

# Trade and Diplomacy: The Belgian Case

RIK COOLSAET

*The Royal Institute for International Relations (Brussels)*

Economic diplomacy is no brand new contemporary phenomenon. Since the early days, securing economic interests has always been one of the twin core tasks of diplomacy, alongside military or security diplomacy. Economic and military diplomacy can be viewed as two linked DNA-chains, alternately gaining prominence to the apparent detriment of the other, with the latter evidently not disappearing but temporarily taking a back seat.

In the 1990s, economic diplomacy gained the upper hand. A 1998 survey has pointed out that ministries of foreign affairs all over the world were somewhat suddenly rediscovering the importance of economic diplomacy.<sup>1</sup> Diplomats of many countries made no secret of the fact that their prime task was to look after the commercial interests of the state they represent. Ministries of foreign affairs (together or in competition with other departments) showed a remarkable aggressiveness with regard to bilateral commercial activities. Economic diplomacy in the 1990s can easily be compared in intensity and in scope with the late nineteenth and early twentieth centuries' commercial diplomacy.

When seen through a historical prism, the reasons behind this recurrence appear quite easy to grasp. Economic diplomacy takes prominence when an acceleration in globalization is accompanied by an absence of agreed rules of conduct and the emergence of new items on the trade agenda as a result of an industrial revolution. New opportunities, challenges, but also threats abound. In a precarious and highly competitive international environment, firms turn to their governments for support. Governments have no choice but to further their companies' interests, otherwise other firms would benefit. An intensive economic diplomacy is the result, strengthening the role of the state—notwithstanding all assumptions of its near demise due to globalization—be it at the end of the nineteenth or at the end of the twentieth century.

Put in simple terms, when the rules of the international trade game are changing, it is all hands on deck, a red-alert phase for economic diplomacy—that lasts until new rules are agreed upon by the world's most significant players.

## The Institutional Set-up of Economic Diplomacy in Belgium

In Belgium, too, economic diplomacy acquired a new dynamism and political acceptability in the 1990s.<sup>2</sup> The official agenda of present-day Belgian economic diplomacy can be summarized as follows: promotion of Belgian exports, the oldest form of economic diplomacy; multilateral economic norm-setting for dealing with faraway markets outside the European Union (EU); growing importance to both inward and outward investments.

---

<sup>1</sup>In 1998, in cooperation with the Belgian ministry of foreign affairs, an inquiry was carried out into the long-term evolution of diplomacy in the light of the impact of globalization. The results were published in my, *The Transformation of Diplomacy at the Threshold of the New Millennium*, DSP Discussion Paper no. 48 (Leicester: University of Leicester, Centre for the Study of Diplomacy, 1998).

<sup>2</sup>Speech by Minister of Foreign Affairs L. Michel to the MFA personnel, Brussels, July 20, 1999; *Note de politique étrangère*, Brussels, Ministry of Foreign Affairs, December 7, 1999 (point 4.4).

As to economic diplomacy, a basic division of labor exists within Belgium. The classic export promotion now falls exclusively within the competencies of the regional authorities (Flanders, Wallonia, Brussels). The multilateral trade negotiations and the vital EU single-market arrangements remain at the federal level within the Ministry of Foreign Affairs (MFA). The main responsibility for export promotion rests of course with the exporting company itself. Nowadays companies and federations seek, however, more than in the past, the support of public authorities, whose efforts are viewed as supportive of companies' endeavors.

Since 1993, as part of the ongoing constitutional reform in Belgium, export promotion has become almost the exclusive responsibility of the regional authorities. The regions have set up their own export promotion agency. These all perform broadly the same tasks: providing foreign-market information to companies and stimulating, supporting, and monitoring them in their export activities with a number of services, including financial incentives. These agencies have at their disposal their own network of foreign-based economic and commercial attachés, but they can also call upon the (federal) embassies worldwide to shoulder their endeavors.

The federal government retains a limited number of tools and competencies in the area of export promotion. Foremost among them are a number of tools for the financial support to exports. Since 1997 a rationalization of these financial support mechanisms has been implemented by creating an overall committee "Finexpo," chaired by the directorate-general for external economic affairs and bilateral relations (DGB) of the MFA. This committee handles both state loans and requests for subsidization of the interest rates. The federal government also takes action to limit the costs and financial risks that are peculiar to exports to faraway countries, through an export credit company, the Ducroire/Delcredere. The particular purpose of this kind of allowance is to put Belgian businesses on an equal footing with their foreign competitors.

