Diplomacy Dialogue

Economic Diplomacy in today´s International Relations

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Ministry of Foreign Affairs Prague, Czech Republic 10th April 2015

Going back to the Future? Europe at the time of the Wesphalia Peace Negotiations

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Westphalia : 1648 (end of 30 year war 1618-1648, end of Spanish-Dutch war 1568-1648)

Multi-actor (state & non state actors)negotiation

1. **Ferdinand III, Holy Roman Empire of German nations**
2. **Emperors of Habsburg, Sweden, Spain, Dutch Republic**
3. **PrincES of Holy Roman Empire, SouvereignS of free imperial cities, Vatican**
4. **others**

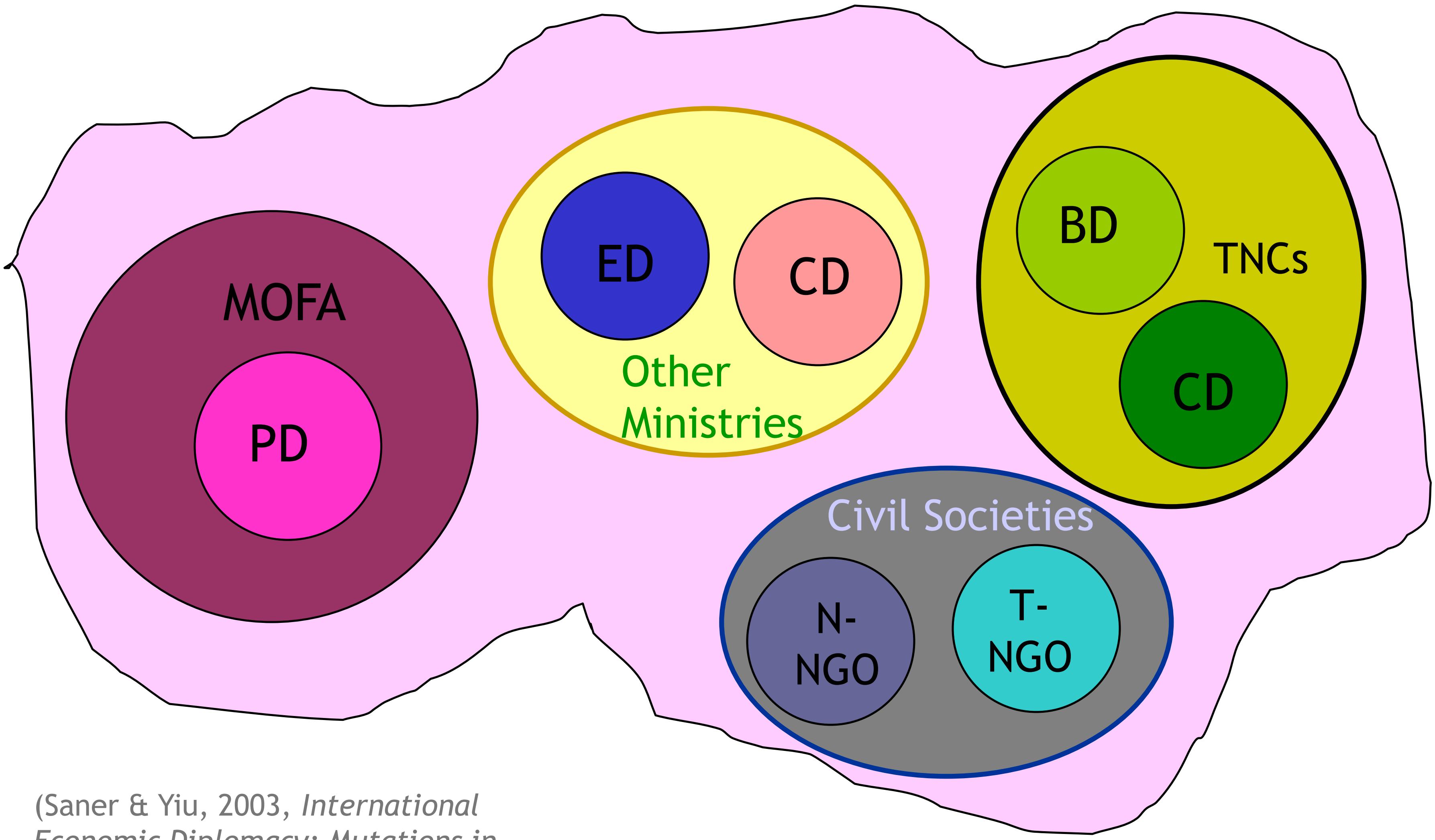
Ratification of the Peace of Münster (Gerard ter Borch, Münster, 1648)
Source:http://www.historytoday.com/richard-cavendish/treaty-westphalia#sthash.Fd1ESxB2.dpuf

Co-existence of Divergent Diplomatic Roles in Economic Sphere

(Source: Saner&Yiu, 2003)

	Functions	Roles
State Actors	Economic diplomacy	Economic diplomats
	Commercial diplomacy	Commercial diplomats
Non-State Actors	Corporate diplomacy	Corporate diplomats
	Business diplomacy	Business diplomats
	National NGOs diplomacy	National NGO diplomats
	Transnational NGOs diplomacy	Transnational NGO diplomats

