EU Economic Diplomacy: The Factors Shaping Common Action

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Summary
The current special issue of The Hague Journal of Diplomacy is concerned with economic diplomacy. This article looks at the role that the European Union plays in economic diplomacy and shows that the EU’s role is essentially to facilitate, rather than to promote national companies as EU member state governments do. After discussing the various definitions of economic diplomacy, the article summarizes the areas in which the European Union constrains the scope for certain national policies of the EU member states. The article then discusses the factors that shape EU economic diplomacy and assesses the relative importance of these factors in specific negotiations.

Keywords
economic diplomacy, European Union, EU member states, EU competence, norms, facilitation versus promotion, commercial constraints, national interest

Introduction
This special edition of The Hague Journal of Diplomacy is concerned with economic diplomacy. This article looks at the role that the European Union (EU) plays in economic diplomacy. The article aims to provide a general framework for assessing the factors that shape a range of relevant EU policies; it cannot, and does not, deal with specific negotiations, in which a range of sectoral and member state variables would be important. The article first discusses the role that the EU plays in economic diplomacy. This differs from the economic diplomacy that is played by national states in that the EU’s role is essentially to facilitate; unlike national governments, the EU does not promote national companies. With the progressive extension of its competence and internal framework rules, however, the EU has constrained member states’ national champion policies and continues to constrain member states’ commercial policies. Having established the role of the EU in economic diplomacy as essentially a facilitating role, the article then provides an overview of the factors shaping EU economic diplomacy and provides some
general hypotheses for assessing the relative importance of these factors in specific negotiations.

What is EU Economic Diplomacy?

Economic diplomacy is taken here to mean decision-making and negotiation in international economic relations.¹ In the case of the EU, economic diplomacy is therefore concerned with these processes in the core areas of international trade and investment, financial markets, development policy and the environment. EU economic diplomacy is clearly external and does not relate to the *acquis communautaire* that provides the framework for competition within the EU’s single market. EU economic diplomacy is therefore concerned with the framework of rules that facilitates the EU’s engagement in international markets. It provides a facilitating role by seeking to open third-country markets to trade and investment. EU economic diplomacy also includes negotiations on the international regulatory framework that shapes such trade and investment, as well as other areas of policy such as international financial market regulation and environmental policies, etc., that impinge on EU trade and investment. This understanding of economic diplomacy, however, should perhaps be distinguished from a number of other related terms, including economic statecraft and commercial diplomacy.

Economic statecraft is a broader concept that encompasses all forms of economic relations between states, both positive and negative, that are employed as part of what approximates to ‘grand strategy’ *vis-à-vis* other major economies.² Economic statecraft therefore requires strategic choices with a view to maximizing relative (economic) gains. For example, the United States could use economic statecraft in its relations with China if it viewed the strength of the Chinese economy and industry as a strategic threat to the United States. The EU has no grand strategy in its relations with its strategic partners, but it conducts economic diplomacy. One could also argue that the EU has a role in Europe’s economic security, whether the term is defined narrowly to include access to key raw materials and energy, or more broadly to include the stability of the international capitalist system.³ In a globalized world, concepts of ‘collective security’ also gain traction, so that the EU’s role in promoting sustainable development as a means of supporting political stability in (North) Africa or elsewhere is important.