A European Economic Diplomacy in the making

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“The main advantage of the European Union as a soft power is that its economic and diplomatic interests are represented in a manner that is based not on confrontation but economic collaboration with other states. The disadvantage is that this domain is presently not used enough to represent EU interests.” (Vasilcovschi, 2017)

“An effective European economic diplomacy will help write the global rulebook and ensure European companies can prosper in fast-growing international markets.” (European Commission, 2017, p.21).

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The European Union (EU) is in the process of establishing a European economic diplomacy, in the context of a more geostrategic EU. One of the aims of the EU is to combine the promotion of its economic interests with the defence of its values, while building on and seeking synergies with the interests of its partner countries.

This paper assesses how the EU is formulating its economic diplomacy, and to which extent it builds on its economic, trade and development policies. Particular attention is be paid to some of the policies and initiatives at the EU level that de facto constitute part of a European economic diplomacy. It then reviews how the European economic diplomacy has been formally spelt out, and to which extend there is a transparent, well-structured European economic diplomacy, or simply an overall umbrella for various EU initiatives that can help promote European economic interests. The paper then suggests ways the European economic diplomacy could be strengthened and perhaps more focused around key areas.

1. De facto emerging European economic diplomacy

Economic issues have always been a key pillar of the European agenda, since its inception, in its internal dimension, as well as in its external dimension since the origins of the European Economic Community, with the establishment of the European single market and the adoption of the common external tariff and policy. Since these early stages, the adoption of common industrial projects, such as in the case of Airbus, has been designed to foster European champions able to compete on the global stage, and defend perceived European economic interests. But it is principally in the trade domain, with the imperative of pursuing a common trade policy for the initial European Customs Union under the competence of the European Commission, that the common European economic interests have been pursued.

The paradoxical component of the European Project is that while the European Union (EU) became an economic giant on the global scene, as well as the main provider of global development assistance, it remained a dwarf in foreign policy. With the Lisbon Treaty of the EU (2009), the ambition was to remedy this situation, establishing a European External Action Service (EEAS), with at its helm the High Representative of the Union for Foreign Affairs and Security Policy to co-ordinate the EU external policy and action. Some of its origins can be traced back to the mainly ineffective European Political Cooperation (1970), the European Common Foreign and Security Policy (CFSP) as the second pillar of the EU in the Maastricht Treaty (1993), and the establishment of the office of the High Representative for the CFSP under the Amsterdam Treaty (1999). Because of its background, little attention was initially devoted by the EEAS to the economic dimension of the EU action, which was mainly left to the responsible services of the European Commission, principally the Directorate-General (DG) for Trade, DG in charge of development cooperation (now renamed since 2021 International Partnership - DG INTPA), and the DG in charge of the Neighbourhood policy (DG NEAR). Trade and Investment promotion was mainly left to individual European member states.
At the EU level, many policies have led to a de facto European economic diplomacy (Woolcock, 2012). Following the financial and economic crisis of 2008, greater attention was devoted to stimulating the economy, in the EU, at the global level, and in developing countries. While the European External Action Service has initially taken a low profile on economic issues, the economic interests of European business have been largely influenced by three set of EU policy initiatives: industrial and SMEs policies, trade and investment policies, and development policies, all connected to the EU soft power related to trade. These are discussed in turn below.

1.1. EU industrial and SMEs policies

In the wake of the global economic crisis of 2008, greater attention has been given by the EU to the role of the private sector in helping to generate an economic rebound. In the EU sluggish economy, the European Commission, and in particular its DG Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), stressed the importance of better linking European business, and in particular small and medium-sized enterprises (SMEs) to the global economy, noting that 90% of the economic growth was generated outside the EU borders. It started developing a more structured approach for the internationalisation of EU SMEs, which has culminated with the adoption of an ambitious SME Strategy for a sustainable and digital Europe (European Commission, 2020a).

The strategy builds on past efforts, notably to identify and increase the visibility of support programmes and initiatives to enhance the SMEs access to foreign markets. These include support tools to help European SMEs internationalise; matchmaking initiatives, to connect European SMEs with companies outside the EU; and market access information, including on intellectual property rights. Relevant initiatives include the Enterprise Europe Network (EEN), which aims to foster innovation and matchmaking among European SMEs and with SMEs abroad. The EU also seeks to encourage international cooperation between clusters and business networks across borders, to facilitate the integration of European SMEs in global value chains. Other dedicated tools and centres have also been established, to help inform and facilitate European SMEs access to non-EU markets. These include the Market Access Database Access2Market, which provides detailed information on trade policy, procedures and statistics, to import from and export to the EU, the Intellectual Property Right Helpdesk (for China, South-East Asia and Latin America), country-specific centres, such as the EU SME Centre in China and the EU-Japan Centre for Industrial Cooperation, as well as the Business Cooperation Centres established in (27 by the end of 2018) partner countries under the Enterprise Europe Network (van Seters and Bilal, 2019). The European Business Organisation World Wide Network (EBO WWN) is one of key initiatives that helps bring together over 30000 European business regrouped in European Business Organisations (EBOs) in 40 countries, with the aim to support the internationalisation of European SMEs, to promote responsible business practices, to facilitate the sharing of relevant information and best practices, and “to further EU economic diplomacy” (as stated on EBO WWN website).

1 See https://eboworldwide.eu/about-us/, as available on 30 March 2021.
The EU SME Strategy also includes efforts dedicated to improve the business environment for SMEs in partner countries. This also includes better tailoring the EU trade policy to the needs of European SMEs, notably by addressing trade barriers to trade and investment, by including dedicated SME chapters in EU free trade agreements (FTAs) and by supporting European SMEs access to public procurement in third countries. Facilitating the recourse to trade defence instruments and better implementation of the EU trade agreements, relying on the new EU position of Chief Trade Enforcement Officer (CTEO), are part of the EU arsenal to support its SMEs (see also below discussion on the EU trade policy). As stated in the European Commission’s Communication on An SME Strategy for a sustainable and digital Europe, “the EU will actively engage in a dedicated economic outreach and diplomacy for SMEs to support their access to third country markets” (emphasis added; European Commission, 2020a, p.12). Moving beyond a series of initiatives to support the internationalisation of European SMEs, the European Commission seeks to foster a more coordinated and coherent economic diplomacy to the benefits of European SMEs.

Another important pillar of the initial emerging European economic diplomacy led by DG GROW can be traced back to the European Commission to ensure access to raw material strategic for EU industries (European Commission, 2008). The strategy aimed to identify raw materials for which the EU was highly dependent of foreign suppliers, and ensure no shortage of such supply. The list of critical raw materials for EU industries is regularly updated, with the fourth list published in 2020 (European Commission, 2020d). An immediate consideration was the opposition of the EU to export restrictions, including in its FTAs, in view of preventing possible shortages, as was the case of the Chinese export restrictions on rare earth for instance. The EU also tries to prevent its partners to adopt other restrictive measures, such as import duties, price-fixing, and restrictive investment rules, which could have a negative impact on European industries to access raw materials. Further economic considerations were also given to the recycling of secondary raw materials, in terms of resource efficiency, an initial step towards a more ambitious circular economy plan, first adopted in 2015 (European Commission, 2015), and significantly upgraded in 2020 as a key pillar of the European Green Deal (European Commission, 2020b). The strategic approach to raw materials led to what the Commission itself refers to as its Raw Materials Diplomacy. As part of its approach, the EU seeks cooperation through policy dialogues and political agreements on raw materials (production, trade and recycling) with partner countries, such as Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Egypt, Greenland, Japan, Mexico, Morocco, Peru, Russia, Tunisia or the United States and Uruguay, as well as countries of the African Union.

