



# **Economic Diplomacy**

By

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## **Introduction**

After World War II ended in 1944, the leaders of the world conducted an international meeting in the Bretton Woods region in the United States. The delegates signed the Bretton Woods agreement aiming at setting up a system of rules, institutions, and procedures to regulate trade exchange among countries and the international monetary system. These accords established the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), the General Agreement on Tariffs and Trade (GATT), which later became known as the World Trade Organization. The system remained in place until the early of 1970s, when the crisis of oil prices in 1973 started and accompanied by economic repercussions on the Western industrial countries.

The increasing debts of developing countries in 1990 led to severe economic crises that devaluated the purchasing power of some currencies of these countries. In early 2000, some Asian economies began to grow at a high rate, such as the Chinese economy and the Indian economy, which in turn led to the formation of the BRICS Group in the face of the alliance of western industrial countries. Those facts were followed by the global financial crisis that began in the United States and weighed heavily on the economies of the rest of the world.

The traditional state of international economic relations has changed, and became more complex due to globalization and the emergence of non-governmental representatives of countries such as international economic organizations, the World Trade Organization, the International Monetary Fund, the International Labor Organization, United Nations organizations and others. As well as the emergence of lobby groups which have important impacts, some of which concerned with the preservation of the environment and some related to human rights and the emergence of civil society organizations, which participate indirectly in the international economic policies making through the media .In addition to the participation of other ministries in the international economic negotiation processes such as the ministries of Industry, Economy and Trade, and others, where each ministry has a department for foreign affairs, to deal with international files (EU, UN, UNIDO ...) and with their counterparts in other countries.

In addition, the spread of new theories and thoughts in the world such as specialization, integration, globalization, sustainable development, and global warming. All these facts and economic crises are solid evidences that international economic relations and economic diplomacy include incentives of high strategic importance, and have high political and social impacts on the countries of the world.

## **First: Definition of Economic Diplomacy**

Economic Diplomacy is the art of securing and serving the economic security and strategic interests of the nation through the use of international relations (on the level of governments, private sector and people) to stimulate international trade, promote national interests, increase economic growth and enable companies and SMEs to internationalize and reach the world markets in order to increase their exports and attract Foreign direct investments.

Economic diplomacy is also defined as the state's use of its economic capabilities to influence other countries and to direct its political behavior in the direction that serves the national economic interest of the state, and is the art of obtaining the possible instead of waiting for the impossible.

## **Second: Types**

- Trade Diplomacy: aims at organizing and conducting bilateral trade agreements and multilateral trade agreements (FTAs, AA, WTO agreements, etc.) and evaluating and reviewing them as needed.
- Trade promotion Diplomacy: aims at promoting trade and investment, business enterprises and tourism.
- Financial Diplomacy: aims at monitoring global exchange rate policies, foreign debt relief, currency regulation, SWAP operations, follow-up on the lifting of financial sanctions ..)

- Catalyst Diplomacy: it uses the means of development assistances, subsidies, humanitarian and educational assistance, membership in international organizations (WTO...), and other assistances to achieve its economic and strategic interests.
- Diplomacy of Coercive Measures: this diplomacy depends on various methods such as imposing financial sanctions, boycotts, blacklisting and embargoes on certain products and people and suspension of aids and using many other means of pressure to achieve economic and political interests.

### **Third: Its importance**

Role of economic diplomacy is increasingly becoming important in the new global economic system, and its scope is constantly expanding and evolving for the following reasons:

- Globalization and strengthening ties among the world's countries in the new global economic system, where economic diplomacy acts on two levels: regional and global economic integration.
- The Swift spread of economic zones in the world, and liberalization of national economies through International Trade and Investment With the growing number of global economic entities, multinational corporations, banks and investment groups and these entities have a significant impact on international economic and political policies and relations.
- Introducing economic diplomacy within the modern management methods, with the aim of increasing cooperation between States and international organizations.
- Increasing openness to the outside world in order to achieve economic development. This needs to activate economic diplomacy, enhance the nation's branding and create a positive image for various countries, through tourism, industry and foreign direct investment sectors, which are presenting important factors in achieving the economic development.
- Increased responsibility of economic diplomacy in terms of creating a framework for international economic cooperation, organizing trade missions, preparing for international economic conferences and securing the presence of national companies in international exhibitions.
- The growing role of global economic blocs aiming at achieving economic development.
- Providing direct assistance and support to national companies: where foreign

ministries provide assistance and support to national companies in order to find potential foreign investors, promote products and services abroad, provide information on employment opportunities for national companies, help companies to find potential business partners and protect their interests in the international markets.

