

## IN-DEPTH ANALYSIS

# EU economic diplomacy strategy

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### ABSTRACT

The post-World War II order is undergoing profound changes with globalisation and the emergence of new economic powers. The economy has gradually taken over as the main driver of political influence and global now transcend the old national or regional divides. As the EU was emerging as a global economic player, the economic and financial crisis made the need to tap into foreign markets all the greater. The creation of the European External Action Service (EEAS), incorporating the EU delegations, and the new EU competence for direct foreign investment under the Treaty of Lisbon have given the Union the tools to assume an independent identity in economic diplomacy. As a result, the EU's business-promotion policy evolved into a much more sophisticated economic diplomacy strategy, handled in a more structured manner by the Commission and the EEAS. The European Parliament must now be involved, beyond its legislative and scrutiny roles, in devising this new strategy. Not only could the EP add to the debate but it can also help the Commission and the EEAS with its long-established tradition of parliamentary diplomacy.

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This paper is an initiative of the Policy Department, DG EXPO  
English-language manuscript was completed on 3 March 2017.

Printed in Belgium.

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# 1 Definition and general background

## 1.1 The concept

Economic diplomacy has many definitions, all of which include: facilitating access to foreign markets; attracting foreign direct investment; influencing international rules.

In the absence of a standard definition, it is generally agreed that economic diplomacy<sup>1</sup> can be defined in a **number of different ways**. The first attempt to define the concept dates back to the beginning of the 21<sup>st</sup> Century<sup>2</sup> but most of the work has been carried out since 2009. There are at least three **strands**, each one wider in scope, that are common to all 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.

The term economic diplomacy implies the use **abroad**, by a state, of a **wide spectrum of economic tools** to secure its national interest; the involvement of a **range of actors** (civil society, public and private sector), and an **array of issues** such as security, natural resources like water, climate, energy, trade, growth, migration, investment, development, influence and negotiation<sup>3</sup>.

The goal can be as narrow as **boosting economic growth** or as broad as developing **geo-political influence and a diplomatic network**.

Economic rewards and sanctions are a good example of economic instruments used for political ends.

Definitions also include the notions of **rewards and sanctions**. Economic instruments have clearly become a major tool of political diplomacy and foreign influence, as illustrated by the economic sanctions imposed on Cuba, Iran and Russia.

## 1.2 The rise of economic issues in diplomacy

Over the past 50 years, the economy has become the main driver of political influence.

The concept of economic diplomacy has gradually emerged over the past 50 years, as the **economy has become the main driver of political influence**. The post-second-world-war order, which started with the **Marshall Plan** and the European economic project based on the **European Steel and Coal Community**, was clearly economic. Thus, the major world economies conducted their diplomacy with the focus on their economic, trade and private sector interests. This has possibly led to major reorganisations of their administrations.

## 1.3 Changes in the international economic order

**The global economic order** has undergone **great changes** over the **past 60 years**. It was based essentially on the **reconstruction effort** after the

<sup>1</sup> see work of Clingendael, ECDPM, EPSC, EPC,

<sup>2</sup> Berridge and James (2003), Rana (2007)

<sup>3</sup> in Gresea Echos 86, L'Europe (Néo) Mercantile, la diplomatie économique de l'UE dévoilée, June 2016

The rise of the emerging economies upset the post-World War II economic balance of power.

The global impact of China's accession to the WTO in 2001 is still being felt.

Brexit and the new US administration show how swiftly things can change.

second world war. The international financial institutions (IFIs) and the General Agreement on Tariffs and Trade (GATT) - which became the World Trade Organization (WTO) in 1995 - were all **set up by and for the industrialised countries**, which were, at the time, the main powers. The rise of the **developing countries** upset the global economic balance of power, with **China** becoming a major player on the international economic stage and eventually **joining the WTO in 2001**. China's accession to the WTO led to profound changes in the global economic order whose impact is still being felt<sup>4</sup>.

**Globalisation** has also played a **major role** in the development of economic diplomacy. The world has become inter-connected; trade has expanded hugely over the past 50 years, exchanges of goods, services and investments have greatly increased. **The scale of trade** is no longer merely local, national or even regional but **worldwide**. **National** issues have become **global**, such as peace, security, development, climate, access to water...