More recently, the EU is also fostering a more active industrial strategy, building on its strategic autonomy and the need to avoid an industrial decline in Europe. The EU ambition is to increase the competitiveness of European industries, and notably promote their digital and ecological transitions (European Commission, 2020c). This requires more active policies, at home but also abroad, calling for an active economic diplomacy. The New Industrial Strategy for Europe explicitly calls to better link the EU internal and external economic agenda, and export EU standards and approaches abroad to influence

2 See https://ec.europa.eu/growth/sectors/raw-materials/specific-interest/international-aspects_en
the EU partners and global rulebook (European Commission, 2020c, p.3): “The EU must leverage the impact, the size and the integration of its single market to set global standards. Being able to forge global high quality standards which bear the hallmark of Europe’s values and principles will only strengthen our strategic autonomy and industrial competitiveness.”

1.2. Trade perspectives

From a trade perspective, the EU has always pursued its economic interests through its trade policy, including its development objectives towards development countries, with its preferential regimes. It has done so also by helping to shape the global trading system, including global trade rules.

In recent years, however, the EU has increasingly been concerned about the fact that its trade policy may not be as effective as expected in benefiting its private sector. Hence, it has been putting more dedicated efforts in ensuring that the European businesses, including SMEs, are truly able to take advantage of the EU trade policy apparatus. This is one the key pillars of the 2015 “Trade for All” strategy of the EU, next to the ambition to pursue a more sustainable trade policy, in line with the 2030 Agenda for Sustainable Development adopted the same year. With “Trade for All”, the EU means what it says: “The EU trade policy should benefit all, that is the recipient countries, and in particular poorer and more vulnerable people in the world, but also mainly EU economic actors, including European SMEs, which are often not able to take advantage of the EU and international trade rules.” This emphasis calls notably for a more effective implementation of international trade rules and the EU trade agreements, a dimension which was crystallised with the newly established position of the EU Chief Trade Enforcement Officer (CTEO) since 2020.

The EU trade policy also aims to export EU norms, standards and values (Bilal and Hoekman eds, 2019; Poletti and Sicurelli, 2018). This is an indirect way to promote European economic interests, providing European businesses with a comparative advantage, having already to comply to these rules and norms in the EU internal market. This is also true for sustainability standards and principles, including those contained in the Trade, Sustainability and Development Chapter of EU FTAs. For the EU, the argument has also been to create a so-called level-playing field for its European companies, which should not be undercut by competitors with lower standards in foreign markets.

The EU continues to further elaborate its network of trade agreements and cooperation with a range of its strategic partners, including by updating older free trade agreements as “platforms for enhanced cooperation pursuing our values and interests” (European Commission, 2021a, p.9). The EU is also trying to defend and revive the multilateral trading system, and shape it to be fairer, more sustainable and better in line with EU values and interests, as articulated in the new EU trade strategy (European Commission, 2021a). The EU must thus more explicitly follow “an interest-based approach”, with a view that “multilateralism must be effective, fair and deliver results that serve both EU and global interests and values” (European Commission and High-Representative, 2021, p.2 and p.1 respectively).
1.3. Development perspectives

From a development perspective, the approach to economic interests has transpired principally through the rising attention to private sector and investment dimensions in the EU development cooperation. The EU has for a long time provided private sector support. But that support somewhat lacked strategic focus and coherence, notably in terms of connection to job creation, let alone pursuing EU private sector interests (Byiers, 2013). By the early 2010s, the European Commission had realised that some donors, including among European member states, had undertaken a more active engagement in private sector support, which was becoming an increasingly important pillar of their development cooperation. The EU was active, including through some more innovative forms of supports, such as blended finance, guarantees and support to local micro, small and medium-sized enterprises (MSMEs). The EU set up in late 2000s and early 2010s regional blended finance facilities (referred to as Investment facilities).

In an effort to provide a more decisive impetus to its engagement with private sector actors and finance in developing countries, the European Commission issued in 2014 a Communication on A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries (European Commission, 2014). While articulating the key axes of the EU private sector support (Byiers et al., 2014), it fell short of explicitly integrating an EU business component. This was a deliberate choice by the European Commission. Contrary to the approach adopted by some EU member states in promoting private sector development with their own economic interest in mind, the EU was focusing only on local private sector, and MSMEs in particular, in developing countries, and on their contribution to local job creation and sustainable growth. But by putting a stronger emphasis on private sector activities in its development cooperation, it contributed to planting some of the seeds of an approach that would link local and international private sector dynamics, not least with Europe.

As a result, over the last decade, the EU has increasingly recognised and emphasised the roles of private sector in development and development cooperation, in terms of direct engagement with the private sector and private sector support, linking up to and stimulating private sector dynamics in various sectors and policies, including the regulatory frameworks, investment climate and business environment. In this regard, it is interesting to note that the European Commission aims to mobilise the whole range of its development cooperation instruments, and not only dedicated private sector programmes. As already indicated in its Communication on a Stronger Role of the Private Sector, “the Commission will seek synergies between its private sector development support, the aid for trade agenda, budget support and the associated political dialogue with partner countries.” (European Commission, 2014, p.6)

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3 See for instance the case of the Netherlands and its new agenda for aid, trade and investment under the heading “A World to Gain”, which also articulated the Dutch interests and economic diplomacy ambitions, including in low- and middle-income countries (Ministry of Foreign Affairs of the Netherlands, 2013).
It is also worth noting that there is also a strong parallelism in the EU private sector support between the objectives pursued under development cooperation activities to support local private sector in developing countries, and those pursued under public programmes to support the internationalisation of European businesses. As discussed by Große-Puppendahl et al. (2016), development and commercially-oriented public instruments to engage the private sector abroad take similar forms that can be roughly categorised as (i) matchmaking services, (ii) financial support and (iii) technical support. When matchmaking services help bring together European businesses with potential business partners in developing countries, the commercial and development interests may converge, and so may the public support instruments. Similarly, efforts to promote investment abroad may benefit both developing countries and European economic interests. This is also the case in the context of trade and investment policies, and notable to take advantage of preferential trade agreements, which aim at benefiting both the EU and its partner countries. The type of European public support to private sector in developing countries and the EU also tends to converge, notably with the increasing use of loans, equity, investments and guarantees, rather than grants or soft loans only.

By the same token, objectives to improve the business environment in developing countries also contribute to facilitate European trade and investment activities in these countries, benefiting European interests. These is not to say that promoting development objectives and European economic interests are one and the same thing, nor that the public support programmes should be identical. But there is de facto a strong overlap between the development-oriented programmes and the commercially-oriented programmes of the EU to support a stronger role for the private sector, in developing countries and for the internationalisation of European businesses. These synergies have however often been poorly articulated within the EU, for institutional, budgetary and principled reasons. As discussed below, a development-oriented economic diplomacy by the EU can help remedy this situation.

