

# **The Foreign Ministry of the Future**

The Copenhagen Conference 16-17 September 2013

Conference Report

**Danish Institute for International Studies & Ministry of Foreign Affairs  
of Denmark**



## Preface

On 16-17 September 2013 17 Foreign Ministry secretaries-general/heads of department from all over the world participated in the third meeting of the so-called 'Toronto Group' in Copenhagen, discussing and developing ideas for "The Foreign Ministry of the Future" (the first meeting had been held in Canada in June 2009 and the second in Belgium in July 2011).

The meeting focused specifically on three overall themes: (1) the future of multilateral diplomacy, (2) classical diplomacy and new mission networks, and (3) commercial diplomacy. Each of these themes was the topic of a separate session opened by either a leading academic in the field or by a panel of participants (the programme can be found in appendix II).

Discussions were carried out under the Chatham House rule, so participant views appear anonymously in this report (invited academics, of course, are mentioned by name). The conference was hosted by the Danish Ministry of Foreign Affairs and arranged in cooperation with DIIS, the Danish Institute for International Studies. The present report has been prepared by DIIS: dr.scient.pol. Hans Mouritzen (senior researcher), MSc Christine Nissen (research assistant), and ph.d. Mikkel Runge Olesen (postdoc). Naturally, they do not carry responsibility for the specific substance of the discussions.

Copenhagen, November 2013,



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# The Future of Multilateral Diplomacy

The conference opened with the ‘big picture’ facing Ministries of Foreign Affairs (MFAs) today: the world order with special emphasis on the state of multilateralism (versus bilateral diplomacy or unilateralism).

## Introduction<sup>1</sup>

The basic foundation for multilateral diplomacy is changing. The old established institutions like the G7/G8, the WTO and even the flagship of multilateralism – the UN – are struggling to adapt to a rapidly changing world to remain relevant. Rising powers are beginning to question the world order on which these institutions are based. Their traditional division of influence has not been adjusted to the strengthened power positions of the newcomers. Classic points of contention in this regard include the distribution of permanent seats in the UN Security Council and the distribution of voting weights within the IMF and the World Bank. But another aspect of the problem, becoming increasingly relevant as the former aspect is being addressed, is whether compromises will become more difficult as the circle of primary ‘movers and shakers’ becomes more diverse.

This problem has led many countries to form smaller groupings in which agreement can be more easily reached. Some are regional such as ASEAN or the Arctic Council. Others focus only on the most important players: either the most important states (such as G20) or the most important individuals in a broader sense (such as the World Economic Forum meetings in Davos). Moreover, the crisis for universal multilateralism has also led to increased emphasis on bilateral agreements, coalitions of the willing or, when that did not prove beneficial, great power unilateralism.

For the great powers, the trade-off between universal multilateralism on the one hand and less inclusive multilateralism, bilateralism and even unilateralism on the other is often between legitimacy and (short term) efficiency. Universal multilateral agreements are harder to establish, but also more durable. Deciding on how to prioritize multilateralism is a common bone of contention within the foreign policy elites of the great powers.

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<sup>1</sup> A previous version of this section was distributed to participants prior to the conference.

Medium-sized and small-sized powers face the same dilemma. Yet, conventional wisdom suggests that these states have extra stakes in universal multilateralism. Being weak on traditional means of power, multilateralism can provide an effective bulwark for these small and medium-sized states against being bullied in bilateral negotiations with the great powers.

Even within a universal multilateral setting, however, legitimacy may become a problem, if consensus building is perceived as 'biased' by some. An example of this was the 2009 UN Climate Conference (COP 15) in Copenhagen, where attempts to first build consensus in a narrow circle of countries may have created a deficit of legitimacy among others and thereby, in the end, backfired.

The world financial and economic crises, global warming etc., will likely remain insoluble without multilateralism. As a consequence, some state leaders have begun to call for more of this, for example, by calling for initiatives akin to the Bretton Woods initiative of the mid-twentieth century. Nevertheless, the future of multilateralism is uncertain; it will depend on a range of difficult issues: How can national foreign services work through and benefit from a challenged and changing multilateral system? How to handle the challenge of committing each state to do its part for the common good and to refrain from free-riding on the others (the collective action problem)? Can gridlocks in universal multilateral fora such as the UN be avoided, or will less inclusive groupings take over the agenda on the most important issues? How will national foreign services use multilateralism to fare in a world where non-state actors are allegedly becoming increasingly important?

## **Discussion**

Following up on Dr. Thomas Wright's keynote speech on trends in global multilateralism, Dr. Pauline Kerr's presentation focused on developments in regional multilateralism in an Asian-Pacific context (see summaries of both speeches in appendix I). Then the conference participants offered their own accumulated insights regarding the future prospects for multilateralism; their discussion is structured below along a number of pertinent subthemes.

### *The added value of multilateral diplomacy*

A central theme concerned the added value of multilateral diplomacy compared to bilateral diplomacy or unilateralism. It was generally agreed that a multilateral order is essential to the world and brings vital benefits not only for small and medium states, but also for the great powers.

The participants paused at the many benefits of multilateralism; it was acknowledged how we have historically avoided wars by means of the multilateral system. The current economic crisis had in all likelihood been far worse without the functioning of G20, for instance. Also, emphasis was put on the success of handling international justice issues by means of the International Criminal Court (ICC). The 21st century's challenges of security, peacekeeping, economic governance, environmental and climate issues are simply too vast and complex for any nation to effectively manage on its own. It was further emphasized that the multilateral system is developed on the common notion that an international order is valuable, while still retaining national sovereignty.

