

ECONOMIC DIPLOMACY IN THE CONTEXT OF ECONOMIC CRISIS

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Abstract

The 2007-2009 crisis brought back in the spotlight the need to employ economic diplomacy strategies in international economic relations. The present paper tries to reply to the following research question: how does the priority given to economic diplomacy translate into practice? The first section focuses on the academic insights in this field. The second section tries to identify some modern practices of economic diplomacy across various countries and suggests lessons that need to be learned. The third section presents a brief analysis on the economic diplomacy recent trajectory in Romania. The final consideration is that foreign and economic policy became more intertwined. Moreover, economic diplomacy activities are more intensive worldwide.

Keywords

Economic diplomacy, international economic relations, negotiation framework

1. INTRODUCTION

Economic diplomacy has changed constantly in the last two decades. For half a century after the WW II, economic diplomacy was dominated by permanent officials from governments of a limited number of countries. With the advance of globalization, there are far more non-governmental players. Originally limited to measures taken at the frontier, economic diplomacy is increasingly influenced by and influences domestic policies. Above all, many more countries are actively involved in the international economic system. New emerging powers are growing in influence, while mature economies in North America, Europe and Japan have lost ground after suffering from financial collapse and economic recession (Bayne and Woolcock 2011b, 1-17). The security paradigm shifted back towards economic security following the global economic downturn. The old industrial states were crippled by financial distress and entered rapidly into deep recession. Most emerging countries suffered only a setback to their growth.

Regarding the focus of economic diplomacy, it can be noticed that more attention was given to international trade, investment and development cooperation, rather than money and finance (Bayne 2011a, 187-201). The concurrence of crises - financial, economic, and political - has led to new processes of decision making and negotiations. Governments were caught unprepared and had to reconcile various tensions so that policies reinforce each other rather than conflict: tensions between economics and politics (rebalancing of power in international economic system and institutional consequences over G20 and IMF), reconciling domestic and external pressures (Financial Stability Board, Basel Committee on Banking Supervision III), reconciling governments and other forces (private sector, NGOs, etc.) (Verhagen and Bleker 2011, 171-186; Woolcock 2011, 17-41). These aspects were just briefly introduced in this section of the paper because they do not fall within the scope of this paper. After an introduction of main concepts and academic debates, the overall analysis narrows down to the listing of specific tools employed by several governments in the conduct of their economic diplomacy strategy. It is clear that the generalized renewed focus on the economic dimension of foreign policy has raised governments' interests in how to advance economic prosperity through their foreign policy activities. For illustration purposes, the cases of United States government, several key

European governments (United Kingdom, Germany, and France) and emerging market BRIC countries (Brazil, Russia, India, China) will be studied. A brief analysis on the economic diplomacy recent trajectory in Romania will also be provided. The use of economic diplomacy strategies in addition to traditional diplomacy differs between countries as a result of different understanding and approaches. On comparative basis, the various economic and political restrictions will play a major role in defining, implementing and monitoring an economic diplomacy agenda.

1.1. Literature review

The term economic diplomacy appears regularly in scholarly paper and official documents. The contributions cover many aspects of economic diplomacy from different angles and perspectives. The broad spectrum illustrates the multifaceted character of economic diplomacy, the range of available techniques. Many different concepts are used in the research field (international relations, economics, international political economy, diplomacy studies) for the study of economic diplomacy. The interrelationships, overlaps and distinction between these concepts is often unclear. This goes for *economic diplomacy* as well as *economic statecraft*, *economic security*, *trade diplomacy*, *commercial diplomacy*, *financial diplomacy*, *aid diplomacy* etc.

Most of the authors start with a discussion of their understanding of economic diplomacy. Some authors deliberately narrow down the object of their investigation, essentially for practical purposes. "Economic diplomacy is neither limited to the economic domain nor that of diplomacy. It requires a multidisciplinary approach. Comparative cultural, historical, and organizational aspects are also drivers of the direction and success of economic diplomacy activities. The better that economic diplomacy bridges these differences between countries, the more successful and effective it appears to be" (Van Bergeijk *et al.* 2011, 1-7).

It is true that conceptualizing economic diplomacy is difficult. Very few attempts have been made to develop a sounder understanding of the meaning and the scope of the concept and build an analytical and conceptual framework (Bayne 2011b, 59-80).

The analysis undertaken by Okano-Heijmans (2011) starts from the assertion that economic diplomacy may be largely concerned with actions taken by the

state, but it also considers the dynamic environment in which the states operate, it cannot be separated from the domestic context (both receiving and sending state) and as the fact that the activities of state are influenced by other actors, such as private actors and other interests groups. Governments design economic diplomacy with the aim of promoting national economic welfare and security. Economic diplomacy is thus a part of - and at the same time an instrument of - foreign policy concerned with decision-making processes and employment of political-economic instruments (Bayne and Woolcock 2011a, 359-379).

From the fact that economic diplomacy is the pursuit of economic security, defined as economic prosperity and political stability, it follows that economic diplomacy pursued by governments involves a variety of instruments that can be more economic or more political in nature.