The increasing recognition of the importance of private sector for sustainable and inclusive growth, including in development cooperation objectives, has therefore been paramount for this evolution. Greater emphasis has also been put on promoting the creation of quality jobs, sustainable and inclusive growth, as well as responsible business conduct and due diligence. Sustainable labour and environmental criteria, as well as gender empowerment and gender equality have also been driving forces in the EU private sector and economic agenda of its development cooperation.

The EU evolution is in line with, and has influenced, trends at the international level, where greater emphasis on private sector in development endeavours has been reflected most notably in the shift in 2015 from the Millennium Development Goals (MDGs) to the Sustainable Development Goals (SDGs). The UN 2030 Agenda for Sustainable Development gives greater prominence to economic factors in achieving the SDGs, and in the means to achieve them, including through the Addis Ababa Action Agenda (AAAA) to finance sustainable development and transform the global economy (Bilal et al., 2014; ECDPM, 2016; Rashed and Shah, 2021). With its universal agenda, the SDGs, unlike the MDGs, are not confined to developing world, but are relevant to all countries, advanced and developing economies. This has also direct implications for private sector
engagement, development and finance, with cross-cutting dimensions of sustainability affecting international, European and developing countries private sector. As a result, pushing for greater sustainability of private sector activities and finance is not just an issue for development cooperation, for private sector at large and for all public support and policies towards the private sector. The universal dimension of the SDGs has thus contributed to better align and synergise the EU external agenda with its internal domestic ambitions and policies, including towards the private sector.

Moreover, the Addis Ababa Action Agenda (AAAA) on Financing for Development contributed to placing great emphasis on the role of the public and private finance beyond official development assistance (ODA), unlike the MDGs which had put development aid as the principle financial catalytic means for achieving development goals. To finance the SDGs, domestic resource mobilisation is key, as well as the capacity to mobilise private finance. Public finance, and in particular public financial institutions for development, could play an important role to leverage and unleash such private finance, including in view of moving ‘from billions to trillions’ in developmental resource flows (World Bank and IMF, 2015). The EU was well-placed to play a very active role in this global endeavour, with its extensive development cooperation arsenal, including its blending facilities, its increasing focus on private sector for development and its numerous financial institutions for development, including the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the national financial institutions of the European member states and the participation of many EU member states as shareholders of other Multilateral Development Banks (MDBs). The shift to private finance mobilisation did not lead directly to economic diplomacy objectives, but it did raise the attention to private sector interests, including from European economic actors.

The political impetus for a more coherent and integrated approach to investment came from the response of the Juncker Commission to the perceived migration crisis. Building on its initial internal investment plan for Europe as a response to the economic slowdown triggered by the 2008 global economic crisis, the European Fund for Strategic Investments (EFSI) commonly referred to as the ‘Juncker Plan’, the European Commission proposed a new European External Investment Plan (EIP), officially aimed at addressing some of the root causes of migration in European neighbouring countries and sub-Saharan Africa, by fostering prosperity (European Commission, 2016). As noted by the European Commission, “The Union’s external policies, and in particular its development and Neighbourhood policies, seek to promote the Union’s values and interests, including through the promotion of prosperity” (emphasis added; European Commission, 2016, p.7). By stimulating investment opportunities for inclusive prosperity, the EIP approach will “provide opportunities for private enterprises through trade and investment, including from Europe, thus also supporting European Economic Diplomacy and contributing to European economic growth. It will support the implementation of the new Partnership Framework proposed to the partner countries by the EU.” (emphasis added; European Commission, 2016, p.8).

The EIP has become a cornerstone of the EU development cooperation to foster investment for sustainable growth and quality job creation. This is true not just in terms of instruments, but also in terms of the overall approach. In a nutshell, the EIP builds on three connected pillars: (1) finance, with the European Fund for Sustainable Development
(EFSD), which entails blended finance and guarantees; (2) expertise, through technical assistance for projects, business plans and public reforms, and (3) investment climate support, through political dialogue, public and private sector engagements with a range of stakeholders. While the EIP builds on previous approaches of the EU, it is innovative in several ways.4

First, it gives much greater prominence to development finance, with the EFSD. Besides scaling up blended finance, the ESFD was also the first EU guarantee open to all financial institutions for development, with a preference for European institutions, provided they meet EU criteria (i.e. have been ‘pillar assessed’). Previously, only the EIB did benefit from the EU guarantee. This is a systemic reform with regard to guarantees, allowing new financial institutions and their clients to benefit from it. Such reform has been completed in the context of the new neighbourhood, development and international cooperation instrument (NDICI) – Global Europe under the EU budget for the period 2021-2027, with the adoption of the enhanced EFSD (EFSD+) and a single unified External Action Guarantee (EAG), in an open financial architecture framework (Bilal, 2019; Gavas and Timmis, 2019; Immenkamp, 2021). This is an effective way to allow more European financial institutions to promote public and private investment in developing countries, and primarily in the European neighbourhood and Africa. Investment takes a prominent place in the EU development cooperation arsenal, building on private sector interests and dynamics.

Second, the EIP approach helps putting a strong emphasis on the investment climate and business environment, as a critical context to unleash domestic and foreign investments for sustainable and inclusive growth in developing countries. Building on its experience in these dimensions, notably with budget support where economic governance matters a lot, the EU has consolidated its approach to leverage its political weight and development cooperation apparatus to stimulate and support domestic reforms in its partner countries (European Commission, 2019). This includes helping to structure business dialogues, local and European, as well as public-private dialogue with key stakeholders in the partner countries, including European businesses and their concerns and interests. The objective is both to stimulate reforms that would help promote domestic and foreign (including European) investment, as well as business-to-business (B2B) relations, including through matchmaking between local and European companies. This is in line also with the objective of the EU SME Strategy to improve the business environment for European SMEs in partner countries discussed above (European Commission, 2020a). It is also about creating the conditions for the development of job creating sustainable value chains, at the local level and with the EU, taking advantage of market and trade opportunities. By taking an integrative, and more coordinated approach, linking investment finance, technical assistance and support, and economic reforms, the EIP offers an attractive framework for the EU to actively support economic development objectives while promoting EU values and interests, including its economic interests, even if this is always explicitly spelt out.

4 For more extended discussions on the EIP, see Bilal and Große-Puppendahl (2016), Gavas (2019), Große-Puppendahl and Bilal (2018), Lannon (2019), Lundsgaarde (2017) and Mogherini and Mimica (2016).
Building among others on the experience of its European and Latin American Business Services and Innovation Network (ELAN) programme, which aimed to increase the connections and business opportunities between European and Latin American companies, in particular SMEs, and promote technology- and knowledge-based business opportunities between the two continents to stimulate innovation, the EU has attempted to develop similar approaches with Africa, notably through the establishment of Sustainable Business for Africa (SB4A) platforms in various African countries. It also seeks to support business organisations, including at the sectoral level, locally, and with European companies and business organisations. These endeavours by DG INTPA from a development perspective complement those supported by DG GROW mentioned above, such as the steps taken to expend the international dimension of the Enterprise Europe Network (van Seters and Bilal, 2019), and the fast expansion of the European Business Organisations, including as part of the EBO World Wide Network.

