1. **Introduction**

A remark made by President Clinton at the outset of his second term struck me as somewhat odd. According to the *New York Times* one of his proudest achievements was his success at linking American foreign policy with the domestic economy and jobs. Apparently, in his own words, he had discovered, that: ‘there is no longer an easy dividing line between foreign policy and domestic policy, that the world we’re living in doesn’t permit that luxury any more’.

The newspaper also quoted Mickey Kantor, Clinton’s Secretary of Commerce, according to whom: ‘Clinton is the first President to really make trade the bridge between foreign and domestic policy.’¹

Furthermore, the newspaper referred to the ‘commercial diplomacy’ of Secretary of Commerce Ronald H. Brown and the ‘unrelenting focus on trade’ in the Clinton foreign policy.

Four years later, at the end of the second Clinton administration, newspapers, both in Europe and the United States, agree that economic diplomacy has indeed been the most consistent thread in President Clinton’s foreign policy legacy. Job No. 1 of the Clintonite foreign policy, it was said, was using diplomatic power to open markets for American goods, helping to create jobs and lift the United States out of a recession.² Clinton, so *Foreign Policy* argues, really was the ‘Globalisation President’, understanding sooner, better than many other leaders the profound changes that it brought upon domestic life in the US.³ Similar quotes can be multiplied, but are mere variations on the same theme.

Why label these remarks as odd? Two reasons explain for the label. The first is that it took a President so long to discover what diplomatic practitioners, especially those who have had the opportunity to travel between the academic and the diplomatic worlds, have been saying all along, namely that domestic policy and foreign policy are tightly intertwined.⁴ The paradigm that foreign policy basically flows from domestic policy is more widely shared in Europe than most mainstream political scientists in the United States realise. Especially in France, the study of foreign policy often starts in the societal environment and links the interests a country pursues on the world stage with the domestic power structure and the composition of the ruling elite.⁵

The second reason is closer to the subject. Descriptions and remarks as quoted above suggest an uniqueness in American foreign policy that is not warranted. They overlook the simultaneous shift towards a more pronounced economic emphasis in diplomacy in many other countries’ foreign policy. Moreover, this shift is usually presented as a contemporary phenomenon whereas in fact it is merely a cyclical resurgence of the primacy of economic diplomacy.
2. **A widespread shift from geopolitics to geo-economics**

The merit of being first at predicting this shift from geopolitics to geo-economics probably goes to some well-known academic authors, such as Paul Kennedy, Jeffrey Garten, Edward Luttwak and Lester Thurow, at the end of the 80s and the beginning of the 90s. The project of ‘Europe 92’ and the emergence of Japan and the Asian Tigers as economic powerhouses in those years contrasted sharply with the relative decline of American economic strength. With varying emphasis these authors were the first to claim that international relations would inevitably evolve into competing economic blocs. Power relations would no longer be determined by military might but by economic weight.

Against the background of an American recession, the officials of the first Clinton administration were probably influenced by the argument. Economic concerns, as the above quoted newspapers rightly suggest, clearly came to the forefront of American diplomacy in the beginning of the 90s. But in this the United States were not unique. ‘My own government,’ according to the former Australia foreign minister Gareth Evans ‘has been chopping resources, with more and more emphasis on trade and commercial aspects.’

As an 1998 survey has pointed out, most ministries of Foreign Affairs all over the world have been insisting on the importance of economic diplomacy. Diplomats of many countries make no secret of the fact that their prime task now is to look after the commercial interests of the state they represent. Since the end of the Cold War, states, i.e. ministries of Foreign Affairs (together or in competition with other departments), have shown a remarkable aggressiveness with regard to bilateral commercial activities. Belgian trade officials consider countries such as Germany, France, the United Kingdom and the United States as being much more assertive and active in this field than Belgium.