After much political infighting, the federal government also retains a small Agency for Foreign Trade (AFT), a remnant of the Belgian Foreign Trade Board (BFTB), created in 1948. This agency, jointly chaired by the regional authorities, the federal government, and the private sector, remains in charge of providing the regional agencies with updated information on trade opportunities and the organization of joint trade missions to faraway markets under the presidency of the Belgian crown prince.

Promotion and prospecting inward investment in Belgium is organized along similar lines. The regions have acquired an exclusive competence and all three have set up specific agencies for that purpose. However, since the federal government is in charge of domains that have an important effect on the investment climate, a coordinating mechanism was also set up, chaired alternately by the regions. It brings together representatives of the regional authorities with representatives of the MFA and the Ministry of Economic Affairs. On investment matters too, Belgian embassies report directly to the regions concerned.

### **The MFA's Role in Economic Diplomacy**

Belgium never had a separate Ministry of Foreign Trade. The Belgian foreign trade administration has always been part of the directorate-general for external economic affairs (DGB) at the Ministry of Foreign Affairs.

The fact that the major part of Belgium's international trade is confined within the EU area greatly relieves the MFA from the need to deal with the task of international economic norm-setting. Economic negotiations on product standards (including health standards), double taxation, tariffs, juridical protection of investments, etc., are now usually fixed practices within the EU. Trading inside the EU common market is thus increasingly synonymous with trading within a

domestic market.<sup>3</sup> In 1997 the MFA underwent an important reorganization, partly to compensate for the gradual reduction of personnel, partly to adapt to the increased requirements for economic diplomacy. The most visible aspect of this reorganization was the integration of the geographical desks of both the economic directorate-general and the political directorate-general within a “new” DGB.

At first, this new DGB handled both bilateral relations (economic as well as political), and international financial, commercial and economic relations. A follow-on internal reform in 2002 created a new organizational structure for economic diplomacy within the MFA, in which the DGB’s tasks were essentially trimmed down to its core business of combining bilateral political relations and economic interests. Multilateral trade negotiations, European common market arrangements and the defense of Belgian interests within the European common commercial policy (the so-called Committee 133) were entrusted to the newly created directorate-general for European affairs.

The DGB thus handles most of the multilateral trade negotiations. It also ensures that the economic and commercial interests of Belgium vis-à-vis third countries are represented within the framework that has been established in the treaties relating to the establishment of the European Community. This framework has led to the creation of different working parties and specific committees, particularly Committee 133 (formerly 113), in charge of common commercial policy.

To be better able to identify Belgian interests at the bilateral level in extra-EU markets, regular coordination meetings (the so-called round table conferences initiated in 1992 on Asia) are held within the MFA and chaired by the DGB. They bring together the people in charge of foreign trade in the different federal and regional administrations as well as the relevant professional federations and business representatives in the geographical area under consideration. The deliberations within these round tables furnish the basic direction to Belgian export activity, identifying possible new opportunities and market niches.

The MFA also regularly holds consular conferences with the same aim of better identifying Belgian economic interests. These always take place abroad, in the country or the region under consideration. Thus the DGB organized a consular conference in January 1998 in Manila, soon after the outbreak of the financial crisis in Asia, in order to evaluate the consequences for Belgian trade with the region. This formula makes it possible to bring together all the diplomatic, consular, economic, and trade representatives of the area.

A final instrument of the MFA to identify Belgian export possibilities is the informal network of Belgian chambers of commerce abroad, the honorary consuls, and the advisors for foreign trade. Efforts are made to upgrade this network, since it is considered to be an often unknown and insufficiently used tool for the promotion of Belgian companies abroad.

Once Belgian interests are defined, the MFA goes into the second stage of seeking to promote them. It has a number of tools at disposal, such as the organization of economic consultations with third countries. These consultations, which can take the more formal format of a joint commission, bring together officials and business representatives of both Belgium and the third country and dwell upon a large agenda of common interests. Broadly defined, these bilateral consultations are the main instrument by which two countries define the framework and the norms that will organize their bilateral trade, so as to provide legal security in the absence of fixed rules of conduct.

In the course of 1998 the MFA also decided to concentrate its bilateral efforts more specifically on a limited number of selected partner-countries outside the European Union. The criteria for choosing a country depend on political and

---

<sup>3</sup>Noirfalisse, J.-M., “La grande exportation: un éternel défi pour la Belgique,” in *Ouverture sur le Monde. Liber Amicorum Jan Hollants Van Looke* (Brussels: Fabrimetal, 1995), p. 91.

economic reasons, ranging from new promising business opportunities to existing links of all possible kinds. Within the MFA the DGB organizes meetings with representatives of all sectors of society (private sector, regional and federal ministries, people-to-people contacts) in order to draw up a working program for intensified contacts for the coming three to four years. Russia, Argentina, South Korea, and Canada figured among the first partner-countries.

