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## Advancing a multi-level system of European commercial diplomacy: is there a role for the EU?

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### BACKGROUND

Commercial diplomacy has become a *leitmotiv* in most EU member states, shaping the political narrative at home and influencing the substance of diplomatic practice overseas.

The combined effects of the economic crisis in Europe and the impressive rise of new economies, notably the 'BRICS' (Brazil, Russia, India, China and South Africa), but also small and medium-sized countries in the Persian Gulf, Latin America and South-Eastern Asia, are pushing European businesses to chase these smoke-belching locomotives of global growth through exports and investments. This hunt for foreign demand is neither fortuitous nor ephemeral: according to some economic forecasts by the Centre d'Etudes Prospectives et d'Informations Internationales, around 90% of global economic growth in the next 10-15 years is likely to be generated outside Europe, while current export-focused European employment is calculated at about 30 million jobs, according to the European Commission.

The on-going tectonic shift in the global economy has translated into a stronger focus by virtually all European capitals on promoting their commercial interests abroad, notably through diplomatic channels. Indeed, the imperative of gaining market shares in third countries has led numerous European leaders to multiply high-level missions to emerging economies, bringing large business delegations along with them, in order to turn their political and sometimes personal clout with local authorities into high-value contracts for their national companies. Business-focused official visits, such as UK Prime Minister David Cameron's trip to India last February, urging local authorities to open up to UK companies, have often made the headlines, being depicted by some as resounding expressions of Europe's new 'commercial offensive'.

The increasing emphasis on export and investment promotion has affected national diplomacies in Europe to a remarkable extent. As highlighted by a recent EPC Issue Paper on *The European External Action Service and National Diplomacies*, the internal restructuring of many ministries of foreign affairs in the past few years has entailed the creation of new bureaucratic structures at home, in charge of the overall coordination of foreign commercial policies, often in cooperation with other governmental bodies, like in Italy, Portugal and Denmark. At the same time, strengthened attention to commercial diplomacy has spurred either the opening or the upgrade of diplomatic and consular posts in emerging economies, tasked with business-supporting assignments such as networking, lobbying and advocacy, counselling on regulatory issues, business matchmaking including through trade fairs and missions, market intelligence and industrial cooperation, replacing or adding to the local branches of national trade promotion agencies. This phenomenon is not limited to the 'big three', but involves virtually all EU member states, spanning from wealthy Finland to crisis-plagued Spain, albeit with varying degrees of intensity.

Although the Treaty of Lisbon has strengthened the EU's exclusive competence in trade policy by extending it to all trade-related aspects of intellectual property protection, services and foreign direct investment (FDI), commercial diplomacy in itself remains a *domaine réservé* of member states. Indeed, a strict division of labour between the EU, in charge of conducting the bloc's common trade policy, and member states, tasked with

business-supporting policies on the ground, is deemed by policymakers in virtually all European capitals to be legally impeccable and politically convenient. The most recently available data on the EU's place in the global economy, which still crowned it as the world leader in exports, imports and FDI, must have reassured many in Europe about the enduring validity of such a policy assumption.

Yet *three* major developments affecting European commercial diplomacy might increasingly call into question the principle of exclusive national competence in this area.

## STATE OF PLAY

The *first* factor results from recent evolutions in the way European business interests are being represented and supported by specialised actors and institutions in a number of third countries.

For example, brand-new bodies such as self-defined 'European' Chambers of Commerce and business organisations, like Eurocameras in Brazil or the European Union Chamber of Commerce in China, have emerged as a spontaneous cooperation reflex between traditionally bilateral Chambers of Commerce and/or local business representatives. In addition to carrying out lobbying, information-sharing and networking for EU companies abroad, these actors increasingly aspire to become the 'pan-European' business interlocutors of local authorities in trade and investment matters. Moreover, the impact of fiscal austerity on public internationalisation measures has led some medium and small member states to consider opening joint Chambers of Commerce abroad, like the Nordic Chamber of Commerce and Industry in Bangladesh, while the Chambers of Commerce of some bigger European countries have reportedly started providing services for companies from member states that lack a local bilateral Chamber.

These essentially pragmatic initiatives can contribute to gradually transforming European commercial diplomacy by generating unprecedented representative structures and cooperative mechanisms. At the same time, such 'bottom-up' dynamics and their potential for resource rationalisation still need to be coupled with more responsive public policy measures at both national and EU level.