**The UK's forthcoming withdrawal from the EU and a new transatlantic relationship** with the US under the Trump administration are recent examples of how **quickly situations can change**. Even **globalisation has recently been challenged** and might have had its day. **International power is shifting** from traditional structures like the IFIs **to informal fora** such as the G20. WTO rules are giving way to bilateral agreements, a trend about which the European Parliament has constantly raised concern. Michele Chang, professor at the European Political and Administrative Studies Department of the College of Europe in Bruges, has warned that **'The end of multilateralism poses a serious challenge to the EU, which does not take enough advantage from bilateral deals'**<sup>5</sup>.

The EU is **the world's largest economy** and **accounts for a quarter of the world's GDP**. As the competition from other parts of the world is getting tougher, it must **adapt to the global changes** and needs to wield **influence more effectively as a global player**.

## 1.4 From commercial to economic diplomacy

Defined narrowly, economic diplomacy means supporting businesses abroad.

Economic diplomacy is often understood, in a narrow sense, as an **instrument to promote enterprises**, particularly Small and Medium Enterprises (SMEs) where the potential for job creation is greater than for multinationals, on foreign markets. In that sense, it could also be called 'corporate diplomacy' or 'commercial diplomacy'. Most developing countries supported the internationalisation of enterprises in the first decade of this century, when growth was more promising in emerging

<sup>4</sup> The recent issue of granting China a market economy status (MES) is a good example of how its accession to the WTO is still affecting western economies.

<sup>5</sup> In Michele Chang's presentation at the EEAS seminar on Economic Diplomacy, on 23 November 2016

countries and particularly in Brazil, India, Russia and China — the BRICs<sup>6</sup>. Big countries would use their diplomatic networks and power to promote business and investment abroad, or to attract foreign investment to their territory.

The Commission has a long tradition of business support networks.

Supporting **business** has also been a **priority of the European Commission** for many years and it still is. Assessing that more than **90 % of global growth is expected to occur outside the EU** where **only 13 % of EU SMEs are active**, the Commission first engaged in supporting SMEs abroad. It set up various instruments and networks, such as the **European Enterprise Network in the EU**, as well as many others outside Europe. Since other Commission departments were involved in complementary activities like market access negotiations or regulatory cooperation with neighbouring countries, the Commission was already engaging de facto in economic diplomacy without noticing it in the absence of a coherent and comprehensive strategy.

An **overview of EU instruments contributing to the internationalisation of enterprises** used to promote business at EU level can be consulted on the website of DG GROW (formerly DG Internal Market), which is responsible for enterprises and SMEs.

In a broader sense, economic diplomacy can mean 'intelligence gathering' to help wield influence.

Understood in a **broader sense**, economic diplomacy can serve an **intelligence** function, helping to wield '**influence**', and becomes more of a **strategy than an instrument**. The concept moves from business promotion stricto sensu to a wider notion of economic interest promotion. Academics and think-tank organisations have mostly based their work on this broad definition.

The concept, which is continually evolving, also encompasses the dissemination of values.

The concept has gradually become broader. As trade is currently evolving from 'free' to 'sustainable', new elements are added to the definition, like the **dissemination of values**. The use of trade agreements to promote human and social values is a good example of this trend.

Policy coherence, global influence, coordination, regulatory cooperation and political dialogue are key elements of the EU's conception of economic diplomacy.

The same shift from a narrow to a broad definition of economic diplomacy can be observed over the past two years at EU level. Other **Commission departments**, in addition to DG GROW, have become involved, in order to ensure **policy coherence and coordination**, including DG Trade, DG DEVCO, DG NEAR and the EEAS, and more areas have been added, such as **external policies, trade agreement negotiations or regulatory cooperation**.

The EU has a diplomatic network but needs clear objectives.

It is interesting to note that, within the EU institutions, there are different views about what should be the primary objective of economic diplomacy. For some, it is seen as a vehicle for exporting **EU values** through **regulatory convergence and political dialogue**, and for reaching a **common understanding with third countries**. For others, it is more a tool for ensuring **policy coherence** and enabling the EU to operate as a **global**

<sup>6</sup> The term was created in 2001 to define a new group of emerging countries with Brazil, India, Russia and China. South Africa joined the group in 2011.

**player.** All recognise, though, that building an economic diplomacy strategy is a very complex process. It requires **clear objectives** and a **diplomatic network**. The EU now has both.