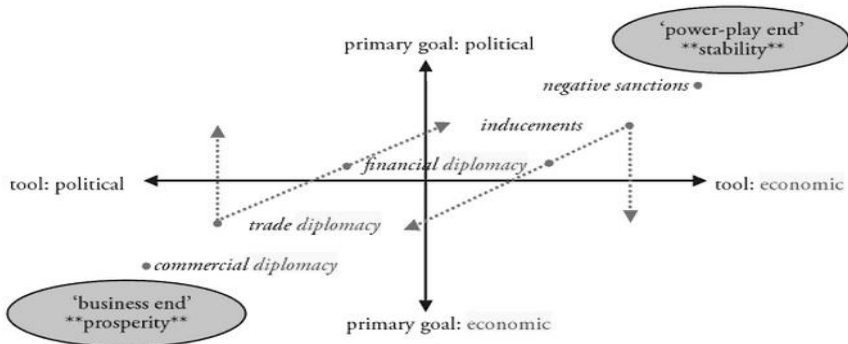


Figure 1. Strands of Economic diplomacy (Western countries)

Source: Okano-Heijmans 2011, 18

In other words, economic diplomacy involves a “business end” and “power-play end”, and all tools of economic diplomacy can be placed within these extremes. The actions and negotiations that are primarily political in character lead to a “power-play end”, the cost-benefit calculations following a political logic. The “business end” involves cooperative efforts by governments and businesses that aim to achieve commercial objectives that advance national interests, including trade and investment promotion (commercial diplomacy), cost-benefit calculations follow an economic logic, maximizing business

opportunity being the main driver. In between these ends, there are activities more or less political or economic, such as economic or development aid, bilateral and multilateral negotiations on trade agreements (trade diplomacy) and financial and monetary policy negotiations/policy (financial diplomacy). The distinction between different strands is fluid and strands may overlap, implying that economic diplomacy is not a linear, but more of a “network” concept. The classification represented graphically in the above figure is particularly representative for western countries and would have to be slightly adjusted if were to represent other groups of countries (Okano-Heijmans 2011, 7-36).

Similar approaches come from authors that consider that economic diplomacy is clearly not just about narrow economic and commercial interests. Rather it involves broad national interests that include political and strategic as well as economic dimensions. Economic diplomacy is a significant part of a much larger set of international arrangements that breed trust between countries. Moreover, positive non-economic spillover effects can emerge in the field of high politics. These effects are equally important for economists, providing justification for governmental intervention, and for political scientists, because of the implication that low politics of economic and commercial diplomacy are inseparable from global political relations (Van Bergeijk *et al.* 2011, 1-7).

1.2. Current economic diplomacy strategies

United States. In a speech delivered at the Economic Club of New York on October 14, 2011, Secretary of State Hillary Clinton presented a renewed focus on economic diplomacy: “Economic statecraft has two parts: first, how we harness the forces and use the tools of global economics to strengthen our diplomacy and presence abroad; and second, how we put that diplomacy and presence to work to strengthen our economy at home” (Clinton 2011a). Moreover, at the International Institute for Strategic Studies-Shangri La conference in Hong Kong in July, 2011, she reaffirmed that: “As we pursue recovery and growth, we are making economics a priority of our foreign policy. Because increasingly, economic progress depends on strong diplomatic ties and diplomatic progress depends on strong economic ties. And so the United States is working to harness all aspects of our relationships with other countries to support our mutual growth” (Clinton 2011b).

The U.S. Department of State has a regional strategy for every part of the world. With one of the largest Foreign Service corps in the world, the United States Department is engaged on every level of economic diplomacy. The emphasis on “economic statecraft” has been interpreted as an attempt to coordinate everything from pushing China on its exchange rate, to promoting free trade, to defending intellectual property, to luring inward investment and helping American firms find markets and opportunities overseas. These, however, are areas where the Treasury, Commerce Department and White House and several Agencies are already active, and likely to stay dominant. Currently, the U.S. Department of State pursues several initiatives in order to advance its economic goals, including: facilitating trade, investment and commercial diplomacy (“jobs diplomacy, elevating inward investment, competitive neutrality”); promoting energy diplomacy; advancing social innovation and entrepreneurship both at home and abroad; providing opportunities for women to be active participants in a country's economic activity; equipping U.S. firms to pursue development projects through public-private partnerships; and, building U.S. Department of State capacity (US Department of State, Bureau of Public Affairs: *Economic Statecraft: U.S. Foreign Policy in an Age of Economic Power*, February 16, 2012). The later initiative was contentious in its nature. In December 2010, the U.S. Department underwent a major internal restructuring, following publication of its first ever QDDR - Quadrennial Diplomacy and Development Review (US Department of State: *Quadrennial Diplomacy and Development Review*). It established the Bureau of Economic Growth, Energy, and the Environment which represented a major shift within the U.S. State Department from a bureaucratic structure towards a more collaborative environment (US Department of State: *Realignment of "E" Responsibilities*, December 8, 2011). Another structural change was the establishment of a new Office of the Chief Economist and the creation a new economic information portal and so that economic officers can better focus on supporting U.S. businesses. Secretary Clinton instructed the ambassadors that diplomacy was no longer a matter of talking only to other governments: they were to see themselves as CEOs of multi-agency missions, reaching out to the whole of society. As most U.S. ambassadors consider themselves generalists on topics like development, health, trade, or law enforcement, that was perceived as an opportunity to educate these diplomats to better engage in negotiations with private sector. Thus, the U.S. Department of State started to support more