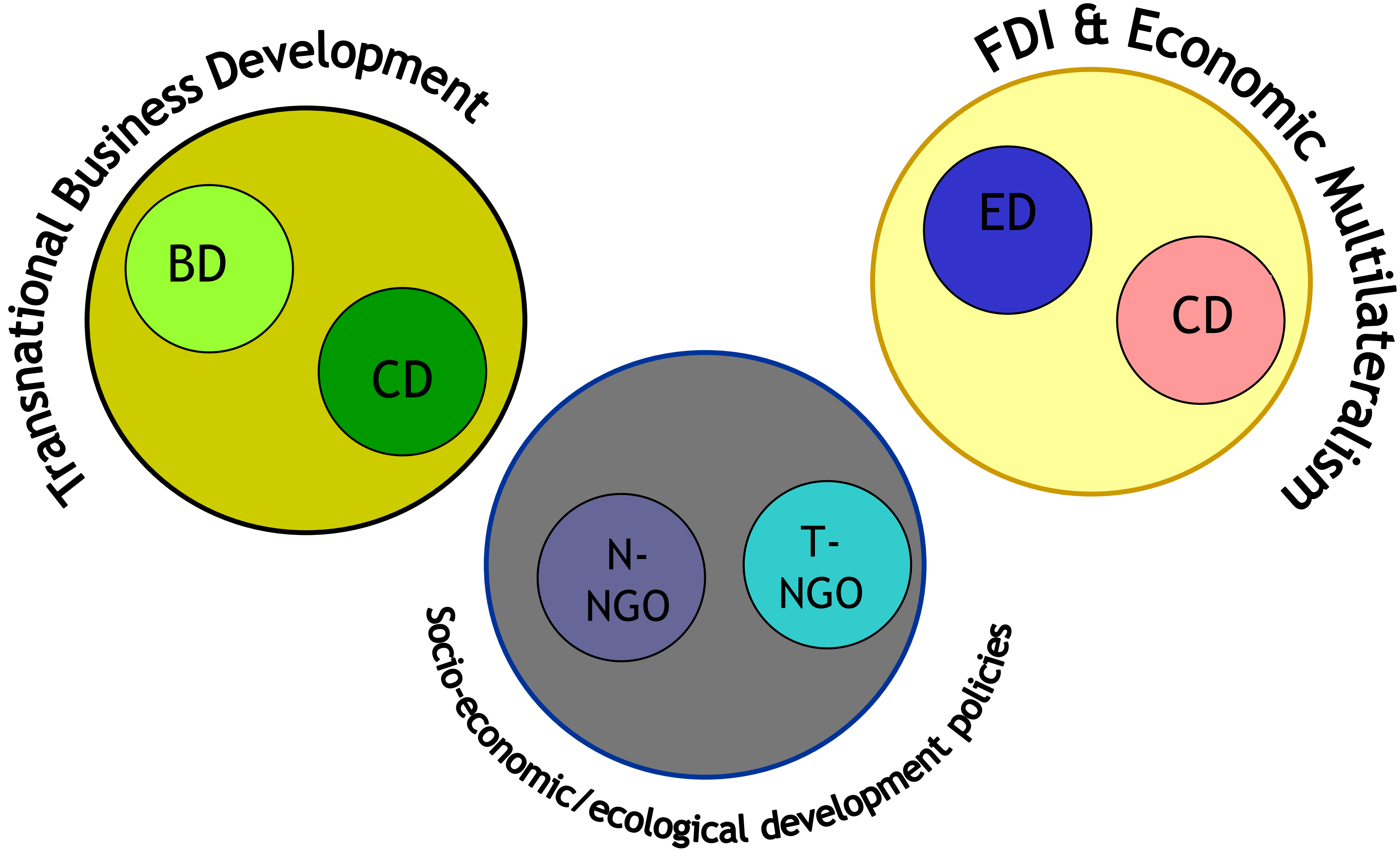
Post-Modern Economic Diplomacy

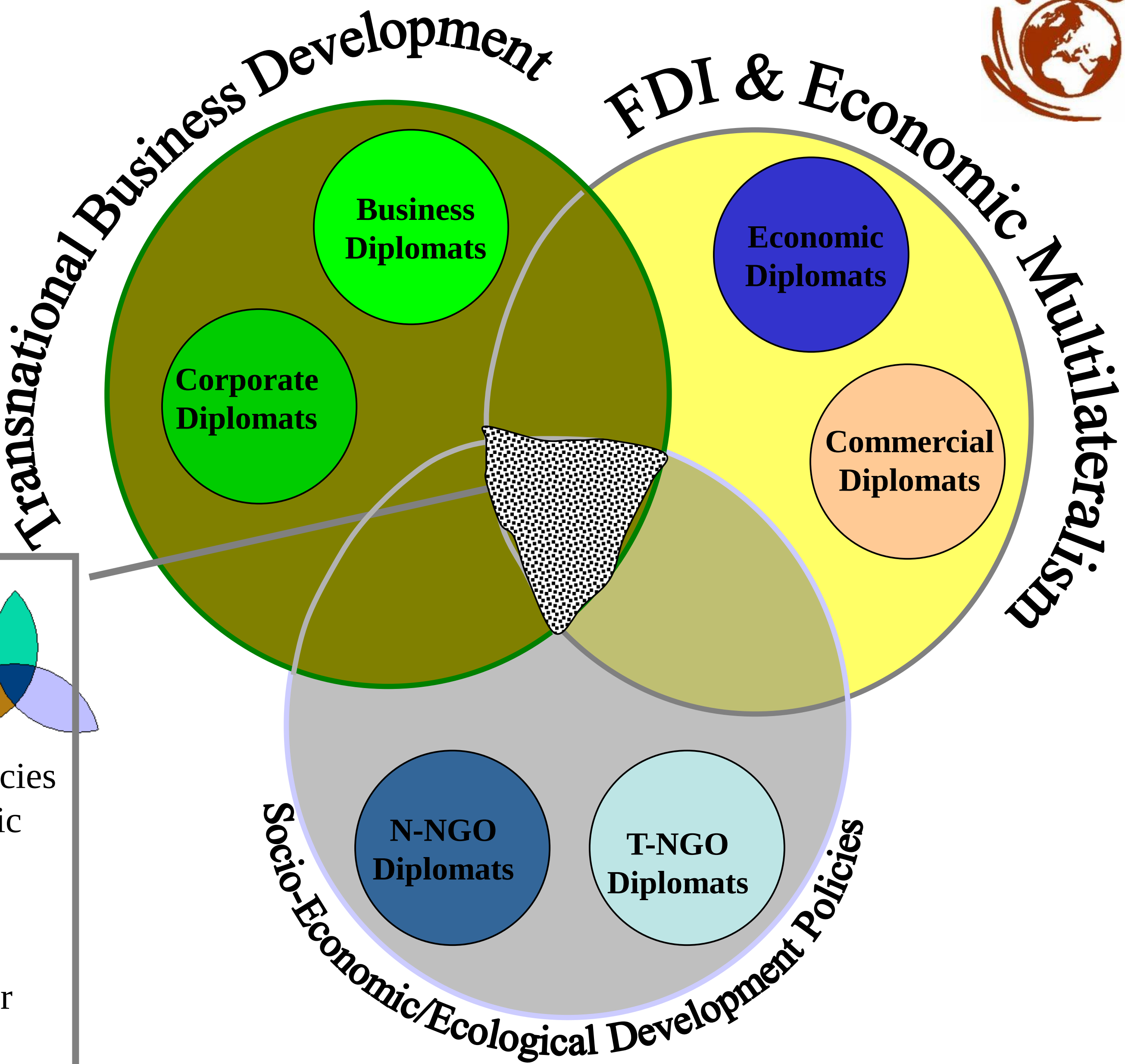


(Saner & Yiu, 2003, *International Economic Diplomacy: Mutations in Post-Modern Times*)

Interests of these State and Non-State Actors ....

(Saner & Yiu, 2003)





Postmodern Economic Diplomacy

Shaping socio-economic/ ecological development policies
- Negotiating global economic governance architecture
- Setting standards at multilateral organisations
- Managing multi-stakeholder coalitions & alliances

Diplomatic Function and Roles of Ministries in charge of Economic and Commercial Policy (Source: Saner&Yiu, 2003)

Faced with the complexities of multilateral standard setting organisations responsible for economic policies such as the WTO, IMF or OECD, many governments have broadened participation of ministries specialised in economic and financial matters thereby decreasing or neutralising the influence and role of MOFAs (e.g. Office of the United States Trade Representative, USTR).

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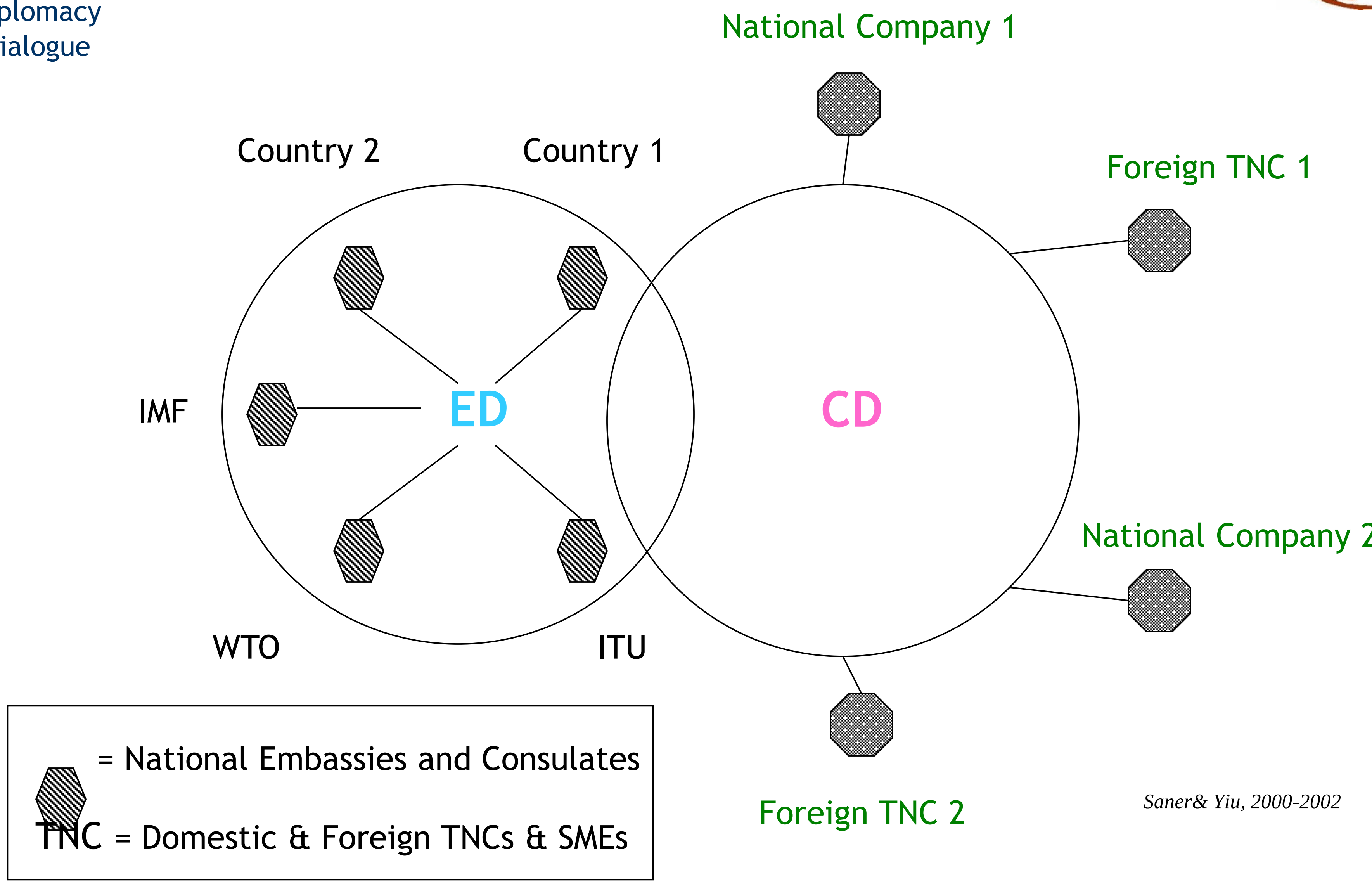
Economic Diplomat vs Commercial Diplomat

(Source: Saner&Yiu, 2003)



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Diplomatic Function and Roles of Ministries in charge of Economic and Commercial Policy

(Source: Saner&Yiu, 2003/ Berridge&James, 2001)

- Economic diplomacy is concerned with economic policy issues, e.g. work of delegations at standard setting organisations such as WTO and BIS.
- Economic diplomats also monitor and report on economic policies in foreign countries and advise the home government on how to best influence them.
- Economic Diplomacy employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective. This is sometimes called “economic statecraft”.