- Scarcity of natural resources against the increasing needs of large quantity of production and fierce competition on consumption markets.

## **Fourth: Its strategic objectives**

- Protecting the political and security stability of each country and its near and distant surroundings.
- Secure regional and global export markets.
- Searching for production efficiency (to reduce production costs at and to produce on the large scale level to decrease the costs of production).
- Search for required resources for production processes (raw materials and human resources).
- Exchange of strategic scientific research (in the fields of technology, science, scientific research) and the exchange of specialized high level skills.
- Reduce barriers which are preventing the flow of international trade and increasing foreign direct investments.
- Enhance the image of the country and its national branding (in the field of tourism, trade, governance, etc.).
- Provide support for the establishment of overseas companies (marketing-production) and providing administrative services to trade missions.
- Provide statistical data and economic studies on target markets and monitoring the availability of potential economic opportunities.
- Activate the relationship between the motherland and diaspora in order to increase confidence between the two parties, attract foreign investments of expatriates to the homeland, transfer scientific expertise and skills acquired abroad to the homeland and increase the value of remittances sent from expatriates to their parents in the motherland.

## **Fifth: Stakeholders**

- Ministries of Foreign Affairs, Industry, Trade and Economy and mainly the ministry of Finance.
- Export promotion Agencies (Arab Union for the Development of Arab Industrial Exports, IDAL ,etc...) and promotion of trade and investment.
- Embassies and consulates
- Diaspora
- Federation of Chambers of Commerce, Industry and Agriculture
- Association of Industrialists, syndicates / Unions, Small and Medium Business Support Offices, Small and Medium Enterprises, and Large and Multi-National Corporations.

## **Sixth: Tools of Economic Diplomacy**

**1-Nation Branding**

**2-Communication**

**3 -Trade and Diplomatic Missions**

**4- Diaspora**

**5 -Negotiations**

**6 -Economic Studies, Analysis and Information sharing**

**7- Conferences, Seminars and International Exhibitions**

**8 -Media**

**9 -Aids and Sanctions**

**10- Capacity Building**

# 1- Nation branding

Is measuring, building and managing the nation's external reputation and applying trademarking techniques of companies on the countries. The national reputation is the image of the homeland in the eyes of foreigners. It tells them what they can expect from national products and services, and enables them to distinguish national products and services from the products and services of the foreign competitors.

The national reputation is based on the principle of “what we really are, what we want and how we want people to perceive us and how to deal with us”.

It is our image in the eyes of others, our value in their minds and our position in their interests





## A- The Nation Brands Index

Is the concept of measuring global estimates of the quality of national reputation for each country in the world by combining world's estimates of the country's six dimensions (Governance, People and Culture, Exports, Tourism, Investment and immigration). It was developed by Simon Anholt, where he started launching his first survey in 2005 in collaboration with GfK Studies which was named Anholt Nation Brands index, and is published once a year. This indicator assists foreign governments, international organizations, international companies and investors to understand, measure and to build the image and reputation of the concerned country.

 Lebanon	Rank 2011	Rank 2012	Rank 2013	Rank 2014
Anholt – Gfk Roper Nation Brands Index	-	-	-	n/a
Anholt – The Good Country Index	-	-	-	84
Bloom Consulting Country Branding Ranking Trade	-	-	-	66
Bloom Consulting Country Branding Ranking Tourism	-	-	-	48
FutureBrand Country Brand Index	-	-	-	61

This table shows how Lebanon ranked 48<sup>th</sup> in terms of Nation Branding as a tourism country in 2014 out of approximately 179 countries surveyed.