senior diplomatic involvement in business and commercial activities. On February 21-22, Secretary Clinton hosted the first-ever State Department Global Business Conference and addressed the issue of training needs to boost economic diplomacy, announcing that the U.S. needs “more economists to work in the diplomatic corps to help companies win business overseas and add jobs at home” (US Department of State, *Keynote Address at Global Business Conference*, February 21, 2012). As a result, the U.S. Department of State is training diplomats in economics, finance and markets, and advising diplomats to conduct business outreach and advocacy when overseas. Besides increasing economic competence, training should also aim to shift a diplomat’s mindset away from purely expert-driven mentality to one that is more business oriented and consultative in nature (raise awareness at senior level management level, but also the frontline commercial and trade level). Criticism erupted in the sense that this approach to career development involves a too drastic shift and that the incentives to do economic training need to be recalibrated. Nevertheless, the U.S. Department of State strategy clearly points out the importance given to the economic diplomacy by means of achieving two interlinked goals: achieving foreign policy objectives and creating economic prosperity. The disparate nature of U.S. economic diplomacy, spread across several Departments and several agencies is considered to have a large potential of creating duplication and overall inefficiency within government. Consolidating and centralizing economic diplomacy functions (such as commercial or trade services and resources) has been suggested. The Obama Administration has highlighted centralization as a main priority, specifically within U.S. commercial and investment diplomacy efforts, leading to *export.gov* (U.S. Export Assistance Centers) and *SelectUSA* portals (attract inward investments) and the project to create a one-stop shop for small businesses’ export, investment, and expansion needs.

United Kingdom. Economic and commercial diplomacy are directly controlled by two U.K. Departments: the FCO and United Kingdom Trade and Investment (UKTI), a joint agency under the FCO and the U.K. Department of Business, Innovation and Skills. The strategic shift has accelerated since the financial crisis, with William Hague, the current Foreign Secretary, stating at the Annual Conference at Confederation of British Industry: “Our job now is not only to restore our finances and make the right decisions about foreign

policy today, it is to help restart the growth that will give the country its influence and prosperity in 20 or 30 years' time. That is exactly what we have set out to do, developing a concept of economic diplomacy alongside its political counterpart" (Hague 2011). The current economic diplomacy strategy of both UKTI and the wider FCO was partially reflected in the *Trade and Investment for Growth White Paper*, published in February 2011 (U.K. Department of Business, Innovation and Skills : *Trade and Investment for Growth White Paper* 2011). The White Paper laid out a broad economic diplomacy agenda that included strengthening economic and commercial diplomacy, alongside a domestic economic agenda, and assistance to developing countries. The FCO adopted a *Charter for Business* in May 2011, which reiterated the FCO's commitment to promoting U.K. business interests abroad and set out seven goals for strengthening the commercial diplomacy capacity of FCO, including increased commercial diplomacy training, creating a Commercial and Economic Diplomacy Department, and increasing the number of business representatives that participate in diplomatic visits (FCO: *A Charter for Business* 2011). *Britain Open for Business* sets out the goals of the commercial diplomacy strategy in the next five years under three themes: facilitating U.K. Exports, attracting inward FDI, and promoting the British Brand; it is designed "To link Britain up to the fastest growing parts of the world, because we need to trade and export our way out of our economic difficulties. We have put Britain back in the business of opening embassies again, not closing them. We will open six new embassies and up to seven new consulates in the emerging economies, including one in Brazil. And we are significantly increasing our diplomatic presence in India and China, the world's two emerging superpowers" (UKTI: *Britain Open for Business* 2011, 17). U.K. commercial diplomacy can be categorized into four groups of activities: commercial information, commercial connections, commercial promotion and government consultancy. *Commercial information* refers to the gathering and dissemination of commercially relevant information and market research drawing on the network of officers in host countries. The two key programs the Export Marketing Research Scheme – EMRS (UKTI: *Export Marketing Research Scheme* 2010) and the Export Communications Review (ECR), both run by UKTI. *Commercial connections* networks centres on how networks can be built between business and governmental contacts in both the U.K. and host countries, with common strategies (Overseas Market Introduction Service),

