

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Research Methodology: This paper aims to study the evolution of India's global influence in the form of its soft power and its volume and rate of growth of annual exports over the years and more specifically in the last 5 years i.e., 2019 to 2023; analyse the trends that emerge from data studied and identify causal relationships between the two sets and how they influence their mutual standing; analyse the implication of this/these relationships thus, and suggest measures to improve India's global standing. This study will follow an Exploratory or Formulative Research Design to permit the scope and field of inquiry to remain flexible and in turn allow discovery of different insights and ideas as well as various aspects of the problem considered for the study. The use of graphical tools for analysing data and establishing trends will be utilized. The study will predominantly deal with secondary data gathered from official government reports, websites as well as reliable bodies conducting surveys. Findings of other research works by independent authors have also been referred and quoted wherever deemed necessary. Indexes and export related data are to be studied and translated into tables and graphs. Graphical representations to display trends in growth/decline rates will also be included. These graphs will be studied to imply causal relationships and establish trends.

The Global Soft Power Index by Brand Finance is the result of a comprehensive and extensive research program, gathering responses from more than 110,000 individuals across over 100 countries to assess perceptions of 121 nation brands worldwide. The index encompasses a wide range of measures that collectively provide a balanced and holistic evaluation of nations' presence, reputation, and impact on the international stage. These measures include familiarity with the nation brands, their global reputation, perceived influence both domestically and globally, and performance across eight pillars of soft power: Business & Trade, Governance, International Relations, Culture & Heritage, Media & Communication, Education & Science, People & Values, and Sustainable Future. The weightings assigned to each measure in the index were based on a combination of expert opinion, derived from extensive literature reviews and expert consultations, and statistical analysis assessing the correlation between pillar performance, influence, and reputation. To ensure comparability year-on-year, the introduction of new attributes did not affect the weightings of existing ones.

The data utilized to examine India's total export volume was sourced from the 'Export Import Data Bank Version 7.1- Tradestat,' which is provided by the Department of Commerce, Ministry of Commerce and Industry, Government of India. The data originates from DCGI&S in Kolkata. To ensure accuracy and reliability, the study also consulted other reputable references such as World Bank databases and private data collection corporations with international recognition. These additional sources were used to cross-check the data figures and validate the findings. For the research paper, data spanning the fiscal years 2019-2020 to 2022-2023 was analyzed. This timeframe aligns with the timeline of the Brand Finance Soft Power Index, which covers the years 2020 to 2023. By using data from this period, the study aims to establish a comprehensive and up-to-date understanding of India's export volume in correlation with its soft power rankings.

Trends and Discussions: India’s soft power performance in general has improved over the years, especially in the recent time. According to the Brand Finance Global Soft Power Index, India’s performance can be studied in terms of its global soft power ranking as well as its index score. Both shows a similar trend which in general is increasing with minor fluctuation. Here we have the table and graph indicating India’s Global Soft Power Index at Brand Finance. (Table-1 and graph-1)

Year	Global Soft Power Index
2023	47
2022	43.2
2021	37.3
2020	41.6

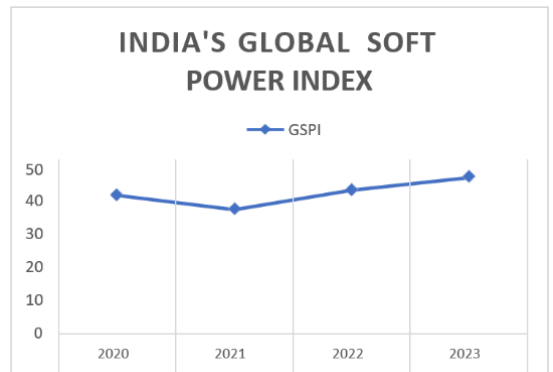


Table -1: India’s Global Soft Power Index 2020-23

Graph -1: India’s Global Soft Power Index

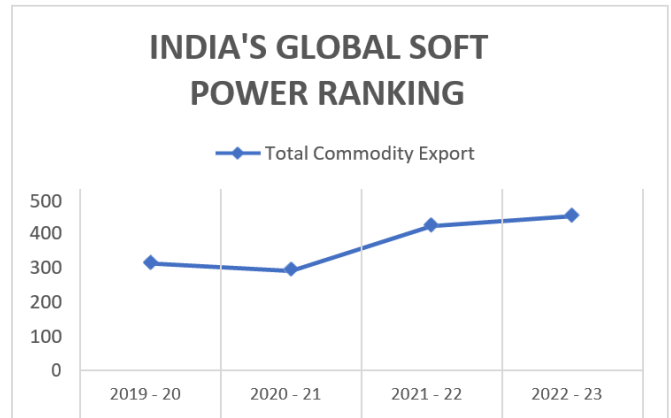
The presented table and graph depicting India's Global Soft Power Index at Brand Finance reveal that the country's global soft power index experienced a slight decline from 2020 to 2021. However, from that point onwards, it steadily increased, reaching a positive trajectory until 2023.