Diplomatic Function and Roles of Ministries in charge of Economic and Commercial Policy (Source: Saner &Yiu, 2003, Friedman, Thomas, 2000)

- **commercial diplomacy on the other hand describes the work of diplomatic missions in support of the home country's business and finance sectors in their pursuit of economic success and the country's general objective of national development.**
- **It includes the promotion of inward and outward investment as well as trade.**

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Diplomatic Function and Roles of Ministries in charge of Economic and Commercial Policy (Source: Saner&Yiu, 2003, Friedman, Thomas, 2000)

- **important aspects of a commercial diplomats' work is the supplying of information about export and investment opportunities and organising and helping to act as hosts to trade missions from home.**
- **In some cases, commercial diplomats could also promote economic ties through advising and support of both domestic and foreign companies for investment decisions.**

WORLD TRADE ORGANIZATION

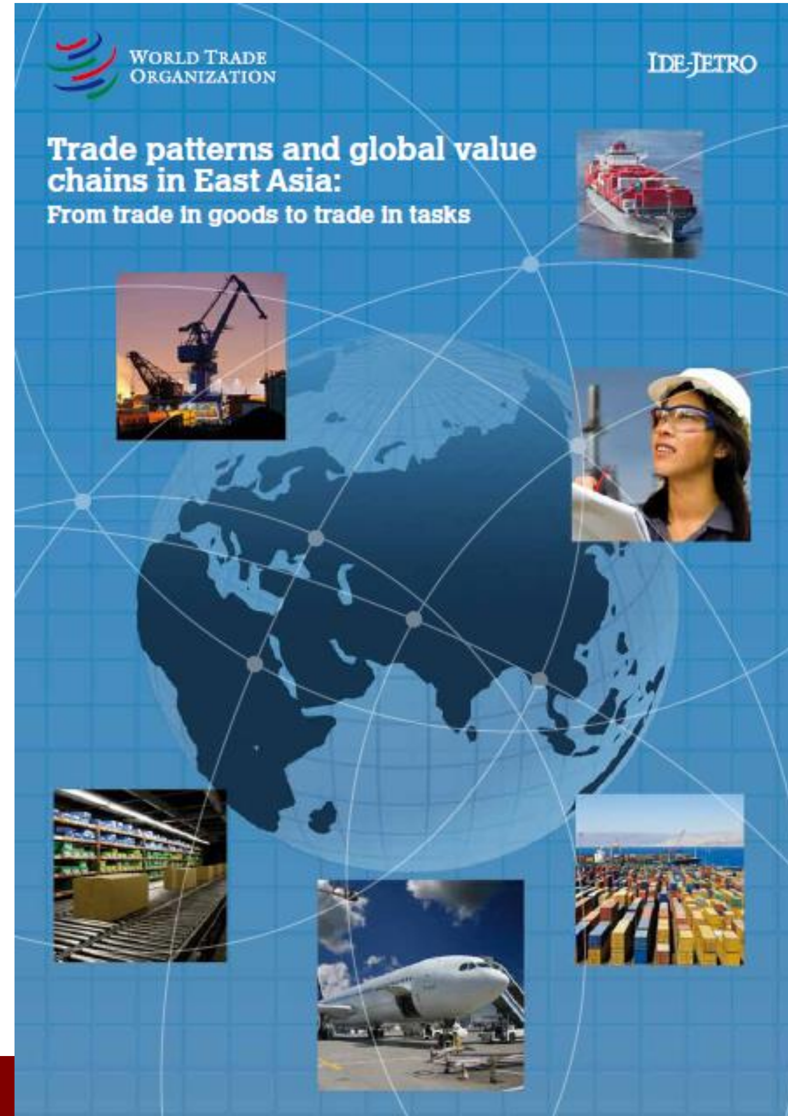
MADE IN THE WORLD

IDE-JETRO

Trade patterns and global value chains in East Asia :

From Trade in Goods to Trade in Tasks

(2011)



