
5 EU economic diplomacy: Enhancing the impact and coherence of the EU's external actions in the economic sphere

Angelos Pangratis¹

European External Action Service

European economic diplomacy as part of the EU's response to the changing world

The international context is dominated by competition among big powers and widespread questioning of globalisation, and presents unprecedented challenges for the rules-based multilateral system. There are multiple well-known causes for this evolution, including the overall fiercer economic competition due mainly to the emergence of new global powers, to new technologies and to a more connected world. Furthermore, states' distorting interventions in markets are also increasingly affecting trade, economic and investment activity, while unilateralism and protectionism have reached globally unprecedented levels. In this context, economic diplomacy has become a priority for many countries around the world.

In the development sphere, there is a growing emphasis on mobilising private sector resources for development in an effort to advance towards the considerable investment requirements of the 2030 Agenda of the Sustainable Development Goals (SDGs). The EU's relationships with developing countries are rapidly moving beyond the traditional donor-recipient relationship and increasingly appear to be economic partnerships of equals.

¹ Although the author is an official of the EEAS, the views expressed here do not coincide necessarily with those of the EEAS.

In this context, the EU must become more effective in both defending and advancing its economic interests beyond its frontiers and supporting the role of the private sector. The need for assertiveness was stressed by the June European Council in the Strategic Agenda 2019-2024. The EU has already responded in a number of ways, including trade policy initiatives, competition cases, screening of foreign investments, and calls for industrial policy measures.

Work on establishing European economic diplomacy (EED) was launched by the EU in 2016. Since then, important efforts have been deployed both in the EU's headquarters and in EU Delegations around the world to provide a solid foundation for a more integrated and proactive EED.

The content and policy context of European economic diplomacy

The importance of EU economic diplomacy has been recognised in the European Commission's "Reflection Paper on Harnessing Globalisation" adopted on 10 May 2017: *"A more integrated and pro-active European economic diplomacy would deliver better outcomes for our citizens. The EU and Member States should improve the coherence of external policies and tools to foster growth and jobs in Europe and become more efficient in pursuing our economic interests abroad"* (European Commission 2017).

Economic diplomacy is basically about having a coherent and focused approach for external economic policies (e.g. trade, climate, development, enterprise) and instruments (including grants, loans, and guarantees, as well as diplomatic and public diplomacy instruments), based on a strategic view of the EU's economic interests. EED requires enhanced coordination and consistency in headquarters between Commission services, the European External Action Service (EEAS), as well as with member states and financial institutions such as the European Investment Bank (EIB) and among other players, including EU Chambers of Commerce and other EU private sector organisations. It includes, in particular, using the wide network of EU Delegations around the world to optimise levers at the EU's disposal to help European businesses, especially small and medium-sized enterprises (SMEs), succeed on global markets. Examples of EED actions include better seizing the opportunities created by trade and investment agreements, overcoming persistent market access barriers for EU companies; promoting strategic pan-European commercial projects, engaging in setting international standards for new technologies, and strengthening European business organisations abroad.

EED has been deployed in full coherence and complementarity with the wider context of core EU principles and values and also existing EU policies, priorities and instruments, such as trade policy, regulatory cooperation, macroeconomic dialogues, and development cooperation – good tax governance, enlargement and neighbourhood policies, among others – including the External Investment Plan (EIP). For developing countries in particular, EED is conducted in full observance of the international commitments and global and EU frameworks that guide our development policy (the 2030 Agenda, the European Consensus on Development, and the ‘New Alliance for sustainable development and jobs’, for example) and should contribute to the goal of mobilising more private sector resources.

The July 2017 EED guidelines

The EEAS and the Commission issued EED guidelines to all Delegations with a view to identifying clear EED priorities and concrete action plans for individual non-EU countries. The EEAS is in charge of coordinating this process, in close cooperation with the Secretariat General of the European Commission and with the active involvement of relevant Commission services, such as DGs TRADE, GROW, DEVCO, NEAR, Foreign Policy Instruments (FPI) and others.

On this basis, **the EU Delegations**, guided by the geographical services in headquarters, have successfully conducted wide-ranging consultations with member state embassies and European business organisations, European or bilateral chambers of commerce, the EIB and other member states financial institutions and have identified widely agreed EED priorities and action plans.

Member states on the ground in third countries and in Brussels have generally been very supportive of enhanced involvement of the EU in EED, usually because of the valuable contribution it represents considering the richness of EU instruments and the fact that it offers greater leverage to advance the EU's interests in the respective country. Several member states proactively instructed, from the beginning of the EED process, their embassies to accompany actively and contribute to EED.

The EU Heads of Delegation reports were reviewed individually and endorsed in Brussels through simplified and straightforward processes. The whole EED process is very streamlined, with brief reports quick deadlines and strong action orientation.

So far, around 110 countries from sub-Saharan Africa, the Americas, Asia and the Pacific, Europe, the Middle East, and North Africa have been covered through the EED consultation and have now agreed EED priorities and action plans – some at the regional level.