While there is broad recognition of the pivotal role private sector and private finance can play in achieving the SDGs, and that this can be pursued through a win-win strategy, combining EU economic interests, core values and sustainable and inclusive development objectives, some have argued that development cooperation could be unduly captured by vested economic interests. Such fears are well captured by Develtere et al. (2021), who argue that “today, however, international development cooperation is no longer restricted to helping by giving. Instead, it is rather about opportunities, mutual interests, risk taking, and an inclusive societal approach. With the arrival of major new actors such as China, India, and Brazil, and the manifestation of private companies and foundations like the Bill and Melinda Gates Foundation, development aid is being eclipsed by new forms of international cooperation, increasingly accompanied by investments, trade, and give-and-take exchanges.” This is definitely a risk that many donors and development cooperation actors are very afraid of. Such concerns may partly explain why the European Commission is so reluctant to openly refer to the European economic diplomacy objectives that can be pursued through its development cooperation, even if based on mutually beneficial principles.

2. An emerging EU Strategy on economic diplomacy

While the EU has been active in promoting European economic interests and values in various forms, it has been slow in calling a spade a spade, and referring in EU public strategic documents to a ‘European economic diplomacy’. And when it started to do it, as of 2016, it did not fully and clearly define what is meant by a ‘European economic diplomacy’, and how it should be articulated. This ambiguity probably results both from the infancy of the initiative, and the desire by the EU to go about it step-by-step, learning by doing, in a flexible and adaptive manner, rather than a fully fledge prescriptive approach. Perhaps this is best reflected by the loose definition provided by former European Commission Vice-President Jyrki Katainen, who simply defined European
economic diplomacy as being “about using all the levers we have to promote our economic interests beyond our borders” (Katainen, 2016).

Economic diplomacy in itself is not a well-defined concept. For instance, Bouyala Imbert (2017, p.4), in her study for the European Parliament, identifies three main streams common to most definitions of economic diplomacy: “1) facilitating access to foreign markets for national businesses; 2) attracting foreign direct investment (FDI) to a national territory; and 3) influencing international rules to serve the national interest”, which reflects indeed some of the pillar of the European economic diplomacy attempts. Okano-Heijmans (2011) provides additional useful considerations about the concept of economic diplomacy, combining both economic and political dimensions, and a number of approaches, including commercial diplomacy (e.g. trade and investment promotion, business advocacy, promotion of socially responsible investing), trade diplomacy (e.g. bilateral and multilateral trade negotiations, trade and investment barriers, trade defense instruments), financial diplomacy (e.g. exchange rate policy, selling/buying government bonds, freezing assets, withholding dues or payment), inducements (bilateral aid, technology access) and sanctions (embargo, aid suspension, capital control, black list). In practical terms for the EU, Ambassador Angelos Pangratis, Advisor Hors Classe responsible for the European Economic Diplomacy in the EEAS, therefore characterise economic diplomacy as “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” (Pangratis, 2019, p.56).

The ambiguity of the ‘economic diplomacy’ terminology is not addressed by the EU, which seems on the contrary to take advantage of it to fit under this loose concept whatever it seems most appropriate in relation to the EU’s economic interests. Yet, this lack of clear, well-articulated and transparent strategic definition of a European economic diplomacy somewhat undermines it, relegating it to some form of loose concept, with ambiguous and diffuse impact.

2.1. Initial steps with the partnership with Asia

Acknowledging that “the world – and the economic world in particular – has become much more multi-centric”, and notably that “[t]he BRICS are pushing for new economic architectures, alternative to the “Western” ones that were created after World War 2”, Federica Mogherini, the High Representative of the Union for Foreign Affairs and Security Policy from 2014 to 2019, reflected that the question for Europe “is how to drive the change, and how to promote economic architectures that promote, protect and advance our interests” (Mogherini, 2016).

This echoes the concerns expressed by Jyrki Katainen, Vice-President of the European Commission in charge of Jobs, Growth, Investment and Competitiveness from 2014-2019, and an initial key architect of the drive towards a more structured European economic diplomacy. In a speech in early 2016, he outlined some of the European major considerations for its future prosperity, “Emerging economics are not only growing fast but moving up the value chain. How that impacts on our prosperity depends on how we,
in the EU, respond.” He added that he “firmly believe[s] that, in order to continue to grow and create jobs at home, we must engage pro-actively with the world economy. By projecting our values and interest and interests outside our frontiers, we can try to shape globalisation so that it works for us – not against.” He concluded that “by working together within the EU as one team to support our economy on the global stage, we can make a real difference” (Katainen, 2016).

It is interesting to note that both Jyrki Katainen and Federica Mogherini placed the European economic diplomacy in reaction to the global economic order, and in particular the rise of emerging powers, and notably China and its active economic diplomacy, notably with the Belt-and-Road Initiative (BRI). While European economic interests have long prevailed in shaping the foreign policy of European countries, and were present in some of the European Union external actions, notably its trade policy, the need to mobilise the EU external power was shaped by the need to promote and defend European economic interests vis-à-vis China and other emerging powers. This need became even more pressing with the global financial and economic crisis of 2008, which seriously challenged the European economic prosperity and to some extent its economic policies, including on the global scene, and with the rapid economic rise of emerging countries, the combined GDP of developing countries having overtaken the combined one of developed countries since 2012 (Lamy, 2013).

Not surprisingly, the first concrete elements of the European economic diplomacy can be found in the partnership between Europe and Asia. The EU sought to more actively leverage some of its soft power in the region to counterbalance the rise of China, and better match the US strategic focus on Asia.

The European Union, as the second largest trade partner and major provider of foreign investment in the region could seek to more strategically articulate its economic role and influence in the region (Bungenberg and Hazarika 2019; Jaraczewski et al. 2016; Nuttin, 2017). Arguably, many Asian countries were also keen to more actively engage with the EU to somewhat counterbalance - or at least diversify from - the dominant position of China (Nutting, 2017). The EU had already established strategic partnership with China, India, Japan and South Korea. Given the new impetus for regional integration through the Association of Southeast Asian Nations (ASEAN), the EU thought to also pursue a more geostrategic economic partnership with ASEAN. Building on their past relations, the EU and ASEAN adopted in 2012 the Bandar Seri Begawan Plan of Action to strengthen the ASEAN-EU enhanced partnership (2013-2017), which next to political and security cooperation, and socio-cultural cooperation, had a strong pillar on economic cooperation. This included enhanced public-private sector dialogue and business-to-business engagement, notably SMEs, support to ASEAN integration agenda, connectivity and transport, tourism, energy, food, agriculture and forestry, and of course trade and investment, with the ultimate objective of establishing an EU-ASEAN FTA. But it is in 2015 that the EU more clearly articulated its own ambitions, notably in terms of its strategic economic interests, with the adoption of the Joint Communication on The EU and ASEAN: a partnership with a strategic purpose (European Commission and High-Representative, 2015). This became some kind of an initial template for the key dimensions of a win-win economic diplomacy by the EU.
The Communication stressed that “[i]nvesting in the EU-ASEAN relationship will bring significant returns for EU interests, both economically and politically”.