such as business delegations, and more innovative one. The *Catalyst U.K.* (global network of “advocates for Britain” from overseas business and academic communities with strong links to the U.K) and *Business Ambassadors* (business leaders and academics forming Council of Business Ambassadors to advise the Minister for Trade and Investment) programs represent good examples of utilizing existing networks, either through existing business connections or ex-pat communities. Newer programs, such as the Global Entrepreneur Program and the Aid-Funded Business Service, focus their efforts on specific niche opportunities for which there is a perceived market failure. On the political side, a new cross-government Strategic Relations Unit based in UKTI will coordinate U.K. commercial diplomacy. High-level ministerial support will contribute to developing relationships with major investors, including institutions such as sovereign wealth funds. *Commercial promotion* refers to the promotion of U.K. goods and services in host countries through the organization of trade fairs and advertising (UKTI: *Tradeshow Access Programme 2012*). The key strength of the U.K.’s commercial promotion strategy is the degree of centralization and cooperation across agencies. This has been identified as a challenge for other administrations, where different players promote sometimes-conflicting messages about a country. The GREAT campaign is an excellent example of this centralized message (DCMS: *GREAT Goes Global 2012*). The fourth set of programs comprises tailored packages for British businesses. These programs have been labeled *government consultancy*, as they resemble the services offered by professional services companies. Focusing on all aspects commercial diplomacy in one package centered either around a single business, as in the Passport to Export and Gateway to Global Growth program, or around a lucrative project (virtual teams and interagency cooperation as alternative to complete centralization), as in the High Value Opportunities Programme – HVOP (UKTI: High Value Opportunities Program 2012).

Germany. The German government does not use the term *economic statecraft* or *economic diplomacy*. Instead, the term *external economic promotion* is used, as well as the terms *external economic policy* and *foreign trade policy*. Economic diplomacy has been subject to strong resistance in German society as well. Germany’s former Minister of Foreign Affairs Hans-Dietrich Genscher said “Germany is not only a leading economic nation, we are a cultural nation. This

alone prohibits an economization of Germany's image in the world. Therefore, [our] foreign cultural and educational policy... is not an aesthetic form of external economic policy." Even though Germany is one of the world's leading economic powers, the government prefers to use its economic leverage to promote the German private sector and avoids influencing other countries based on any asymmetrical trade relationship with them.

Germany's external economic promotion is fragmented between federal, regional and private sector actors, the decision being driven to a large extent by the private sector in the form of a public-private partnership. The most important element of Germany's external economic promotion is the *Three Pillars Concept* named after the major agents in this field: 1. Germany's diplomatic missions abroad (administered by the Foreign Service); 2. the international network of the German Chambers of Commerce; 3. Germany Trade and Invest (GTAI). Federal Ministry of Economics and Technology (BMWi) is mainly responsible for Germany's external economic promotion and policy formulation and coordination of various activities and programs. The importance of the Foreign Service in the field of external economic promotion depends on the country. For example, in open markets such as the U.S., the Chambers of Commerce are more important than the diplomatic missions. In countries like China, however, the role of the Foreign Service is crucial to access government officials. There is a one-year training at the Academy of the Foreign Service that is mandatory for every German diplomat. As part of this program, each diplomat receives specific training in external economic promotion. The Foreign Service advises the German private sector on political and economic developments, socio-cultural particularities, business conduct and potential trading partners. The diplomatic missions also organize regular meetings in the embassies where private sector companies are invited once per month to network and discuss current developments. They also receive relevant information from German diplomats. Therefore, the Foreign Service is especially helpful for networking purposes and for helping German businesses gain useful information on the political and cultural background of a given country. The Federal Foreign Office makes frequent use of its diplomatic channels to support German companies conducting business abroad. The staff members identify themselves as political mentors, facilitators, networkers, and advisers. The economic sections of the German embassies and consulates-generals primarily focus on assisting SMEs. The Network of German

Chambers of Commerce Abroad are subsidized by the BMW on the basis of public-private partnership. Many areas of responsibility are assigned to these chambers that in many other countries are assigned to government agencies. The range of services of the German Chambers is broader and they have overtaken areas of responsibilities that are traditionally undertaken by the economic sections of embassies. Therefore, large parts of Germany's economic diplomacy are actually "outsourced" from the diplomatic missions to the Chambers of Commerce. GTAI is the foreign trade and inward investment agency of the German government, is run like a private company, but 100% controlled by the German government. Germany employs *de facto* a wide range of instruments that fall within the category of economic diplomacy. After a period of inactivity in light of the strong performance of the German export sector, the government has recently returned to giving more attention to trade policy again. On the federal level, external economic promotion was recently subject to restructuring measures in order to address the criticism from the German business community of a lack of interconnectedness between the various government agencies to address their needs. Hence, there has been a trend to merge agencies involved in nation branding, inward investment and export promotion. Moreover, in a concept document by the Federal Foreign Office (AA), issued in February 2012, the German government announced a new strategic focus on approaching emerging markets, called "new powers in shaping globalization." This particularly focuses on China and the GIBSAs - Germany, India, Brazil and South Africa (Federal Government of Germany, *Shaping Globalization – Expanding Partnerships – Sharing Responsibility. A strategy paper by the German Government issued February 8, 2012*).

