

GENERAL CONSIDERATIONS REGARDING THE ECONOMIC DIPLOMACY

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Abstract. Economic diplomacy is concerned with economic policy issues, e.g. work of delegations at standard setting organizations such as World Trade Organization (WTO). Economic diplomats also monitor and report on economic policies in foreign countries and give the home government advice 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".

Keywords: economic diplomacy, international economic relations, investment, pattern of globalization, world economy, global economy, new technology

ОБЩИЕ СООБРАЖЕНИЯ ОТНОСИТЕЛЬНО ЭКОНОМИЧЕСКОЙ ДИПЛОМАТИИ

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Аннотация. Экономическая дипломатия занимается вопросами экономической политики, например, работа делегаций в организациях по установлению стандартов, таких как Всемирная торговая организация (ВТО). Экономические дипломаты также отслеживают и сообщают об экономической политике в зарубежных странах и дают правительству страны происхождения советы о том, как лучше всего на нее повлиять. Экономическая дипломатия использует экономические ресурсы либо в качестве вознаграждений, либо в качестве санкций для достижения конкретной внешнеполитической цели. Иногда это называют «экономическим управлением государством».

Ключевые слова: экономическая дипломатия, международные экономические отношения, инвестиции, модель глобализации, мировая экономика, глобальная экономика, новые технологии.

Economic diplomacy is a form of diplomacy. Economic diplomacy is the use of the full spectrum economic tools of a state to achieve its national interests.

The scope of economic diplomacy can encompass the all of the main international economic activities of a state including, but not limited to, policy decisions designed to influence exports, imports, investments, lending, aid, free trade agreements.

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Three elements:

1. Commercial diplomacy and NGO's: The use of political influence and relationships to promote and/or influence international trade and investment, to improve on functioning of markets and/or to address market failures and to reduce costs and risks of cross border transactions (including property rights).

2. Structural policies and bilateral trade and investment agreements: The use of economic assets and relationships to increase the cost of conflict and to strengthen the mutual benefits of cooperation and politically stable relationships, i.e. to increase economic security.

3. International organizations: Ways to consolidate the right political climate and international political economic environment to facilitate and institute these objectives.



Fig.1. Economic diplomacy in the Republic of Moldova

Economic diplomacy provides the necessary connection between diplomatic demarches 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 Republic of Moldova and Moldova's entrepreneurs. Economic diplomacy ensures an efficient framework for institutional cooperation that supports the concerted efforts aimed at promoting national economic interests abroad.

Economic diplomacy's main components are aimed at: furthering Republic of Moldova economic interests abroad; supporting and promoting energy security objectives; cooperation with international financial institutions; inter-institutional cooperation on economic issues; and providing economic expertise.

Together with the acceleration of globalization processes, power in international relations has moved to the economic dimension, including the ability and capacity to integrate with the global economy. Therefore, economic diplomacy became one of the most essential elements of the foreign policies of all countries. Economic diplomacy can be defined as the method by which states conduct their external economic relations. It uses the full spectrum of economic tools of a state to pursue its national interests. The scope of economic diplomacy can encompass all main international economic activities of a state including, but not limited to, policy decisions and information facilitation aiming at steering exports, imports, investments, lending and aid. The economic diplomats are those representatives of the diplomatic missions assigned to deal with economic diplomacy, being responsible for the economic cooperation within diplomatic missions and consular offices with home countries regarding trade, tourism and FDI promotion, cooperation in science and technology including re-search and development and Advocacy for the national business community. This Investment and Export Promotion Handbook for Moldovan Diplomatic Missions and Consular Offices (Handbook) aims at offering a comprehensive understanding regarding the roles of the Economic Attachés of the CEB (hereinafter, EA). Also, it offers practical tips for the EA regarding identification of commercial partners, market analyses and promotion of the export and investments in the country of accreditation.