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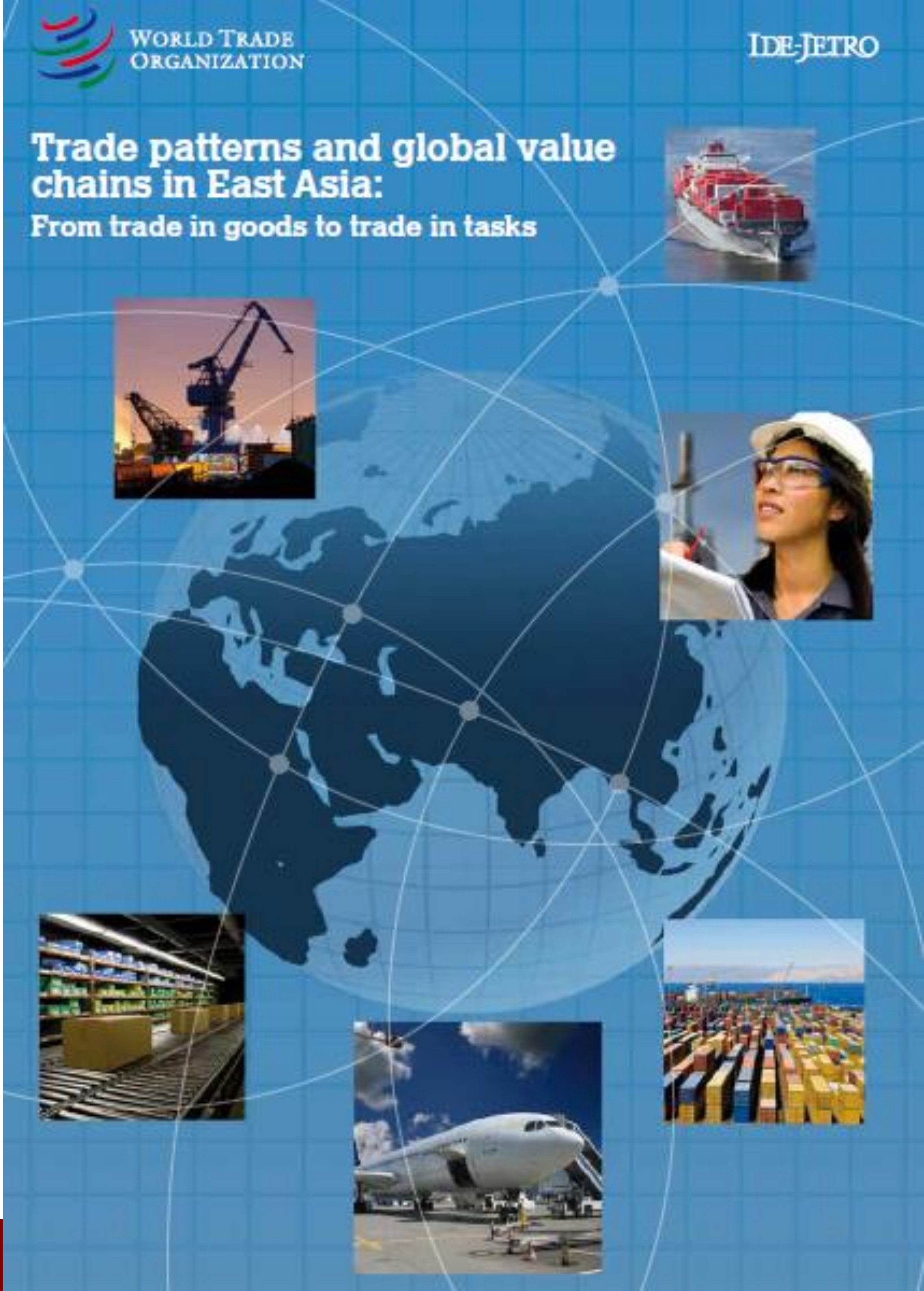
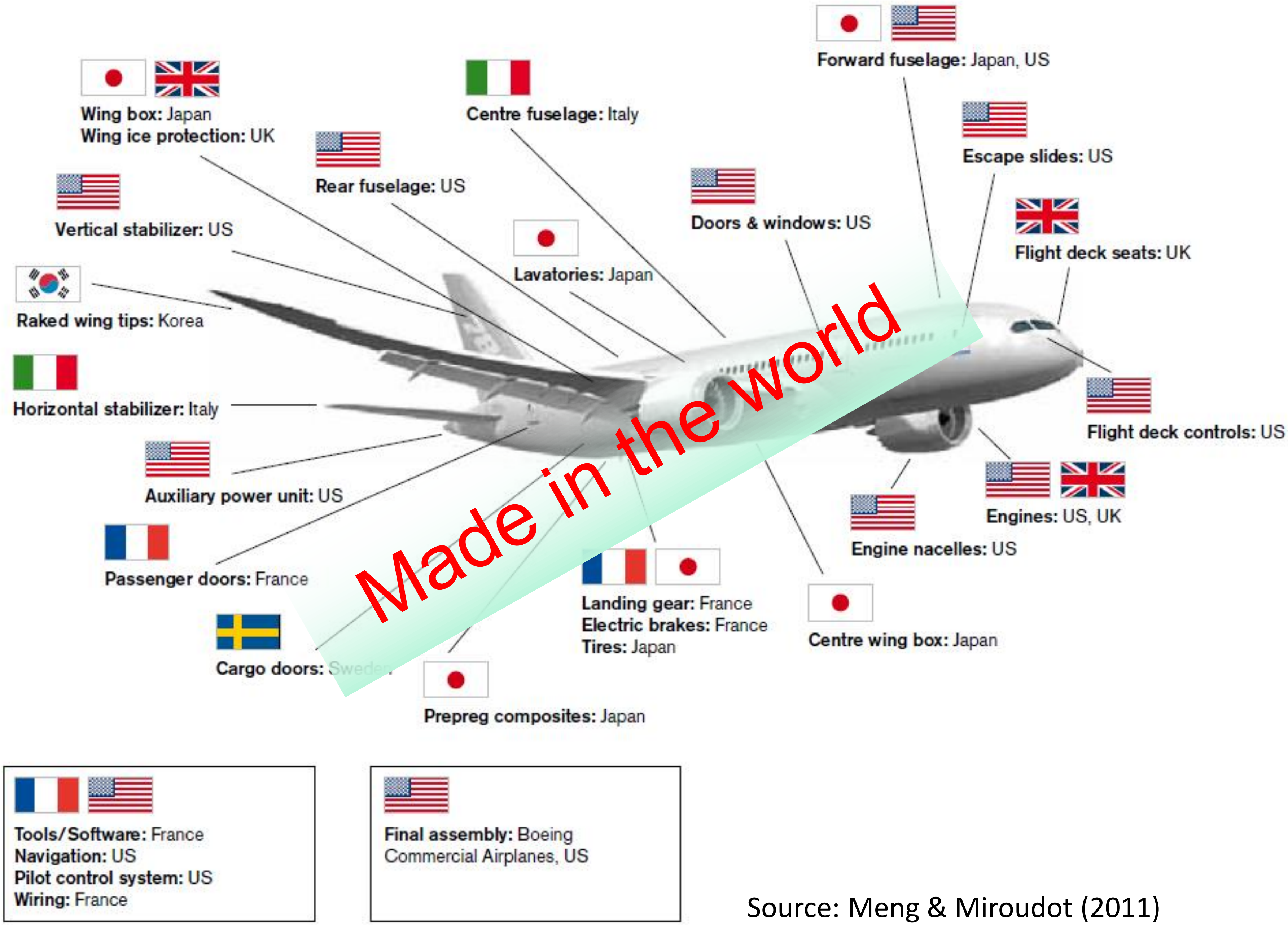
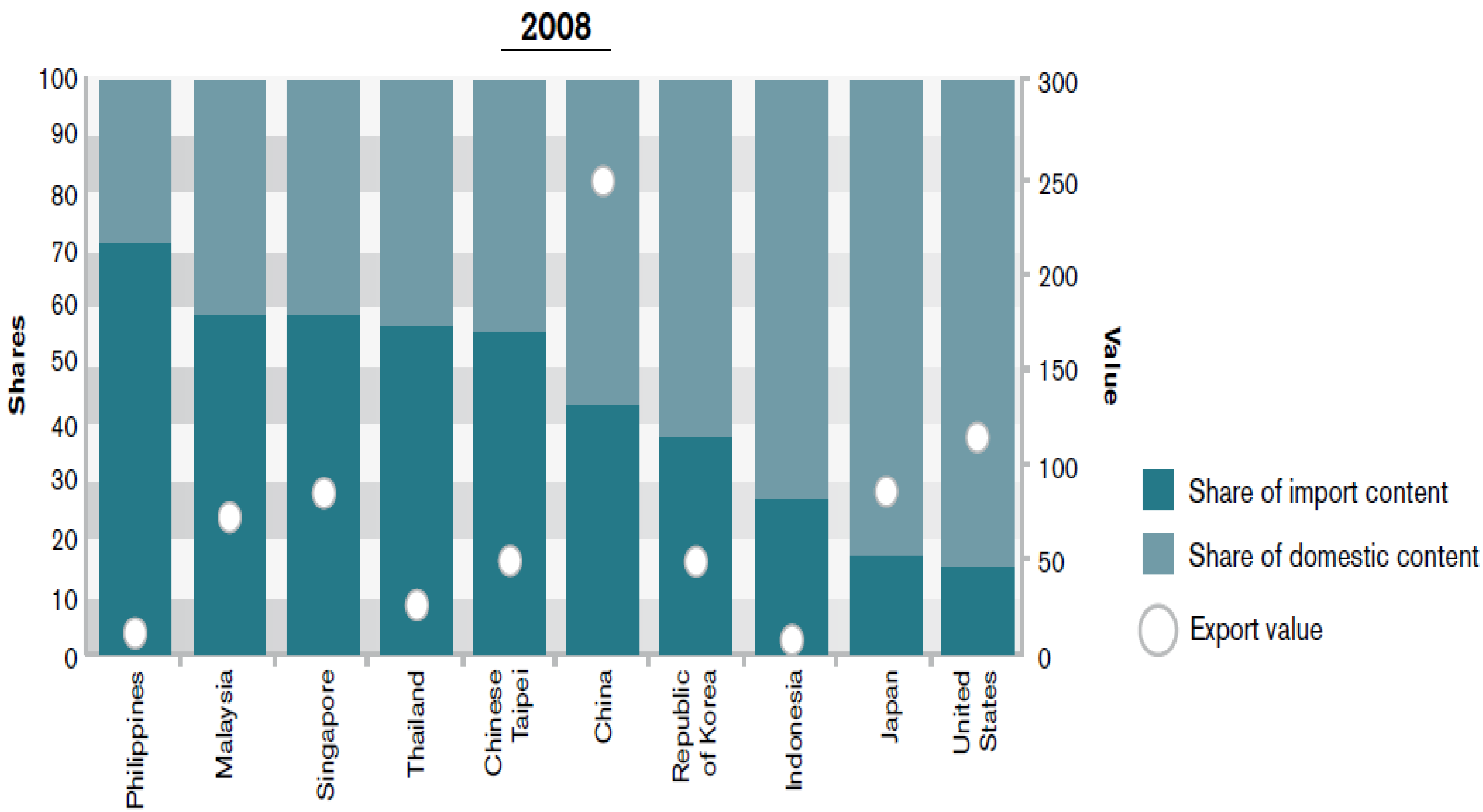
“Trade in Tasks, not goods or Services” or “Trade in value creation”



Fragmentation of Production: Boeing 787



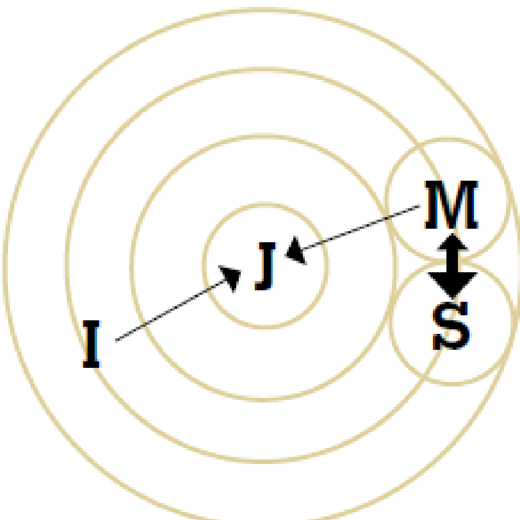
Source: Meng & Miroudot (2011)



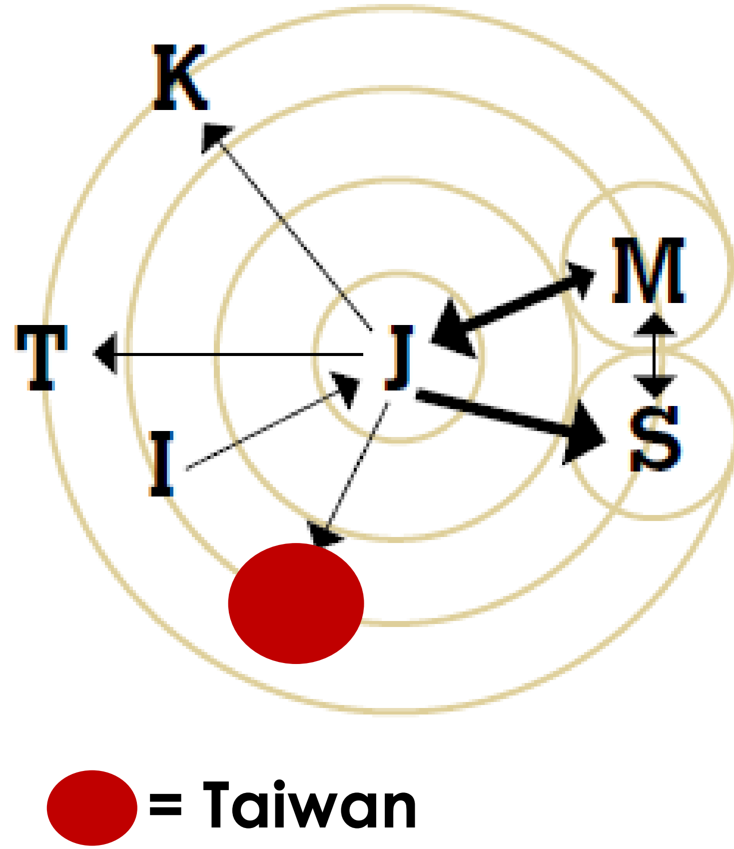
Source: WTO, based on IDE-JETRO Asian Input-Output tables