When discussing the benefits of multilateral cooperation and why states have chosen to work together, the debate also came to involve differences in perspective between strong and not-so-strong powers and their reasons for cooperating. Being a small or medium sized state, the benefits of an institutionalization of international affairs are substantial. Several participants confirmed the prevailing conclusion in research that international organizations provide small states with manoeuvring room and influence that they would not otherwise have. Multilateralism allows for a development away from the raw power politics of international anarchy towards a rule-based system, where all members – including the great powers – are subject to the same rules and face the same sanctions, if they break them. Thereby, multilateral institutions become a way for small states to gain influence and some assurance of peace.

However, great powers may also benefit significantly from international cooperation. It was emphasized, how they can use multilateral norms and institutions to bring authority and legitimacy to controversial actions that might not otherwise have been attainable.

It was also mentioned by several participants that multilateral organizations are not limited to solving crises between members, but may also include an alliance element by strengthening members in debates with outsiders. Sometimes multilateral cooperation can be (mis)used as a tool for great powers against each other (cf. Pauline Kerr's example regarding TPP and RCEP dynamics in her presentation, see appendix I).

### *Global versus regional multilateralism*

Spurred by Pauline Kerr's presentation, the different types of multilateral systems were discussed. While it was agreed that the importance of regional organizations is growing, it was similarly emphasized that also their global equivalents are still in demand.

Several participants emphasized how regional organizations can provide an attractive alternative to global organizations that may be overstretched and less effective. Regional organizations are often more familiar with the relevant issue at hand and have more at stake in its solutions. However, they may also be vulnerable to domination by a local hegemon, seeking to take over collective action for pursuing its own interests.

Global organizations, and in particular the universal ones in the UN 'family', remain important not least by retaining unmatched authority and legitimacy, and the challenge for the future should be to ensure that regional arrangements complement and reinforce rather than undermine universal arrangements.

### *Efficiency of multilateral institutions*

While recognizing the previously mentioned benefits and opportunities presented by multilateralism, several participants also pointed out a series of weaknesses inherent in the specific setup of many multilateral institutions. The participants discussed aspects of (in)efficiency as well as possible underlying causes.

- *Political and bureaucratic efficiency.* One aspect of this is the difficulty in deciding on and implementing reforms. It was recognized that the vested interests of individual countries often make the reaching of solutions very difficult. Another aspect is the tendency of institutions to become rigid and less effective with age. Furthermore, as one participant mentioned, while it is a good thing that multilateral institutions are member driven, one could at times get the impression that they were not driven at all and thus slightly paralysed.

Nevertheless, multilateral institutions have scored a series of political successes over the years especially within areas of "low politics". Thus, one participant stressed the 50% reduction worldwide in child mortality over 10 years. Furthermore, multilateral institutions offer vital ways in which especially small states can cooperate on research projects being too expensive for them to

undertake individually. Finally, as civil society grows in importance generally, multilateral institutions can and must, as stressed by one participant, engage non-state actors and 'grassroot movements'. COP15 was an example of this, even if inefficient, but the mere fact that it was nevertheless attempted could be seen as a sign of this development.

- *Cost-efficiency.* Another aspect of inefficiencies is their cost. Several participants remarked that the contributions that each member-country has to pay to keep the multilateral institutions running constitute a significant expense on the budget of the diplomatic service. There is a tendency for these institutions to become more and more expensive over time. This might be because they take on a life of their own and develop a tendency to first and foremost safeguard their own survival. Therefore it is a national task to evaluate for each institution, whether membership is still necessary and delivers results that match the invested resources. One participant asked the question, if countries today even know of the manifold institutions they pay membership fees for, and if the reports produced by these institutions are really being read by more than a few?

- *Intangible benefits.* A view to the contrary was, however, that a given membership might be valuable, even if no tangible results were immediately apparent. Thus, a membership might function as an insurance policy towards the eventuality that interests of vital importance to the participating country might one day come up in that institution.

In any event, the continued importance of multilateralism was generally accepted. It was emphasized that less tangible benefits such as wars avoided should not be underestimated. As one participant put it, for all their faults, *not* having international organizations might be the only thing worse than having them.

## Classic Diplomacy and New Mission Networks

Having analysed some of the global and regional challenges facing MFAs, the second session of the conference dealt with the MFAs themselves. Whether their ‘classic diplomacy’ is still viable was a main theme of the session, but also the various adaptations that were seen as necessary for the future.

### Introduction<sup>2</sup>

According to the early globalisation literature, classic diplomacy as carried out by Ministries of Foreign Affairs (MFAs), was regarded more as an obstacle than a solution to global problems and, in any case, as somewhat outdated. However, this view has been seriously contested, as geopolitics has had a comeback in world affairs (e.g. territorial and resource rivalries). Moreover, globalisation has come to be seen as limited to certain sectors (finance in particular) rather than covering the full breadth of international relations. In a world where states and their geopolitics prevail, the MFA should in theory be back in its classic role (ideal type):

- as the authoritative interpreter of the national interest (reason of state) and advisor to top decision-makers thereabout (long-term strategic planning being an essential task);
- with the glamour and prestige following from this important role;
- therefore also divorced from the (biased) realm of domestic policy and politics;
- stressing the secrecy necessary to the caretaking of the national interest and as the guardian of tradition;
- and, if not gatekeepers between ‘foreign’ and ‘domestic’, then coordinating the views of internationally relevant resort ministries in the interest of a coherent overall foreign policy.

A simple observation, though, convinces one that this is not really the case. Or rather: it seems to differ according to which part of the world, we are talking about. In Europe, among other places,

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<sup>2</sup> A previous version of this section was distributed to participants prior to the conference.

MFAs are struggling with austerity measures, vulnerable as they are due to their lack of natural domestic constituencies. The term ‘deforeignization’ has even been coined, meaning that MFAs find themselves subject to working practices similar to domestic bureaucratic departments (including similar performance targets). Also, European MFAs are currently in the process of finding a proper division of labour with the European External Action Service. Outside Europe, however, we see a different picture. In particular among the BRICS we can observe steadily growing MFAs that can match these countries’ increasing power and influence in the world, functioning more in line with the classic ideal type.