Key messages to Economic Diplomats



Research and study the market potentials and the volume of consumption in your country of assignment;



Work within the framework of the country of accreditation development strategy;

SMART Set SMART objectives and indicators for the annual plans;



Identify target companies for persuading them to start commercial relations with Moldova;



Coordinate with other stakeholders, such as diaspora, business associations etc.;



Do market and company research before meeting with a potential investor, trade partner (importer) and domestic country company;



Stay in touch with your contacts and build trust;



Monitor continuously the changes to the import and export regulations and commercial preferences and limitations as well as notify the concerned authorities to inform exporters, importers, and businessmen first-hand as diaspora, business associations etc.

Fig.2. Key messages to Economic Diplomats (6)

In 2017, the MFAEI, together with the national partner institutions, have paid an increased attention to concentrating efforts for the implementation of the economic diplomacy objectives. Following the signing of the Joint MFAEI - MEI Order (No.26 of 23.02.17 and no.144-b-12 of 20.02.17), a Joint Working Group has been created, which met systematically and which among the results achieved, had also reviewed the geographical distribution of the trade/commercial bureau (CB) within the diplomatic missions of the Republic of Moldova abroad. In addition to the 10 existing and newly created CB (Ukraine, Russia, Belarus, Romania, China, Germany, Belgium, Switzerland, Poland and Italy), the Government intends to set up similar offices in Turkey, Japan, United States of America, United Arab Emirates and China (Shanghai), which have also become target markets for exporters.

Economic diplomacy is of substantial importance for the foreign policy of the Republic of Moldova. The mission of the MFAEI is to develop and

continuously enhance its efforts to promote the national economic interests of the Republic of Moldova by attracting foreign investment and promoting exports.

At the same time, with a view to optimizing and streamlining the activity of CB, a guide for the commercial attaché was developed, as well as an operational network (diploecon@mfa.md) was launched, as an effective informational support for diplomatic missions and consular offices (MDOC).

Another important development is the signing of the MAEIE-ME-MIEPO Memorandum that initiates the practice of organizing annual courses and training programs in the field of economic diplomacy for the representatives of the diplomatic corps of the Republic of Moldova abroad. The first edition of the event took place in September 2017.