This data signifies India's growing influence and appeal on the international stage, demonstrating its successful efforts in projecting a positive image and promoting its cultural heritage. The consistent upward movement in India's soft power index reflects the nation's dedication to enhancing its global reputation and establishing a stronger presence in the international community. As India continues to nurture its soft power initiatives, it is likely to gain further recognition and admiration worldwide, solidifying its position as a significant player in the global arena.

In a similar vein, another significant metric available in the Brand Finance database is the Global Soft Power Ranking. This ranking is derived from the Global Soft Power Index, but it goes beyond assessing India's absolute soft power score. Instead, it positions India in relation to other countries, offering a valuable real-time analysis of its global influence compared to its peers.

Table -2: India’s Global Soft Power Ranking 2020-23

Year	Total Commodity Export (in billion US\$)
2022-23	450.9
2021-22	422
2020-21	291.8
2019-20	313.4



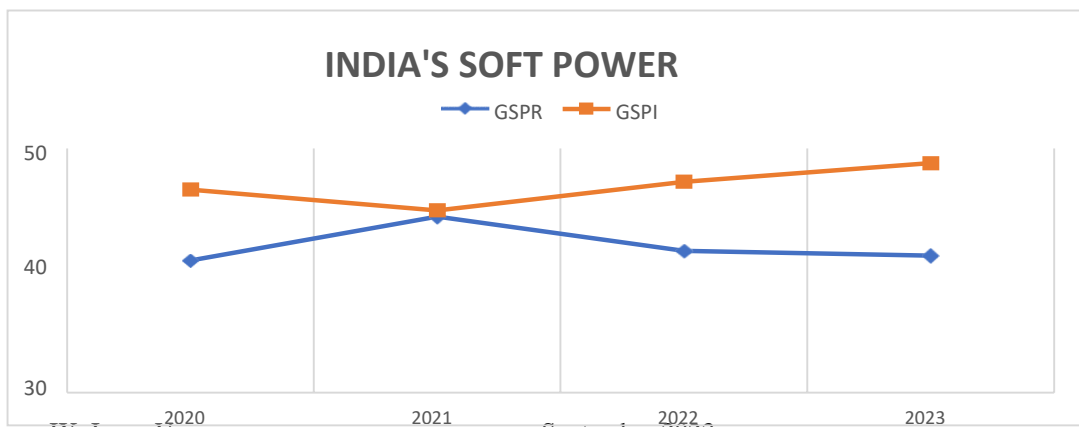
Graph -2: India’s Global Soft Power

Ranking 2020-23

Notably, India's ranking experienced a decline from 27 in 2020 to 36 in 2021, but subsequently, it demonstrated a steady improvement, reaching 29 in 2022 and 28 in 2023. (Table-2 and Graph-2)

Nevertheless, the most intriguing revelation emerges when we compare the GSPI and GSPR graphs. By juxtaposing these two metrics, we gain deeper insights into India's soft power performance and its relative position in the global landscape. (Graph-3)

The data reveals an interesting contrast in India's soft power performance. While there has been a notable increase in India's absolute score concerning the soft power index, its relative ranking has not shown a corresponding improvement. This indicates that although India has made significant progress in various criteria and parameters that contribute to its soft power presence, it has not been able to keep pace with other countries in its league.



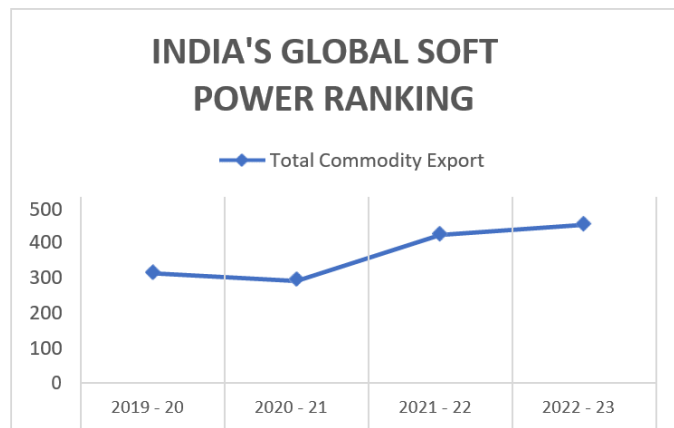
Graph 3: India's Soft Power Performance 2020-23