How does the above difference (if true) translate into the embassy networks? Should missions, according to the classic ideal type, be the essential ‘property of MFAs’ (in one observer’s formulation), or should they merely be shared platforms, coordinating views between different internationally relevant ministries, in which the MFA is merely the ‘first among equals’ (if even that) or just the “location manager”? Or: does a general recipe for improving MFAs’ mission networks exist, in principle applicable to all countries? For instance, are small, flexible, and quickly deployable posts preferable to traditional missions? How about multiple accreditations of diplomats to several countries? Or several countries’ co-location of missions in third countries (such as the Nordic ‘Berlin model’)? Are such measures expressions of mainly European strivings for ‘value for money’, or are they universally applicable, also to the growing ‘classic’ MFAs? Will redeployments in all countries’ mission networks be correlated with the emergence of new centres of political and economic power, at the expense of traditional preferences?

## **Discussion**

A panel of two senior participants inspired the discussion itself. Their insights have been integrated in the below summary of the discussion. It has been divided into a number of pertinent subthemes, dealing with MFA classic diplomacy, the global mission network, the expertise (recruitment) necessary for MFAs, and finally their public diplomacy to meet citizens’ expectations.

### *MFA classic diplomacy: the ‘state of the art’*

The diplomatic environment of the 21<sup>st</sup> century is marked with change and uncertainty, and despite different perspectives it was stressed by several participants that MFAs collectively find themselves

grappling with many of the same challenges in a highly interconnected and fast moving global environment, including:

- The resurgence of the geopolitical agenda potentially increasing occurrence of territorial and resource rivalries.
- The increased emergence of a multiplicity of non-state (transnational) actors.
- Foreign policy and politics involving the ‘whole of government’ being no longer the preserve of the MFA.
- Domestic policy and politics creeping into the domain of the MFA.
- The increased public demand for a visible MFA in terms of traditional consular services to citizens travelling abroad, but also in terms of transparency and documented results.

These challenges, being in no way brand new, demand that the MFAs increase their levels of ambition. However, today they make themselves felt in the context of the global financial crisis, where many administrations are subject to diminishing resources. Several participants highlighted the growing discrepancy between tasks and resources.

The fundamental question then becomes whether the MFAs and their classic diplomacy are able and ready to meet this increasingly challenging context. There seemed to be a consensus that classic diplomacy has indeed never been abandoned in the first place and has far from outlived its purpose. Quite to the contrary: it is still needed and vital, although it will have to co-exist alongside many new elements of diplomacy (‘classic diplomacy *plus*’; see the following subsections). Despite the fact that a broad range of non-state actors have entered the foreign policy domain of the MFAs, states remain the key players on the world stage, and classic diplomacy thus remains a significant factor in pursuing national interests and promoting international peace and security.

On such a world stage, classic diplomatic skills remain the added value of an MFA in a comprehensive government perspective, i.a. multidisciplinary and generalist skills as well as inter-cultural understanding which will be needed in order to meet the challenges of the 21<sup>st</sup> century.

A role that deviates a bit from classic diplomacy is that of a *coordinator* for internationally relevant government departments, in the interest of a coherent foreign policy across issue areas. The coordinator’s role should be to actively promote closer interaction between relevant ministries and

departments. However, it was also mentioned that the MFA could face competition for the coordinator role from the Prime Minister's office, notably.

Thus, the continued relevance of the MFA classic diplomacy was emphasized, not least because of the distinct characteristics of the MFA in terms of 1) the classic skill set of diplomats and 2) the (relatively new) coordinating role of the MFA assuring a coherent foreign policy across policy areas.

However, if the MFA is to remain relevant and maintain its 'competitive advantage' in foreign policy, diplomats and MFAs also need to develop new approaches. The widespread resource scarcity experienced by many of the participants calls for further steps in this direction. The need for reform should be addressed as an opportunity to make innovative changes for the better. While it necessarily implicates very difficult reprioritizations of activities, the reforms should be welcomed as a necessary means to find better and smarter solutions. The following sections will present insights and experiences of the participants in this regard.

#### *The Mission Network: new ways of representation*

A primary focus was how to maximize the flexibility and efficiency of the 'mission network', so that the nation state in a smarter and more effective manner can manage national interests abroad.

- *Strengthening the mission network.* Firstly, there is a need to increase effectiveness at MFA home headquarters. One participant shared experiences on how they had sought to develop a less top-heavy and more streamlined governance model by limiting the number of top-executives and allowing them to focus on strategic decision-making, while empowering managers and heads of missions as well as modernizing business lines and planning processes.

Moreover, there was a shared focus on how to develop more flexible representation networks. Several options for increasing effectiveness and mobility were discussed. 'Regional hubs' working as a centre for a country's activity in a particular region was discussed as a replacement for local presence. Similarly 'administrative hubs' was a model for aggregating administrative and technical tasks on a shared basis for several embassies. Some participants also had experiences with outsourcing administrative work like visa production, for instance, to private companies. Moreover,

the option of having ‘non-resident ambassadors’ stationed in the home capital could be a model for increasing mobility while reducing overhead-costs.

- *Co-location with other states.* Besides the above options available for the state on its own, co-location where two or more countries share premises in third countries was a debated issue. Although many of the participants were highly interested in exploring such options further in the future, there have been only a few experiences with it so far. Several participants referred to the successful joint embassies of the Nordic countries (the ‘Berlin model’) as a potentially replicable model. However, while many countries were intrigued by the idea, they also pointed to the difficulties that can easily arise. The main obstacles mentioned were practicalities, expectation management and logistics. Regarding embassy security, several participants pointed out the same problem: that there were often wide disagreements in regards to how many resources should be allotted to the purpose. Since security costs for embassies are increasingly high, it would be very valuable to pool and share resources in this area. However, it was also clear that the varying threat perceptions of different countries, regarding how vulnerable they feel their embassies to be, have been a source of problems.