A *second* development is provided by the growing, albeit intricate, *de facto* involvement of the EU in a number of commercial diplomacy matters on the ground.

The EU has actively supported the internationalisation of European companies, particularly small and medium-sized enterprises (SMEs), by establishing and co-financing projects like the EU SME Centre in China and the European Business and Technology Centre in India, which are operated by *consortia* of the above-mentioned European Chambers of Commerce and private business organisations abroad. These 'EU business centres' provide European companies on the ground with useful services like business matchmaking, market access assistance and guidance on complex local regulatory matters. In spite of this, mid-term financial uncertainties and sometimes difficult interaction with other actors, notably bilateral Chambers of Commerce, do need to be tackled in order to secure the viable development of these EU-sponsored initiatives.

Following the entry into force of the Lisbon Treaty, EU Delegations have been tasked with coordinating periodic meetings of the Economic and Commercial Counsellors of European embassies in third countries. These gatherings often allow open and informal intra-EU discussions on commercially-sensitive topics like the evolution of the local business environment, foreign access to indigenous public procurement, and political and regulatory developments affecting European companies, sometimes including reciprocal updates on planned national business missions. All this is instrumental in providing key background information for national commercial diplomacy operations and helps Europeans to address common problems together, from relations with local market regulators to business visas.

Some EU Delegations have taken further steps in advancing the common interests of European businesses abroad, including lobbying and advocacy demarches by EU Heads of Delegation in order to informally persuade local authorities not to pass foreign business-harming measures (for example in South Africa), the coordination of joint European institutional missions to regional authorities and business communities to discuss commercial relations (with the full involvement of local member-state embassies, for example in Brazil), the endorsement of pilot EU-labelled exercises, like an EU-GCC Investment Symposium held in Riyadh last April, or a White Book on perceived barriers to EU trade and investment in South Africa, jointly commissioned by the EU Delegation and member-state missions and financed by the Dutch Embassy in Pretoria.

Although the actions above constitute encouraging signals of rising policy entrepreneurship by EU Delegations on somewhat 'light' commercial diplomacy issues, these still depend a bit too heavily on the personal goodwill of EU Heads of Delegation, a collaborative attitude by European embassies and the ability of local EU trade officials to combine such initiatives with core tasks like bilateral trade and investment negotiations, market access enforcement and on-site implementation of the Common Commercial Policy, thus calling for appropriate adjustments in the future.

Since 2011 the European Commission's DG Enterprise and Industry has carried out twelve 'Missions for Growth' in emerging economies, spanning from Chile to China. Such missions combine high-level bilateral political meetings with local authorities on issues like industrial cooperation, standards, SME policies, tourism and space, with 'door-opening' business events involving European and local companies, particularly SMEs, often during commercial fairs and conferences. These EU-wide delegations involve both European business federations, in charge of recruiting self-financed business participants, and the diplomatic representatives of targeted countries, liaising with public authorities and the private sector at home. Member states are also invited to identify and engage their national companies, while single businesses may apply directly to the DG.

The added value of the Missions has been reportedly defended by participating companies, notably SMEs, and smaller member states, which simply cannot afford to run such high-level commercial missions at national level. However, these missions have encountered a few problems in Brussels and beyond: other corners of the EU house unofficially question the legitimacy and inclusiveness of these exercises, while some bigger member states have restrained their support due to a mix of political concerns and legal doubts. Several observers have also stressed the need to improve the selection of participating companies, better shape and balance the institutional and business components, and design a more systematic follow-up mechanism on the ground. A timely review of these much-debated, yet conceptually unique initiatives is therefore due.

A *third*, much longer-term challenge to the principle of a strictly national policy remit in commercial diplomacy might also come from the increasing integration of European businesses following the completion of the EU's Single Market, including through more cross-border mergers and acquisitions or via export-oriented intra-European clusters and networks.

While such a process is still largely embryonic and might ultimately concern a few sectors only, the possible rise of 'truly European' multinational companies with operating branches across the EU as well as increasingly 'Europeanised' export-oriented value chains has the potential to bring, at least to some extent, tighter intra-European economic interdependence, perhaps generating somehow 'trans-national' European commercial interests to be collectively promoted abroad by the EU and its member states.