Moldova's competitive economic sectors for the investment and export promotion

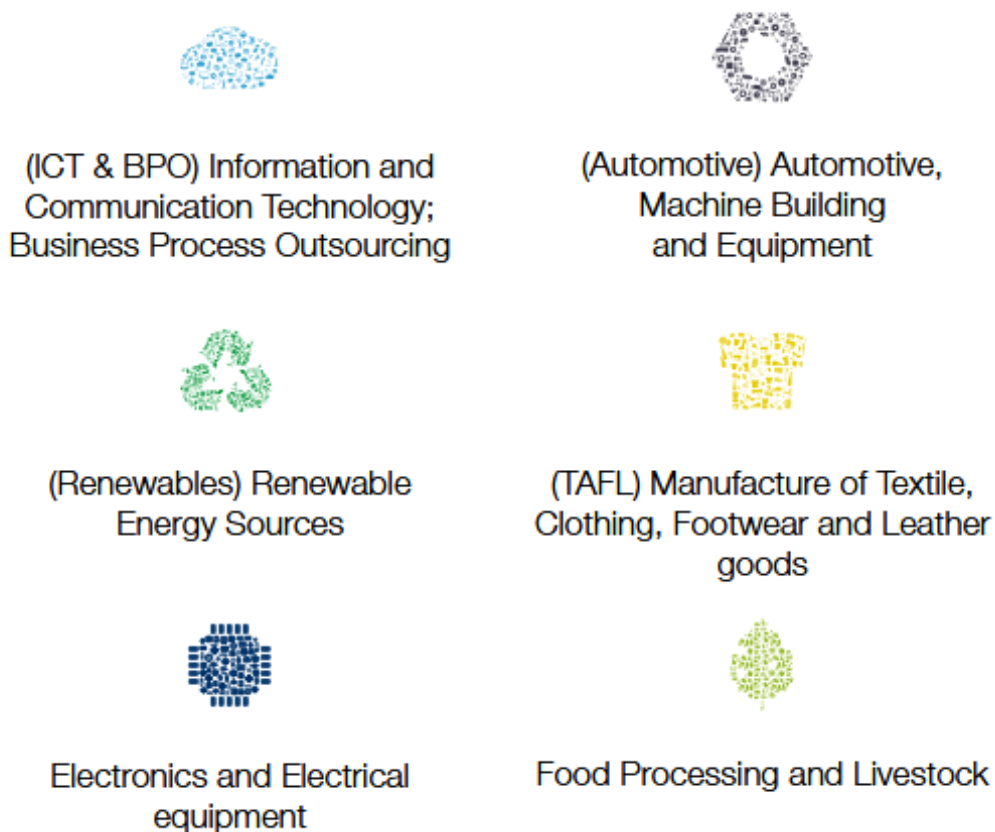


Fig.3. Moldova's competitive economic sectors for the investment and export promotion *Governmental Decision Nr. 511 of 25.04.2016*

At the end of 2017, the Diplomatic Economic Club was re-launched as a platform for discussion and dialogue between the diplomatic corps accredited in the Republic of Moldova and the representatives of the relevant public authorities as well as business associations and development partners. Club meetings are thematic and subjects oriented, and are organized once every three months.

Within the MFAEI, the Economic Diplomacy Service was established, whose mandate is the implementation of economic diplomacy as foreign policy component, and also to ensure the efficient inter-institutional and diplomatic missions cooperation. Contact details: sde@mfa.gov.md

Economic Diplomacy Objectives

Economic Diplomacy is one of the main components of the foreign policy of the Republic of Moldova, aiming at defending and promoting national economic interests across the country, thus contributing to the economic growth and prosperity of the Republic of Moldova.

In the context of globalization and the accelerated dynamics of international processes, the basic priority of Moldova's Economic Diplomacy is to support the economic development of the state through the integration of the country's economy into the international system of economic relations, attracting investment and promoting exports.

Traditionally, the Ministry of Foreign Affairs and Diplomatic Missions has a decisive role to play in achieving the objectives of economic diplomacy. These are elaborated taking into account the provisions of the Moldovan normative acts as well as the international practices, including Government Programs, Export Promotion and Investment Promotion Strategy, EU-Moldova Association Agreement, other decisions, provisions and indications are:

- **Promoting the economic interests of the Republic of Moldova abroad;**

As far as the export promotion component is concerned, the institution supports local companies to find new markets, business partners and investors, providing support for various promotions such as:

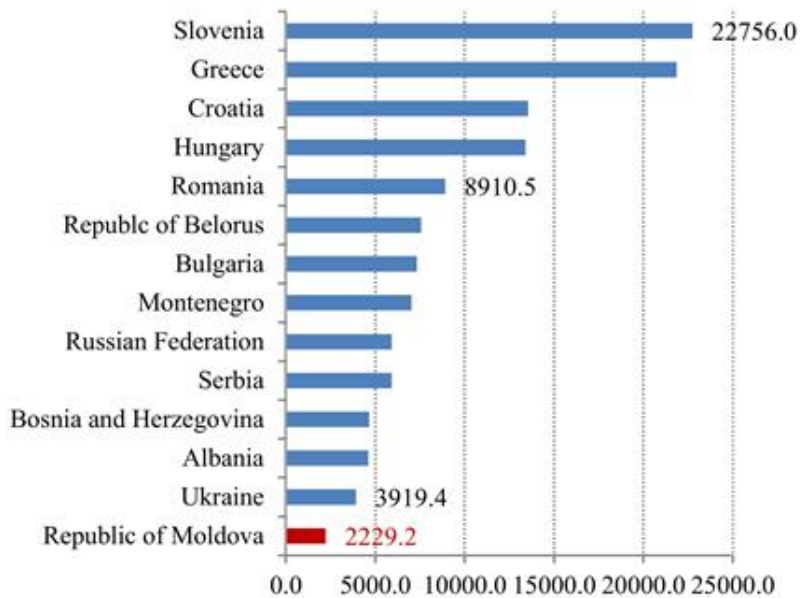
- Identify local partners and suppliers, including facilitating meetings with them. In this respect, FM organizes business missions for companies with export potential. These can be done by foreign companies in the Republic of Moldova - potential investors, buyers and representatives of the wholesale networks that interact with Moldovan companies in order to conclude partnerships, as well as study visits of local companies abroad in order to take over the foreign experience, to which different networking activities and specific training can be included.