## 1.5 Member State level

The evolution from commercial to economic diplomacy first happened at Member State level.

Member States have taken concrete initiatives

There is regular cooperation between Member States and the Commission but it is still limited.

The evolution of the concept **from commercial to economic diplomacy first happened at the level of the Member States**. Some Member States have moved from an initial focus on promoting businesses abroad to developing a strategy involving their diplomatic networks in the economic arena and using their officials as VIPs to represent and sell their products and technology on international markets. Most of them already had **economic counsellors in embassies**, advising the ambassador on economic issues while others developed this later.

As an example of what is done at EU Member State level, most of them have set up dedicated websites, like the Netherlands<sup>7</sup>, Belgium<sup>8</sup> or the United Kingdom<sup>9</sup>, and have put in place a support network to accompany enterprises on markets abroad, like France<sup>10</sup>. In addition, France has recently designated representatives on economic diplomacy to specific countries<sup>11</sup>. The basis of a German economic diplomacy strategy can be consulted on the website of the Ministry of Foreign Affairs<sup>12</sup>.

DG GROW has drawn up a number of internal studies that provide inventories of policies and practices in the Member States. Unfortunately, these studies are not available to the public.

So far, **cooperation** between the **Commission and the Members States** has been **limited**. One reason is that **business promotion remains a Member State competence**. However, there is some cooperation with the Commission, principally with DG GROW. High-level foreign ministry officials meet twice a year on global issues (for example, environment, water and migration) and have already discussed economic diplomacy. The Commission also meets regularly with Member States' trade promotion organisations (TPOs)<sup>13</sup>.

<sup>7</sup><https://www.government.nl/topics/enterprise-and-innovation/contents/economic-diplomacy>

<sup>8</sup>[https://diplomatie.belgium.be/fr/politique/diplomatie\\_economique/commerce\\_exterieur/conseillers\\_diplomatie\\_economique](https://diplomatie.belgium.be/fr/politique/diplomatie_economique/commerce_exterieur/conseillers_diplomatie_economique)

<sup>9</sup><https://www.gov.uk/government/speeches/championing-britain-through-commercial-and-economic-diplomacy>

<sup>10</sup><http://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/diplomatie-economique-et-commerce-exterieur/soutenir-les-entreprises-francaises-a-l-etranger/un-plan-d-action-pour-l-ensemble-du-ministere/les-outils-de-la-diplomatie-economique/>

<sup>11</sup><http://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/diplomatie-economique-et-commerce-exterieur/soutenir-les-entreprises-francaises-a-l-etranger/un-plan-d-action-pour-l-ensemble-du-ministere/des-representants-speciaux-du-ministre-a-l-etranger-pour-la-diplomatie/>

<sup>12</sup><http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Jamaika/Aussenpolitik.html>

<sup>13</sup> See "[Who is Afraid of European Economic Diplomacy?](#)" Clingendael, The Netherland

Business promotion and economic diplomacy remain sensitive issues for Member States.

Nevertheless, the Council issued guidelines in 2015.

The current reflexion on economic diplomacy is more based on complementarity and subsidiarity with Member States action.

**Cooperation with Member States remains a sensitive issue** since economic diplomacy raises issues of sovereignty.

In economically liberal<sup>14</sup> countries, such as the United Kingdom or the Netherlands, diplomacy has always served to promote trade. In some countries, the increasing role of the economy in diplomacy has had a major impact on the administration, with the full or partial merger of the economic affairs and foreign ministries, as in Australia, Canada and Belgium and, recently, the Netherlands, Lithuania and France.

Despite the lack of appetite for raising the topic at EU level, **the Council issued [guidelines for the economic policies of the Member States](#)** in 2015. In accordance with the Europe 2020 strategy, they focus on: 1) promoting investment; 2) enhancing growth through Member States' implementation of structural reforms; 3) removing key barriers to sustainable growth and jobs at Union level; 4) improving the sustainability and growth-friendliness of public finances.

Many people recognise that what seems to be very **difficult to achieve at EU level works much better at local level**. Coordination between EU delegations and Member States' diplomatic representations is often considered very good and, therefore, a powerful and efficient tool locally.