Clearly, in Belgium too, the argument goes that economic diplomacy has been making rapid progress in term of becoming the main preoccupation in foreign policy. According to the former State Secretary of Foreign Trade Pierre Chevalier:

‘the [Belgian] government has deliberately chosen to appoint a State Secretary whose primary task consists in trade promotion rather than to continue the earlier practice of assigning this portfolio to a Minister who already has other tasks. This emphasises the importance of foreign trade and the increasing position of economic diplomacy. Economic diplomacy is becoming increasingly important, both on the bilateral as well as on the multilateral level. This is the result of temporary problems, since the dioxin crisis makes our efforts all the more important. But there are also structural reasons. The globalisation of the world economy confronts us with new challenges. This globalisation and the increased competition that flows from it, oblige every country to bundle its forces.’

In addition he has insisted many times:

‘Don’t forget: trade is war. (…) In world trade everything is being used to conquer or maintain market shares.’

In Belgium, explanations vary as to why this shift has taken place. Some of these can easily be found in other countries. The present emphasis on economic diplomacy is sometimes explained in terms of a generational shift, as a result of an increased professionalism and even ‘technocratisation’ amongst the present generation of diplomats, replacing the generation of
gentlemen-diplomats that left the diplomatic service in the beginning of the seventies. According to this explanation, ‘old fashioned’ diplomats and diplomacy only dealt with geopolitical aspects of military security and considered commercial diplomacy an inferior task.

Others look for an explanation with reference to the ongoing constitutional reform. In this process the sub-state actors, called the ‘federated entities’ (Communities and Regions), have acquired far-reaching ‘sovereign’ powers, including an international treaty-making power over matters in which they have exclusive competence such as export promotion. In order to retain its pre-eminence in international affairs the federal government, and more in particular the Ministry of Foreign Affairs, has had to impose itself as the most suitable go-through for the international endeavours of the Regions (Flanders, Wallonia and Brussels) in the commercial sphere.

Such arguments unmistakably contain a part of truth. However, too national an explanation is unwarranted, since the same perception is being noted in most countries. The simultaneity of this emphasis on economic diplomacy in many countries thus asks for an explanation that is common to most countries. Obvious candidates present themselves.

On the one hand it is said that the end of the ideological struggle of the Cold War gave the economic dimension of international relations the just and necessary attention that it missed due to the confrontation between East and West. Diplomats and officials finally got the time and the energy for dealing with economics, considered to be of much more direct relevance for the well-being of everyday citizens. Former President Clinton’s ‘It’s the economy, stupid!’ contains it all.

On the other hand comes of course globalisation, which is sometimes linked with the above explanation. One line of argument reads that the increasing globalisation of the economy opens up new perspectives for further trade expansion, but at the same time also sharpens the competition in securing countries’ shares in world markets and in securing new ones. Pierre Chevalier’s quotation above is one among many references to globalisation as the main explanation for the prominent role governments play in export promotion today. Another line of argument explains that growing international competition, considered to be the companion of globalisation, forces governments to offer increasingly competitive conditions for international companies to invest. In order to secure foreign investments and high-qualified jobs, governments need to enter into negotiations with transnational companies, presenting themselves

‘if not as supplicants then certainly as suitors seeking a marriage settlement’.10

Political scientists have developed the notion of ‘Competition State’ in order to describe what is said to represent a changed relationship between states and business.
3. How contemporary a shift?

3.1 Belgium as a case study

There is no doubt that today’s diplomacy reveals a commercial aggressiveness that is novel to most practitioners, accustomed as they were to the rather smoothly working economic environment after Bretton Woods and to the primacy of cold war concerns in that period. But looking at it from a longer historical perspective, how unique is today’s economic primacy in foreign policy?

Looking for an answer, first from a Belgian perspective, one can distinguish at least four similar periods in which economic international relations clearly overshadowed all other aspects of foreign policy both in importance and in efforts spent. Put otherwise, in at least four instances, Belgian governments and the diplomatic service judged the pursuit of economic interests of paramount importance, necessitating an enhanced effort in export promotion, even at the expense of other items on the foreign policy agenda.