A less permanent model of co-location was mentioned, namely for a state to have one or two diplomats placed at a foreign embassy in a third country and thereby rent ‘square meters’ for a period of time, for instance in the process of the closing of old embassies or the opening of new ones. It was also mentioned, however, that while having at least one diplomat present in a foreign country is always better than having none, it might be a good idea to formulate exact expectations to such very small missions abroad.

- *The special case of the European External Action Service.* In the EU, the establishment of the EEAS brings a range of new possibilities for national mission networks, both in term of representation and other means of cooperation.

It was agreed by several European participants that the EEAS has the potential to bring added value to national diplomacy, creating new options for flexibility and as a way of saving costs. It was stressed how the EU delegations in the world open up for new ways of representation. Other possibilities offered by the EEAS include coordination, cooperation and in the future even transfer of functions from the national to the European level. Still, the current form of the EEAS was not yet

developed enough for member states to be able to delegate national functions to the EU level, as for example consular services or export promotion.

While the possibilities offered by the EEAS as an effective way to improve cost efficiency were considered substantial by most European participants, the new options are not without limitations. It was emphasized by some, how the working in EU structures is often cumbersome and thus may be less effective. Moreover, the rising public demand that the MFAs are experiencing also make the EEAS difficult to engage in, since adding the extra “EU layer” necessarily complicates transparency, service-levels and concrete results to national citizens.

#### *Expertise in the MFA: towards a more flexible hiring and recruiting system*

Discussing ways in which MFAs should adapt to the challenges of the 21<sup>st</sup> century necessarily involves debating the expertise needed. The conversation was concerned with how to build a more flexible hiring and recruiting system that increases mobility and allows for MFA staff to gain more specialized expertise.

- *Specialist versus generalist knowledge.* While participants stressed the continued importance and value of traditional ‘generalist’ diplomatic skills, specialist expertise is increasingly important. This is already reflected in current hiring and recruiting practices, focusing more on bringing in staff with specialized abilities, e.g. technical skills within specific issue-areas or specialized language/geographical knowledge. How the MFA will acquire and deploy such specialist skills in a long-term perspective was also discussed, and besides increasingly looking for new staff with a specialized educational background, MFAs may also increasingly recruit staff from other resort ministries or from the private sector. According to some participants, this should also apply to the filling of senior positions. Finally, many participants had positive experiences with using more locally engaged staff not only as a cost-saving measure, but also due to its host country knowledge.

- *New career opportunities.* In order to achieve a more flexible career system for MFA staff, it should be facilitated for diplomats to go on leave and return at a later stage with fresh experience from other sectors. In order to make such mobility attractive, the merits gathered outside the ministry should be counted in the national MFA career (not always the case today).

*Public Diplomacy: meeting the expectations of the citizens*

Another key theme of the debate was centred on public diplomacy and on how the role of the MFA in relation to citizens and civil society is rapidly changing. Much in focus for this conversation was the essential need for strengthening this relation and for developing best practices for doing so.

- *Relations to citizens and civil society.* Public diplomacy is regarded as an essential tool, as the MFA relationship to citizens and civil society becomes increasingly important.

Firstly, public diplomacy is a tool to promote the activities of the ministry in the context of increased expectations from citizens in terms of service, results and transparency. Secondly, it is a means to promote national interests and positions to the media and to stakeholders of the ministry such as business leaders, NGO's, think tanks, etc.

It was emphasized by several participants that the MFA must succeed in promoting itself and its activities within the national context, not least in order to secure that funding keeps flowing. In times of austerity, it becomes even more crucial to justify and legitimize the work of the MFA. It was suggested how the future may increasingly bring public scrutinizing of MFA activities. In this context it is crucial that the MFA is pre-emptive and develops measures to reach out to the public to strengthen legitimacy. Another factor of great importance is the quality of the MFA-handling of the tasks that most directly influence the lives of private citizen – especially the traditional consular services. Not only is the demand in this area on the rise, but the public might also have become less forgiving with regards to possible failures.

A number of ways to enhance public outreach was discussed, as for example letting diplomats participate in events aimed at the general public or specialized seminars and conferences in order to represent the narrative of the MFA. Moreover, several of the participants mentioned an ambition to strengthen the 'service-side' of the MFA. An example of this could be so-called 'direct diplomacy', i.e. doing some of the traditional diplomat work through new online networks, for instance in challenging places such as Iran or Syria.

- *Social Media.* While the critique has often been that the work of the MFA is kept away from the public, many participants regard social media as a way to re-connect with the citizens. Via platforms such as Facebook and Twitter, new channels to citizens are established and it becomes possible for the MFA to engage in dialogue, promote and inform about embassy activities, and provide general information. While many participants had already developed systems for social

media presence, it was also highlighted that social media strategies should be developed further in the future.

Besides using social media as a way to connect with citizens, there were also indicators that social media can go beyond public diplomacy and be an instrument by the MFA for information gathering. Several participants mentioned how they actively use social media as an instrument to map events or different groupings in a particular country. For example, social media has been used as an effective tool of consular crisis mapping to gain information about unfolding humanitarian crises. Moreover, it was emphasized how social media can be a way to engage foreign publics directly and thus circumvent their governments.

## Commercial Diplomacy

The final conference session dealt with an increasingly important topic of current diplomacy, namely commercial diplomacy.

### Introduction<sup>3</sup>

The priority that a Ministry of Foreign Affairs (MFA) gives to the promotion of national economic interests has historically been shifting, not least depending on how pressing other concerns have been. Nevertheless, the recent trend points towards an increased focus on such promotion in most countries. This has been especially striking after the onset of the financial and economic crisis in 2008. Attracting foreign investment, promoting trade and creating economic growth at home, not least to combat unemployment, have become key priorities, also for the MFAs. Economic and commercial diplomacy have become high politics.