## **B - List of the top ten countries in the world in terms of national Branding according to the figures of 2016**

2016 Anholt GFK- Nation Brand Index

- 1 United States
- 2 Germany
- 3 United Kingdom
- 4 Canada
- 5 France
- 6 Italy
- 7 Japan
- 8 Switzerland
- 9 Australia
- 10 Sweden

## **C- Nation Branding Building Tools**

- Identify the target audience in the promotion
- Using Logo in the media campaign
- Involve everyone in the campaign to promote the country's Nation Branding
- Using websites, media, advertising materials, marketing companies.
- The quality level of national products and services and the adoption of modern methods in packaging and packing of national products and providing services.
- Discipline and transparency in the application of laws in the country and governance, development of parliamentary legislations, take proactive and creative initiatives in the Nation Branding promotion of the country.
- Adopting good and influential stories in the promotion campaign.
- Consistency of the path of diplomacy and commitment to establish credibility.

## **2- Communication**

By various available means, gradually or one time according to circumstances and possibilities and choose the best ways to meet and to reach positive results:

a- Meetings (bilateral and multilateral) with representatives of foreign governments (EU) and international organizations (WTO, UN, World Bank, International Monetary Funded ...) and foreign companies.

b- Diplomatic correspondence (letters, emails, etc.)

c- Phones Calls, fax, video conference and e-mail.

## **3- Trade and Diplomatic Missions**

### **A-Objectives:**

- Shorten distances and views, explore, collecting information and opening channels of convergence.
- Conducting international trade agreements aiming at promoting trade and attracting investments.
- Improve the Nation Branding of the country
- Strengthen bilateral (economic) relations between countries.
- Support national companies, scientific institutions and research in expanding their professional and scientific expertise.
- Increase networking and cooperation between countries

## **B- Head of the Mission**

President of the Republic, the Prime Minister, the members of the Council of Ministers or minister or any high-level government official from the relevant Administrations (public Administration or foundations or Parliament members...) or overseas diplomats in the working delegation.

## **C-Membership**

- Representatives of relevant and specialized government administrations and departments.
- Representatives of embassies and consulates
- Associations, trade unions / federations, and representatives of small, medium and large enterprises.
- Scientific, research and technological institutions

## **D-Preparation Phases**

- Identify mission's participants and distribute roles and tasks
- Preparation of the program, agenda, action plans and drafts of trade agreements to be discussed.
- Media campaign on mission objectives and exchange of brochures with business, small and medium enterprises and the media.
- Organizing workshops and seminars to identify and promote the objectives of the trade mission.
- Contact travel agencies, hotel reservations and others.
- Develop contingency action plans and identify margins of action.

## **D- Tasks of Diplomatic missions:**

- Representing the sending State to the host State through the participation in the diplomatic mission in certain aspects of the host State's public life (national holidays, receptions ceremonies, celebrations, etc ...).
- Protecting the interests of the sending State at the host State as well as protecting the nationals of the sending State, whether natural or legal persons.
- Negotiating with the government of the host country to improve political and economic relations and to address any differences that may occur.
- Looking on the conditions and developments in the host country by all the legitimate means and submit reports and the necessary economic and political studies to the sending government.
- Working on activating trade, economic, cultural and scientific relations between the two countries.
- Issuing passports, travel documents and visas.

## **4- Diaspora**

Emigrants could play a strategic role in the economic development of their motherland through:

- Sending remittances to their families
- Investment and development at home.
- Promoting trade and attracting foreign direct investment to the homeland to create job opportunities and stimulate entrepreneurship.
- Transferring knowledge, technology and new skills acquired in the country of alienation.
- Organizing expatriate meetings in the world to allocate their efforts and harmonize their work, and motivate them to cooperate with the government of their motherland by:
  - Enhancing business Nation Branding
  - Marketing of national products
  - Serving the economic security and strategic interests of their motherland.



Source: [now.mmedia.me](http://now.mmedia.me)

## 5- International Negotiations Techniques

Is an integrated, programmed and systematic process to ensure success and achieve goals.

A-Preparations: identifying the members of the negotiating team, the objectives of the negotiations, conduct a research on the counterparty (objectives and expectations), agreeing on identifying of other party's members of the negotiation team, assess the other party's objectives and determine the maximum extent of the concessions of the other party; develop a negotiation plan and deliver tasks among the negotiation team.