To be historically correct, one has to point out that in Belgium, export promotion has always corresponded to a vital, even existential need. Right from the beginning of the Belgian State, the political establishment was of the opinion that without export the productive capacity of Belgian industry would inevitably have faced gross overproduction, leading to shutdowns, unemployment and ‘anarchy’. Nineteenth-century industrialists largely shared this fear of anarchy. Belgian diplomacy acquired from its beginnings a mainly economic dimension, consisting in a ceaseless search for new markets where surplus Belgian products could be sold. This search for new markets did not amount to an altruistic concern of job-creation. It was evidently in line with the specific interests of the industrial and trading bourgeoisie, the new social class that governed Belgium in the nineteenth century.

But from time to time, the routine export promotion effort was felt as inadequate considering the needs. This was the case in the 1850s and 1860s, subsequently in the 1890s and the 1925-1939 period and, finally, during the 1990s. Is there a common feature to these four periods?

The 1850s and 1860s witnessed a rapid shift from a protectionist trade regime to free trade. The signature change was the Cobden-Chevalier Treaty of 1860 establishing free trade between France and Great Britain. Belgium as a small trading nation enthusiastically endorsed the new trade philosophy. The scope of the consular service was developed to historical heights and the (albeit small) Ministry of Foreign Affairs almost exclusively oriented its efforts towards renegotiating the dozens of existing bilateral commercial treaties. Economic diplomacy clearly took the first stage in preserving Belgium’s status as the third or fourth industrial power of that time.

During the 1890s Belgium was an active participant in the financial and industrial expansion world-wide. Companies and banks were the leading actors, but their efforts were supported by the diplomatic and consular service. Belgium was the only small European state participating in the break-up of China. All efforts notwithstanding, Belgium was unable to maintain its leading role in the world economy. It was indeed confronted with new and bigger players, such as Germany and the United States that had entered the second industrial revolution and started to offer on the world markets the same products Belgium had traditionally excelled in. Those powers could wield a bigger clout on world markets, due to their sheer size and the protection of their neo-protectionist trade barriers. International economic competition gave
birth to aggressive export promotion efforts by all industrialised countries, and from 1894 onwards Belgium’s share in world markets grew less rapidly than German or Austrian exports.

From the second half of the 1920s onwards, Belgium once again showed a remarkable dynamic economic diplomacy. Faced with the danger of rising protectionism outside Europe, Belgium became a champion, within the League of Nations, of a global tariff truce and tariff demobilisation, which should create an area without trade barriers. When the League efforts collapsed and the Crash of ’29 gave way to an enduring Depression, Belgium nevertheless pursued its efforts to maintain a regional free trade area amongst its major trade partners. Without fully realising it, Belgium and other small European countries created a new strand in economic diplomacy, alongside export promotion. The attempt of converting the numerous bilateral trade agreements into a multilateral framework based on free trade principles was to be called, later on, economic multilateralism. It can be seen as codified free trade. This orientation implied that international economic relations were to rest increasingly on a body of common pre-fixed principles and norms, that were mutually binding for all participating countries. Multilateral judicial norm setting became an integrated part of international economic diplomacy. For small countries such as Belgium, this amounted to a set of rules of conduct that were common to all and thus more to the advantage of the small, since the large countries’ submission to multilateralism amounted to a abandonment of power-based means by which to influence other countries’ behaviour.

Some arguments and remarks made during that time merit to be quoted at length, since they have a remarkably contemporary ring to them. During a parliamentary debate in April 1935 the Minister of Foreign Affairs described the changing nature of diplomacy as follows. Thanks to the ‘extraordinary development of the press and the telegraph agencies’, most of our diplomatic posts have less to do with regard to their traditional task of political reporting. So they now have the possibility to pay more attention to securing the economic interests of our country, which has become the main task of the Belgian diplomatic representation abroad.

During another debate in December 1933, a Member of Parliament gave the following appreciation of the Embassy’s duties:

“Nos ambassades doivent être les premiers commis voyageurs de l’expansion belge. (…) dans nos ambassades règne un état d’esprit nouveau. Plusieurs de nos ambassadeurs font vraiment tout ce qu’ils peuvent pour favoriser l’expansion belge (…) Ils n’estiment plus, comme c’était le cas autrefois paraît-il, qu’il est au-dessous de leur dignité de s’occuper des questions commerciales.”