France. The economic diplomacy strategy of France is traditional and highly centralized. The recent financial and economic crisis marked a shift that is in tone with other national governments decisions. The difficult economic situation required that economic diplomacy to become a major priority for the Ministry of Foreign Affairs in order to make a strong contribution to achieving the goal of getting the economy back on its feet in a fair way. The government stated would not replace the role of businesses, the Ministry of Foreign Affairs together with the Ministry of Economy, Finance and Industry are expected to play an important role. Minister of Foreign Affairs, Mr Laurent Fabius, stated in its Action Plan released on September 2012: "The challenge is as much one

of attaining influence as achieving growth. China, India and Brazil are now the source of half global growth. Part of our international credibility depends on our foreign trade balance. The competitiveness of “Made in France” is one of the main aspects to address. Yet while everyone recognizes that our diplomatic service, made up of excellent professionals, responds well to requests on the economic front, our mechanisms are still fragmented, the SMEs get less support than the big groups, the key link between our companies’ national bases and their international development is not always sufficiently clearly identified and the crucial issue of foreign investment in France is at times underestimated. So our diplomatic service must considerably strengthen its economic reflex. (...) It would be somewhat paradoxical for the Quai d’Orsay, a crisis specialist, not to give priority to mobilizing to confront the economic crisis: we will do so. By supporting companies to defend our jobs and create new ones, we will serve our country, with them and through them. It’s a major task which I now assign to our diplomatic service” (Fabius L. 2012).

The economic and trade departments (missions) located in the structure of the embassies are subordinated to the Ministry of Economy and Finance in terms of staffing, basis contents and budget (mainly Department of International Relations in and Secretary for Foreign Trade). Formally, the staff has diplomatic status. The general tasks comprise economic diplomacy, promotion of exports and investment, economic analysis. The Ministry of Foreign Affairs is traditionally one of peace and security. It is mentioned that will remain so, but the aim is to become also be business-oriented. Moreover, the diplomatic network will be instructed to prioritize economic considerations, with specific qualitative and quantitative objectives. Every ambassador will be clearly positioned at the head of the local “France team”, supported in the main countries by an economic council. There will be greater consultation with businesses, especially when conducting trade negotiations. Resources will be allocated in the most dynamic parts of the world and the diplomatic presence will in synchronization with global developments. A special directorate dedicated to business will be created within the Ministry of Foreign Affairs. The training of diplomats will focus also on gaining additional economic skills. The analysis made by the diplomatic networks must be adequately disseminated to business and that will reflect in a more efficient communications policy. On the agenda, other concrete measures are underlined, in cooperation with businesses and their representatives with the

aim of having immediate effect. Moreover, an innovation introduced to the strategy is that of corporate social responsibility, French businesses specializing in sustainable development as based simultaneously on economic, ecological, and social pillars. Finally, the instruments of influence (school and cultural network abroad, student scholarships and grants, scientific cooperation, visa policy, etc.) are to be more closely coordinated with the economic objectives.

China. It is well known that China relies heavily on world markets for economic growth: exports and imports comprise 62% of its GDP (World Bank: *China Data*). Outside of exports and imports, China is also heavily dependent on FDI. These two facets of the Chinese economy have prompted China to embark on an extremely aggressive course of economic diplomacy. More precisely, China does not distinguish between conventional diplomacy and economic diplomacy; ultimately, most of the policy decisions of the Chinese government are linked to economics. In order to pursue its economic diplomacy goals, China has engaged in various strategies employing both a macro and micro perspective. At the macro level, China's economic diplomacy strategies can be divided into three categories: 1) loans, aid and trade; 2) capital investment; and 3) international propaganda. China uses strategic aid projects as a tool of economic diplomacy to not only win over future business deals but also political overtures to secure support for the "One China Policy." China uses its sovereign wealth fund to invest in global multinationals for noncommercial and strategically beneficial geopolitical purposes. Lastly, China manipulates its official GDP and economic figures to allow for a continued management of its undervalued currency, in order to maintain favourable export conditions. At the micro level, China has focused inward by ensuring that its Ministry of Commerce (MOFCOM) is consistently engaged with its Ministry of Foreign (MFA) so China's foreign policy is integrated with its economic and financial goals. In essence, China's foreign relations today are almost exclusively defined through the prism of economic relations. China has put tremendous efforts into ensuring that the MOFCOM is integral in formulating and coordinating Chinese foreign policy. As in most countries, China has a Ministry of Foreign Affairs (MFA) tasked with the handling of the country's diplomatic relations and carrying out its foreign policy. The difference between China's MFA and many other nations is that the MFA in