Evolution of Regional Production Network1985-2005

1985

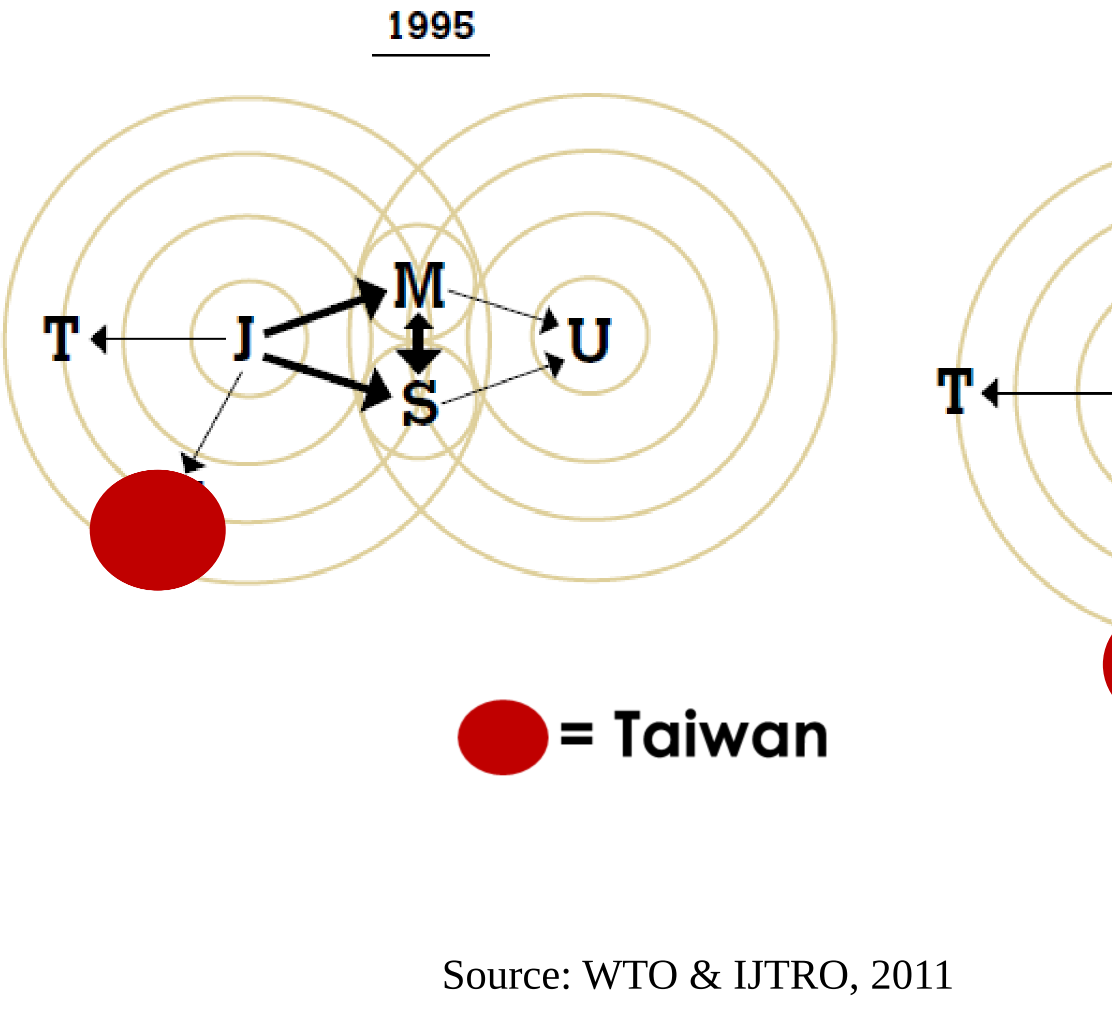


1990



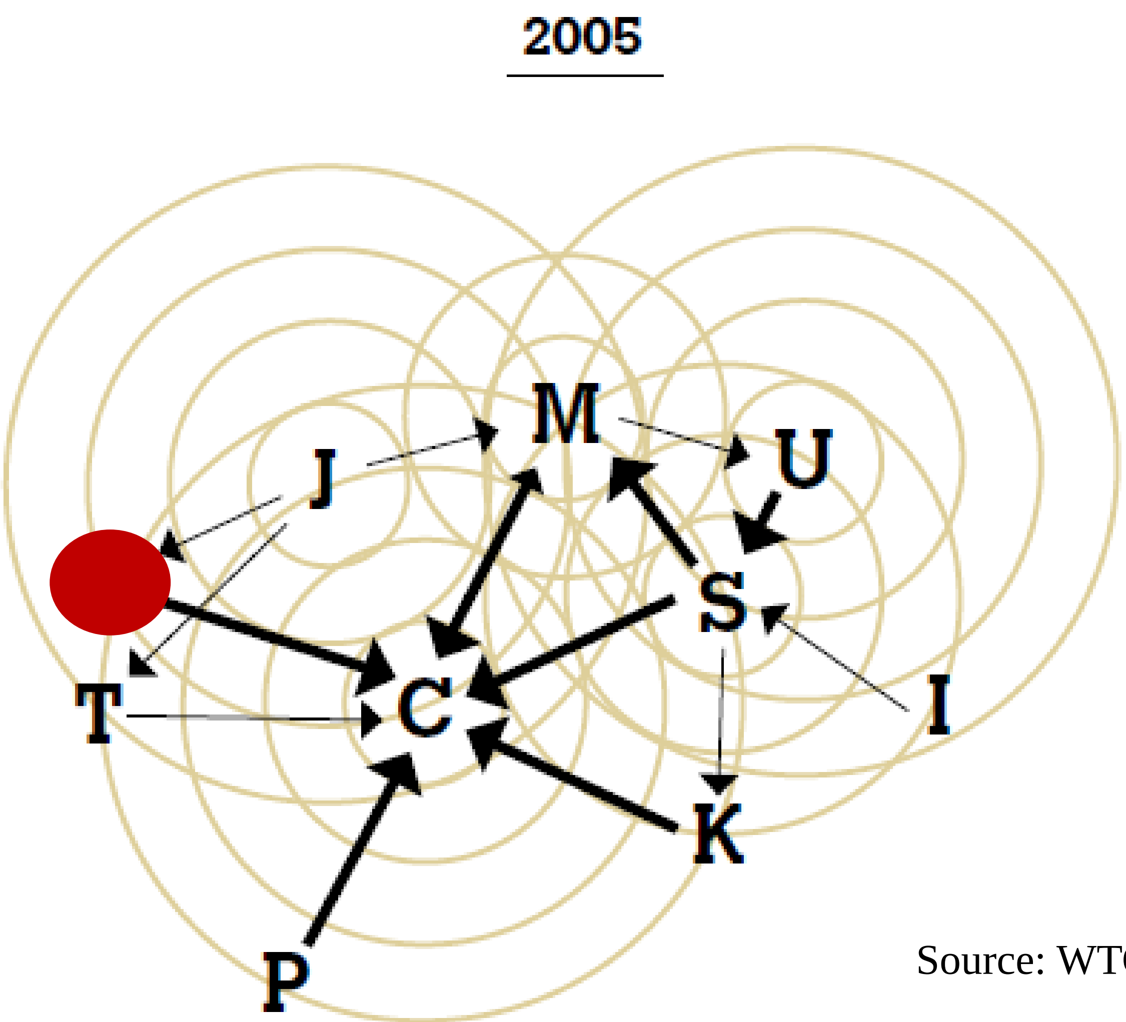
Source: WTO & IJTRO, 2011

Evolution of Regional Production Network1985-2005



Source: WTO & IJTRO, 2011

Evolution of Regional Production Network1985-2005



2010 and beyond?