Building on the Bandar Seri Begawan Plan of Action, the EU sought to stimulate the internationalisation of its SMEs to Asia, and more generally support and finance EU and ASEAN SMEs, with a view to promote greater trade and investment ties, business-to-business and cluster-to-cluster cooperation and access to finance. It also sought to facilitate trade and investment, notably by addressing technical barriers to trade and customs fraud, fostering trade and regulatory cooperation, stimulating dialogue on industrial policy frameworks, intellectual property rights, corporate governance and corporate social responsibility, as well as on consumer protection. Beyond the trade, investment and regulatory convergence dimensions of the EU agenda, notably in helping shape the connectivity and integration of the ASEAN, what is particularly striking in the EU approach is its ambitions to be more concrete and pragmatic, and not remain at general principles only. For instance, the EU identified sectoral and area priorities of potential mutual interest, such as the chemical sector, automotive industry and health and medicine for regional and international standards, the satellite navigation and space issues, the civil aviation, urban transportation systems, the information and communication technologies (ICT) and the defence-related industrial sector. Cooperation areas also included research and development and a greener partnership, covering climate change, energy efficiency, infrastructure and investment (including the nexus water – energy – food security), deforestation and illegal logging, fisheries. These priorities have been further articulated in the ASEAN-EU Plan of Action (2018-2022), which succeeded the Bandar Seri Begawan Plan of Action.

2.2. Formal references to a European economic diplomacy

While the EU actively considered how to promote in a more coherent manner its economic interests outside the EU borders, it has been slow in developing its ‘economic diplomacy’. The term itself is only recent in the EU terminology. It appeared first, after much political wrangling, in the EU Global Strategy put forward by the EEAS in June 2016 (European Union External Service, 2016). In the Strategy, economic diplomacy is often linked to conflict settings and security issues, notably in the Asian context, and only once to the EU prosperity. Economic diplomacy is also mentioned in the context of joined-up actions together with energy diplomacy and cultural diplomacy. This somewhat ambiguous approach to economic diplomacy partly reflects internal inter-institutional tensions within the European Commission and EEAS. While the EEAS deals with the EU external policy, it traditionally focuses on foreign and security issues, and has been reluctant to be perceived as stepping in the areas of other DGs within the Commission, in particular DG GROW, which has been in charge of the internationalisation of European businesses (SMEs in particular) and strategic raw material initiatives, and DG Trade, responsible for the EU trade policy.

In practice, the drive and coordination role for the emerging European economic diplomacy under the Juncker Commission (2014-2019) was entrusted to DG GROW, while the political impetus clearly came from the then President of the Commission, Jean-Claude Juncker.
In 2016, Jyrki Katainen identified four pillars for the European economic diplomacy, still largely relevant today (Katainen, 2016): 1) remove barriers to trade and investment, 2) support EU businesses that want to go abroad, 3) shape the global economic rulebook, and 4) attract more strategic foreign investments into Europe. Only this last objective has been partially reconsidered, notably with regards to Chinese investments in Europe and with the new ‘strategic autonomy’ considerations as a result of the COVID-19 pandemic.

The European Consensus on Development adopted in 2017 as part of the EU response to the 2030 Agenda does refer to mutual and shared interests in its policy dialogue and partnerships with developing countries, and in particular middle-income countries, which include prosperity and economic objectives. Reflecting the EU Global Strategy, it also explicitly mentions for the first time the European economic diplomacy in the development agenda: “The EU and its Member States will combine the skills and resources of the private sector with supportive Aid for Trade, trade policies and instruments, and economic diplomacy” (emphasis added; European Union, 2017, para.51, p.26). The European Consensus on Development however falls short of elaborating on what this notion of economic diplomacy should entail. No strategic direction is provided in that respect from a development perspective.

While the EU Global Strategy provided the initial official go ahead of the European economic diplomacy, it is only in its Reflection paper on Harnessing Globalisation that the European Commission started articulating in a more formal way its economic diplomacy ambitions (European Commission, 2017). The key dimensions include, inter alia:

- ensuring fair and balanced global rulebook through enhanced multilateralism, addressing unfair trade practices, harmful government subsidies, social dumping, tax evasion, illicit financial flows, resources extraction,
- “projecting [EU] values and interests and promoting a ‘race-to-the-top’ approach”, using the 2030 Agenda for Sustainable Development as a common reference point,
- pursuing “a balanced, rules-based and progressive trade and investment agenda that not only opens markets in a reciprocal way but also enhances global governance on issues like human rights, working conditions, food safety, public health, environmental protection and animal welfare”
- supporting effective mechanisms for international economic and financial rules,
- improving social and labour standards and practices
- building on development efforts beyond aid and mobilise finances and resources, notably through the European Investment Bank and with the European External Investment Plan, bringing “together investment and trade, private sector

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5 See also the recent Joint Communication on strengthening the EU’s contribution to rules-based multilateralism (European Commission and High Representative, 2021).
contributions, domestic resource mobilisation, the promotion of good governance, the rule of law and human rights”,

• fighting climate change, also “to boost the clean energy transition and provide new business opportunities for EU businesses, notably in clean energy technologies”

• better enforcing international agreements and EU rules, using trade defence instruments when needed, and

• seeking the opening of foreign market, for greater access by EU private sector to trade, investment and public procurement opportunities.

A “[m]ore integrated and proactive European economic diplomacy” should be based on an enhanced coherence of the EU institutions and Member States “external policies and tools to foster growth and jobs in Europe and become more efficient in pursuing [European] economic interests abroad” as well as European values, to the benefits of European businesses and citizens (European Commission, 2017, p.14).

This is a broad agenda, with a wide range of objectives, which requires the coherent articulation of EU policies on a range of policies and instruments, including foreign, trade, investment, industrial, innovation and development policies. Such coherence and coordination must be achieved among EU institutions, that is between the EEAS and the European Commission, among relevant European Commission DGs, with other European institutions such as the European Investment Bank, between the Head Quarter level and the EU Delegations (EU). At the same time, coherence but also be found across EU decision-making bodies, including the European Commission/EEAS, the Council of the EU and the European Parliament, as well as between the EU level and Member States. While smaller EU member states tend to have been more enthusiastic about the setting up of a European economic diplomacy, as a means to promote and defend their national economic interests through a stronger EU framework, larger member states have been often less forthcoming. While the EU can at times also usefully complement their own economic interests, they also rely more heavily on their national, tailored-made, economic diplomacy, which they can better control.

Two main considerations are at of work there. First, larger EU member states tend to be more protective of their national autonomy, and therefore more reluctant to delegate authority to the EU level to promote their interests. Besides, larger member states have already a stronger presence in partner countries, both at diplomatic level and through the presence of their own companies or business associations. The need for a European economic diplomacy action might therefore be more limited, and power considerations with the EU institutions are more likely to come into play. Second, member states can also be competitors in foreign markets, and more eager to play on their own perceived competitive advantages in terms of political and economic diplomacy, as well as economic interests. This may reduce their willingness to be regrouped under the EU umbrella, in particular for larger EU member states.