While fully recognising the exclusive competence of Member States in the promotion of business and investment, a new idea is emerging, namely of involving **Member States more in the promotion and explanation of existing free trade agreements (FTAs)** to help EU companies reap the benefits more fully.

In the current reflection on an EU economic diplomacy strategy, the emphasis however seems to be more on ensuring **complementary and subsidiarity** then overlapping with Member States. The narrative in both the EEAS and the Commission makes clear that it is no longer a question of the EU institutions replacing Member States' action but rather of **adding real value** to what already exists.

## 1.6 Private sector level

Private sector representatives in Brussels are supportive but also critical of the development of EU economic diplomacy.

**Private sector representatives** in Brussels **support the initiatives at EU level and call for more efficiency**. SMEs are the most interested. Both the Association of European Chambers of Commerce and Industry ([EUROCHAMBRES](#)) and Business Europe have issued supportive but also critical position papers.

[EUROCHAMBRES](#) is more critical of the risk of duplicating national structures: **'It is of prime importance that the support provided by the EU to European SMEs is complementary to the existing structures in the target market as well as in the home base of an SME.'**

<sup>14</sup> In the sense of pro free trade



**Business Europe** warns against **excessive use of economic tools to pursue political objectives** that can be detrimental to the EU economic interest. While recognizing that the economic dimension should be an integral part of the EU global strategy and that there is a need for coherence and consistency, Business Europe highlights the importance of market access and puts **trade and investment** at the centre of the EU policy.

## 2 EU economic diplomacy: from business support to an emerging strategy

### 2.1 2009 - 2014: the Barroso II Commission

#### 2.1.1 General context

2009 saw the peak of the global economic and financial crisis and the entry into force of the Lisbon Treaty.

The Europe 2020 strategy focusses on growth and job creation.

Support to SMEs remains a top priority.

People will remember **2009** not only as the year **the global financial and economic world crisis** was at its height but also as the year the **Lisbon Treaty entered into force**.

After the blow dealt by the financial and economic crisis, the main objective of the EU became to **create growth and jobs**. In 2010, the Commission issued a communication on 'EUROPE 2020, a strategy for smart, sustainable and inclusive growth'. The **Europe 2020 strategy** is the EU's main **agenda for growth and jobs** for the current decade until 2020. It emphasises smart, sustainable and inclusive growth as a way to overcome the structural weaknesses in Europe's economy, improve its competitiveness and productivity and underpin a sustainable social market economy. Eurostat regularly publishes comprehensive **progress reports** for its targets<sup>15</sup>. The Europe 2020 strategy clearly identified external policy instruments as an important tool for jobs and growth.

Shortly afterwards, in 2011, the Commission proposed a strategy aimed at helping SMEs expand their business outside the EU, called '**Small business, big world**'. It set out six fields of action<sup>16</sup> and **SME policy dialogues** were also launched by the Commission, bilaterally with China, and multilaterally with the eastern and southern neighbourhoods (EU-MED Cooperation, Eastern Partnership).

<sup>15</sup> Targets: -75 % of people aged 20–64 to be in work; 3 % of the EU's GDP to be invested in R&D; greenhouse gas emissions 20 % lower than 1990 levels; 20 % of energy coming from renewables; 20 % increase in energy efficiency; rates of early school leavers below 10 %; at least 40 % of people aged 30–34 having completed higher education; at least 20 million fewer people in – or at risk of – poverty/social exclusion.

<sup>16</sup> Strengthening and mapping the existing supply of support services; creating a single virtual gateway to information for SMEs; making support schemes at EU level more consistent; promoting **clusters** and networks for SME internationalisation; rationalising new activities in priority markets; leveraging existing EU external policies.

The Lisbon treaty made external diplomacy and investment EU competences.

Following the **entry into force of the Lisbon treaty, new competences** started to be implemented at EU level, such as **investment** and **external policy**. The European External Action Service (EEAS) started to operate. The **Commissioners' Group on External Action** (CGEA)<sup>17</sup>, chaired by HR/VP Federica Mogherini, was re-activated and is considered as one of the most important institutional initiatives in EU foreign policy-making and a direct consequence of the creation of the European External Action Service. With **investment** being a strong vehicle for growth, and the creation of the EEAS incorporating the EU's **140 delegations**, the EU now had all the instruments to set up a real economic diplomacy.

## 2.1.2 Missions for Growth

The introduction of the economic diplomacy concept at EU level.

