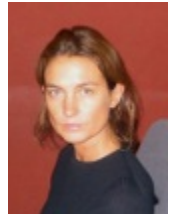


If it is to reinforce its international influence, then the EU must redouble its commitment to multilateral trade liberalisation

by Blog Admin

In recent years, the EU has developed its 'commercial diplomacy' as a means to achieve growth, while the US has taken a much more strategic approach of economic statecraft in order to shape global politics. [Ana Echagüe](#) argues that utilitarian attempts to gain economic presence are unlikely to serve the EU's long-term interests, and that the EU must reinvigorate its commitment to multilateralism in its trade relations to avoid the erosion of rule based governance by naked competition.

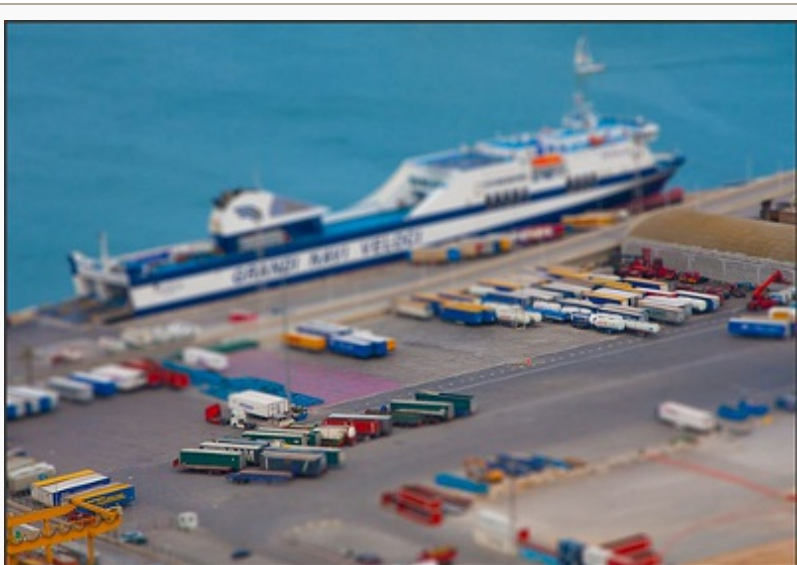


The economic crisis has propelled commercial diplomacy into the fore. Whilst Russia and China have long been known to vigorously use their political weight to further economic enterprises, in recent years both the European Union (EU) and the United States (US) have made their commitment to some form of economic statecraft explicit. Nevertheless, differences remain. While the EU focuses on commercial diplomacy as a means to achieve growth, the US speaks of economic statecraft as a means of retaining leadership and shaping the global political system. Europe's myopic focus on economic growth leaves China, the rest of the BRICS countries and the US vying for the political influence necessary to shape the emerging multipolar world order. The question remains, should the flag follow trade or should trade bolster the flag?

Facing stagnating economies, European member states have become much more aggressive in chasing export and investment deals. Economic security factors have come to overshadow other strategic concerns. Large delegations of business executives accompanying European prime ministers have become the norm, as the state and the private sector draw ever closer. The focus on exports and investment is leading to increased competition between member states for commercial access to emerging markets and is encouraging bilateralism, to the detriment of common EU approaches. Arguably their economic interests would be better served by a more unified approach, with the EU providing added weight on issues such as investment rules and public procurement. More dangerously, by signalling that unity is not a priority, such nations have opened the door to bilateralism spilling over into the political and strategic arena. The issue is not just the renationalisation of policy, but also its diminished scope. The pursuit of strictly economic goals in foreign policy can lead to strategic parochialism and a neglect of the bigger geo-political picture.

An additional risk inherent to the focus

An additional risk inherent to the focus on commercial diplomacy is a return to mercantilist tendencies and tit for tat protectionism. On the surface of the matter, the EU continues to be committed to multilateral trade liberalisation. New regulations introduced in the aftermath of the crisis however, discriminate against non-EU states and companies. Tariff and quota based protectionist measures that have been introduced since the crisis may be minimal, but covert protectionism in the form of financial and regulatory standards are on the rise. According to the latest [Global Trade Alert report](#) on protectionism, 'in terms of discriminatory measures imposed the



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EU27 is the worst offender'. Reciprocity is the prevailing logic. In March 2012 the European Commission issued a proposal to let the EU close its public procurement markets to firms from countries that exclude European competitors from their public contracts. In May the European Parliament adopted a resolution proposing the creation of a body tasked with monitoring foreign investment, with a particular emphasis on investment from China; a proposition hard to reconcile with EU member states' courting of Chinese investment in support of Europe's economy.

The stagnation of the Doha Round has also pushed the EU towards the pursuit of bilateral free trade agreements (FTAs). As a consequence, we are witnessing an increasing spaghetti bowl of bilateral deals (South Korea in 2011, Peru and Colombia in 2012 and India, Canada, Japan and Singapore are pending). In [Asia and in Latin America](#), the EU appears to have given up on regional arrangements in favour of pursuing bilateral relations. Although these bilateral FTAs are often presented as stepping stones towards regional and eventual global agreements, it is difficult to ensure consistency among them and avoid regulatory confusion.

The US historically has been a keen competitor in the race to sign FTAs across the globe. Nevertheless, its recent efforts to push the trade agenda have focused on a plurilateral process somewhere between the Doha Round and bilateral FTAs. The Trans-Pacific Partnership (TPP) is being negotiated by Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the US, and Vietnam. Canada, Mexico and Japan have all expressed interest in joining the negotiations. The nature of such an agreement illustrates the difference between the American and European approach. Whilst the deal is supposed to add billions to the US economy and become the linchpin of free trade in the Asia Pacific region, its ultimate rationale is strategic, to ensure a long-term presence for the US in the Asia Pacific region. For the US, economic statecraft is first and foremost part of a broader political effort to retain leadership and shape the international system, not primarily about economic growth. The US' stated approach is, in the words of Hillary Clinton, to 'fight to build and enforce a system of rules that apply equally to everyone'. This is not the reflection of altruistic motivation but rather a formula for keeping ahead.

The EU has signed strategic partnerships with a number of countries and its 2010 trade strategy speaks about 'trade and trade policy reinforcing the EU's international influence', but it is widely recognised that many of the strategic partnerships lack content and coherence and the EU approach remains predominantly economic. In order to demonstrate its political intent, the EU's pursuit of commercial diplomacy should be coherent with and complemented by political engagement and be driven by a strategic framework. And this should not simply be about agreeing to a human rights clause alongside FTAs. The EU's wider strategic interests, such as guaranteeing the security of the global commons (oceans, space and cyberspace) and the stability of turbulent regions, such as the Middle East, should provide the outer layer within which political and economic considerations are nested. Utilitarian attempts to gain economic presence are unlikely to serve the EU's long-term interests. The current path is veering

dangerously towards a world governed by spheres of influence, rather than by rule bound global governance. The EU should focus on expanding multilateral governance and cooperation and upholding international norms, building on its solid track record of commitment on issues such as climate change and in support of the UN.

The EU should double down on its commitment to multilateralism in order to avoid the erosion of rule-based governance by naked competition. Bilateral and regional agreements should not become alternatives to, rather than steps towards, further multilateral trade liberalisation. If not, the EU risks carelessly encouraging free riding to the detriment of global cooperation. While the US is good at pursuing commercial diplomacy encased in a more strategic framework, it has a tendency to excuse itself from cooperation in the provision of global public goods. This is an arena the EU should strive to shape.

This article is a shortened version of the FRIDE Policy Brief: [European Commercial Diplomacy: the hunt for growth](#).

Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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