= Taiwan

Source: WTO & IJTRO, 2011

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Economic Diplomacy

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Source: Google Images

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Concept of Economic Diplomacy (ED)

- **ED is concerned with economic policy issues, e.g. work of delegations at standard setting organizations such as the World Trade Organization and the Bank of International Settlements.**

- **Economic diplomats also monitor and report on economic policies in foreign countries and give the home government advice on how to best influence them.**

- **ED employs economic resources, either as rewards or sanctions in pursuit of a particular foreign policy objective.**

Source: Saner and Yiu (2003) "International Economics Diplomacy: Mutations in Postmodern Times", Discussion Papers in Diplomacy, No. 84, Clingendael Institute of International Relations, The Hague, January, p. 13

Case example 1: France

- Promotion of France's economic interests is traditionally one of the roles of the **Ministry of Foreign Affairs.**
- Three main complementary goals of the French economic diplomacy:
  - **support French companies** on foreign markets
  - **attract foreign investment** to create jobs
  - better **adapt the European and international regulatory framework** to the French defensive and offensive economic interests
- Goals are translated into **10 focuses** of an **Action plan for economic diplomacy** (27 August 2012)

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 1: The Business and the Global Economy Directorate

- New **Directorate** established on 1 March 2013.

- Seven **special representatives** contribute to boosting the dynamism of economic relations with key countries: *Algeria, China, India, Japan, Mexico, Russia and the United Arab Emirates.*

- **Regional ambassadors** appointed to promote contacts between regions and their businesses on the one hand and the diplomatic network on the other.

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 2: Increased mobilization of the network abroad

- **Embassy action plans** must include an increased **economic aspect**, specifying their goals in this field.
- **Economic councils** are established in embassies, which bring together **government** departments and **businesses**.
- **International volunteers** in administration will increase the effort made by **chambers of commerce** in key countries.
- **New strategy** being drawn up for **European and international organization tendering**.

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 3: Ministerial visits with an economic dimension

- Minister of Foreign Affairs visits to:
  - Colombia
  - Panama
  - Peru
  - Central Asia

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 4: Promotion of French innovation

- The **ties between competitiveness clusters and the network** are strengthened to support their outreach on foreign markets.

- Ten **international technical experts will be appointed within foreign "clusters"** to relay the efforts made by their French counterparts.

- Beyond scientific watch, the network will step up its efforts to make innovative projects by French companies better known worldwide.

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 5: Attracting foreign investment to France

- **Embassies participate in efforts for prospection and promotion of foreign investment in France.**

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 6: Mobilizing soft power tools

- **Grants for foreign students trained in France** are targeted towards **high-potential countries**, taking into account the disciplines which correspond to **French economic interests**.

- **Cultural network** contributes to developing the "French brand".

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 7: Visas

- Visa policy perceived as a **lever for attractiveness**.

- **Simplify procedures to obtain short-stay visas** for certain stakeholders of bilateral relations, including **businesspeople** and **potential investors**, **foreign students** and **tourists**.

- **Partnerships** with **businesses**, **chambers of commerce** and **universities** forged to simplify the procedures concerning them.

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 8: Support for expatriation

- Creation of a **"Grand Voyageur" passport** to simplify administrative procedures for businesspeople.

- Negotiation of additional **international conventions to facilitate expatriation**.

- ***Maison des français à l'étranger*** (Centre for French Nationals Abroad) provides French nationals with a public service to **support expatriation and reintegration in France**.

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 9: Better communication with businesses

- Ministry of Foreign Affairs received businesses during an **open day.**

- "*Rencontres Quai d'Orsay – Entreprises*" on 9 April 2013.

- **Largest event ever organized** by the Quai d'Orsay for businesses (700 participants).

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

Focus 10: Ministry staff

- Training modules on economic and trade issues are being stepped up.
- Candidates with economic profiles are sought after, particularly from backgrounds of academic economics and business schools.
- Presence of diplomats in businesses will be encouraged and developed.

Source: French Ministry of Foreign Affairs, www.http://www.diplomatie.gouv.fr/en/the-minister-and-the-ministers-of/diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/

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Case example 2: CH and the G20

- **Switzerland's inclusion in 2009 in a "blacklist" of uncooperative tax jurisdictions developed by the OECD resulted in major changes in its fiscal policy.**

- **G20 topics: reform the international monetary system, strengthening financial regulation, volatility of commodity prices, development, employment, fight against corruption and governance.**

OECD and soft law...also by G20?? (wikipedia, 3/8/12)

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- Unlike other inter-governmental organizations like the United Nations or the European Commission, the OECD cannot edict laws and doesn't have the power to coerce a country, member or not, to alter its policy.
- However, it can have **an influence on national policies through soft laws, by issuing "recommendations", "guidelines" and other "manuals", that countries or companies can refer to.**

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OECD and soft law…also by G20?? (wikipedia, 3/8/12)

- **Some of these guidelines have become *de facto* standards, such as the OECD Guidelines for the Testing of Chemicals or the OECD Model Tax Convention.**
- **Also, negotiations and agreements between representatives of member countries can happen at the OECD, and have direct consequences in national laws.**

List of IMF (2011)

Rank (IMF 2011)	Country	GDP (mio USD)
1	United States	15,094,025
2	China	7,298,147
3	Japan	5,869,471
4	Germany	3,577,031
5	France	2,776,324
6	Brazil	2,492,908
7	U.K	2,417,570
8	Italy	2,198,730
9	Russia	1,850,401
10	Canada	1,736,869
11	India	1,676,143
12	Spain	1,493,513
13	Australia	1,488,221
14	Mexico	1,154,784
15	South Korea	1,116,247
16	Indonesia	845,680
17	Netherlands	840,433
18	Turkey	778,089
19	Switzerland	636,059
20	Saudi Arabia	577,595
21	Sweden	538,237
22	Poland	513,821
23	Belgium	513,396
24	Norway	483,650
25	Iran	482,445
26	Taiwan	466,832
27	Argentina	447,644
28	Austria	419,243
29	South Africa	408,074
30	K.Saudi Arabia	360,136

G20 Leader Role Rotation List

Group	Nations	Group	Nations	Group	Nations	Group	Nations	Group	Nations
Group 1	Australia	Group 2	India	Group 3	Argen-tinia	Group 4	France	Group 5	China
	Canada		Russia		Brazil		Germany		Indonesia
	Saudi Arabia		South Africa		Mexico		Italy		Japan
	United States		Turkey		---		United Kingdom		South Korea

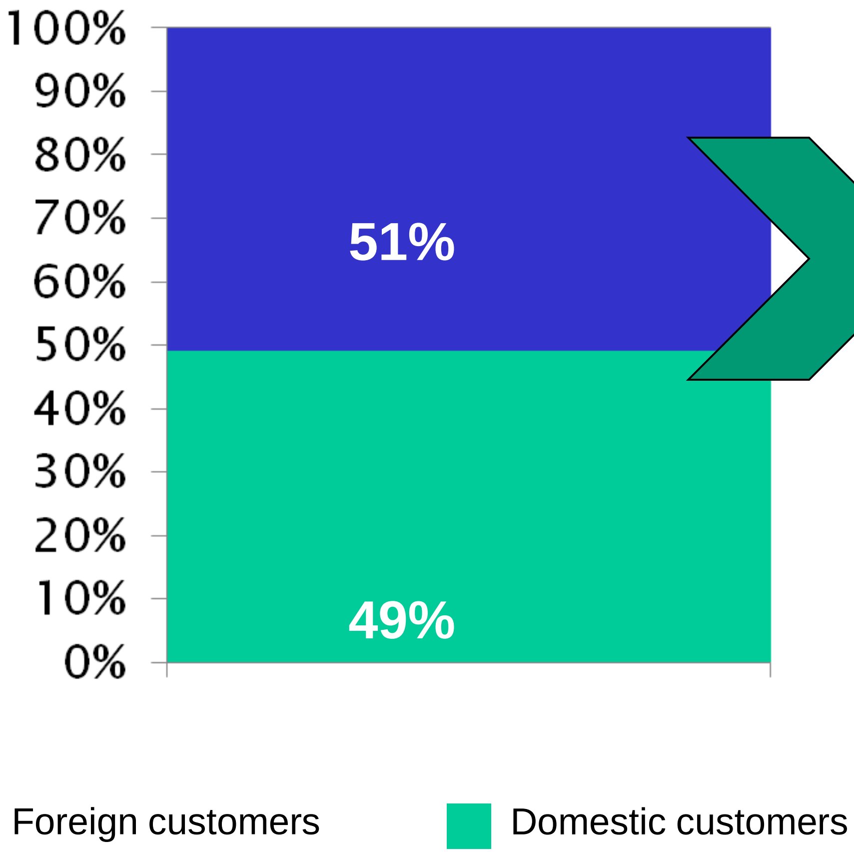
Importance of financial sector for Switzerland

- Largest contributor to Switzerland's economy generating over 12% of GDP
- Accounts for 12-15% of the country's tax revenues
- Provides 195,000 skilled jobs

Swiss financial Centre in the World

(source: SBA, Basle 3-8-2012)