As the result, the establishment of the EU economic diplomacy had to be extremely incremental, not treading on anyone toes, among EU institutions and EU member states. Building a consensus, through cooperation and coordination, has thus been a critical dimension of the European economic diplomacy.
2.3. ‘Let a thousand flowers bloom’ approach?

In practice, and given the complexity and potentially wise scope of areas and large number of EU institutional actors involved in a European economic diplomacy, the EU has opted for a bottom up approach, building on initiative from the EU Delegations in partner countries and lightly coordinated from the Head Quarter level.

Pangratis (2019, p.57) argues that the European economic diplomacy “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.”

In practice, there have been an increasing number of meetings around the European economic diplomacy, in particular in the late 2010s, with a view to get the perspective of a range of concerned stakeholders, and coordinate some of the EU actions.

In 2017, the EEAS and Commission services (including the Secretariat General of the European Commission, DG GROW, DG TRADE, DG DEVCO, DG NEAR, Foreign Policy Instruments (FPI)) elaborated a set of guidelines, issued to all EU Delegations, in order to help identify key economic diplomacy priorities in each EU partner countries. These guidelines were also shared with EU member states. The guidelines called for the identification, by the EU Delegations in cooperation with EU member states in the field, with the support of the EU headquarters and when relevant in consultation with EU business and the EIB, of the key EU economic interests. The EU approach was also meant to build on overall EU priorities and policies as well as partner countries priorities, so as to reach win-win type of cooperative outcomes, building on local economic strategies and interests. The guidelines provided for close cooperation and complementarity with the EU member states, the EIB and with European business community, including European chamber of commerce and business associations, present in the partner country. Careful coordination of high-level economic missions involving European business was encouraged. Attention was also given to better communication strategies and advocacy campaigns, to promote European economic interests.

Based on these guidelines, the EU Delegations proposed action plans for economic diplomacy, which were reviewed, adjusted when necessary and validated at the EU Headquarter level. According to Pangratis (2019, p.57), by 2019 action plans for European economic diplomacy were approved for about 110 countries, and included over 1000 concrete actions. The EU however does not officially communicate on its overall European economic diplomacy action plans. The EEAS has provided only very scant and superficial information on the implementation of the European economic diplomacy in its annual reports on the implementation of the EU Global Strategy, referring to the deepening of economic diplomacy in Asia, the EIP, the joined-up approach on economic diplomacy, cultural diplomacy and digital diplomacy, and stressing the economic-political-security nexus (European Union Global Strategy, 2018 and 2019).
Similarly, the EIB does not communicate on its economic diplomatic activities. It is clear that the EIB plays an important role in financing strategic infrastructure in developing countries and in supporting the internationalisation of European companies (Ujvari, 2017). It is a central actor of the EIP and more broadly the European financial architecture for development. It also plays an active role in trade finance in some developing regions, which can help promoting trade and value chain development, also fostering European economic interests. But the specific role it plays - or enhanced role it could play - in the European economic diplomacy strategy and action plans is not revealed.

In practice, the European economic diplomacy seems to be a melting pot of a wide range of activities. The pro-active nature of the EU in pursuing its economic interests depends of course on the partner country context, its level of development and strategic importance for the EU. But it also depends on the EU Delegation pro-active or more passive approach, and the economic emphasis put by the respective heads of delegation in each country. The framework approach adopted by the EU is conducive to the emergence of a multitude of relevant initiatives, anchored in local realities and priorities. In this respect, it seems to follow a ‘let a thousand flowers bloom’ approach. But it also suffers from an insufficient drive, and a lack of coordination at the EU level, among the range of Commission services involved and EU institutions, as well as with EU member states. As already mentioned, some EU member states have limited the ambitions for a truly European economic diplomacy, in some partner countries and at the EU level. As a result, a more pragmatic approach prevails, working with the grain at the field level, adjusting ambitions to the local realities and dynamics, at the cost of more visible and ambitious and coherent strategic approaches.

It is also important to note that while the European economic diplomacy has been endorsed and partly coordinated by the EEAS, it is not yet well embedded in the EEAS institutional setting, which remains primarily focused on foreign policy and security issues, and is therefore staffed accordingly. Economic questions and interests have only limited attention from the EEAS leadership and High-Representative, busy with many foreign policy challenges and regular crises.

3. From economic diplomacy to a geopolitical EU and open strategic autonomy

Interestingly, the concept of European economic diplomacy is not often referred to in EU policy documents. The Junker Commission (2014-2019), aiming at being a more political Commission, initiated the economic diplomacy approach. The von der Leyen Commission (2019-2024) set itself the objective to be a more geopolitical Commission, broader the external dimensions of the strategic objectives of the EU (Koening, 2019; Mirel and Mirel, 2020; Teevan and Sherriff, 2019). Economic diplomacy is thus a subset of a more assertive geopolitical Commission that seeks to defend European interests and strategic position

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6 Teevan (2020, p.1) argues that a geopolitical European Commission "seeks to both strengthen the EU’s own economy and society in a turbulent geopolitical context, while also looking outwards in the realisation that the EU must also strengthen its position in the world."
internationally. In fact, Ursula von der Leyen, the President of the European Commission, has given a mandate to all Commissioners, and their respective DGs, to consider the external dimensions of their internal activities within the EU. This means that pursuing European economic interests abroad is not limited to traditionally internationally oriented DGs, but to all of them, though to different degrees of course.

With the COVID-19 crisis, the notion of strategic autonomy has gained traction (Grevi, 2019; Teevan, 2020). This extends beyond the European Commission, still with a view to better connect the EU internal and external activities. The notion of ‘open strategic autonomy’ is well-explained in the EU Trade Policy Review of February 2021:

“Open strategic autonomy: A stronger and more resilient EU requires joined up internal and external action, across multiple policy areas, aligning and using all trade tools in support of EU interests and policy objectives. It requires leveraging our strengths while engaging with partners. “Open strategic autonomy” responds to this need. Open strategic autonomy emphasises the EU’s ability to make its own choices and shape the world around it through leadership and engagement, reflecting its strategic interests and values. It reflects the EU’s fundamental belief that addressing today’s challenges requires more rather than less global cooperation. It further signifies that the EU continues to reap the benefits of international opportunities, while assertively defending its interests, protecting the EU’s economy from unfair trade practices and ensuring a level playing field. Finally, it implies supporting domestic policies to strengthen the EU’s economy and to help position it as a global leader in pursuit of a reformed rules-based system of global trade governance.” (emphasis added; European Commission, 2021a, p. 4)

It puts the coherence of the internal and external policies at the heart of the EU strategic action, with a view to promote and defend EU interests, which trade tools can also help foster. The economic dimension is therefore paramount in the EU approach.