Providing information on sectorial analyzes and studies. IA develops annual sectorial promotional materials that are also distributed to Embassies and Commercial and Economic Offices.(Example: Market study on the main export markets for Moldovan wines, “Market study of honey in France”, “Guide to Exhibition Participation” etc.). Also, IA manages the data of available electronic resources in the field of investment attraction, export promotion and image of the country.

Economic Forums. As far as the forums are concerned, they are prepared on two dimensions: internal ones (Example: Pro-ex-port Forum, Moldova Business Week, regional forums, etc.) and abroad (Example: Moldovan-Emirate Forum). On these platforms, IA organizes country and sector presentations, networking sessions, buyer workshops, etc. In the case of buyers, among the guests are mandatory representatives of wholesale networks and restaurants networks, foreign sectorial associations and other personalities relevant to the conclusion of partnerships.

Supporting domestic exporters of domestic services on international markets. In this respect, IA organizes local or inter-national sector specific events in order to promote local products on foreign markets (Example: Exposing products for 3 months to the largest networks in foreign countries).

Assistance in promoting domestic products at international fairs by providing financial support in the form of grants for local companies. Some of the activities eligible for funding from the IA are as follows: rent of exhibition space, construction and design of the stand; participation fee at exhibitions and seminars; logistics and sample transport services for exhibition, trade fairs and events to promote exports and attract investment; organizing conferences, networking sessions with buyers at exhibitions; organizing tastings and other presentations, etc.



Source: UNCTAD

Fig. 4.

Cost-effective sharing of programs to improve the competitiveness of Moldovan companies.

- **Attracting foreign investment and new technologies to the national economy;**

Supporting potential investors in the process of launching and developing their projects through IA's interaction with central and local public authorities, autonomous public authorities, public institutions, commercial companies and non-commercial organizations, local self-government bodies, territorial, tax and customs authorities, statistical offices, national and regional chambers of commerce, as well as with the National Bank of Moldova in the field of foreign direct investment;

- Providing support to potential investors and existing investors in the pre-investment, post-investment and post-investing phase;

- Organizing seminars, training courses for domestic and ex-port companies in line with best international practices;

- Collaboration with diplomatic missions of the Republic of Moldova, as well as providing the necessary information in the field of export promotion and attracting investments;

- **Promoting the economic image favorable to the country;**
Tourism is an engine of economic growth, because it brings local and community

development, jobs in rural areas and infrastructure development. That is why IA supports the promotion of Moldova as an authentic destination of tourism – viticulture, rural and gastronomic. The joint efforts of IA with sectoral associations and development partners to consolidate the sector have crystallized today in some beautiful results. The number of foreign tourists visiting Moldova has increased by 17 percent over the past two years, and thanks to the country’s “Tree of Life” country brand, Moldova has reached the top of the most recommended travel destinations for 2018.



Fig. 5. Country brand of Moldova

The establishment of proper perception of the country is the quintessence task of the diplomatic missions, foreign affairs ministries and professional diplomats. The establishment of a positive image of the country is the basic purpose of integrated diplomacy, as diplomatic missions undertake comprehensive promotion of a country. In this sense, the economic attaché has a set of promotional tools to increase the visibility of the country abroad (see chapter no. III). Many organizations besides government ministries are also involved in one way or another with trade promotion and investment attraction. These include trade promotion and investment promotion boards and councils, standards and other regulatory bodies; banks and other financial institutions; associations of producers, importers and exporters; chambers of commerce and industry and private consulting companies.