## PROSPECTS

The significant developments affecting European commercial diplomacy should lead policymakers in both Brussels and national capitals to carefully examine a number of deriving opportunities.

For instance, the growing role of EU Delegations as catalysts in several emerging economies could be further enhanced by putting *upstream* tasks such as market scouting and economic intelligence, including sectorial studies, at the service of all member states, or even *downstream* functions like occasional advocacy for European *consortia* running against non-EU competitors for public procurement tenders in strategic sectors such as energy, infrastructures and aerospace, on behalf of the member-state embassies concerned. Alternatively, more regular business-focused instructions to EU Heads of Delegation, more systematic consultation with public and private stakeholders in Brussels and locally, and more targeted use of public diplomacy to 'brand' Europe as an export and FDI destination could all fit into a valuable EU agenda for commercial diplomacy.

Prior to walking any of these paths, however, a substantial reflection should be conducted by EU institutions and member states alike on the opportunity to sketch out a common EU approach in this area. The European External Action Service (EEAS) could perhaps set the strategic direction of such a debate, given its unique institutional features, its expected horizontal coordination of EU external action and its supervision of Delegations in third countries. One starting point could be, among others, a non-paper jointly drafted by the EEAS, DG Trade and DG Enterprise, in full consultation with European business representatives and open to suggestions by the European Parliament, providing a systematic assessment of current EU activities and their interaction with the many on-site internationalisation services offered by European public and private actors.

An intra-EU debate on commercial diplomacy might also explore ways to improve synergies among locally-based European actors, including by favouring pilot projects like more 'pooling and sharing' between bilateral Chambers of Commerce or even some national commercial services, under the supervision of EU Delegations. Empowering the EU in this area would also require creative solutions to tackle human and financial resource implications, notably for local Delegations. This might include, for example, targeted on-site training for EU staff, possibly together with member states' commercial attachés, and secondment of specialised personnel from Brussels and national capitals, but also the use of public-private partnerships to finance EU business centres. Also, Missions for Growth should be carefully examined with a view to increasing inter-service coordination of planning and local implementation in order to fine-tune institutional and business components as well as to ensure the full participation of member states, including by involving national Ministers of Foreign Affairs and/or Trade on a more regular basis. Another appropriate reflection is the mid-term perspectives of such exercises in light of the appointment of a new Commission in late 2014. Any proposal for EU action should anyhow be based on the principles of subsidiarity, complementarity and non-discrimination *vis-à-vis* measures by member states and the private sector, with the aim of framing an effective 'multi-level' system of European commercial diplomacy combining national and EU assets.

Clearly, a possibly stronger EU role in commercial diplomacy would not stop ultimately healthy competition between European companies in foreign markets, nor should the EU simply replace member states and specialised private actors in a wide variety of internationalisation services, spanning from bilateral lobbying activities in favour of national companies to export-related financing and insurance. Yet, more EU-led teamwork by European players in this area could provide a wise, pragmatic response to multifaceted and politically-charged commercial relations with emerging economic powers, crisis-driven public austerity, growing perceptions of Europe as a unitary trade and investment actor by foreign partners, and long-term intra-EU business integration. This could also reinforce links between EU external policy objectives and European technological excellence in areas as diverse as climate change and space activities, and provide a valuable external complement to existing EU competitiveness policies.

By paying closer attention to the voice of European businesses abroad, the EEAS itself could benefit from stronger legitimacy at home and wider influence abroad, while still keeping the management of 'political' EU foreign policy as its core mission. Undoubtedly, a careful balancing of sophisticated political goals and concrete commercial interests in international relations represents a defining challenge for virtually any diplomatic actor. Yet, if the EEAS really wants to realise its full potential as the EU's foreign policy entrepreneur, a better understanding of commercial diplomacy issues should be developed within the Service, in full compatibility with its valued and much-needed 'corporate identity'. Exercises like the briefing by the President of BUSINESSEUROPE on the occasion of the 2012 Annual Conference of EU Heads of Delegation, EU Special Representatives and *Chargés d'Affaires* provide an encouraging step in this direction.

It is up to the EU and its member states to play their part in advancing a multi-level system of European commercial diplomacy, helping Europe's economies and societies to better reap the benefits of globalisation.

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The views expressed here are entirely the author's own, and do not reflect the beliefs of any institution at which he currently works or has worked previously.

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