Among the various initiatives undertaken to boost growth in the EU, one of the **most innovative** was certainly the launch of '**Missions for Growth**' by Antonio Tajani, then European Commission Vice-President. By putting his leadership and his high authority at the service of enterprises, he **introduced the concept of 'economic diplomacy' at EU level**. Around thirty missions were carried out in the aim to help EU enterprises do business abroad, particularly in emerging markets, while enabling them to take part in political meetings with local authorities, as well as organise business-to-business exchanges. These missions were followed by others at technical level, aiming at translating political agreements into concrete actions<sup>18</sup>. Even if there was room for improvement, these missions have proved to be **very useful in facilitating access to the market of third countries, to EU companies and in particular SMEs**. Companies themselves have reported clear business results from these missions and found particularly enriching to travel with other EU Member States' enterprises, even if they were competitors. Today, Commissioners Elżbieta Bienkowska and Phil Hogan carry out such missions with a delegation of EU enterprises.

## 2.2 2014 - 2017: the Juncker Commission

### 2.2.1 General context

Investment was added as a goal alongside job creation and growth.

In Jean-Claude Juncker's Commission, the priority is not only jobs and growth but also **investment**, which became **a core element of the strategy**. Another contextual change compared to the previous Commission is the need to make this growth **sustainable**, inclusive and resistant to future world economic shocks. The idea is to put Europe on a path to economic recovery for good. The **first of the 10 priorities**

<sup>17</sup> At the creation of the EEAS, the old Group of commissioners involved in external policies became a new "Commissioners' Group on External Action", chaired by the HR/VP Mogherini, more structured meeting at least once a month.

<sup>18</sup> such as the appointment of SME envoys to countries such as Brazil, Chile, Colombia, Peru and Uruguay, as well as the incorporation of European industrial standards as national standards in Morocco, Tunisia or Egypt.

announced by President Juncker in September 2014 was '[Jobs, growth, and investment](#)'.

President Juncker's [Investment Plan for Europe](#) was adopted in November 2014. Financed by the **European Fund for Strategic Investments** (EFSI), it is worth EUR 315 billion over the period of 2015-2017. The plan is to double its duration and financial capacity to provide a total of at least EUR 500 billion in investment by 2020.

The work to develop the strategy intensified in 2015.

Since April 2015, the Commission's departments, the EEAS and the European Investment Bank (EIB) have been working more closely together to improve EU economic diplomacy activities.

In February 2016, Commission Vice President Katainen gave a speech outlining an ambitious EU strategy for the first time.

The conference on the 'EU Global Strategy on Foreign and Security Policy' that took place in February 2016 in Brussels included a debate on '**Economic Diplomacy and Foreign Policy: Friends or Foes**'. The Vice President of the European Commission, **Jyrki Katainen** [delivered a speech](#) in which he set out **the main lines of a future strategy**. He underlined the need to combine forces, using all networks including the EU delegations not only to relay EU policies on the ground but also to undertake intelligence gathering. He said, '**By using all our networks including EU delegations, we must first understand better the economic realities outside the EU: how markets and industries are evolving, the risks and opportunities of other governments' economic policies.**'

For him, actions should be undertaken simultaneously at **macro, mezzo and micro levels**. He also gave his view on what would be the '**right mix of external economic policies**' with four concrete actions: 1) remove barriers to trade and investment (market access); 2) support EU businesses that want to go abroad (business promotion); 3) shape globalisation and strengthen the multilateral system by working with our partners (promotion of EU values and interests); 4) attract more foreign investment into the EU (EFSI). The regulatory dialogues with third countries and better coherence for policies and instruments are at the center of the new doctrine. Mr Katainen said: '**We need to ensure the best possible coordination and exchange of information, not only within the EU institutions, but also between the EU institutions and the Member States as well as with business.**' The EEAS presented the [Global Strategy for the European Union](#) on 28 June 2016. Although this strategy focuses on security and defense, its main goal is to '**give the Union a collective sense of direction**' and to combine internal and external policies. Its ambition is to make **Europe stronger** while **more united and more influential** on the world stage to ensure the security of citizens, **preserve its interests**, and **promote its values**. All these elements are present in the broader definition of economic diplomacy.

The Global Strategy, drawn up by the EEAS, is also the legal base for the EU's economic diplomacy.