- **Attracting foreign economic assistance;**

While IA owns the local companies’ database, statistical information and other relevant information for the local economic area, the economic attaché has access to similar information on the market of its country of residence. A collaboration in this respect, greatly facilitates the organization of business

missions of local companies across the country. These study visits of local companies abroad are carried out to take over the foreign experience, which can include different networking activities and specific trainings. In this regard, the CEB can intervene by identifying success stories and locations to facilitate study visits by local companies.

Promotional activities help to provide potential investors with information and raise their awareness; create an attractive image of the Country as an investment location, and through providing services to prospective investors. To be effective in this, the commercial diplomat ought to carry out certain tasks:

1. First, the commercial diplomat needs to understand the business environment in the home country before taking the step to start marketing for Foreign Direct Investment (FDI). It is important to be fully aware of the priority sectors of interest to investors and the specific investment opportunities that could be made available to them.

2. Secondly, to be proactive and undertake company research to identify target companies likely to be interested in these investment opportunities before meeting with potential investors. It is important to research and learn about the company to understand what its products and services are. This would need to be followed up with establishing a strong relationship with the company at all levels and to understand its business drivers. As other countries would be competing for the same investment, it would therefore be necessary to come up with ways and suggestions, to divert the interest of investors to the home country.

3. Thirdly, it is important to choose appropriate methods to market Moldova as an attractive location for Foreign Direct Investment (FDI). Organization of events, such as seminars, business briefings and small conferences, as demonstrated by surveys, are the most effective marketing strategies, to generate investor's interest. By using diverse marketing and media channels that include B2B meetings, website and social networking, e-campaigns, it should be possible to achieve desired results. To recapitulate, it would be important to exhibit the country brand on all the marketing tools; to ensure that the contact details are updated and correct responses are given to the enquiries from the investors.

Promoting investments from foreign countries is within the capability of the domestic agencies for investment promotion (in this case IA). Nevertheless, the role of diplomatic missions is unique and very important in providing information about the opportunities and barriers and how to do business in the market since they have extensive knowledge of the recipient country. Mobilizing Foreign Direct Investment (FDI) encompasses fully sensitizing potential foreign investors on the

opportunities in Moldova, and then undertaking targeted promotion. IA and the diplomatic network must be proactive to identify the priority zones and negotiate required agreements, keeping in view mutuality of interests. Investment promotion remains the main task for missions, irrespective of the stage of economic development in the country.

There are four ways in which foreign direct investment (FDI) directly drives economic growth and prosperity of a country.

- Developing collaboration with international economic organizations;
- Optimizing the cooperation of the MFAEI with the national governmental institutions in order to successfully implement the objectives of the Economic Diplomacy. This includes actions such as:
 - Strengthening the institutional capacities of the MFAEI and Diplomatic Missions based on the principles of professionalism and transparency.
 - Extending the presence of trade offices (commercial bureau) within the Diplomatic Missions of the Republic of Moldova.
 - Optimizing the external economic action through the creation of all the necessary mechanisms and instruments to promote our country's economy abroad.
 - Promoting Economic Diplomacy with Honorary Consuls of the Republic of Moldova Abroad.