Interestingly, and somewhat surprisingly though, the new EU trade strategy does not refer to the notion of ‘economic diplomacy’. This tends to confirm that ‘European economic diplomacy’ might no longer be the terminology adopted to define the strategic ambitions of the EU in terms of its economic interests beyond the EU borders. It does not mean however that the principles are abandoned, but rather framed in a different manner. In practice, economic diplomacy ambitions remain at play in various DGs, the EEAS and in EU Delegations in the field, through strategic partnerships and dedicated activities. The last review of the EU’s Global Strategy in 2019 indicated that economic diplomacy action

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7 Grevi (2019) argues “that strategic autonomy requires as “the ability to set objectives and mobilise the necessary resources in ways that do not primarily depend on the decisions and assets of others” and that it rests on four pillars, namely the Single Market, the euro, the capacity for technological innovation and the capacity to provide for Europe’s security” (Grevi, 2019, p.10), and therefore that its principally requires the EU to leverage its market power, to provide technological leadership and to strengthen its security and defence.
plans had been developed in over 100 countries (EEAS, 2019). Training on the European economic diplomacy continues to be provided to European Commission and EEAS officials, at head quarter and country levels.

Yet, the scope of the issues falling under the ambit of a geopolitical Commission pursuing an open strategic autonomy raises serious concerns about the direction and leadership impetus for a dedicated European economic diplomacy. The increasing references to a cultural diplomacy, a digital diplomacy, a green diplomacy, a raw material diplomacy, etc., suggest a mushrooming of European diplomacies, or at least of the use of the term, which may ultimately contribute to dilute efforts to develop coherent and effective diplomacies in each area. The absence of clearly spelt out transparent strategies and ambitions for each thematic diplomacy, and in particular for a European economic diplomacy, is also de facto undermining the EU efforts towards the emergence of a consolidated European economic diplomacy.

While the focus on the right terminology might not be that important for policy-making, and might be more a question of branding, it does raise the question of how economic interests feature in the European external policy and diplomacy.

### 4. An economic diplomacy fit for the future

The promotion of European economic interests outside the EU is a collective effort, and must be anchored in clear processes and structured. The bottom up approach via the EU Delegations is a useful approach. But it is not sufficient. It must be accompanied by other initiatives coordinated at the central level, by EU institutions, EU member states and their relevant institutions. Several initiatives provide interesting pointers to the future direction of an enhanced European economic diplomacy.

#### 4.1. Coordination of trade and investment promotion initiatives

The need to better organise and harness European external economic interests is also reflected by some initial efforts to better coordinate trade promotion efforts at the European level. The establishment in October 2018 of the European Trade Promotion Organisations’ Association (ETPOA) is in that respect very illustrative. This association brings together trade promotion organisations (TPOs) from 10 different countries: Belgium (Brussels, Flanders and Wallonia TPOs), Bulgaria, Cyprus, France, Greece, Hungary, Lithuania, Malta, Portugal and Spain.

While this is still an emerging new association, which still leaves out many European countries, including heavyweights like Germany, Italy and the Netherlands, and many other smaller countries, it is a promising beginning. Its main objective is “to promote the interests of European trade promotion organisations (TPOs) in dialogue and collaboration.

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8 Yet, according to the EEAS (2019), “The last years have seen the emergence and gradual consolidation of the joined-up approach on economic diplomacy, cultural diplomacy and digital diplomacy”.

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with European institutions and other competent authorities. The purpose is to enhance alliances among ETPOs, help them adopt common positions and engage in a more structured dialogue with EU institutions, ranging from trade policy (DG Trade), development cooperation (DG INTPA and DG NEAR), external relations (EEAS), and internal competitiveness of SMEs (DG GROW), to issues such as the environment, research and innovation and economic diplomacy. In organising themselves at the EU level, national TPOs can be an important channel of communication and cooperation between EU institutions and EU member states endeavours to take advantage of new trading opportunities resulting from the EU trade policy. It is a channel to feedback in European policy processes and support programmes real life experiences on the implementation dimensions of the EU trade policy, on the opportunities as well as the challenges encountered by European traders and SMEs, as well as their counterparts in partner countries. It is also a source for expertise and recommendation European policy makers and implementers, in trade but also other related areas.

In addition, the ETPOA also dedicated efforts to exchange on better practices to promote trade, and in particular the internationalisation of European SMEs, and to develop common programmes, notably in agrifood. By doing so, the association can serve as potential benchmark for ETPOs and identify possible guidance to improve the activities of TPOs. It is also a potential source of complementarity and synergies among TPOs. Last, but not least, the TPO Association can help aggregate diverse economic interests and concerns among national TPOs, reflecting both the variety of issues to be addressed, and the potential areas of divergence and convergence among ETPOA members.

European associations can play a critical connecting role between the EU member state and EU institutions levels (vertical connector), as well as among EU member states (horizontal connector). In addition, they can also play a representation role at the international level, towards EU partners, and help the EU speak with a common, more easily identifiable voice (international connector). In the context of the emerging European economic diplomacy, where the EU approach needs to be more coherent and recognisable, and the complementarity and synergies between the EU institutional level and the EU member states level must be better articulated, European associations such as the ETPOA can be extremely instrumental. Their establishment and effective functioning should be encouraged and supported. As indeed, to be truly effective, such associations must be well capacitated, based on strong interests by their members, provide effective value, and be sufficiently representative (which is not yet the case for the ETPOA).

Regarding investment, there is not yet an association of investment promotion agencies (IPAs) at the European level. This is perhaps because there is less of a drive to collectively attract FDIs in Europe, an issue that remains strongly anchored at national level. Yet, the drive for European strategic autonomy can also lead to more strategically selective initiatives at the European level to attract relevant investment. To the extent that investment, like trade, is often a two-way process, fostering stronger economic relations with EU partner countries and their business entities, including through the integration in global value chains, there would be a merit for a more coordinated approach among

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9 See ETPOA website [https://etpoa.eu/whoweare/](https://etpoa.eu/whoweare/), as available on 12 February 2021.
European IPAs, as well as establishing more structured relations between European IPAs and IPAs in European partner countries. Building on the experience and the framework of the World Association of Investment Promotion Agencies (WAIPA) and of the ETPOA, considerations should be given to the establishment of a European Association of IPAs.

Coordination among European export credit agencies (ECAs) could also be considered. One set of issues relate to the coherence of approaches among European ECAs, and their compliance with EU rules and the OECD Arrangement and Common Approaches (Dawar, 2019; Dawar, 2020). Arguably, the Exports Credit Group of the Council of the EU could play a more active role, in ensuring better compliance and setting common standards and principles, as well as potentially initiating some initial coordination framework among European ECAs.

Another issue relates to the possible better coordination of European ECAs actions. Sharing of information and synergies could be developed, including in an effort to better align their operations with the European economic diplomacy objectives and opportunities. Establishing a more formal European association of ECAs could be envisaged. It could draw on the experience and insights from the Berne Union, the leading global association of ECAs, multilateral financial institutions and private credits insurers, while setting more ambitious cooperation objectives for Europe.