In between the two quotes, in November 1934, the Belgian Ministry of Foreign Affairs changed its name into: ‘Ministry of Foreign Affairs and Foreign Trade’.

In the mid-1990s, economic diplomacy once more gained increased attention and acquired a new dynamism and political acceptability. In 1997, the Ministry of Foreign Affairs re-arranged its internal organisation in order better to be equipped for the increased international competition it faced on world markets. The multilateral and bilateral economic desks were merged into the same directorate-general. A number of specific strategies and co-ordination mechanisms were streamlined so as to become more effectual, including by bringing 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.
3.2. Expanding the scope

As far as Belgium is concerned, the conclusion is obvious: present-day economic diplomacy demands a stepped-up effort that clearly differs in scope and energy from the diplomatic tradition since the end of the Second World War. But explaining this by referring to present-day processes of globalisation is inadequate, since similar periods of economic assertiveness in diplomacy occurred in Belgium’s past.

Should one label Belgium unique? Without sufficient comparative historical research into the economic dimension of other countries’ diplomacy, one should beware of too explicit a generalisation. It can however be assumed, even when considering the topic only superficially, that other countries too experienced similar cyclical resurgences of economic diplomacy as the paramount task of diplomacy. To continue, one can equally as well assume that characterisations of President Clinton as the first President to bridge foreign and domestic policy, are – to say the least – historically doubtful.

Taking the United States’ history as a textbook case, wouldn’t at least William H. Taft (1909-1913) and Franklin D. Roosevelt (1933-1945) qualify for the same epitaph as Mickey Kantor gave Bill Clinton?

The first invented ‘dollar diplomacy’ that aimed at stabilising the American ‘near abroad’ so as to protect and enhance American commercial and financial interests, first in the region and then world-wide (China), as well as securing jobs at home. The second will always be linked with the first successful attempt consciously undertaken by a large number of governments to shape an economic and monetary world order, in order to prevent a new Depression at home (since the 30s had demanded so huge a price of the American population), and, as a corollary, to advance American leadership in the West.¹³

The central question is why diplomacy shows at certain times an outspoken economic flavour, whereas at others this concern seems largely absent? It would be interesting, for the sake of comparison, to study the methods, emphasis and behaviour of United States diplomacy against the background of the three periods of American commercial history.¹⁴

Today’s economic diplomacy can easily be compared in intensity and in scope with the commercial diplomacy of the European states during the nineteenth century or with the dollar diplomacy under the American president William Howard Taft. A majority of political scientists, but also diplomatic practitioners tend to overlook such historical recurrences.

In an argument, which upholds the end of the Cold War or present-day globalisation as the main explanation of the current emphasis on economic diplomacy, the causality of the connection must be faulty if correct historical comparisons can be demonstrated. Either the explanation is correct and then the historical parallels are faulty, or the historical parallels are correct and then the explanation is wrong.

In all fairness, it can be argued that both parts of this dichotomy are right to some extent if one accepts the argument that globalisation is not a unique contemporary phenomenon. As some historians (contrary to the majority of political scientists) have asserted, history shows in fact successive accelerations of the globalisation process. A combination of technological breakthroughs and growing economic, financial and commercial interdependence made the
world a bit smaller step by step— an (objective) development accompanied by a (subjective) awareness of this rapidly shrinking world. Would Christendom which gave the Middle Ages its unity and which rested on the shared responsibility and power of Pope and Emperor, not be eligible for the characterisation as the first ‘globalisation’? Could not the same be said of early colonialism, that started with Henry the Navigator in the early fifteenth century?