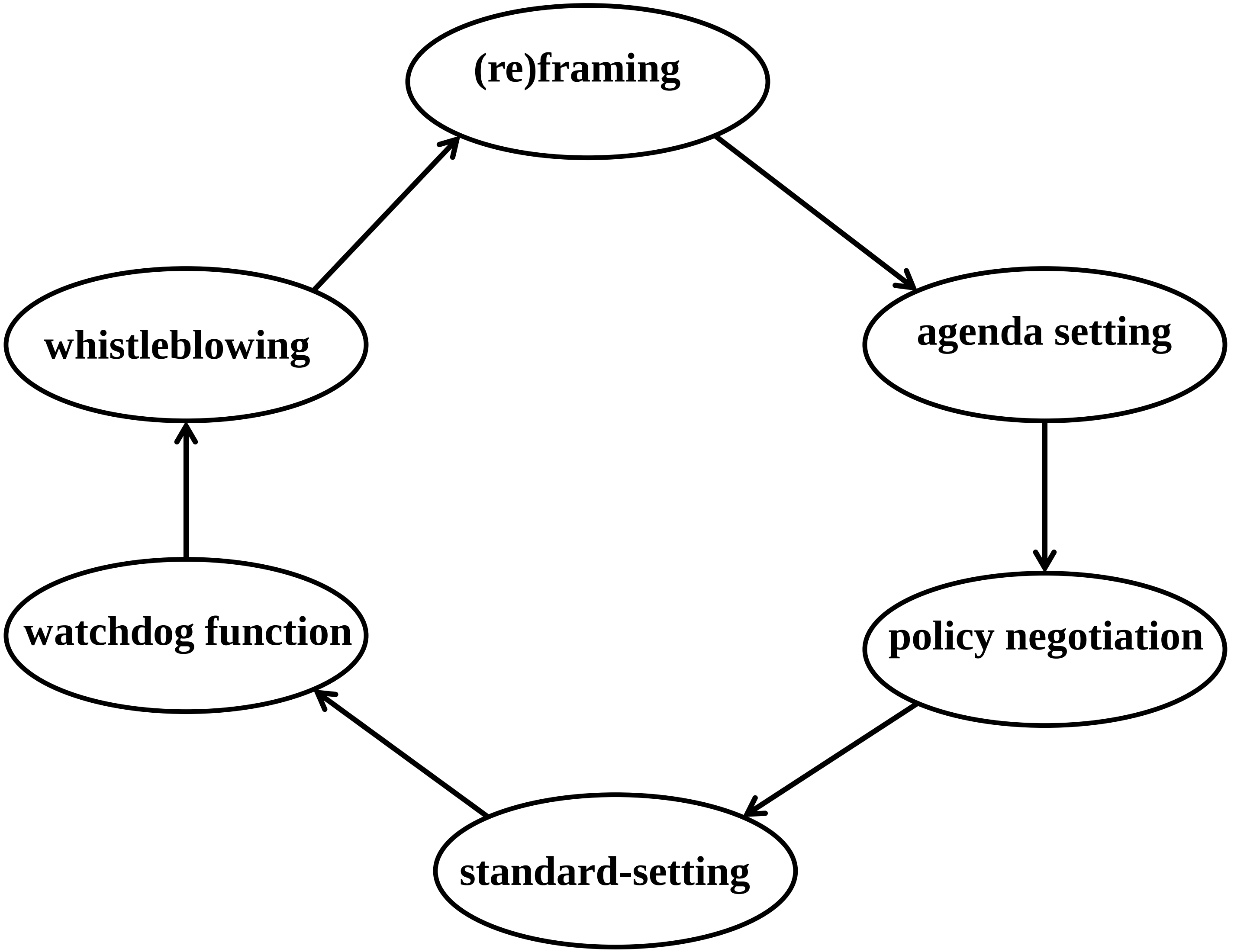
Assets under management in Switzerland in 2011: CHF 5,300 billion



Sources: SNB, SBA calculations

Market share in cross-border private banking in 2010	
Switzerland	27%
UK/Channel Islands/Dublin	24%
Caribbean/Panama	12%
US	9%
Luxembourg	7.5%
Singapore	7.5%
Hong Kong	4%
Others	9%

Influencing the international policy space

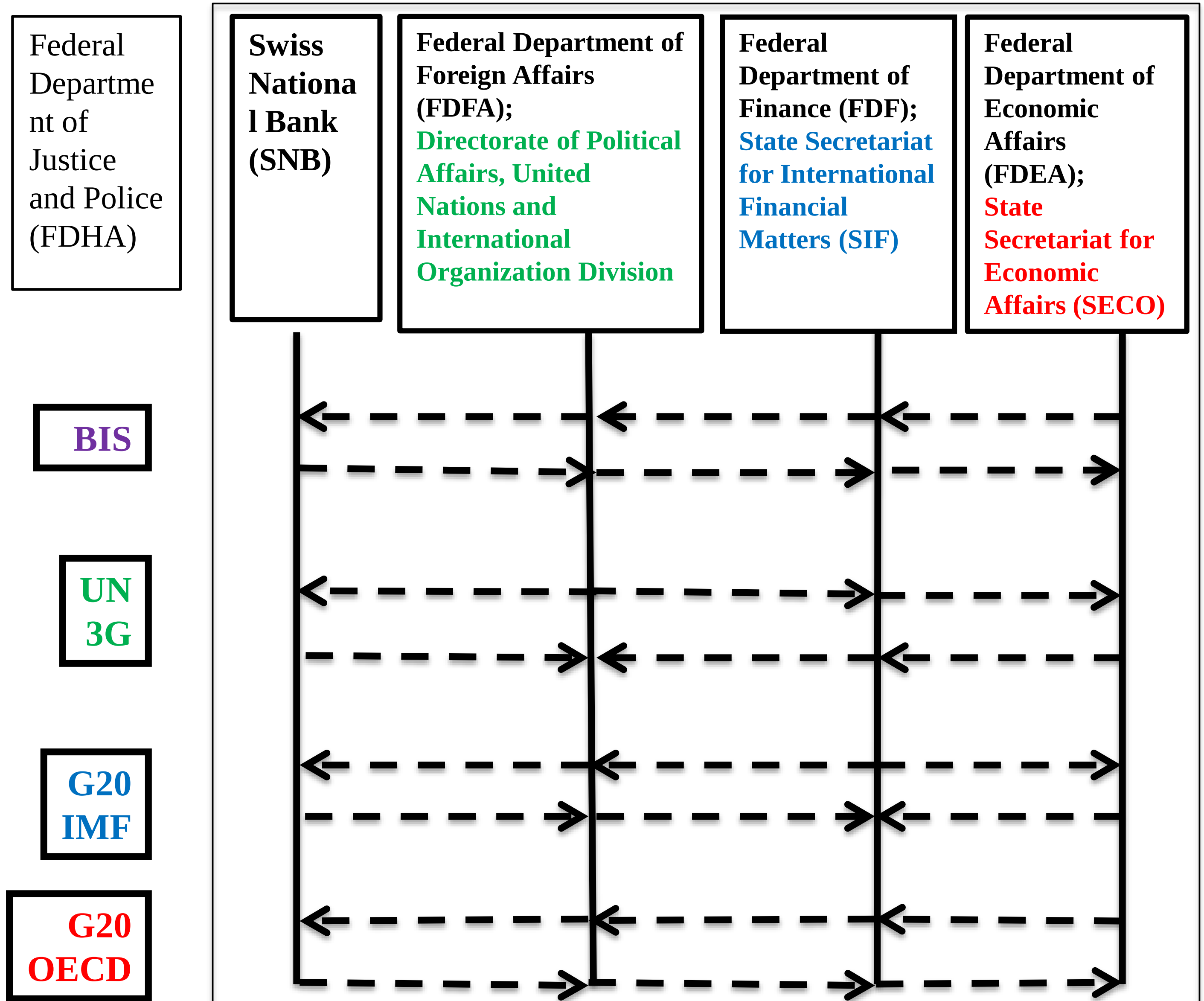


Source: Saner, Raymond & Michalun, Varinia (ed.) (2010), *Negotiations Between State Actors and Non-State Actors: Case Analyses From Different Parts of the World*, Dordrecht: Republic of Letters, p.28.