## 2.2.2 The EIB as an essential partner

An essential factor for improving coherence in economic diplomacy was to enhance relations with the European Investment Bank (EIB), particularly as

regards sharing more information and interacting more with the numerous projects.

The [EIB Group](#) already proposed a palette of products for SMEs and mid-cap companies<sup>19</sup> (loans, trade finance guarantees and equity) that can support the internationalisation of companies, including in third countries. It also provides long-term financing in support of an EU presence in partner countries through foreign direct investments (FDI) within areas covered by the external mandates' objectives. Since the end of 2014, the EIB Group has been associated with the launch and the financing of the [European Fund for Strategic Investments](#) (EFSI).

The EIB's interventions have been boosted by the investment plans.

However, since October 2015, **the EIB has cooperated even more closely** with the Commission and the EEAS on building an EU economic diplomacy. The bank has engaged in activities that are not its core business such as migration, trade facilitation, possible operations in new countries (such as Belarus, Afghanistan, Iran and Cuba) and participation in international fora such as the G20. The EIB's external offices have been instructed to play a greater role in strategy-oriented meetings in order to better understand the EU's objectives, and to liaise more with EU delegations.

In his **State of the Union address in September 2016**, the president of the European Commission announced the establishment of a new [European External Investment Plan](#) (EIP) to encourage **investment in Africa and the EU Neighbourhood** in order to strengthen the EU's partnerships and contribute to achieving the Sustainable Development Goals. The EIB's lending operations were to form an integral part of the EIP. For this purpose, the Commission made a proposal to expand the EU budget guarantee under the EIB **External Lending Mandate** by EUR 5.3 billion. In total, the EIB will thus lend up to EUR 32.3 billion under the EU guarantee between 2014 and 2020. The EP and the Council of Ministers are currently examining the external lending mandate proposal.

The circular economy is the next priority.

The EIB is naturally closely associated with the financing platform to support the [circular economy action plan](#), which is the new pillar of the Commission's plan to boost jobs, growth and investment, adopted in December 2015. This plan includes actions focusing on recycling and re-use activities for the benefit of the environment and the economy, with the aim of making growth sustainable. On 26 January 2017, the Commission issued a [Report on the implementation of the Circular Economy Action Plan](#) to update EU institutions.

### 3 The state of play

Under the supervision of the CGEA, an **inter-service group on economic diplomacy** was set up in April 2015, with representatives of the

<sup>19</sup> Between [large-capitalised](#) and [small-capitalised](#) companies

A large inter-service group, which brings together a number of Commission departments, the EEAS and the EIB, was set up in 2015.

Commission's services, the EU External Action Service and the EIB<sup>20</sup>. Its purpose was to make proposals for further improving the coherence and effectiveness of the EU's external action in the economic arena. To make economic diplomacy more effective, the inter-service group was tasked to define a strategic approach, set priorities and identify the internal tools for working better together, including the EU delegations. **The Commission's General Secretariat** chairs the group, which meets twice a year. The last meeting took place in October 2016.

In his intervention to the EP on 8 June 2016 (see below), Vice-President Katainen said the group had already delivered in helping strengthen EU internal coordination. He announced that the next steps would be to equip EU delegations with **better guidance and instructions** on how to support EU economic interests abroad.

### 3.1 Gathering information / pilot tests

Eight EU delegations have been selected as case-study countries.

The inter-service group selected the EU delegations to eight **case-study countries** (South Africa, Iran, Myanmar, Indonesia, Argentina, Tunisia, Cote d'Ivoire and Singapore) for the purpose of collecting information for the guidelines by brainstorming with other stakeholders, namely operators in the private sector and local representations of Member States, and reporting back to Brussels. They have been instructed to work on the following priorities for supporting growth in Europe and boosting job creation:

- Banking activity, although an external lending mandate is needed;
- Better coherence between external policies and instruments;
- Focus on key business sectors such as the circular economy, space and climate change;
- Fuller involvement of EU delegations

### 3.2 The Guidelines

The results of a brainstorming exercise will be fed into guidelines for all the delegations to be issued in the near future.