Even if one limits oneself to modern times, then the description by the American historians Palmer and Colton of the end of the nineteenth century, should be kept in mind by all students of today’s globalisation:

‘Never had the earth been so unified economically, with each region playing its due role in a global specialisation. (...) A true world market had been created. Goods, services, money, capital, people moved back and forth almost without regard to national boundaries. Articles were bought and sold at uniform world prices. Dealers in wheat, for example, followed prices in Minneapolis, Liverpool, Buenos Aires, and Danzig as reported by telegraph and cable from day to day. They bought where it was cheapest, and sold where it was dearest. (...) The creation of an integrated world market, the financing and building up of countries outside of Europe (...) were the great triumphs of the nineteenth-century system of unregulated capitalism. The system was intricate, with thousands and even millions of individuals and business firms supplying each other’s wants without central planning. But it was extremely precarious, and the position of most people in it was exceedingly vulnerable. Region competed against region, and person against person.’

In their description of the international relations of a century ago, Palmer and Colton link two aspects, which are also relevant for today’s world. The acceleration of globalisation at the end of the nineteenth century was indeed accompanied by an absence of regulatory mechanisms and of shared rules of conduct. In order to provide for some regulation, companies at the end of the century created trusts, cartels and entered into price agreements among themselves. At the same time the absence of global rules of conduct made companies turn to their governments for support in their search for new shares in the world markets (and sometimes for protection of their current market shares). Governments gladly responded since their companies’ world expansion provided cash, domestic jobs and wealth (albeit for a small elite). One of the means at their disposal was the diplomatic apparatus, which was set towards an increased emphasis on economic diplomacy.

At other times, this emphasis tended to diminish, either due to the outbreak of international hostilities or to the establishment of common rules of conduct. The post-1945 development is a case in point. This post-war world was managed by the Bretton Woods mechanisms, among other things providing for the first monetary system ever to be devised by governments; by the political leadership of the United States; and, from 1950 onwards, by the creation of a European common market based on reciprocal judicial engagements. This set of institutions and mechanisms made the gradual trade liberalisation a controlled and managed development.

Today’s world is not radically different from its predecessor, exactly a century ago. American political leadership is no longer undisputed and America’s clout is undisputedly smaller in relative terms than at any moment since 1945. The Bretton Woods mechanisms have been given up in 1971-1973 and no successor architecture has been devised so far. Hence the new drive for deregulation and liberalisation that started in the eighties led to a world order in which no common rules of conduct existed that were in accordance with the needs of the new acceleration in globalisation.
Companies feel themselves the victims of this lack of adequate regulatory mechanisms, since they too feel threatened from all sides. The same causes have lead to the same remedies: ‘merger mania’ on the one hand as a means of surviving in a highly competitive environment and increased reliance on governments’ services, on the other, as a means for companies to secure actual market shares and acquire new ones. Government officials, entrepreneurs and (most of) the business press do indeed perceive today’s international trade environment indeed as a highly competitive one, a sort of a jungle in which only the fittest (the largest, the most innovative, the most productive) will survive. Governments in turn have no choice than to respond to the appeals by the companies on their territory (though no longer necessarily of their own ‘nationality’) and to offer their services for the mutual benefit of the well-being of their citizens and the health of the companies on their territory.

3. Economic and security diplomacy as DNA-chains

In short, economic diplomacy is no brand-new contemporary phenomenon. Since the Italian Renaissance it has always been one of the twin tasks of diplomacy, alongside the security dimension (maintaining the balance of power). Economic and military diplomacy can be viewed as two linked DNA-chains, alternately gaining prominence to the apparent detriment of the other dimension, with the latter evidently not disappearing but temporarily taking a back seat. Political scientists should more heavily invest in the research of historical recurrences so as to avoid the all too common phenomenon of calling something contemporary where in fact we are witnessing a cyclical resurgence of a long-term pattern.

In the international system, economic diplomacy takes prominence when acceleration in globalisation (or a suddenly increased degree of interdependence, together with the awareness of it) is accompanied by an absence of agreed rules of conduct. Firms then call upon ‘their’ governments in order to enhance their own endeavours on the world market. Governments have no choice but to further their companies’ interests, otherwise other firms would benefit. This analysis helps to explain why today’s economic diplomacy can indeed easily be compared in intensity and in scope with the late nineteenth and early twentieth centuries’ commercial diplomacy of all industrial states.

