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Upgrading EU commercial diplomacy in 2012

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Nerve centre: High Representative Catherine Ashton visits the EU Situation Room. | EEAS

MADRID - One of the EU's main challenges for 2012 will be that of international geo-economics. The euro crisis and shifts in global power require a more assertive focus on immediate economic interests. Geo-economics is an increasingly important shaper of EU external policy. The external dimensions of the euro crisis merits far greater attention in 2012.

Geo-economics denotes the use of statecraft for economic ends; a focus on relative economic gain and power; a concern with gaining control of resources; the enmeshing of state and business sectors; and the primacy of economic over other forms of security. There is consensus that the ongoing economic crisis renders more pre-eminent the geo-economic dimension to international power and presence. Refining its geo-economic focus is widely seen as pre-requisite to the EU recovering ground lost as a result of the crisis. Geo-economics is also widely seen as a more central underpinning of the emerging 'non-Western world order'.

But what form of geo-economics will EU member states pursue? It appears clear that geo-economics must be factored in as a significant influence over crisis-afflicted EU strategy. But, geo-economics can assume different degrees and shapes. Geo-economic power can mean different things to different actors What will be its defining contours in European policies as 2012 unfolds? What exactly does geo-economic prevalence mean for EU policies in particular regions and issue areas? What type of geo-economic power is the EU becoming and what type should it aspire to be?

European member states have become strikingly more active in chasing investment deals. This trend is likely to become even more marked in 2012. Several governments have explicitly committed themselves to a more assiduous pursuit of exports, investment contracts and very direct national material interests. In several regions, European external funding and development cooperation appear to be aligning more with the private sector. In at least some places, the danger is emerging of the EU becoming a mere supplicant for commercial contracts. This may produce important and immediate material gains, but also breeds a perception that the EU's external vision is increasingly and unduly constricted.

As a result of the crisis and intense competition from rising powers, in 2012 the focus on geo-economics will tip the scales even more towards bilateralism and away from common EU approaches. Competition is increasing between member states for commercial access to emerging markets. This has not been accompanied by coordination measures of equal weight at the EU level. Despite enhanced commercial diplomacy, in most markets European companies are struggling to hold-off stiff competition across all sectors from non-Western producers. In 2012 the EU will face decisions over whether its plethora of initiatives – from outstanding free trade talks in

Asia and Latin America, to energy projects in the Caspian and recently formulated strategic policy frameworks in the southern Mediterranean and sub-Saharan Africa – can move forward in more tangible and substantive terms.

It would be premature to conclude that geo-economics are entirely suffocating other dimensions of EU policy. Political and security policies in some circumstances still prevail. Relative to internal EU flows, European global trade and investment remains modest. If there has been something of a geo-economic stampede to Asia, the economic aspects of EU policies have if anything weakened in Latin America. In the Middle East and sub-Saharan Africa, trade and investment efforts have intensified but still underplay these regions' full potential.

The investment in security-related resources will follow a downward trajectory in 2012 and the EU's foreign policy centre of gravity will tilt towards geo-economics.

Nonetheless, in most areas the concern will not be with economics completely emasculating politics, but with insufficient priority being attached to conjoining these two strands of policy. The need is for a changed approach to diplomatic and security issues as a means of underpinning geo-economic interests. This is most clearly seen in the ferociously competitive energy politics of the Caspian region. Arguably, geo-economics should play to the traditional EU strength of being an 'economic giant, but political dwarf'; but in many regions it also reveals its Achilles Heel of an abiding disconnect between economic and geopolitical interests. It is emblematic that foreign ministers have been largely absent in the management of the economic crisis.

Geo-economics does not mean the EU has abandoned rules-based multilateralism.

The EU is suspended somewhere in between enthusiastic reliance on liberal interdependence and zero-sum survival mode. While EU member states are more aggressively pursuing investment and bilateral trade deals, they are not approaching geo-economics in the same kind of direct way that China and, to a lesser extent, the United States plan for control over strategic resources and transport nodes of the global system. Yet, with most multilateral bodies struggling to retain traction, the EU will need to boost its commitment to multilateralism at key summits and key decision-moments scheduled for 2012, if it is to hold geo-economics back from more deleteriously eating into rules-based governance.

European approaches to geo-economics seem to take some of the priority away from issues of political governance and multilateral cooperation, but without encouraging member states to marshal all their resources to the purist form of realpolitik control. The positive interpretation is that this could eventually constitute a well-balanced form of geo-economics: a firmer and more results-driven search for commercial gain, without the excesses of rules-weakening statecraft. But this mix will need to be pursued in a far less ad hoc and expedient fashion in 2012. A long-term exit from crisis can best be driven by external EU policies based on material interest but within a framework that dovetails far more tightly with the broader gamut of geo-strategic objectives. Key choices in 2012 will have a bearing on how benign a form of geo-economics takes shape.