There are many possibilities for how economic and commercial diplomacy could be pursued. Some countries deliberate on how to best create economic growth as they expand their foreign services while others, due to financial austerity, are having similar discussions, only these are initiated by the fact that the means to pursue commercial initiatives are strictly limited.

How can the resources of the MFAs be best exploited? Attempting to answer this question immediately leads to considerations of the trade-off between macro-level economic diplomacy (negotiating and enforcing bilateral and multilateral trade agreements) and micro-level commercial diplomacy (in support of individual companies), as well as considerations of how to prepare the diplomats for taking a more active part in both. In this respect it might be particularly relevant to consider:

- How the development in macro-level economic diplomacy and the increasing number of relevant actors involved have challenged the ability of the MFAs to remain in control

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<sup>3</sup> A previous version of this section was distributed to participants prior to the conference.

relative to other diplomatic actors, such as other ministries, international organisations, and NGOs.

- The degree to which commercial diplomacy has been successful in contributing to increased trade and economic growth in the home country.
- Concerning commercial diplomacy in particular, the political/ethical question of whether the state should use tax-payers' money for promoting the interests of particular private corporations.

Indicators suggest that commercial diplomacy is receiving more and more attention world-wide. This poses new challenges for the diplomatic corps and raises questions about how best to assist the business world to do well abroad. The initiatives that have been pursued in this regard are many. Some strategies have been centred on heightening the economic knowledge of diplomats through educational programmes and revised hiring practices. Other strategies have focused directly on trade promotion initiatives and on establishing partnerships with the private sector. Traditionally, much of the day-to-day commercial diplomacy has been handled by trade offices or consulates rather than embassies. But should the diplomats take on a more active part and, if so, how is that best done? Again, this raises a number of questions:

- What do the companies need? Do they need diplomats with business/economic knowledge or with broader political knowledge (notably domestic politics of the country at stake)? And should the commercial diplomats be expats from the home country or should they be locally hired? What is still left for the consuls, and what should the division of labour between diplomats and consuls look like in the future?
- Recent research on the subject suggests that easy access to reliable information on the host country, as well as cultural and legal similarities between home and host country, decreases the need for commercial diplomacy. This implies that commercial diplomacy should be tailored for each particular location in question.
- A well-established business network seems to have a great effect on the efficiency of commercial diplomacy. How is such a network best built and honed?
- Should all firms be helped or should only well-prepared companies receive assistance?
- When can diplomats make a value adding difference compared to private consulting offices?

## Discussion

Dr. Huub Ruël inspired the discussion with a presentation about commercial diplomacy in times of austerity (see appendix I). Five main themes could be discerned in the subsequent discussion:

### *Commercial diplomacy as the new challenge*

It was stressed that both economic and commercial diplomacy were gaining in importance because, quite simply, they represented the possible answers to the “question of the moment” faced by many European countries: the debt crisis.

- *Economic necessity as a driver for more commercial diplomacy.* At the core of the discussion was the idea that the ultimate goal of such diplomacy was growth at home. In order to achieve this objective, many participants stressed the need to focus on the emerging economies. This was after all where the growth has been strongest in recent years – though it was also mentioned that this growth has been somewhat less than expected. The hope was expressed that these economies would also have to become more open, as they continued to grow, and that this might create new investment opportunities for the developed economies. Furthermore, exactly because many governments in emerging economies play a larger role in the economy than in most developed economies, the need for commercial diplomacy might be especially high in these countries. However, words of caution were also raised that such a focus should not completely ignore that, for example, many European countries still have each other as their predominant trading partners.

- *Domestic political need for commercial diplomacy.* It was also stressed that commercial diplomacy is gaining in importance in many countries for domestic reasons. Thus, due to financial austerity the diplomatic services will increasingly have to prove their worth to their taxpaying publics. Thus, they will have to prove that they are proactive in helping their firms abroad and thereby contribute to home growth. As mentioned by one participant, embracing commercial diplomacy might be the best way for the MFAs to survive cut-backs.

### *Commercial diplomacy and classic diplomacy*

As remarked by one participant, a tendency today turned the focus from security towards prosperity, though the two were still, of course, recognized to be linked. An example of this shift was seen, by some, in the way ministerial portfolios are restructured in many countries, such as the shifting of trade from ministries of economy to MFAs. What do these shifts mean for the link between commercial and classic diplomacy?

On the one hand, there were expressions of doubt whether commercial diplomacy is really affecting classic diplomacy in very many instances. On the other, it was mentioned that one nation prospering without its neighbours doing the same might give rise to diplomatic frictions. Finally, words of caution were spoken against letting the new trend proceed to the extent of the foreign ministries forgetting their classic task of managing state interests vis-à-vis other states.

### *Commercial diplomacy in practice*

Some participants mentioned that relatively few companies actually pursue international expansion and that, as a consequence, there might still be a relatively large reservoir of untapped potential to be exploited by encouraging more companies to go abroad.

- *Commercial diplomatic initiatives.* The exact type of commercial diplomacy is, one participant stressed, also driven directly by the demands of the private sector. The goal, another said, is basically to reduce the risk that a firm has to take when investing abroad.

The value of trade missions was also discussed among the participants. Dr. Huub Ruël expressed the opinion that while the academic literature on the subject is unfortunately inconclusive, trade missions seem not only to increase trade with the destination country, but also to foster bonds and cooperation among companies participating in the mission.

Finally, business diplomacy was discussed as something to be further explored by states by encouraging their businesses to share experiences in forums like chambers of commerce. Along these lines, one participant also mentioned the possibility for governments to actively ask companies to help them out with traditional tasks otherwise handled by the diplomatic service.

