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Strengthening European Commercial Diplomacy: Prospects and Challenges

by Andrea Maccanico

The EU is involved in economic diplomacy since the establishment of the Single Market and the ensuing negotiations for trade and economic partnership agreements conducted by the EU's Directorate-General for Trade (DG Trade) for all EU member states (MSs).

European economic diplomacy (EED) is a new EU venture that aims to improve the coordination between EU institutions and MSs in an effort to enhance their economic and trade relations and strengthen their ability to compete with major countries such as the US, China and Russia.

EED is part of a larger effort to strengthen the EU's external action, initiated by the Treaty of Lisbon and developed further with the unveiling of the EU's Global Strategy for Foreign and Security Policy (EUGS) in June 2016.[1] The important novelty envisioned by the Lisbon Treaty relates to the expansion of EU competencies in the field of external action, including economic diplomacy, external aid and trade implementation, the main components of the commercial, or corporate, diplomacy that was once firmly under the control of individual member states.

Since the publication of the EUGS, European MSs decided in the European Council to give room to EU institutions to develop EED and exploit the potential of joint action under the EU umbrella. Since then, many meetings and consultations have taken place with relevant stakeholders and beneficiaries. The process is challenging, and a number of contradictions but also potential bridging proposals have been advanced in the negotiations thus far.

[1] European External Action Service (EEAS), *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy*, June 2016, https://europa.eu/globalstrategy/en/node/331.

Andrea Maccanico is Senior Trade and Investment Promotion Officer with the Italian Trade Agency (ITA) and Advisor to the European TPO Association (ETPOA). The present opinions are strictly personal and do not represent the positions of neither ITA nor ETPOA.

IAI COMMENTARIES 18 | 69 - DECEMBER 2018 ISSN 2532-6570

The economic side of the EUGS is described in the reflection paper *Harnessing Globalisation* and in the in-depth analysis *EU Economic Diplomacy Strategy*, both published in 2017.[2] These guidelines will be implemented by developing a more proactive approach to the EU's external action and to the role of EU delegations around the world. The EED is premised on increased coherence of external policies and tools and a closer cooperation between MSs, the European Investment Bank (EIB), European business organizations (EBOs) and EU businesses in the external domain.

The goal is to make the EU more efficient in pursuing EU economic interests and supporting EU companies in global markets, thereby fostering jobs and growth in Europe.

Support to EU businesses for market access in third countries, both in the form of direct and indirect financial support and technical assistance, is commonly labelled as commercial or corporate diplomacy and has historically fallen under the national competence of MSs. These act in this field according to their own economic diplomacy strategies, implemented via their diplomatic networks and dedicated technical agencies and staff, known as trade promotion organizations (TPOs).

There are different priorities among MSs about the main content and reach of EED, and particularly between the high and low dimensions of EU economic diplomacy. Under the category of "high diplomacy" one can include such tasks as projecting EU values in international affairs and harnessing the most extreme ramifications of globalization, while the lower side of economic diplomacy includes business promotion and commercial matchmaking.

Differences are present between MSs concerning economic development, the specific structures dedicated to internationalization and market access and the risk for mutual competition between various national strategies of individual EU members.

Focusing on the private sector, an important issue concerns the definition of the needs and expectations of the beneficiaries, that is those companies and businesses that are meant to benefit from the services of the EED, and calls for a more united European action in business diplomacy.

As highlighted by BusinessEurope, the number of actors involved in such an internationalization strategy is massive, estimated around 1,200 across the EU. Moreover, there are many well-functioning national agencies and programmes that should be preserved and supported by the EU, but the risk of duplication remains high.[3]

[2] European Commission, *Reflection Paper on Harnessing Globalisation* (COM/2017/240), 10 May 2017, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2017:0240:FIN; Florence Bouyala Imbert, *EU Economic Diplomacy Strategy*, European Parliament, 3 March 2017, http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_IDA(2017)570483.

[3] BusinessEurope, *EU Foreign Economic Diplomacy*, Position paper, April 2016, point 5 and 7, https://www.businesseurope.eu/node/8370.

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IAI COMMENTARIES 18 | 69 - DECEMBER 2018

The European Commission has been very active in directly supporting EU companies abroad since the first years of the financial crisis, and many Commission DG developed actions are presently involved in EED. Today, there are 63 ongoing programmes for internationalization,[4] but some issues related to the implementation have been raised by the TPOs of individual member states, such as several episodes of overlapping actions and even competition between EU and national policies.

Negotiations conducted at EU level involved the organization of an inter service coordination group managed by European External Action Service (EEAS) to ensure EED complementarity with existing EU policies and objectives i.e. trade, development, science and technology, innovation, climate, circular economy and energy policy. Coordination with MS TPOs is still lacking, however. Indeed, such efforts are managed by DG Grow, which hosts informal bi-yearly gatherings that lack authority to make and enforce decisions.

That being said, there are many coordination solutions developed at the level of member states that could be taken into consideration to improve the EU approach, promote efficiency and exploit the potential of support channels and structures already established by MSs in many third countries. EU intervention should be complementary to the action of MSs. This principle, if developed in the right fashion, could empower and extend the EU's action in several markets.

Against this backdrop, there should be a preliminary focus on selected value chains that are already European rather than national. There are opportunities to cover a wider number of markets by aggregating the demands for services from companies belonging to numerous MSs. Moreover, an improved mapping exercise on the ground in key countries should be conducted to highlight weaknesses and potential opportunities with an eye to developing meaningful, flexible and multi-stake EU solutions. Some steps have been taken in this direction, but the EU is still far from being able to build a coherent strategy to provide significant added value to beneficiaries.