Today’s competitive international environment resembles in many aspects its predecessor in the second half of the nineteenth century. The traditional mercantilist trade policies then was giving way to laissez-faire that enhanced even further the leading role of the UK as the workplace of the world. The liberalisation of British trade which directly and indirectly fostered foreign trade in the rest of Europe and a number of important changes in transport technology and costs, the stock of precious metals and the beginning of farm mechanisation in the United States, all this contributed to a significant shift for the flow of trade. This shift required a temporary stepped-up effort of the industrialised countries of that time, such as Belgium, so as to re-arrange their international economic relationships to this new situation.

A more or less predictable international environment then followed, that lasted till the last quarter of the century, when this comfortable situation rapidly changed. Economic hegemony shifted from the United Kingdom to the United States and other European states acquired or aimed at ‘a place under the sun’. The second industrial revolution engendered new financial giants, new trading goods and new manufacturing methods that spread all over the world. This combination partly explains the global expansion (or globalisation) of the late nineteenth
and early twentieth centuries, described by Palmer and Colton. Incidentally, this sudden acceleration of the globalisation process was accompanied by the (re)emergence of ideas about the swift disappearance of the State as the leading political organisation, of which Norman Angell’s *The Great Illusion* (1909) was an eloquent illustration – albeit an erroneous one as history would soon prove.

Indeed, in this precarious and highly competitive international environment, companies had no other choice than to struggle for survival, on the one hand, by establishing cartels and trusts providing some stability in order to mitigate the effects of the booms and busts of unregulated economic development and, on the other hand, by actively securing their existing shares in the world markets or searching for new ones. In this quest they turned to their governments for support. An intensive economic diplomacy was the result, strengthening the role of the State – notwithstanding all assumptions of its near demise.

The Depression era of the 1930s can be viewed as a similar shift from a free trade euphoria that followed the 1925 Locarno treaties and was embodied in the endeavours of the International Economic Conferences organised by the League of Nations. Its collapse and the ensuing return to competing protectionist blocs, necessitated a more dynamic economic diplomacy, partly through the first attempts of economic multilateralism, partly by a return to more aggressive trade promotion policies.

It would therefore be more accurate to view present-day intensive economic diplomacy as an essentially transitory phase. Post-war economic diplomacy until the 1970s-1980s dealt mainly with goods and was pursued in a predictable international environment, managed (or ‘disciplined’ if one prefers) by the Bretton Woods monetary mechanism and the political and economic prominence of the United States and American firms. This predictable international economic environment then came under heavy stress by distinct but mutually reinforcing forces: a new acceleration in the ongoing globalisation process, once more flowing from reduced transport and communication costs, as well as from deregulation and liberalisation; the absence of regulatory monetary mechanisms; the shifting economic power relationship between the United States and the European Union (evolving from a unipolar to a bipolar economic leadership);

18 and the emergence of new items on the trade agenda (services and the products of the information-based industrial revolution and biotechnology).

Put in simple terms, when the rules of the game are changing, it’s all hands on deck, a red alert phase for economic diplomacy – that lasts until new rules are agreed upon by a significant number of powerful players.

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3 ‘Clinton’s Foreign Policy’, in: *Foreign Policy*, November-December 2000, p. 19
6 (Former) Foreign Minister of Australia Gareth Evans as quoted in: *International Herald Tribune*, 11 January 2000


Former State Secretary for Foreign Trade Pierre Chevalier at the (annual) Diplomatic Conference, Brussels, 3 September 1999; same in: *Knack*, 13 October 1999


[Translation] ‘Our embassies should be the first sales representatives of Belgian expansion. (…) In our embassies today there is a new spirit. Many of our ambassadors really do their utmost to advance our Belgian expansion. (…) They no longer consider, as apparently happened in times past, commercial questions below their dignity.’

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


A protectionist phase from 1816-1846; a liberal (or rather modest protectionist) phase from 1846 until 1861; return to strict protectionism between 1861 until the end of Second World War. See: Bairoch, P., *Economics & World History. Myths and paradoxes*. Chicago, University of Chicago Press, 1993, p. 34


Bairoch, o.c., pp. 21-22