B- Rules and procedures: Determining the time and nature of the negotiations (bilateral or multilateral ...) and setting out its agenda.

C- Exploration: meeting with negotiators from the other party and get to know them and understand their goals and concerns, and promote confidence among negotiators.

D-Discussions: asking the other party questions and adopting the possibility of using an implicit communication channel with negotiators to help and support in negotiating or using the media for advocacy, trying to reach common ground and reorienting discussions towards the main topic to save time.

E- Decision-making: Emphasize the common points of understanding reached during the negotiations.

F- Advocacy: returning home to promote the terms of the agreement and send them to the competent authorities (Parliament and the government) for ratification.

G- Implementation: Initiate the implementation of the terms of the agreement

## **6- Economic Studies, Analysis and Information Sharing**

- Conducting Economic Market intelligence studies on the target Markets to identify the potential opportunities in order to increase export and investments.
- Exchange information with government officials, economists, business companies (SMEs, large enterprises ...), Universities, R & D centers and technology.

## **7- Conferences, seminars and international exhibitions**

- Holding conferences and seminars (internal and external) to promote national products.
- Organizing exhibitions (internal and external) to enhance communication between exporters of national products and potential importers from foreign countries.
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## **8- Media**

A- Traditional means of media / advertising, websites, radio-television, documentaries, brochures, magazines, publications, newspapers, etc.

B- Social media (you-Tube, Podcasting, Facebook, Twitter, LinkedIn, etc.).

## **9- Aids and Sanctions**

A- Positive means of assistance and support: (educational scholarships, development projects, humanitarian assistance .....

B - Negative messages as sanctions and lobbying: (financial sanctions, banning, boycott, black listing ...)

## **10-Human Capacity Building**

Human capacity is the focus of the existence of diplomacy in general and economic diplomacy in particular, which is the engine and basis of its work. The success of diplomacy is based on the success of its custodians, sponsors and their efficiency and dedication. It requires training and refinement of knowledge, personality, qualifications, and mental, psychological and physical abilities for graduation of competent and reliable diplomats.



## **Main tools:**

A- Conducting workshops and seminars aiming at raising awareness about the importance of economic diplomacy and expanding the horizons of knowledge among diplomats, directing concerned officials, planners, implementers and supporters.

B-Attending advanced training programs within Lebanon and abroad and at the research centers and international universities to look at the best practices and exchange scientific experiences and knowledge in the field of economic diplomacy.

C- Benefiting from the expertise of the senior diplomats and the experiences of the concerned parties and circulating them to disseminate knowledge, scientific and practical achievements.

## **Seven: An action plan to promote ED**

Defining objectives, tools, resources, responsibilities of individuals, circumstances and possibilities, obstacles and strategies to overcome obstacles requires:

A- Forming permanent and mobile working team consisting of representatives from all ministries concerned with international trade, whose task is to formulate appropriate economic and diplomatic policies, prepare for international agreements and negotiations, conduct international trade agreements and review them when necessary.

B- Providing economic studies and reports on target countries and monitoring joint and potential investment opportunities.

C - Holding trade agreements (partnership agreements, free trade agreement, etc.)

aimed at increasing exports of national products and reducing trade balance deficit.

D- Creating a positive national image by improving national reputation and promoting national products (Quality, Packing, packaging, media, expatriates, etc.).

E-Organizing internal and external conferences to facilitate B2B and export promotion, and establish internal and external exhibitions to promote national products, activate communication between exporters and other foreign importers and activate the role of the diplomatic corps and commercial attachés.

F- Enhancing the export capacity of small and medium-sized enterprises in order to increase exports and encourage the private sector to open specialized marketing companies abroad to market national products.

G-Organizing meetings with expatriate communities around the world to join efforts coordinate their steps and motivate them to work with diplomats to promote national products.

H- Launching export-supporting trade agencies (for example, Arab Union for Industrial exports Development) in order to increase exports and expand markets.

I-Establishing a network of communication linking all embassies together with the Ministry of Foreign Affairs and expatriates and establishing a website to link national chambers of commerce and industry with their foreign counterparts.