Despite enhancing its soft power capabilities and garnering a higher overall score in the index, India faces challenges in surpassing its global counterparts. While it has made strides in projecting a positive image, promoting its cultural heritage, and engaging with the international community, other nations in similar standings have also been proactive in enhancing their soft power influence. The discrepancy between India's absolute score and its relative ranking suggests that while the country has made commendable efforts to enhance its soft power appeal, it still lags behind some of its peers in terms of global influence. Closing this gap and improving its relative position will require further strategic measures and initiatives to compete effectively on the global stage. To further advance its soft power standing, India may need to focus on targeted campaigns, effective cultural diplomacy, and more extensive engagement with international audiences. By continually refining its soft power strategies and capitalizing on its unique cultural assets, India can work towards achieving a more prominent position among the leading soft power players in the world.

To gain insights into India's economic outreach, a thorough examination of its export data becomes crucial. The Import Export Data Bank of the Ministry of Commerce and Industry offered valuable information on India's total commodity export volume in billion US dollars for the financial years 2019-20 to 2022-23, aligning accurately with the data acquired for the global soft power index and ranking.

Table-3: India's Total Commodity Export Volume 2019-20 to 2022-23

Year	Total Commodity Export (in billion US\$)
2022-23	450.9
2021-22	422
2020-21	291.8
2019-20	313.4



Graph -4: India's Total Commodity Export Volume 2019-20 to 2022-23

The presented table and graph illustrate India's Total Commodity Export Volume in billion US dollars, showcasing a decline from 2019-20 to 2020-21, followed by a steady increase until 2022-23. Notably, this trend closely echoes the pattern observed in India's

Global Soft Power Index in part 4.1. The correlation between India's export volume and its soft power performance highlights the interplay between economic outreach and global influence. The alignment between India's export data and its soft power performance underscores the importance of leveraging economic opportunities to bolster India's overall soft power impact and expand its global reach and vice versa. Graph 1 and Graph 4 exhibit a highly similar line trend over the same timeframe, unequivocally indicating a significant correlation between the total commodity export and soft power presence. This finding aligns perfectly with the conclusions put forth by Rose in his 2016 study 'Like Me, Buy Me.'

The evidence strongly supports the notion that an augmented soft power presence leads to a corresponding increase in the total export volume, and conversely, a thriving export sector contributes to an enhanced soft power influence. This mutual relationship establishes a two-way causal link between these vital indicators.

In essence, the interplay between soft power and total export volume is a crucial factor in India's journey towards becoming a formidable economic force and a respected global influencer. By capitalizing on its unique strengths and projecting a positive image, India can carve out a distinct position on the world stage, furthering its economic ambitions while enhancing its soft power prominence

Conclusions: India possesses a rich tapestry of soft power assets embedded in its cultural heritage, yet the full potential of these resources remains largely untapped due to a lack of concerted governmental efforts. To unlock its soft power potential, India must transition from a passive stance to a proactive approach, employing specialized tools and mechanisms to achieve foreign policy objectives. While recent government initiatives aim to enhance India's global image, it still lags behind nations with well-established soft power financing mechanisms.

One promising avenue is exploring public-private partnerships to supplement the funding received from the Ministry of External Affairs. The release of the committee report on India's soft power and cultural diplomacy represents a positive step, but it must be followed by a comprehensive strategy recognizing the pivotal role of soft power in shaping international perceptions. However, it's crucial to acknowledge that soft power should go hand in hand with robust hard power capabilities and sustained economic growth. India's soft power toolbox should encompass a comprehensive set of instruments, including digital diplomacy, educational exchanges, and cultural events. Proactive use of these tools can expand India's global influence and strengthen diplomatic ties.

Understanding the intricate interplay between India's export capability and soft power presence is vital in today's complex global landscape. India must consider the impact of domestic policy decisions and economic fluctuations on its international image. The reciprocal relationship between soft power presence and economic opportunities cannot be underestimated, particularly in terms of commodity and service exports. Economic "hard" power enhances a country's global popularity, as seen with China's economic prowess.

Conversely, nations with greater soft power influence tend to attract more foreign investment and achieve higher export volumes.

A proactive approach that combines soft power and economic growth will enable India to strengthen its global influence and achieve foreign policy goals. The correlation between India's export data and soft power performance underscores the interplay between economic outreach and global influence. India's export volume and soft power presence exhibit a similar trend, emphasizing the importance of a balanced development strategy.

In essence, India's path to becoming a significant economic force and global influencer relies on capitalizing on its unique strengths and projecting a positive image. By bolstering cultural diplomacy, promoting heritage, and engaging with the global community, India can carve out a distinct position on the world stage while enhancing its soft power prominence. This comprehensive approach will enable India to achieve its economic ambitions and strengthen its global influence.

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