

Soft Power as an Input to Economic Diplomacy

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It is good to see you all - Mr Prabhu Dayal, my senior in the Foreign Service, Mr Julius Sen from LSE, Mr. David Tavželj, who have been, has been coordinating with us and of course, Dr Anand Asthana, who is really the initiator, I believe, of this entire interaction. Thank you for giving me opportunity, ICPE, to speak on the subject. Soft power as an Instrument of economic diplomacy.

I would like to really begin by illustrating the concept of soft power and how it serves as an instrument of economic diplomacy. One of the most compelling examples is the Korean pop industry, commonly known as K pop. In 2023, K Pop generated nearly 900 million U.S. dollars in overseas sales, marking a remarkable 34.43% increase from the previous year and surpassing one trillion Korean won for the first time. This example demonstrates how, even without an explicit intention, something as simple as music can become a significant instrument of influence in economic policy. Historically, South Korea, as you know is not known for its music. Music industry, primarily the western ones such as The Beatles, Abba, Justin Bieber, Madonna and Michael Jackson have cornered the global audiences. They are dominated largely due to the widespread use of English. However, South Korea has successfully cultivated an international fan base through online platforms, television shows and dramas, making a global phenomenon. Coming back to the theoretical part, as you all know, Joseph Nye who first coined the words of power as we know of it in 80s describe it as the ability to influence others without coercion. In his book *The Changing Nature of American Power*, he stated, and I quote: “when one country gets other countries to want what it wants might be called co-optive or soft power in contrast with the hard or command power of ordering others to do what it wants”.

I previously mentioned K-pop as an example of soft power. Another familiar example is McDonald's, which represents one of the most successful cases of American soft power. In 2023, McDonald's international revenue reached a record \$12.25 billion, surpassing its US

revenue of \$10.38 billion. This demonstrates the deep penetration of American fast-food culture across 119 countries, with over 40,000 outlets worldwide. The brand's global reach has solidified American cultural influence and generated immense economic gains without requiring political or military intervention. With this kind of power, one wonders whether America needs to resort to the more aggressive tactics it sometimes employs.

The third example is Italian pizza. Originally from Italy, pizza has achieved worldwide popularity and contributes significantly to Italy's economy. Reports indicate that the international pizza market generated approximately €1.5 billion in revenue for Italy. Italian businesses have adapted to global consumer preferences by offering gluten-free, organic, and sustainable options, further expanding their market reach. This highlights how traditional cuisine can serve as a driver of economic diplomacy and cultural influence.

Now let me turn to my own country, India, which offers numerous examples of soft power. Yoga is now universally recognised, and in 2019, it received overwhelming support from UN member countries for the establishment of International Yoga Day. Today, yoga is practiced in virtually every country worldwide.

Indian cuisine has also made remarkable inroads globally. The American Congressional caucus for India is humorously called the "Samosa Caucus", and tandoori chicken is reportedly among the most popular cuisines in the United Kingdom. These are just a few examples of India's culinary diplomacy.

In education, Indian institutes are steadily expanding their global presence. Most GCC countries now host campuses of Indian universities, and some Indian universities have even established campuses in the United States. This mirrors how the US has traditionally used education and technology as soft power tools that translate into economic influence.

Another crucial element of India's soft power is its diaspora—the world's largest at 35 million people, exceeding even China's. The direct economic benefit to India was \$107 billion in remittances in 2023. Beyond these financial gains are numerous indirect benefits. For instance, it's widely acknowledged that the Indian-American community significantly supported the 2005 US-India Civil Nuclear Accord by lobbying senators, congressmen, and other decision-makers.

Indian CEOs are prominent across various industries. Whether it is Satya Nadella of Microsoft, Shantanu Narayen of Adobe, or Ajay Banga of the World Bank, and previously Indra Nooyi, who was at the helm of PepsiCo for a long time, they are present throughout the corporate world, in entertainment, and in education, not only in the United States but also in other countries. At any given point of time, there are at least 4 to 5 countries in the world where

the head of state or the head of the government is of Indian origin. This phenomenon is remarkable and helps explain how the Indian diaspora has played an increasingly important and influential role in India's diplomacy. Sometimes this happens organically without deliberate intention, while other times it's part of coordinated strategic planning. For example, the Indian government has established several cultural centers abroad as part of this effort. China has undertaken a similar but perhaps more extensive initiative, establishing cultural centers worldwide that operate on a much larger scale and with significant impact. I would like to highlight two specific but underexplored examples of Indian soft power. The first comes from the sports arena. Just as countries like the UK, Spain, and Brazil have created considerable global influence through football and soccer leagues, India has strategically leveraged cricket as a powerful diplomatic tool over the past two decades.

The Board of Control for Cricket in India (BCCI) has become the world's wealthiest cricket governing body, with a turnover of approximately \$3 billion and a surplus income of about \$1.5 billion during 2021-22. This financial dominance didn't happen overnight. Through imaginative tournament organization and innovative formats introduced within cricket's framework—such as the IPL, T20, and One Day Internationals—India has generated enormous economic gains. Beyond the financial benefits, these cricket initiatives have created significant psychological and cultural influence on audiences across many countries worldwide. The rising popularity of cricket in the US exemplifies how India is reaching new territories and countries through this sport. If I'm correct, cricket may soon be introduced to the Olympic Games within the next one or two Olympic cycles.

The second example is Indian cinema. While we've discussed Indian cuisine and the Indian diaspora, Indian cinema is also generating increasing revenues from international markets. Between 2020-2023, Indian films earned approximately \$337 million overseas. Although this remains a relatively modest amount, all indicators suggest phenomenal growth in the near future. The film *Dangal* alone grossed \$233 million globally, making it the highest-earning Indian film internationally. Other notable successes like *Bajrangi Bhaijaan*, *Baahubali*, and *Secret Superstar* have reached diverse audiences beyond the traditional Indian diaspora, each grossing several million dollars. Remarkably, Indian films are gaining traction even in countries like China and Pakistan despite political tensions, demonstrating the power of cultural diplomacy. The rise of over-the-top (OTT) streaming platforms has further expanded Indian cinema's reach and economic impact, with some films earning over 100 crores rupees through online platforms alone.

Let me conclude: Throughout history, nations have relied on hard power—military interventions and coercive tactics—to achieve geopolitical goals. However, in our increasingly interconnected world, soft power offers an alternative path to influence and prosperity. As ongoing conflicts in Israel-Gaza and Ukraine-Russia continue, it's evident that countries benefit more by focusing on cultural diplomacy rather than warfare. When effectively utilised, soft power can foster economic growth, strengthen international relations, and even prevent conflicts. However, excessive economic gains from soft power can also lead to disputes and tensions in international forums such as the WTO. As the global landscape evolves, the strategic use of soft power will remain a crucial instrument in shaping economic diplomacy and international influence.