It is worth mentioning that the Lebanese Ministry of Industry in its Integrated Vision (Lebanon Industry 2025) launched in 2015 and its strategic executive plan for the year 2020 that it started implementing in 2016, its operational plan for the years 2016 - 2017 and its project of inclusive economic policy "Lebanon Economy 2025" includes different items especially the items falling under the authority of the Ministry of Industry, which was the first to start the implementation. The Ministry of Industry conducted an annual assessment for

the first operational year (2016-2017) of the Strategic Plan and the results were very positive.

The ministry is working on various levels that meet with the principles and foundations of economic diplomacy within its powers and authorities:

- Raising the level of human resources.
- Opening channels of communication at home and abroad based on clear vision plan, feasible program, useful and achievable goals for Lebanon.
- Conducting studies, policies and plans according to the available resources and the surrounding circumstances, logical projections and the scientific principles.
- Setting clear and achievable goals based on estimations of the possibilities, circumstances, and necessities.
- Following up, analyzing conditions and developments internally, regionally and internationally.
- Setting out expectations and alternatives in scientifically and logically ways and benefiting from the expertise and practices.
- Enhancing scientific research, development, innovation and disseminating innovative thinking considering its importance for steady and prosperous development.
- Media for industry in feasible, steady and meaningful way.
- Organizing and participating in conferences, seminars and round tables internally and externally.
- Working on specialization and integration in production to ensure the competition and development.
- Directing industry and economy towards developed and effective production, high quality and scientific dynamic productivity.
- Establishment of advanced and model industrial zones by partnering with the private sector and international experienced donors organizations.
- Attracting national and foreign investments.
- Working on economic and social development, especially in rural areas by disseminating the industrial thinking, legalizing the factories, increasing job opportunities and enhancing environment.
- Creating job opportunities and matching the educational level and programs with productive employment needs.

- Effective and constructive cooperation and coordination with various government agencies to the legal texts, which identify integrated powers and responsibilities of governmental bodies.
- Consistently working on partnership between the public and private sectors.
- Simplifying procedures and adopting the policy of open doors, positivity, openness and transparency, etc.
- Conducting active, dynamic, and continuous workshop to face the challenges.
- Supporting small and medium enterprises to raise its productivity.
- Encouraging initiatives and entrepreneurship among youth and university graduates.
- Working on increasing exports, reducing imports, increasing production and expanding the local market by various available, legal, financial, practical and administrative means.
- Working on promoting and disseminating the importance of economic security, industrial and production security to raise community awareness and contribute to make our national production sufficient in meeting the needs of local consumption as much as possible quantitatively and qualitatively.

## **Conclusion**

Countries that seek to increase the growth of their national economies, create job opportunities for the unemployed and increase their national income, must adopt successful diplomatic and economic policies. These policies require the appointment of the highly qualified economists in the public sector. These economists must be able to understand and negotiate the key contemporary economic and environmental issues from a scientific and national perspective.

Economists should be familiar with all recent developments and theories in technology, communications, economic crises, integration, specialization, globalization, national productive capacities, the environment and sustainable

development, in order to better serve the economic security and achieve the strategic interests of the country, especially when dealing with international organizations, conducting negotiations, trade agreements and attending International conferences.

Incompetent economists will not be able to negotiate and communicate with their foreign counterparts from a scientific and national perspective. Results will be negative, which increase the country's exposure to various types of crises and economic and political problems, mainly:

- Binding the country to unfair trade agreements that increase its trade balance deficit and its balance of payments deficit with their repercussions on the economy and society.
- The increase in the value of public debt.
- Dumping the homeland with foreign goods that harm its industrial and agricultural sectors.
- Damaging its services, tourism and urban sectors and weakening growth and development.
- Increasing unemployment among young people at high rates.
- Weakening representation of the State in the international conferences and forums.
- Weakening diplomatic representation before delegates of foreign governments and heads of states.
- Outflowing Capital and foreign direct investments from home to abroad.
- Increasing rates of migration among young people, especially brain drain.
- Defamation the reputation of the nation at all levels (governance, people and culture, exports, tourism, investment and migration).

**There is no room for error or indifference. Otherwise, the result could be disastrous on the country.**

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