Member states have been involved in the Brussels part of the EED process in various settings throughout 2018 – meetings of DGs for Global Affairs in Ministries of Foreign Affairs (MFA), ad hoc meetings with interested MFA Directors of Economic Affairs, briefings to the regional working parties of the Council, and meetings with the Trade Policy Committee and the Market Access Advisory Committee.

Outcomes of the EED guidelines implementation process

Reaching agreed EED priorities and concrete EED action plans at the EU level together with member states embassies, the EIB and the EU private sector organisations in **around 110 third countries, and for more than 1,000 concrete actions**, is a great achievement in itself.

- It reinforces the role of the EU Delegations and makes the EU's external actions more coherent, efficient and visible vis-à-vis **both the EU constituencies and the local authorities** and brings about better outcomes on EED priorities and actions.
- The active involvement of several hundred EU officials in headquarters and Delegations and a few thousands of member state officials who have actively contributed to the EED process brings about a significant **evolution of the mind-set**, focused on more proactive EED involving concrete action around the world fostering jobs and growth in Europe.
- The implementation of hundreds of concrete actions brings the EU closer to the **preoccupations of its companies and its citizens** and, at the same time, projects a useful image, to both its partners and its competitors, of an EU that is determined to better defend its companies from unfair treatment and to pursue a genuine level playing field under all circumstances.

The identified EED priorities and action plans capture and complement aspects of existing EU policy objectives related, for example, to trade agreement negotiation and implementation and market access, but also broach key areas related to improving the business environment and facilitating investment and private sector cooperation, as well as pursuing economic opportunities in strategic sectors such as space and the green economy. The concrete actions proposed range from monitoring and intelligence, joint or separate EU and member state advocacy and a more proactive role for EU business

organisations to specific support to individual sectors or companies, more targeted support by the EIB, expanded instruments to support the internationalisation of SMEs, and other areas critical to furthering the EU's economic interests. In many cases, the EU Delegations and member state embassies have already taken concrete actions towards or together with the local authorities.

Conclusions: Two key directions for the future of EED

As the process of implementing the EED guidelines advances towards maturity in 2019-2020, a more **strategic view of EED interests** is being developed on a wider range of sectoral or thematic issues and at the bilateral or regional level, mostly emerging from the current bottom-up process initiated by the EU Delegations. However, it is to be expected that the next steps of the EED will be dominated by the headquarters' driven strategic EU priorities that may include issues such as advancing the international role of the euro; specific attention to specific industrial sectors or technologies; focusing on issues, countries, or regions where EU companies face discriminatory practices; and so on. It is also to be expected that EED will be more **systematically integrated in strategic documents and in high-level political dialogues** both within the EU with an increasing number of third countries and on an increasing number of themes and areas of economic importance.

Finally, **the EU's approach to its economic diplomacy is based on at least two solid principles** that will continue to remain valid even if the EED content evolves, which in fact open new horizons of cooperation with the EU's partner countries around the world:

- First, EED is about the EU's own interests, but EU integration itself is built on the principle that a sustainable own interest is one that is founded on **solid respect of your partner's interest** as well. EED is thus solidly anchored in pursuing a level playing field for all companies and heavily concentrated on eliminating market distortions. Most of the identified EED priorities and actions concern improvements to the business and investment environment, eliminating market distortions or distortive practices of others, and improving the role of the private sector and its resources. Thus, most EED priorities, in most countries, can be, and in many cases already have become, joint priorities with local authorities too.
- Second, the EU contributes consistently through its trade and other policies to the creation of a rules-based international system. EED demonstrates in a unique way that it is possible, even in the difficult international environment of today, to **advance and defend one's own interests without falling into the trap of increased protectionism and/or unilateralism** that undermine the rules-based international

system. On the contrary, one's own interests can be defended and advanced while at the same time contributing to the emergence of the improved rules-based multi-lateral system that a peaceful and prosperous 21st century requires.

In the wider context of the necessary adapting of the EU and its external actions to an international environment that is currently very challenging and is likely to deteriorate further, **EED emerges as an indispensable tool** for the defence and the advancement of the EU's global interests.

References

European Commission (2017), "Reflection Paper on Harnessing Globalisation", COM(2017) 240, 10 May.

About the author

Angelos Pangratis is Advisor Hors Classe (with the grade of Director General) for EU Economic Diplomacy in the European External Action Service in Brussels Headquarters. Pangratis was EU Ambassador to the WTO (2011-2015), and Acting EU Head of Delegation (HoD) as well as Permanent Observer to the OAS in Washington (2009/2010). Previously he served as Deputy HoD to the USA, HoD to Argentina, Deputy HoD to South Africa, and DHoD to South Korea. In the European Commission Headquarters, he was in charge of relations with China, Personnel and Budget for External Relations, an anti-dumping Investigation Team, and negotiating agreements on export credits. He obtained a doctorate in International Economics and Finance from Sorbonne University.