China is not technically heading up foreign policy formulation. Instead, the Foreign Affairs Leading Small Group (FALSG) is responsible for formulating the official foreign policy of the GoC. The FALSG also includes the Minister of Foreign Affairs, Minister of Commerce, and Minister of Defence, leading many to believe this is where economic diplomacy is formulated and strategized (US-China Economic and Security Review Commission, *Annual Report 2011*). In October 2012, the MFA established the Department of International Economic Affairs to serve economic diplomacy, which is increasingly important in China's diplomatic blueprint. The department is set to work with other Chinese government organs to arrange for the country to cooperate in economic and development fields within international and regional cooperation frameworks. It will also focus on research work on issues such as global economic governance, international economic and financial situation, and regional economic cooperation. While China wishes to gain respect from all nations, it has diverse foreign policy goals depending upon the region of engagement. For example, China will not expend considerable efforts marketing its business friendly policies in regions like Central Asia where GDP per capita is low and overseas investment is negligible. Instead, China focuses on promoting its business environment in capital rich areas like the United States or Western Europe. In contrast, in regions like the U.S. and Europe, China will not focus on mitigating fears of its power ascendancy. Instead, those initiatives will be aimed at countries in China's immediate periphery, such as Thailand or South Korea, to ensure regional stability and harmonization (US-China Economic and Security Review Commission, *Annual Report 2012*). China views the United States as its main economic and diplomatic competitor. Moreover, China employs "treat all with respect" protocol, in the sense that treats all heads of state, regardless of country and economic size, with large and lavish state ceremonies, engaging in personal diplomacy to supplement their economic diplomacy. In return for this personal diplomacy effort, China secures favourable business and political relations. The U.S. discriminates between strategic partners, allies and enemies, and treats varying regimes and administrations differently (School of International and Public Affairs, Columbia University, Capstone Project Final Report – Spring 2012: *Exploring Public and Economic Diplomacy*, 94).

India. India uses dual approaches and puts forward a sharp distinction between economic diplomacy and commercial diplomacy, defining an economic diplomat as a professional who monitors and reports on economic policies in foreign countries and advises the home government on how to best influence them, whereas the commercial diplomat as a professional working in diplomatic missions in support of home country's commercial and business interests in two-way cross-border trade and related issues, and inward and outward investment promotion and related issues (CUTS: *Training Needs for Commercial and economic diplomacy: an Indian case study*, 2008, 1-30). Even if there is a clear definitional distinction between economic and commercial diplomacy, the government essentially uses these terms interchangeably. These four areas cover the central activities of GoI. The first strategy is about training Indian Foreign Service Officers (FSOs) in commercial/economic diplomacy. The Ministry of External Affairs and the Ministry of Commerce jointly commissioned the Consumer Unity & Trust Society (CUTS), a non-profit, non-governmental organization working on public interest issues, to retrain its officers in economic and commercial diplomacy. The goal of this training is strengthen several key areas of foreign policy, especially to ensure coherence between India's domestic policy and its external trade and investments. It also serves to enhance FSO skills in trade negotiation and international economic relations. The second strategy is about aid diplomacy. India has set up its own aid agency, the International Agency for Partnership Development (IAPD), which oversees \$11.3 billion in funds to be dispersed over the next five years. The third strategy focuses on trade liberalization and promotion of Indian goods. Since prioritizing economic diplomacy in foreign affairs, the MEA has focused centrally on trade liberalization and regional integration as fundamental for the success of India's economy. Concerning trade liberalization, India opened up developed world markets to Indian goods at the WTO and India has pursued Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) with many countries in the region and further used its economic diplomacy to form strategic relationships with similar economies and developing nations outside of the region. India has formed IBSA with Brazil and South Africa, in order to promote economic, commercial, and political cooperation between emerging economies. Moreover, the MEA has directed all Indian consulates and embassies to focus on export promotion and Indian product promotion using its economic

diplomacy tools. Indian missions also invite delegations from India to promote their own products abroad and organize buyer/seller meetings to help domestic companies. Lastly, Indian missions and embassies work closely with the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Associated Chambers of Commerce and Industry of India (ASSOCHAM), and Federation of Indian Export Organizations (FIEO), to seek out new markets for Indian goods in joint public-private partnership efforts (Ministry of External Affairs of India: *India's economic diplomacy 2011*). Moreover, alongside trade, India views FDI as an important tool for transitioning its economy toward sustainable growth and developed status. The Ministry of Commerce and Industry published a memo in 2011 stating: "It is the intent and objective of the Government of India to attract and promote foreign direct investment in order to supplement domestic capital, technology and skills, for accelerated economic growth"; as a result, the MEA has explicitly stated that in order to increase the level of FDI in India, the GoI will have to be proactive. As recently stated in an MEA memo, "it is not enough to follow our [India's] passive policy of liberalization and approvals. We need to actively promote FDI by reaching out to the investors and organizing promotional events" (Ministry of Commerce and Industry of India: Consolidated FDI Policy 2011, 41). On micro-level, the GoI has loosened restrictions on foreign investors and signed agreements with several countries ensuring no double taxation. On macro-scale, the GoI has set up the Foreign Investment Promotion Board (FIPB). It is also noteworthy that the MEA is largely uninvolved in processing FDI initiatives. Instead, the Ministry of Finance (MoF), Department of Industrial Policy and Promotion (DIPP), and Ministry of Commerce and Industry, are jointly responsible for the FDI proposals. In 2007, the GoI set up the Overseas Indian Facilitation Center (OIFC) as an office within the Ministry of Overseas Indian Affairs to help diaspora Indians expand their engagement with India. The OIFC has been extremely successful.