Mechanisms such as the Italian Situation Room on Internationalization or the Belgian Foreign Trade Agency,[5] as well as many other national approaches, can be part of a technical solution to overcome political and institutional constraints. Such structures can help to bridge the gap between MS and EU institutions, helping to streamline coordination.

In this regard, it is still not clear who in fact is leading the EED initiative. The EEAS and High Representative

[4] European Commission DG Grow, *Overview of EU Instruments Contributing to the Internationalisation of EU Businesses*, November 2018, http://ec.europa.eu/DocsRoom/documents/32522.

[5] Italian Ministry of Foreign Affairs and International Cooperation, *The Farnesina Hosts the Meeting of the Situation Room on Internationalization*, 11 September 2018, https://www.esteri.it/mae/tiny/27199; Belgian Foreign Trade Agency (BFTA) website: *About BFTA*, https://www.abh-ace.be/en/about_bfta.

IAI COMMENTARIES 18 | 69 - DECEMBER 2018 ISSN 2532-6570

Federica Mogherini have no authority to force any Commission DG to follow their guidance, while the strongest EU economic actor in the external domain, DG Trade, responds to Commission Vice President Jyrki Katainen. Similarly, at the national level, there is often a reciprocal competition between different ministries and institutions, as well as a constantly changing political sentiment towards globalization and other MSs. As a result, solutions developed at the national level may hold some significance for EU efforts in the supranational domain as well.

The Italian Situation Room on Internationalization is a coordination body where all actors, stakeholders and beneficiaries, public and private, local and national, are called to negotiate and design the economic diplomacy strategy, that is then co-financed by the budget law and private sector contributions.

The Belgian Foreign Trade Agency is a light coordination body aimed at supporting the Belgian government's economic missions in third countries when business delegations are involved. For this, it draws on the technical expertise and staff of the three regional TPOs of Wallonia (AWEX), Flanders (FIT) and Brussels (HubBrussels) to select and assist Belgian companies in targeted third countries.

While the Italian approach could help for consultations it will be difficult to implement at EU level due to the vast numbers of actors involved. The Belgian example could however be tested to build joint action between the TPOs of MS and use this to develop means to change the usual practice and enhance multi-stake cooperation in external markets.

Adopting the Belgian model, through the establishment of a light coordination body in Brussels could be managed by existing EU implementing agencies, such as the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA) and/or the Executive Agency for Small and Medium-sized Enterprises (EASME). Meanwhile, the national TPOs of MS could become the implementing agencies for the lower side of the EU's EED in countries where they have offices and experts, helping to highlight sectors and markets where there are more risks of duplications while identifying third countries where additional EU efforts are required.

It is important to avoid wasting time and resources, developing synergies instead of fostering a senseless competition between national and European actors who are meant to assist the same beneficiaries and are financed by the same taxpayers. This is particularly relevant when approaching key external markets of strategic interest to the EU and its member states. Whether it be China, Brazil, the US or Africa, the benefits of approaching such markets under the united EU flag in terms of higher impact, better financing, protection and leverage cannot be overstated.

Failing to upgrade this technical dialogue and to consider and build upon the expertise and networks of existing national TPOs risks multiplying disagreements and competition between the national and

IAI COMMENTARIES 18 | 69 - DECEMBER 2018 ISSN 2532-6570

EU levels. This would entail missing out on the opportunity to introduce greater added value and cost-effective practices and solutions through enhanced integration and cooperation between these two levels.

Negotiations for the EU's next Multiannual Financial Framework, with all the issues related to the limited availability of resources, could be the right place to start such an effort. Developing means to do more with less when it comes to the technical field of the lower side of EED is a key priority of EU institutions and MS.

No doubt a difficult challenge, such efforts are also and ultimately a significant opportunity for the EU, its MS and citizens at a time when the most likely results of the next EU elections will be a European Parliament focussed on guaranteeing the best returns with the least investments, including in the realm of EED. At the same time, the present conflictual environment at global level requires a stronger and more efficient EU, one that is grounded in unity and common action to safeguard international trade exchanges and the Union's role as an important trend setter in the international economy, a vital interest for European economies and citizens alike.

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IAI COMMENTARIES 18 | 69 - DECEMBER 2018

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Via Angelo Brunetti, 9 - I-00186 Rome, Italy
T +39 06 3224360
F + 39 06 3224363
iai@iai.it
www.iai.it

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- 18 | 68 Andrea Aversano Stabile and Paola Sartori, *Italy's Defence Expenditure: What Impact on EU Defence Cooperation?*
- 18 | 67 Luca Barana, *Negotiating a New EU-Africa Agenda: Playing the Migration and Chinese Cards?*
- 18 | 66 Kevin Kalomeni, *Digital Regulations and the Risk of a Securitized Internet*
- 18 | 65 Jesse Colzani, *Transatlantic Tensions, Oil Imports and the Euro's Ambitions in International Trade*
- 18 | 64 Margherita Bianchi and Alessandro Valentini, *Brexit and the Future of European Energy Integration: The Stakes*
- 18 | 63 Nathalie Tocci, *The Demise of the International Liberal Order and the Future of the European Project*
- 18 | 62 Claudia Astarita, *A New Frontier of West-China Competition: Academia and International Education*
- 18 | 61 Nicola Bilotta, *Chinese Banks and Foreign Owned Subsidiaries Eye Latin American Markets: A New Challenge for the US?*
- 18 | 60 Riccardo Alcaro, *The US Mid-Term Elections: The Stakes for Europe*