- *Practical challenges with implementing commercial diplomacy.* There was also, however, a considerable consciousness of the problems that remain in getting commercial diplomacy to work in practice. Conflicts of interest may occur, if two companies are applying for the same kind of help abroad. Commercial diplomacy costs money, which in itself is a problem in times of austerity. However, there was also a willingness to consider ways around these problems such as, for example, making companies pay some of the expenses themselves through fees for services.

#### *New staff requirements*

A general theme was again the staffing requirements of commercial diplomacy. Several participants mentioned the use of local staff, both because of the cost saving potential and also because such hiring would improve local knowledge and networks.

Some participants mentioned flexible career paths as another way of ensuring the necessary skills. Thus, by encouraging diplomats to spend time on leave in the private sector, one would develop a greater knowledge and understanding of the needs of private companies.

Finally, it was discussed if certain tasks could be outsourced. This would allow the MFAs to concentrate on a narrower set of tasks of the highest priority.

#### *Commercial diplomacy and development aid*

A final issue that received a fair bit of attention was the changing nature of the relationship between commercial diplomacy and development aid. While previously having been conceptualized as two areas to be kept strictly apart, some participants now felt that the boundaries between the two were weakening. It was mentioned that this tendency was apparently welcomed not only by donor countries, but also by some of the countries receiving development aid. Huub Ruël argued that the mood in at least some development circles mirrored this tendency.

## Appendix I

### Dinner key-note speech by Thomas Wright on global multilateralism: a summary<sup>4</sup>

Five years after Leman Brothers (the Wall Street meltdown), it is evident that the world economic crisis has been as deep as the Great Depression of the 1930s. However, we have seen a quicker resurgence this time. States have not resorted to the same protectionism, after all, and part of the honour can be ascribed to a higher level of multilateralization and institutionalization of the current world. Crises may be too big to solve, but they can be managed. Even if it may be said semi-jokingly that we live in a ‘G-zero’ world, there is no reason to give up on G-20, for instance. However, the level of ambition should be more realistic than previously; rather than optimal performance, G-20 should strive for ‘good enough’ global governance.

This is not to deny that multilateralism has been weakened by the return of geopolitics in recent years, both world-wide and in Asia in particular. In Asia, we have seen an unfortunate tendency for geopolitics to spill over to non-security issue-areas like trade.

The *discussion* following Thomas Wright’s speech centred to a large extent on the Syrian chemical weapons crisis, where a multilateral (UN-sponsored) solution might after all be possible (based on the US-Russian understanding). More in general, the deadlock regarding reform of the UN Security Council was touched upon. In this light, should the G-20 take on foreign and security policy? In the view of the speaker and others, this would be unfortunate, one reason being that it would necessarily steal focus from other pressing issues (economy, climate, etc.)

The classic theme of legitimacy versus efficiency of multilateralism naturally came up; should efficiency be given the upper hand in the light of many UN disappointments over the years? In this connection, whereas (some) transparency is a valuable characteristic of multilateralism compared to old-style bilateral diplomacy, the secrecy of ‘*stille Diplomatie*’ was still relevant in today’s world according to several comments. In sensitive matters, publicity will easily tie the hands of the contending parties.

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<sup>4</sup> Thomas Wright is a Fellow at Brookings, Washington, and managing its global order project.

## **Pauline Kerr, ‘Multilateral Diplomacy in the Asia-Pacific’: a summary<sup>5</sup>**

One of the characteristics of the Asia-Pacific region today is the growing number of multilateral arrangements. Twenty years ago regional institutions were few (e.g. ASEAN, the Association of South East Asian Nations). Today, however, regional diplomats spend a lot of their time attending meetings at numerous multilateral fora, be they in economic, security or other spheres.

When assessing the status and effectiveness of regional multilateral diplomacy, the main trends in the Asia-Pacific region are that:

- Multilateral diplomacy is driven more by national than truly regional interests.
- It has mostly been a competitive rather than a cooperative process.
- Economic cooperation has been more successful than security cooperation, and there is little connection between the two processes.
- Multilateral diplomacy comes in different types, ranging from ad hoc arrangements focusing on particular issues to stronger institutional arrangements like ASEAN. There is no equivalent to the EU.
- Importantly, these arrangements are voluntary and non-binding and based on pragmatism rather than principles.

Overall, multilateral diplomacy in the Asia-Pacific is steadily evolving, particularly in the economic arena, and potentially confirms the claim that regional diplomacy is an effective mechanism for dealing with some of the problems of global multilateralism. This will be illustrated with regard to regional economic and security multilateralism.

### *Economic multilateral diplomacy*

Particularly within the last five years, the field of trade and investment has been the most cooperative arena of multilateral diplomacy in the region. In addition to several quite long standing arrangements, there are two new mega multilateral negotiations underway: the Trans Pacific

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<sup>5</sup> The full-length presentation can be found at [www.djis.dk](http://www.djis.dk). Dr. Kerr is an Emeritus and former Fellow and Director of Studies at the Asia-Pacific College of Diplomacy, Australian National University.

Partnership (TPP) starting in 2008 and the Asian Regional Comprehensive Economic Partnership (RCEP) established in 2012. TPP, comprising eleven members from both sides of the Pacific<sup>6</sup>, “is an exceptional trade agreement in its ambitious coverage of issues and emphasis on new regulations” (Palit, A: 16 June 2013, <http://www.chinacenter.net/negotiating-the-trans-pacific-partnership-possible-effects-on-the-u-s-china-relationship-in-asia/>).

The other major negotiation underway, the RCEP, signals an impressive Asian-track effort by some 16 member countries<sup>7</sup> to establish a comprehensive and cooperative approach to regional trade and investment. Its aim, which is less ambitious in terms of standards than the TPP, is to not to replace existing ASEAN Free Trade Agreements, but rather to improve and coordinate them.

These new mega-regional negotiations are driven, not least, by the incompleteness of the global Doha Round (WTO) and the inadequacy of the numerous bilateral preferential trade arrangements in the Asia-Pacific.