### **The Diplomat's Role**

In the 1990s, Belgian diplomats increasingly grew accustomed to the fact that economic diplomacy had once again become one of their substantive tasks. This task is usually referred to as prospective or pioneering. It takes several forms:

- Gathering of information on opportunities, either for the large sectors, the big projects, or for a specific type of sales/contract is one constant task. Overall information is gathered about the competitive position of Belgium with regard to other direct or potential competitors. Relays are done to all interested bodies in the Belgian federal/regional system. One permanent task is also to keep feeding a global economic and commercial databank at the AFT. Embassies also play an important role in establishing the potential political and social risks, a crucial yardstick for the Belgian export credit company, the Ducroire/Delcredere.
- Practical and detailed inquiry on the competition conditions for specific projects/contracts, particularly when and where a form of subsidy or guarantee/insurance (through Ducroire/Delcredere or a Belgian bank) is involved. This is done either at the direct request of the company, its bank, or together with a request lodged as an instruction coming from the MFA.
- Démarches and practical assistance in favor of Belgian offers, to the authorities (including the ministerial or head of state level) or to private interested parties in order to liaise with a Belgian company. This can include the communication of information at the request of the local potential buyer/contractor. It includes also the organization of high-profile trade missions headed by the crown prince.
- Publicizing of successful commercial interests and achievements, both in the country of accreditation and from Belgium. This can include any kind of public initiative (ceremony, newsletters, press articles, interviews, publicized visit, receptions, and so on) set up by the embassy in support of a commercial event (signing of a contract, inauguration of a plant, visit to a unit, and so on). It can also be done through initiating the organization of useful contacts in Belgium for potential commercial partners with relevant interested Belgian companies, or also through signalling the visit of opinion leaders to the relevant authorities, either regional or federal.
- Organizing or stimulating the existing Belgian commercial presence in the country of accreditation, in the form of a Belgian business club or a chamber of commerce, and so on. This is aimed at creating an enhanced image with a potential for cross-strengthening reflexes, and at providing an additional source of information among Belgians and Belgian interests. It also includes maintaining connections with the nationals of the country of accreditation who have studied or who have special links with Belgium to cultivate the goodwill.

The export promotion activities of embassies take a somewhat different form depending on their location within or outside the European Union. The intra-EU export promotion is largely done at the level of the regions, which are rather well represented all over the EU markets. This activity is much more technically standardized as European integration makes the norms, rules, and regulations

more uniform. Most individual companies already know these markets quite well, or the access to those markets is much easier and requires less assistance from a “supporting” body. The federal embassies play a significantly lesser role, and this without any resulting negative impact or missed opportunities.

The extra-EU promotion is different. The regions are less systematically present in the non-EU markets. Many foreign countries expect the federal embassies to be active in commercial promotion, alongside, or in absentia of, a regional commercial agent. For many Belgian Small and Medium-Sized Enterprises (SMEs), faraway markets look difficult and they feel a need for more assistance of and support from the embassy.

Concluding, it can be said that, at the federal level, the MFA today acts as a catalyst for the bulk of the foreign economic relations of Belgium, even if private sector spokespersons sometimes view the MFA procedures as cumbersome and intricate, and business leaders too often approach the MFA too late in their dealings with foreign partners when things have gone astray. The MFA acts as the intersection where regional and federal authorities coordinate and where private sector and government officials deliberate, both for short-term projects and for middle-term strategies.

One major international trade development, however, largely remains unnoticed by many practitioners. In world trade, the importance of intrafirm trade and investment flows has been growing at the detriment of the traditional movement of exports and imports. This same phenomenon is also noted in Belgium, but its effect has been barely examined up to now.<sup>4</sup> Inside Belgian foreign-owned subsidiaries, the overall appreciation seems to be positive. Being a member of a large group offers the advantage of group support and global scale, but only when inside its group the subsidiary is recognized as a “centre of competence” and is allowed to acquire a specific responsibility. In governmental circles, on the contrary, the feeling is sometimes expressed that being a member of a large group unduly impairs the freedom of movement of the Belgian subsidiary. It artificially restricts its geographical area and limits its scope of activities, since subsidiaries are given only a well-defined share in the overall structure of the corporation. The danger looms that, if not fully understood, national economic diplomacies one day might evolve into a subordinate dimension of transnational corporate planning.

---

<sup>4</sup>*Avis relatif aux investissements étrangers en Belgique*. Conseil Central de l'Economie, Brussels, 12 November 1997, pp. 10 and 12.