Switzerland´s consultative process: IDAG20

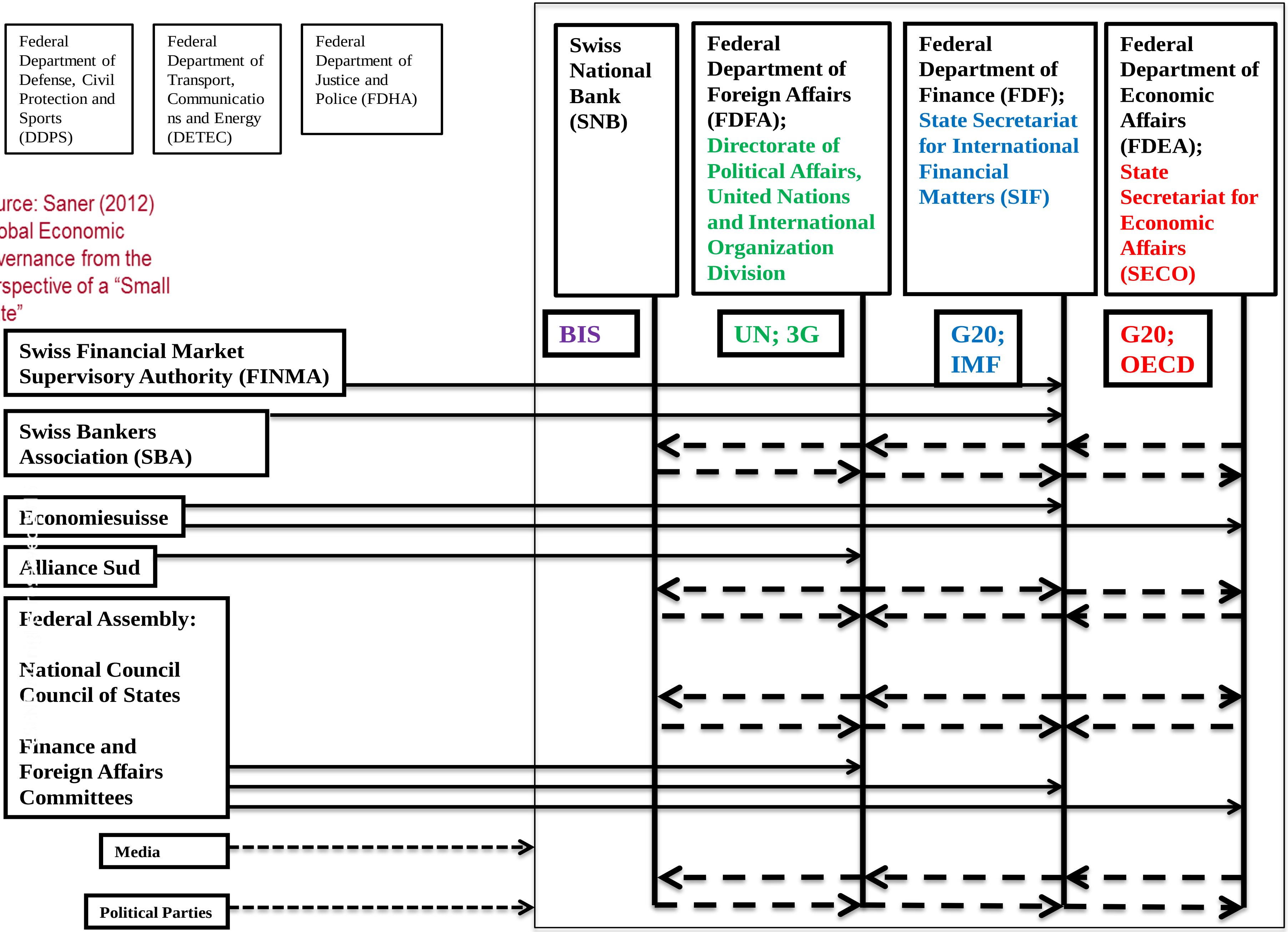
Federal Department of Defense, Civil Protection and Sports (DDPS)

Federal Department of Transport, Communications and Energy (DETEC)



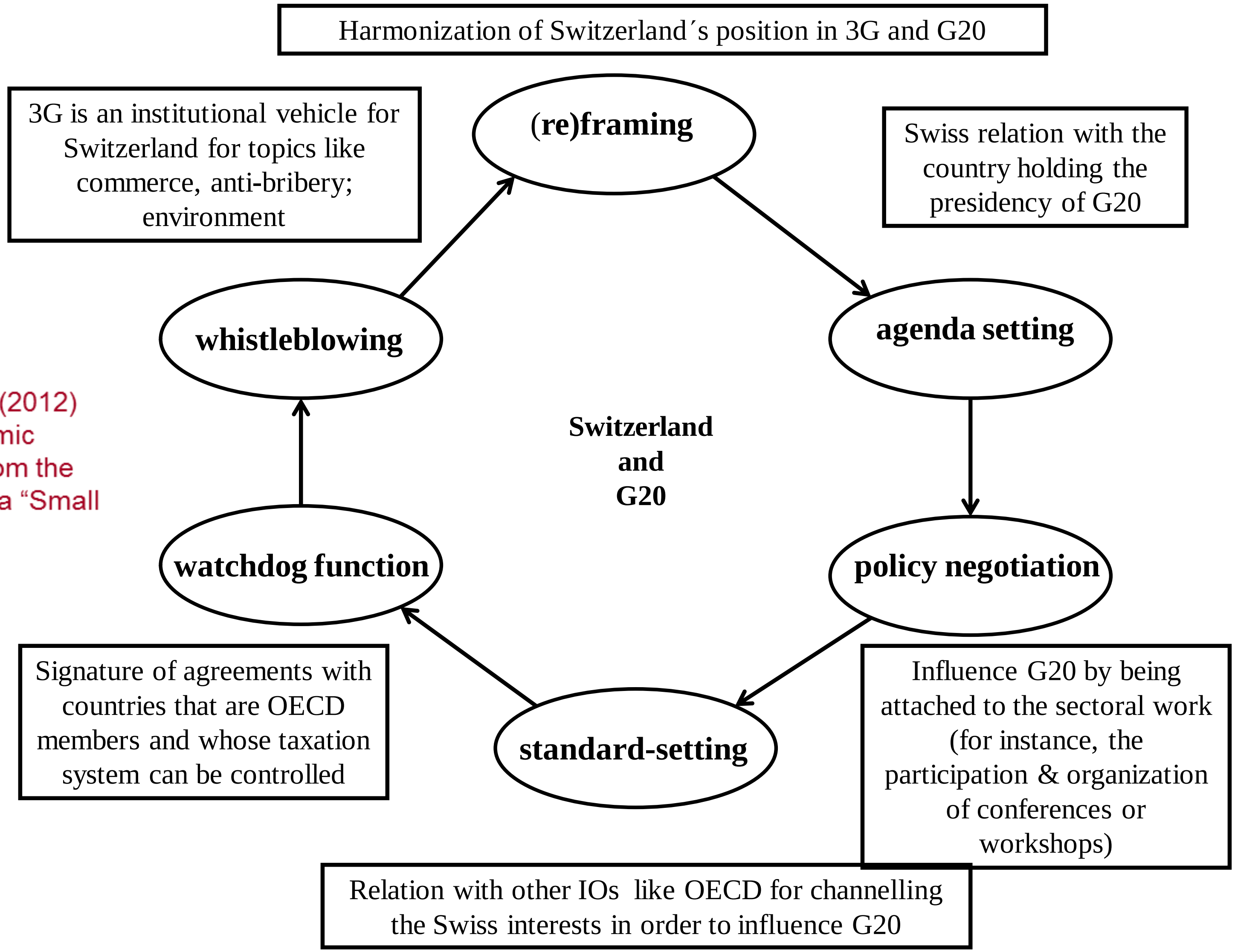
Source: Saner (2012) “Global Economic Governance from the Perspective of a “Small State”

Shaping Switzerland's financial policy and economic diplomacy



Source: Saner (2012) "Global Economic Governance from the Perspective of a "Small State"

International policy space:
Switzerland's interests in regard to G20



Source: Saner (2012) "Global Economic Governance from the Perspective of a "Small State"

Conclusion

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- Switzerland has been able to navigate the financial governance system- avoiding pressures on its banking system by the large OECD competitors while, at the same time, trying to influence the G20 in general.

- Elements of success:
  - close links to the G20 presidency
  - possibility to participate and organize sectoral meetings for OECD
  - traditional "neutral" approach keeping the country out of foreign conflicts but also supporting a position of active solidarity to alleviate the impacts of the financial crisis

Conclusion *(cont.)*

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"Lessons learnt" based on the case of Switzerland are:

- **Being small and not included in the G20, informal and formal contacts with G20 member countries are very important as well as participation and organization of preliminary meetings.**

- **Being small and not included in the G20 requires ability to have good informal relations with the G20 presidency.**

- **"Conference Diplomacy" can be used as a tool in order to influence the G20 agenda and deliberations.**

- **Meetings before the G20 summits are crucial to promote preventive and proactive positions important to Switzerland (deletion, weakening or inclusion of topics).**

Further Reading

- "International Economics Diplomacy: Mutations in Postmodern Times", Raymond Saner & Lichia Yiu, Discussion Papers in Diplomacy, No. 84, Clingendael Institute of International Relations, The Hague, 2003; http://www.diplomacydialogue.org/images/files/20030109-DP-DSP.pdf

- Links to CSEND/DiplomacyDialogue publications on the new diplomacies and on trade:

  http://www.diplomacydialogue.org/publications.html

  http://www.csend.org/trade-policy-governance

- Global Economic Governance from the Perspective of a "Small State": http://www.diplomacydialogue.org/publications/economic-diplomacy/118-global-economic-governance-from-the-perspective-of-a-small-state-.html

Thank you!

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