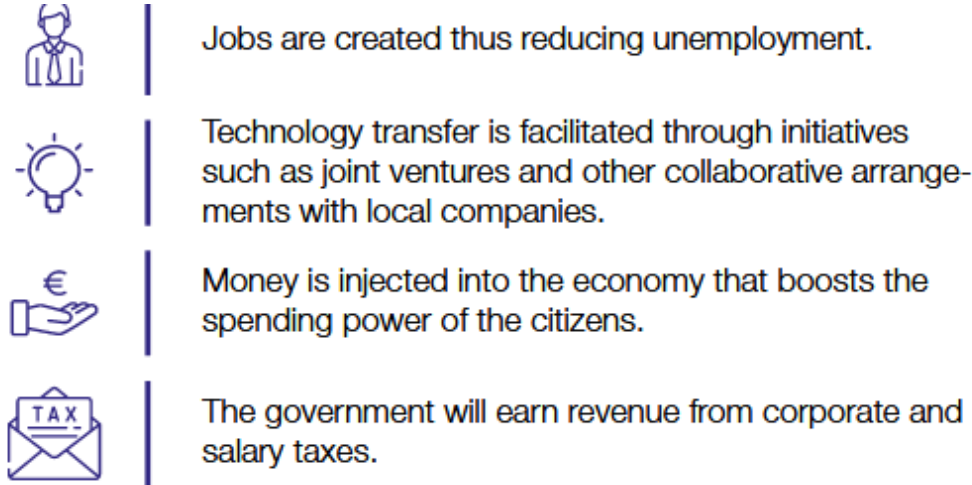


Fig. 6.

Taking into account the national strategic objective of fortification of the economic diplomacy, following the institutional reform in 2017, the Economic Diplomacy Service was created within MFAEI, that is also part of the Common Working Group MFAEI-MEI. Also, in November 2016 was launched the

Operational Network for Information Support for diplomatic missions and consular offices, which includes members of the main national authorities and institutions responsible for foreign trade activity of the Republic of Moldova (Ministry of Economy and Infrastructure, Ministry of Agriculture and Industry Food, MIEPO and the Chamber of Commerce and Industry of the Republic of Moldova).

The introduction of different EU economic diplomatic instruments would also require clear aims and objectives. Yet again, the aims and objectives of its instruments have been too broad and vague, showing the fragile and unstable nature of EU economic diplomacy. Without identifying their areas of success and their problems, there is a clear disconnect between EU objectives and what happens on the ground when engaging with new actors, which also contributes to our previous argument, that the environment, although it aims to be inclusive, engaging with a variety of actors, it lacks inclusivity. Without clear objectives, it is difficult to assess the outcomes of the instrument and thus, assess and improve it, as we have previously argued. Therefore, the lack of a critical analysis and clear aims of EU economic diplomacy reveals another major pitfall in EU policy.

Although EU economic diplomacy aims to be multi-instrumental, its instruments lack organization, adequate monitoring and critical evaluation.

The face of diplomacy is changing: it has moved away from the conventional statecraft towards becoming more inclusive, welcoming new actors and introducing new instruments, structures and functions. It has also put the economic dimension at the heart of diplomacy today. The objective of this thesis is to assess the impact of the EU's economic diplomacy upon the new actors' performance, by exploring the impact of the Eastern Partnership's SME Flagship Initiative upon SMEs' business performance in the Republic of Moldova. This study aims to compare and contrast the theoretical model of diplomacy and its practice, identifying its advantages and challenges. An empirical study was used to test the hypotheses of this thesis, with interviews being conducted with European Commission and Moldovan officials, as well as NGO experts involved in the management and delivery of the East Invest Programme. Results have shown that the EU economic diplomacy model has become more (1) complex and more inclusive, but it still lacks (2) agility (including transparency and accountability) and (3) connectivity, in terms engaging with third parties. This study enriches the research on EU economic diplomacy and the Eastern Partnership instruments for SMEs.

In a contemporary world, economic diplomacy may serve as one of the most effective ways to realize national economic interests. Analyzing it from

different perspectives and using different definitions, still the common conclusion could state that “economic diplomacy” implies diplomatic efforts concentrated on confirming the country’s economic interests at the international level. In this respect, it is very important to use national competitive advantages, as well as specialization and co-operation in production to achieve the country’s overall short-term and long-term strategic goals. In order to make use of competitive advantages and contribute to growth in national competitiveness, economic diplomacy must also require a realistic and profound economic research to evaluate state’s opportunities and elaborate the methods for handling the competitive advantages that are available. The basis of competitiveness is to possess a specific advantage over competitors. Particularly precious one is when it is an exclusive possession, not available for anyone else. Such advantages may include:

- technological advantages, which enable to produce new products, products characterized by novel/ better features or produced using lower costs;
- financial advantages, resulting from access and ability to use own or international sources of capital;
- managerial and marketing advantages;
- resources-abundance-related advantages (access and use of cheaper factors of productions);
- other advantages: better information/communication networks; better infrastructure.

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