Brazil. Brazilian economic diplomacy stands for continuously looking for potential markets to increase its exports. Brazil aims to become the most important Latin American trading partner for nations around the globe. For this reason, Brazil joined a variety of common markets and strategic economic partnerships. In essence, Brazil's trade policy has a foreign policy element of

strengthening (or perhaps improving) Brazil's influence. Brazil always promoted an inclusive globalization, with improved participation of developing economies in the design of the main policies. It advocates for multi-polarity and a more equitable international economic system. Additionally, "Brazil is widely touted as one of the most successful users of the WTO dispute settlement system among all countries, developing and developed. The political payoffs for Brazil have been significant, helping it become a leader of developing countries in trade negotiations" (Shaffer 2008). It usually monopolizes external negotiations: the professional competences of its diplomats, their mastery of foreign languages and their experience have served as mutually reinforcing elements. As new subjects entered in the international dialogue, the MFA added new departments, proving to be surprisingly agile and dynamic. The technicality of the subjects prompted MFO to hand over some responsibilities to the Commerce Ministry specialists and shift its economic diplomacy management to a multi-agency mode. The diplomatic service handles the commercial work abroad.

Brazil has undertaken key strategies, which, in aggregate, have the potential to fulfill Brazil's economic diplomacy goals: 1. Brand Brazil; 2. South to South Cooperation; 3. South-South Education Initiatives; 4. Economic Partnership with Arab World; 5. Energy Initiatives. The main idea of the Brand Brazil campaign is to put Brazil's recent economic advances in a positive light and to promote tourism in the country. The Energy Initiatives are a way to marketing itself as an innovative leader in developing green technology. In 2009, the U.S. and Brazil agreed to collaborate in ten U.S.-Brazil Innovation Learning Laboratories aimed at creating new energy partnerships that would boost innovation and create value for both nations. "Major partnerships under development [included] a bi-national smart grid collaboration initiative and a bi-national co-incubation/business accelerator initiative" (Compete.org. "Catalyze: U.S.-Brazil Innovation Learning Laboratories"). In order to promote its products, Brazil has proven to be extremely innovative, e.g. attendance at World Expos and similar global showcasing events. The increasing Brazilian FDI raises the need for changes in traditional positions held by the country with regard, for instance, to investment policies, double-taxation agreements, etc. The challenge is to identify the country's project in relation to deepening the regional integration.

Russia. Russia's economic diplomacy appears to be primarily reactive, responding to political whims and changing business interests. It does not appear to be strategically coordinated. The Ministry of Foreign Relations is responsible for Russia's external affairs while the Ministry of Industry and Trade is responsible for drafting national policy and legal regulation for industry. The Ministry of Economic Development of the Russian Federation is responsible for developing state policy and providing regulation in the sphere of analysis and forecasting of socioeconomic and business development. The executive is strong and the President has tremendous power. Therefore, Russia's economic diplomacy is handled in a top-down manner. The overarching goal of Russia's economic diplomacy appears to be to maintain influence in the region. While it cannot reclaim the physical borders of the former Soviet Union, it is attempting to recoup the economic space through customs unions and heavy persuasion, by diversifying its economy, maintaining its status as the main oil and gas conduit for Europe, and attracting foreign investment (School of International and Public Affairs 2012, 118-125). Russia's main challenge with regard to its economic diplomacy techniques is public relations. There are many examples of Russia using its economic diplomacy in highly coercive ways that have significantly damaged perceptions of Russia abroad. Moreover, it has forced Russia to consider alternative methods of economic diplomacy, such as regional integration (form customs union and build economy of scale) and foreign aid (transition from a receiver to a donor, much of its aid is directed IMF or World Bank). In an effort to improve its standing on the world stage, Russia hosts the Valdai Discussion Club, an international expert forum. Russia is a leader in global energy markets and it aspires to maintain that status. Therefore, in order to secure gas and oil markets it offers a variety of incentives, mainly through subsidies, to keep its energy resources looking attractive. Russia regularly offers subsidized oil in exchange for favorable trade deals with other countries and sometimes it offers favorable trade for political favors. Russia is currently building Skolkovo, a high-tech innovation center that seeks to create a community that would become the Russian equivalent of Silicon Valley. Finally, Russia repeatedly emphasized its intention that it is open for business because it needs foreign capital inflows to diversify its economy and modernize its infrastructure.

2. ROMANIA'S TRAJECTORY OF ECONOMIC DIPLOMACY

The goal of economic diplomacy is broadly defined: "Economic diplomacy provides the necessary connection between diplomatic endeavors and the goal of ensuring the economic welfare of the country's citizens. Its objective is to put all foreign policy instruments to good use to further advance the economic interests of Romania and Romanian entrepreneurs. Economic diplomacy ensures an efficient framework for institutional cooperation that supports the concerted efforts aimed at promoting national economic interests abroad, while attracting FDI to Romania" (www.mae.ro). Within the Ministry of Foreign Affairs, a General Department for Economic Diplomacy was created early in 2009 as a link between Romania's diplomatic missions abroad, the business environment, and other institutions with economic responsibilities. Economic diplomacy's main components are:

1. Promoting Romanian economic interests abroad:

- External promotion that facilitates the access on foreign markets and the expansion of Romanian companies already present abroad;
- Cooperation with other specialized Romanian institutions in order to provide market intelligence and contacts to Romanian entrepreneurs interested to access foreign markets;
- Monitoring, alongside with other competent institutions, the timely resolution of potential problems affecting Romanian entrepreneurs operating abroad;
- Arranging meetings with business representatives to identify best ways to provide support;
- Organizing economic events (conferences, workshops, reunions, forums) or supporting other governmental structures that hold similar events;
- Business-specific assistance for economic missions abroad;
- Enhancing the Romanian economic presence abroad by capitalizing on the potential provided by the honorary consuls of Romania;
- Framing and implementing a timetable of initiatives designed to promote the economic interests of Romania.