As the role of the delegations in the economic diplomacy strategy was still unclear, the inter-service group decided that the feedback from the eight case-study delegations would be used in drawing up the strategy in Brussels and would later be included in an internal document setting out **guidelines** to be used to disseminate **good practice** to all delegations. One of the concrete recommendations in these guidelines will be the **appointment of an economic diplomacy counsellor to the delegation staff**. The first draft will be ready at beginning of March and will be submitted for inter-service consultation prior to final approval by the CGEA before being issued to all the EU delegations.

<sup>20</sup>Participants: EEAS, DG TRADE, DG GROW, DG ENVI, DG CLIMA, DG RTD, DG DEVCO, DG MOVE, DG ECFIN, DG NEAR and the EIB.

### 3.3 The Commission Communication

The EEAS and the Commission have announced that they will issue a communication before the end of 2017 but this has not yet been confirmed.

Although the EEAS and the Commission have announced that they will publish a **joint communication** and although this would certainly be welcome given the need to record the results of all the brainstorming and reflection conducted on the matter since 2015, it **is not certain** that it will be issued. Some Commission services are concerned about overlaps with other strategy papers. The decision will be taken at the **end of March or beginning of April 2017**. The EEAS and DG GROW are pushing for a written paper, as an official EU document setting out the strategy at EU level would seem necessary. If the communication is issued, **this is likely to happen in the second semester of 2017**.

## 4 The role of the European Parliament

So far, the EIB and DG GROW budget spending were the only two chapters submitted to full EP scrutiny.

In the absence of any proposed legislation on the issue, the EP cannot exert its influence as a co-legislator. Its role is confined to the exercise of **scrutiny** over the EU budget, regarding the **financing of the EIB's activities** and the **financing of tools to support SMEs** put in place by DG GROW.

Although the Committee on International Trade deals regularly with the issue of SME financing and internationalisation, economic diplomacy has only been addressed briefly in an own-initiative report (drawn up by Tiziana Beghin) adopted in 2016 on '[A new forward-looking and innovative future strategy for trade and investment](#)' (2015/2105(INI)). In the report, economic diplomacy is presented as an instrument: '**...that could also make a contribution to tackling the root causes of terrorism ...**', which was also an argument suggested by the Committee on Foreign Affairs in its opinion.

### 4.1 Scrutiny of EIB financing

The issue of economic diplomacy is addressed in ongoing reports on the EIB activity.

The issue has also been addressed briefly in some recent reports by the Committee on Budgets (BUDG) and the Committee on Economic and Monetary Affairs (ECON) on the financing of the EIB's activities:

- BUDG and ECON (initiative) report on Implementation of the European Fund for Strategic Investments (EFSI) (2016/2064(INI)) which is ongoing; see INTA opinion (Rapporteur: Emmanuel Maurel).
- ECON (initiative) report on Annual Report on the Financial Activities of the European Investment Bank (2016/2099(INI)) to be voted soon (Rapporteur: Yannick Jadot)
- BUDG (ordinary procedure) report on EU guarantee to the European Investment Bank (EIB) against losses under financing operations supporting investment projects outside the Union: ceilings for EIB financing operations (2016/0275(COD)), which is ongoing (Rapporteur: Salvatore Cicu).
- BUDG report on the proposed mid-term revision of the EIB external lending mandate (ELM) (COM(2016)0583) and amendment of the

Guarantee fund for external actions (GFEA) (COM(2016)0582). In its opinion, INTA did not go any further than acknowledging the growing role of the EIB in the field of European economic diplomacy and noting the action of the bank in supporting SMEs.

## 4.2 Monitoring DG GROW instruments

The issue of internationalising SMEs is mainly followed by the **international trade (INTA), economic and monetary affairs (ECON) and budgets (BUDG) committees**. A network was set up a few years ago in Parliament's DG for External Policies to support the committees following the issue but it is no longer operational. Generally speaking, MEPs are supportive of initiatives to promote the internationalisation of European SMEs but they also question their effectiveness and possible overlaps with action by Member States. MEPs repeatedly call for closer monitoring of the financing of these tools.

A technical brief on economic diplomacy has been organised by INTA in 2016.

In June 2016, as the concept of economic diplomacy emerged, **Parliament's INTA committee organised a technical briefing** bringing together representatives of the different institutions involved in the inter-service group (Secretary General of the Commission, DG GROW and EEAS). The European Parliament expressed concerns about the EU's measures. First, it saw a degree of duplication of instruments that are already in place, which results in inefficiency. Secondly, they saw a fine line between the Common Commercial Policy (EU competence) and trade promotion (Member States' competence).