Yet another initiative would consist in establishing a pan-European ECA, which could complement the activities of the EU member states ECAs (Vodoplav, 2020). The European Commission is currently considering setting an EU exports credit strategy, which would entail establishing a European ECA facility and greater coordination with European financial instruments (European Commission, 2021; Thompson, 2021). This would be a most welcomed initiative. European companies have long complained that while there is a common trade policy and common European economic ambitions to promote the internationalisation of European business, there is no common European export promotion and export credits insurance. Arguably, this puts European exporters at a disadvantage compared to their US and Chinese competitors for instance. Große-Puppendahl, Karaki and Bilal (2016) have also argued that greater synergies should be found between financial institutions for development and the commercially oriented ECAs. Both financial institutions and ECAs play a role in mitigating risks, perceived to be at a higher level in developing countries. There is also an empirical relationship between trade and investment, as FDIs tend to follow initial trade flows. Promoting both trade and investment could therefore be better coordinated, including through development finance and export credits. Last, with the adoption of the SDGs, sustainability considerations are no longer of concern for development operators, but also for strictly commercial ones, and there is some overlap between sustainability criteria applied by European financial institutions for development and by European ECAs (Große-Puppendahl, Karaki and Bilal, 2016). A sustainable, development-oriented European economic diplomacy should therefore seek to foster greater coherence and synergies between development finance mechanisms and ECAs at the European level.
The establishment of the European External Investment Plan, with its emphasis on blended finance and guarantees, in an integrated approach to sustainable and inclusive development finance and investment climate, as discussed above, is also conducive to integrate exports-oriented support mechanisms such as ECAs, including as part of European arsenal on aid-for-trade in the broad sense, that is comprising not just traditional grant aid, but also finance for trade and guarantee for trade.

The current considerations on the European Financial Architecture for Development (EFAD) (Council of the European Union, 2019; European Commission, 2018; European Commission, 2021a; Particip et al., 2021) provide the relevant framework to also include a reflection on the role of European ECAs. The Wise Person Group on the EFAD in its report did recommend to set up European Climate and Sustainable Development Bank (Council of the European Union, 2019). By the same token, the argument can be made that European Union would benefit from setting a European ECA, or ECA Facility. The Wise Person Group and the following independent feasibility on the future of the EFAD (Particip et al., 2021) also strongly recommended a stronger strategic steering and coordination at the EU level of all the European financial institutions for development, in order to better serve the European interests and values. A similar argument could be made to support exports through a more coherent steering and strategic coordination of ECAs at the European level, to serve EU economic, development and geostrategic interests. A recent independent White Paper by the Export Finance Lab makes in that respect useful recommendations to the EU, namely to “design a comprehensive EU strategy for public finance for exports, trade and investments [… to] take the lead and engage key providers of official finance on a global set of rules for public export finance [and to] develop a strategy for the dedicated use of export finance in support of mobilising capital for the green transition” (ExFi Lab, 2021, p.5).

The Global EU Response to COVID-19 (European Commission and High Representative, 2020) also provides a most conducive strategic framework for the conduct of the European external actions, including beyond the response to the COVID-19 pandemic and resulting crisis. In particular, the Team Europe approach, which aims to bring together the EU institutions, the EU member states and their respective financial institutions and agencies for development, in joined up strategies. The Team Europe approach has since played an active role in the coordination of the EU response to COVID-19 and the commitments to build back better and greener, notably through the programming exercise of the long-term budget of the EU for the period 2021-2027 (Jones and Teevan, 2021). Team Europe allows for better coordination and cooperation among European actors, and increases European visibility and banding. While still in its infancy, Team Europe has the potential to help coordinate a range of external actions by the EU, including for the EFAD strategy and implementation, and therefore arguably also for the European economic diplomacy. As argued by the European Commission (2021b), “[i]n a changing geopolitical context, the Team Europe approach is about establishing EU leadership on the global stage that adds value and matches the scale of resources provided; protecting common interests, and promoting EU values”.

Finally, given the prominence of the EU strategic priorities in terms notably of a green economy with the Green Deal ambitions, more circular economy, Farm-to-Fark,
digitalisation and innovation, it becomes necessary to better harness the nexus of the external dimensions of these range of policies and European diplomacies to the various economic dimensions in these areas, so as to have a coherent, comprehensive and well-articulated European economic diplomacy in line with these EU strategic priorities.

4.2. Towards a greater emphasis on fair, ethical and social economy

The European economic diplomacy puts a significant emphasis on the internationalisation of European businesses, and in particular SMEs. Yet, it does relatively little to differentiate among various types of businesses and their operations. In order to promote more fair, ethical, socially inclusive and sustainable practices, an active European economic diplomacy could put greater emphasis on supporting companies, trade and investment that pursue more actively such objectives.

Main challenges to fair and ethical trade as a business opportunity often relate to the need to established well-structured producer organisations, with proper governance mechanisms (Asti, 2017; Fair Trade CLAC and Fair Trade Advocacy Office, 2015). There is also a need to ensure their production meet Fair and Ethical Trade certification in a transparent and reliable manner. This often means providing support to producers to meet quality standards and adopt reliable traceability systems along the supply chain. Information about and access to the Fair and Ethical Trade market and its potential must also be better promoted and explained, to local producers, but also to public and private actors and financers along the supply chain. Opportunities in the EU market, through EU importers and EU distribution chains must also be clearly identified and promoted, including through consumers awareness campaigns.

Public actors, in the EU and in the partner countries, can play a useful role in this respect. They can contribute to improve the regulatory framework, including through policy dialogues, and the EU can support local producers, through technical assistance, support to structure fair and ethical production value chains, private sector support, including through sustainable, fair and ethical business platforms and forums, in connection with relevant private sector associations and civil society organisations. Support can also be provided to increase awareness, including through information campaigns about the opportunities and standards required to access the EU market, and to help link EU actors and local partners on fair and ethical trade. Financial support might also be required, including through more innovative forms of blended finance and guarantees to leverage private investment in the fair and ethical trade sectors.

The European economic diplomacy could help raise the profile of such endeavours and help mobilise the relevant European tools and mechanisms to facilitate their development, as initiated with Brazil.

Similarly, the European economic diplomacy could help better harness social economy actors, such as social enterprises and cooperatives, as well as social financial players, such as social, cooperative and ethical banks, credit-unions and micro-finance community,
reach out to international markets, and participate to EU trade and investment with its partner countries. Building on the forthcoming EU action plan for social economy, the EU should seek to systematically identify the external dimensions of its internal actions (Concord Europe et al., 2020; Social Economy Europe, 2021). This seems to be the intention of the European Commission, with the European Commissioner for Jobs and Social Rights Nicolas Schmit being reported as emphasising “his strong support to further promoting the social economy at global level through the external action of the EU and its international partnerships policy, in cooperation with Commissioner Jutta Urpilainen, with a key focus on promoting social economy through EU-Africa relations, and in the eastern and southern neighbourhood”. The EU could become a global pioneer and leader in the international dimensions of the social economy, promoting truly win-win social and economic outcomes as part of its European economic diplomacy.

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11 As reported by Social Economy Europe (SEE) following its meeting with the Commissioner Nicolas Schmit on 19 April 2021 https://www.socialeconomy.eu.org/2021/04/20/see-meets-commissioner-nicolas-schmit-to-presents-its-proposals-to-co-build-the-social-economy-action-plan/
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