2. Supporting and promoting energy security objectives:

- Supporting the European Union objectives and projects aiming at achieving energy security and developing a stable economic environment, with special emphasis on climate change mitigation;
- Promoting the European Energy Strategy objectives with regard to security of supply, higher internal market competitiveness and support for sustainable energy;
- Active involvement in the accomplishment of major energy projects and supporting additional proposals.

3. Cooperation with international economic organizations:

- To coordinate Romania's activities in relation to the Organization for Economic Cooperation and Development (OECD);
- To promote, together with other relevant institutions, the interests of Romania in international economic organizations (IMF, World Bank Group, European Bank for Reconstruction and Development, WTO, etc.);
- To capitalize on the presence of Romanian representatives in international economic organizations.

4. Inter-institutional economic cooperation:

- Designing a framework of information sharing between the Romanian MFA economic department - diplomatic missions - companies - other institutions with an economic component; constantly updating the macroeconomic information sheet on Romania;
- Facilitating dialogue and information exchange with other central and local public institutions, as well as with the business community. This includes ensuring appropriate coordination among institutions in promoting Romanian economic interests.
- Consolidating the inter-ministerial cooperation aimed at achieving a better foreign economic representation;
- Participating in inter-ministerial economic workgroups.

5. Providing economic expertise within the MFA:

- Substantiating foreign policy objectives, strategies and initiatives;
- Promoting and conducting economic projects that support the Romanian strategic interests;

- Conducting analyses and reports on topics of interest for the MFA and for diplomatic missions abroad.

The above mentioned objectives and tools are reproduced exactly from the official statements of MFA (Government of Romania, Ministry of Foreign Affairs, Economic Diplomacy). Every government outlined the importance of economic diplomacy for the economic prosperity, mainly referring on complementing the effort of export promotion, gaining or regaining lost markets and FDI. In the current Governing Programme, the need for an “aggressive” economic diplomacy is mentioned. As reported by the officials, several measures were undertaken and there is goodwill.

Undoubtedly, economic diplomacy represents an incredible profile enhancer. But, what kind of national profile we want to promote and enhance? The major drawback is the lack of a comprehensive performance assessment exercise. Transparency regarding the success and the failure of the previous economic diplomacy initiatives would have helped for a better understanding and a more objective evaluation. The alternative is to look at the economic performance and to try to answer several justifiable questions: Which are the Romanian products and the services that successfully compete on European/international markets? What would determine a foreign investor to come in Romania? How to form long-lasting and dynamic partnerships with countries from European and non-European space? How efficient are Romanian officials in defending economic national interests? Is there enough cooperation between public and private sectors? etc. The genuine answer would be that Romania’s economy must be put on the right track. The economic diplomacy measures must relate to both domestic and foreign conditions. The growth in the years preceding the crisis was definitely unsustainable. An economic growth model based on the production of tradable goods and services and coherent policy mix are necessary. Economic diplomacy cannot cover the existing weaknesses. It is not about window dressing. Instead, it can prove to be extremely helpful if it is targeted and resources are allocated efficiently. Examples of good practices can be identified in the countries analysed. Anyhow, all the endeavours must be monitored and assessed.

3. FINAL CONSIDERATIONS

The crisis introduced a turbulent period in the world economy, which is not yet over. The profound reconfiguration of the international order explains why economic diplomacy is gaining importance once again.

The shift in global balance of power encourages governments all over the world to reassess their national and foreign policy and interests in international institutions. Economic diplomacy became more complex with more issues now subject to negotiations; more state and non-state actors engaged in domestic decision making, and more countries actively participating in the international system. Variations in countries' domestic political cultures and ideologies and the level of economic development between established powers and challengers explain the range of economic diplomacy activities.

Governments' attention for economic diplomacy proves to be cyclical, and relates to the shifts domestically as well as in the world order. The countries subject to analysis (United States, United Kingdom, Germany, France, Brazil, China, India, Russia, and Romania) are in unison with respect economic diplomacy revived priority. During the last years, the new approach embedded various forms as from institutional restructuring, additional targeted training, nation branding to public-private partnership, extensive networks, export promotion and inward and outward investment, innovative programs, economic cooperation/aid etc. No doubt each country has its own interests to defend and its own strengths to promote.

In brief, the economic diplomacy is back on the agenda, after a period of low activity.

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