## 4.3 Commission Vice President Katainen's address to the EP on 8 June 2016

The Commission's Vice President addressed the EP for the first time by answering an oral question on economic diplomacy in the June 2016 plenary session.

Commission's Vice President, J. Katainen, addressed the Parliament on economic diplomacy for the first time by answering to an **oral question from EPP, S&D ALDE and ECR political groups**, on 8 June 2016. In his answer, he outlined the **main elements of an economic diplomacy strategy**, which is being devised: access to external markets for trade and investment; cooperation on economic governance and regulatory convergence; support for the internationalisation of EU businesses; and improving the coherence and effectiveness of the EU's external action in the economic sphere. He reaffirmed the link with the jobs, growth and investment agenda, stressed that the approach includes trade, investment, industry, innovation, and foreign and development policies and underlined the important role of the EIB in the financing.

He called for more **consultation, coordination and unity between Parliament, Member States and industry, 'as a united EU is stronger and has more leverage'**. For MEPs, however, it remained unclear exactly how the Commission would enhance coordination.

## 5 The way forward: a bigger role for the EP

### 5.1 The EP can enrich the current debate

The EP could be associated to the inter-service group.

It is time for the EP to play a stronger role. An important step would be to be **included somehow in the inter-service group**. The fact that the head of this group, Jean Charles Van Eecke, who was previously the head of the unit in DG Trade for inter-institutional relations with the EP, could facilitate this. **Two administrators in DG EXPO**, from the secretariat of the trade committee and the policy department, have already taken part in a **seminar on economic diplomacy**, organised by the EEAS on 23 November 2016<sup>21</sup>.

The Commission and EEAS should issue the joint communication so that the EP can debate it.

One obvious way to involve the EP would be for the Commission and the EEAS to **issue the joint communication**. The **EP could stress the need for it** as the first official policy paper on the issue and could then debate it.

**More EP scrutiny** can be expected as the role of the EIB increases and the level of funds from the EU budget used to finance EU actions to support economic diplomacy rises.

The EP's involvement should be increased in order to provide **better coordination** and effective **monitoring of complementarity and subsidiarity**, ensuring that action at EU level does add value to action at Member State level.

The EP can put forward more issues to be included within the scope of economic diplomacy.

In addition, and following Mr Katainen's exhortation to the EP (**'Let us be innovative!'**), the expertise and experience of MEPs could be mobilised to put forward **new issues** for inclusion within the scope of economic diplomacy in order to keep pace with the rapid changes being wrought by globalisation. The **digital economy, artificial intelligence, the rules-based trade system and economic global governance, and the promotion of a sustainable economic and development model** are all issues that need to be included in the reflections on economic diplomacy.

The EP could also put the case for gathering more **intelligence**<sup>22</sup> to feed into the reflection. **Information-sharing** and **intelligence-gathering** are crucial issues, and more thought can be given to the type of information exchanges the EU needs. EUROCHAMBRES refers to this 'intelligence' aspect of economic diplomacy in its position paper referred to above.

### 5.2 Bringing EP diplomacy to bear

The EP can bring to bear its experience of parliamentary

Vice President Katainen said, addressing the plenary in Strasbourg: **'The European Parliament's role in EU economic diplomacy is also key, as you have relations with parliaments of most countries in the world and can pass important messages when visiting them. We need to pursue**

<sup>21</sup> See the internal [minutes of the seminar](#)

<sup>22</sup> meaning the collection of information of political value.



diplomacy and its networks  
and contacts.

**the same objectives and work together to defend EU economic interests abroad.** Greater and better use can be made of **EP diplomacy through delegation or committee missions**, as part of a more coordinated overall effort with the EEAS, Commission, and Members States' diplomatic services.

The EP has a wide network of delegations that travel to the EU's partner countries and meet regularly with their counterparts in dedicated inter-parliamentary meetings. This network constitutes a good basis for conducting any diplomacy, but could be assigned with more economic oriented objectives.

Moreover, a common plan of economic diplomacy missions could be organised, combining EP committee/delegation missions with the EEAS and Commission ones. This would contribute to give more weight and visibility to the EU abroad, by enhancing its unity and coherence.