Looking beyond the internal cooperative and competitive diplomatic dynamics of each mega-regional negotiation, both are driven by external competitive geostrategic and geo-economic dynamics: the TPP is strongly supported by the US, and China is not a member. The RCEP is strongly supported by China, and the US is not a member.

Overall, the two multilateral mega-negotiations are having a profound effect on the Asia-Pacific in reorganizing its trade architecture “into distinct blocs based on specific negotiating templates. These blocs are also reflecting the geopolitical and geo-economic interests of the US and China” (Palit, A: 16 June 2013). Moreover, the effect of the two negotiations goes beyond the Asia-Pacific. If WTO governance is insufficient, then whichever group of countries finalizes a mega-bloc first will be “setting key rules and standards for global commerce in the twenty-first century” (Richardson, M., 17 July 2013 [http://www.bilaterals.org/spip.php?page=print&id\\_article=23527](http://www.bilaterals.org/spip.php?page=print&id_article=23527)).

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<sup>6</sup> The TPP includes the US, some Latin American countries, Brunei, Japan, Malaysia, New Zealand, Singapore, Vietnam, and possibly South Korea and Thailand in the future.

<sup>7</sup> The RCEP includes ASEAN + 6, i.e. 10 ASEANs plus Australia, China, South Korea, India and New Zealand.

### *Security multilateral diplomacy*

There is less multilateral cooperation in the security arena than in the economic sphere. States in the region continue to have limited trust in each other. Many are rapidly modernizing their defence capabilities, and there are worrying signs of competitive arms racing dynamics underway in North East Asia around maritime force structures, such as submarines. In this perspective, regional multilateral security fora like the ASEAN Regional Forum (ARF) have so far failed to sufficiently curb state-to-state competition.

One recent sign that security cooperation is nonetheless an on-going objective is the establishment of formal meetings between regional defence ministers and military personnel. However, critics note that these meetings focus on non-traditional security issues (like transnational crime and environmental degradation) rather than on traditional state-to-state tensions as in the East China Sea or the South China Sea. Moreover, the meetings are only held every two years. Thus, there is a continuing deficit in strategic trust.

### *Implications for the future*

What then are the implications of these present trends for the future of regional multilateral diplomacy? A pessimistic argument would be that these trends do not auger well for the future. Overall, state-centric and competitive dynamics outweigh the cooperative and integrationist dynamics. At best the future therefore will be more of the same, or more likely it will become increasingly competitive. The main driver is the view that there is increasing competition in the US-China bilateral relationship.

However, a cautiously optimistic argument is that such rampant competition is not inevitable: despite the competitive dynamics there is also evidence of cooperation and incremental progress, especially with regard to economic multilateral diplomacy. On this front there is hope that the two new mega-negotiations on trade and investment, the TPP and RCEP, more by default than design, could over time result in stronger regional economic integration. It is in the interest of states, despite domestic challenges, to continue to reform their economies, such as reducing 'behind the border' obstacles and to enhance their engagement with regional and global production networks. Vietnam is a recent example that this is happening.

In the short term the question is which model of regional integration is likely to be negotiated successfully. The Asian RCEP model is shallower and probably more attainable for many of the South East Asia economies. By contrast the TPP has higher standards for regional integration but is thus less attainable, at least for several regional economies in the short run. Which model of integration is adopted will depend not just on states reforming their domestic economies and adopting more cooperative win-win negotiating tactics, but also on the US-China relationship. On that point, the recent emphasis by both countries on the cooperative side of their on-going competitive-cooperative relationship is worth noting.

It is also worth thinking about the prospects for the two models of integration operating in tandem. Over time the RCEP could be the stepping stone towards a hybrid of both, which ultimately could lead to an Asia-Pacific free trade agreement (APFTA). China's present isolation from the TPP is not necessarily permanent. It can gain economically and geo-strategically from joining the TPP, just as it did from joining the WTO. Over time as China reforms its domestic economy, as it did prior to joining the WTO and as it continues to do, the TPP's higher standards will be less problematic for it. Likewise, the US can gain by having a role in the RCEP. For example, there are political and economic benefits from engaging with developing economies in Southeast Asia.

The optimistic argument for a brighter future for multilateral diplomacy in the Asia-Pacific is also buoyed by the prospects of economic integration setting the foundations for stronger regional security. Whichever of the two arguments holds up, regional MFAs have a lot of work to do.

### **Huub Ruël, 'Diplomacy means Business': a summary<sup>8</sup>**

Seven key observations about the evolving global economic conditions can be noted:

- The global economic balance of power is shifting to “the East”.
- “State capitalism” seems attractive to many emerging economies.

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<sup>8</sup> A more extensive version can be found at [www.diis.dk](http://www.diis.dk). Dr. Huub Ruël is a professor of International Business at Windesheim University of Applied Sciences, the Netherlands.

- Emerging economy governments claim their places in multilateral organizations.
- Emerging economy multilaterals are of growing importance in the global economy.
- New diplomatic actors such as multinational corporations (MNCs), multilateral organizations, and NGOs increasingly appear on the world stage.
- Big challenges of the 21<sup>st</sup> century need business-government collaboration.
- Information technology challenges governments and traditional channels of diplomacy.

As a consequence, the worlds of diplomacy and business are becoming ever more entangled, putting pressure on national governments to take more active measures in promoting business abroad.

This means growth for three types of diplomacy, all with overarching economic objectives and the potential to directly influence national prosperity:

- Economic diplomacy: Nation-centred use of politics to achieve national economic prosperity or the use of economic leverage to achieve political goals (general policies and trade agreements).
- Commercial diplomacy: both public and private based diplomatic activities for managing commercial relations (more specific business support).
- Business diplomacy: Multinational corporations representatives nurturing relationship with host governments and NGOs. This opens up the possibility of businesses facilitating contacts between states rather than the other way around.

In practice this means, for the state, a need to boost its commercial diplomacy, while also being mindful of the increasing pursuit of business diplomacy in the private sector.

Such commercial diplomacy can in turn be divided into four categories:

- Network activities: This includes developing business and government contacts, arranging state visits, hosting buyer-seller meetings and general matchmaking to aid companies in search for partners abroad.
- Intelligence gathering: Ranging from the gathering of concrete commercial information to analytical help with market research, image studies and joint scientific research.
- Image campaigns: Such campaigns may include the promotion of goods and services as well as tourism, the collection of marketing data, the stimulation of potential foreign investors

towards engagement with national companies, the participation in trade fairs and like events, and general awareness campaigns.

- Direct business support: Concrete help with contract implementation, legal issues and other types of problem solving.

With many countries facing budget cuts, a geographical prioritizing of commercial diplomacy is inevitable. Its focus should almost certainly be on Asia as well as on the BRICS countries. Again due to resource constraints, such initiatives might well have to be implemented in large part through the hiring of local staff in these countries. In addition to this geographical focus, we should expect to see countries focusing on selected companies deemed to be of particular importance to economic growth at home.

While austerity and intensified global competition increases the risk of protectionism, it also provides an opportunity for increasing the effectiveness of the diplomatic service: forcing cuts of less efficient practices and bringing commercial diplomacy to the top of the minister's agenda. Also, the introduction of more and higher fees for commercial diplomatic services will enable businesses to demand higher levels of service. Furthermore, because of the potential of commercial diplomacy to create jobs at home, the MFA branches dealing with commercial diplomacy might not face as steep funding cuts as the rest of the diplomatic services.

Ten key guidelines will be of particular relevance for the future:

- Keep improving commercial diplomacy.
- Focus on emerging economies.
- Make use of fees and locally recruited staff to bring down costs.
- Create specialists.
- Improve quality by emphasizing foreign post experience and business network.
- Increase awareness of commercial diplomacy in small and medium-sized businesses.
- Utilize the online component.
- Hire private sector experienced ambassadors.
- Coordinate efforts within the EU.
- Collaborate with multinational corporations.

## Appendix II

### Conference Programme

#### DAY 1 – MONDAY, SEPTEMBER 16th

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**Location:** *Restaurant “Nimb Terrasse”, Tivoli Gardens*

18:00-19:00 Welcome Reception

19:00-21:30 Dinner

Keynote speech: “Reflections on Perspectives of Multilateral Cooperation in the 21st Century” by Dr. Thomas Wright, Fellow, Managing Global Order project, The Brookings Institution

Followed by Q&A

#### DAY 2 – TUESDAY, SEPTEMBER 17th

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**Location:** *Eigtveds Pakhus, Salon II*

09:00-09:30 Arrival and registration

09:30-09:40 Opening of the conference by the Permanent Secretary of State for Foreign Affairs of Denmark

09:40-09:50 Introduction by Nanna Hvidt, Director of Danish Institute for International Studies

09:50-11:30 **Session 1: The Future of Multilateral Diplomacy** (1 hour, 40 min.)

Moderator: Nanna Hvidt, Director of Danish Institute for International Studies

Introduction by Dr. Pauline Kerr, Emeritus and former Fellow and Director of Studies at the Asia-Pacific College of Diplomacy, Australian National University

11:30-12:00 Coffee/tea break

12:00-13:45 **Session 2: Classic Diplomacy and New Mission Networks** (1 hour, 45 min)

Moderator: Dr. Hans Mouritzen, Senior Researcher, Danish Institute for International Studies

Panel discussion: “The Global Representation Network – Structure and Cooperation”

Panelists: Mr Morris Rosenberg, Canada and Mr Pertti Torstila, Finland

13:45-14:00 **Group Picture**

14:00-15:15 **Working Lunch** (1 hour, 15 min)

Keynote speech: “*A Multinational Corporation’s Expectations to a National Foreign Service*” by Flemming Voetmann, Vice-President, Public Affairs & Leadership Communication, DANFOSS

15:15-16:45 **Session 3: Commercial Diplomacy** (1 hour, 30 min)

Moderator: Dr. Hans Mouritzen, Senior Researcher, Danish Institute for International Studies

Introduction by Dr. Huub J.M. Ruël, Professor of International Business at Windesheim University of Applied Sciences, the Netherlands

16:45-17:00 **Wrap-up Session**

## List of Participants et al.

### Participants

<i>Name</i>	<i>Country</i>
Mr Dirk Achten	Belgium
Mr Morris Rosenberg	Canada
Mr David O'Sullivan	EEAS
Mr Pertti Torstila	Finland
Mr Raphael Barak	Israel
Mr Michele Valensise	Italy
Mr Jean-Paul Senninger	Luxemburg
Mr Ignacio Ernesto Vázquez Chavolla	Mexico
Mrs Bente Angell-Hansen	Norway
Mr Boguslaw Winid	Poland
Mr Vladimir Titov (SEP16 only)	Russian Federation
Mr Simon Wong Wie Kuen	Singapore
M. Frank Belfrage	Sweden
Mrs Helene Budliger Artieda	Switzerland
Mr Ronald van Roeden	The Netherlands
Mr Matthew Rycroft	UK
Mr Nguyen Ngoc Son	Vietnam

### Keynote speakers

Dr. Thomas Wright	The Brookings Institution
Dr. Pauline Kerr	Australian National University

Mr Fleming Voetmann	Vice-president, DANFOSS
Dr. Huub J.M. Ruël	Windesheim University of Applied Sciences

### **Moderators**

Ms Nanna Hvidt	Danish Institute for International Studies
Dr. Hans Mouritzen	Danish Institute for International Studies

### **MFA Denmark**

Mr Ulrik Vestergaard Knudsen
Mr Claus Grube
Mr Jean Ellermann-Kingombe
Mr Kim Rosner Pedersen