

# Policy Brief

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IDIS „Viitorul”

## ECONOMIC DIPLOMACY: REINTEGRATION OF THE MISSING LINK IN THE FOREIGN POLICY OF MOLDOVA

MARCH

2015







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The Institute for Development and Social Initiatives (IDIS) „Viitorul”

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# Introduction

On January 17, 2015, the Republic of Moldova celebrated, for the first time, Diplomat's day. This event has naturally aroused both appreciations of the work done for the promotion of the national interest but also discussions about the role and quality of Moldovan diplomatic service. Mr. Iurie Leancă, acting Prime minister in a congratulation message<sup>1</sup> for diplomats has mentioned, among other things, the diplomacy merits in contributing to "our goods to penetrate gradually EU community market". His statement reflects, undoubtedly, the recent signing of the Association Agreement and its ratification by the Parliament but also brings into attention an element of the foreign policy whose potential has long remained ignored and that is ever more current for Moldova – the economic diplomacy.

Economic diplomacy is increasingly associated with the global development strategy, especially in developing countries, which continue to face multiple difficulties in a world economy characterized by fierce competition. One of its objectives is to diminish trade deficit, attract foreign investments as well as offer support domestic

exports and investments abroad. Moldova economy is threatened by a liquidity crisis. Its current account balance remains negative<sup>2</sup> while the trade balance<sup>3</sup> is constantly in deficit with most of its trade partners. Although it showed a moderate improvement over the last years (including in 2014), the decrease in export compared to the previous year (by 3,7%),<sup>4</sup> (imports reduced less, by around 3,2%) and especially the tendencies of decreasing remittances for 2015<sup>5</sup> along with the forecast about their continuing diminishing<sup>6</sup> (by approximately 5%) are all a worrying trend.

The structure of exports is mostly made up of low value added products, most of them of agriculture and agro-food industry (around 38% in 2014), manufactured items and goods (around 30%) and more technologically sophisticated – machinery and equipment (around 14%, mostly FDI due to relocation because of production processes in the EU) and chemical products (around 7%). The re-exportation accounted for about 34% in 2014. At the same time, foreign direct investments (FDI), diminished from 12% in 2008 to 3% of GDP in 2013<sup>7</sup>.

<sup>1</sup> <http://www.gov.md/ro/content/mesajul-prim-ministrului-exercitiu-iurie-leanca-adresat-cu-prilejul-zilei-profesionale>

<sup>2</sup> Current account deficit has increased in 2014 comparing with the previous year with about 13 % (-451,08 million USD) [http://www.bnm.md/md/balance\\_of\\_payments](http://www.bnm.md/md/balance_of_payments)

<sup>3</sup> Trade balance in deficit (-2,977 million USD in 2014). The exports cover around 44% from imports (a small decrease from 44,2% in 2013).

<sup>4</sup> <http://www.statistica.md/newsview.php?l=ro&idc=168&id=4650>

<sup>5</sup> Comparing with 2013 year in 2014 remittances grew with about 1 percent (0,99%) [http://www.bnm.md/md/external\\_operations\\_via\\_banc\\_system](http://www.bnm.md/md/external_operations_via_banc_system). However, from November 2014 the influx has diminished comparing with the similar periods from previous year (with about 20%) and forecast for 2015 is bleak <http://www.expert-grup.org/ro/biblioteca/item/1086-re-feb2015&category=179>; <http://bit.ly/18RA04>

<sup>6</sup> <http://viitorul.org/doc.php?l=ro&idc=121&id=4592&t=PUBLICATII-PERIODICE/Monitorul-Economic-ME/Monitorul-Economic-nr-24-Q1-2015>

<sup>7</sup> The WB's data (World Development Indicators) <http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS> (complete data for 2014 are not available yet (both WB and National Bank of Moldova (NBM)

# Why Moldova needs economic diplomacy

The economy of small countries, like Moldova, is vulnerable and depends on external markets due to reduced range of exportable goods and services, small domestic market, which does not encourage competition and limited availability of resources. The globalization processes intensifies external competition especially in terms of low value added products (including many agro-food industry products - the main export products of Moldova<sup>8</sup>). Moreover, the comparative advantage in terms of lower labor costs is decreasing as a consequence of increased costs of living, more expensive raw material, especially energy resources (convergence of costs is taking place faster than that of revenues from economic activity), and aging and diminishing population due to migration and worsening of professional qualification etc.

Thus, to equilibrate its trade balance affected by the volume of imports (influenced by the inflow of remittances, which shows a decreasing trend in medium and long term), Moldova needs a growing diversification and competitiveness of its products. Given that it lacks own development resources (capital, technology), long term progress will depend on international economic cooperation, more exactly, integration of its economy into global production and innovation networks. In this respect, export promotion and attraction of FDI

to increase diversification and competitiveness of export are indispensable measures for its development. The success of integration into the European Union (which had at its origin an economic cooperation to serve political objectives) will also depend on the way Moldovan economy will accomplish its integration into a highly competitive European market regulated by rigorous quality standards.

Therefore, the main objectives for economic diplomacy are as follows:

- Attract FDI and support its own investment abroad
- Promote and diversify its exports
- Create a positive image abroad
- Collect information about risks and opportunities for national companies
- Negotiate/create a business friendly legal framework
- Communicate with and consult private business.

As a result, boosting economic activity through FDI and technology attraction will foster production and increase exports (and the number of jobs expanding also the fiscal base), which will reduce the deficit of the trade balance/current account.

<sup>8</sup> In 2014, about 38% of the exports were agro-food products. In condition when around 34% from the total exports is re-exportation, these are the main export items (produced in Moldova).

# Legal and institutional framework

*Foreign policy concept (Government Decision nr. 368 of 08.02.1995)* does not make a clear reference to a foreign policy that would support economic development (economic diplomacy) as a priority but is limited only to vague formulations that include only some elements of it<sup>9</sup>.

*Law on diplomatic service (nr. 761 of 27.12.2001)* includes elements<sup>10</sup> of economic diplomacy as a priority but not among the basic functions of the diplomatic service. It provides some measures such as opening of economic offices within the embassies (Russia, Ukraine, Belarus and Romania)<sup>11</sup> and detachment of specialized personnel<sup>12</sup> in missions (for 3-4 years).

*GD on the activity of diplomatic missions of Moldova (nr. 744 of 29.06.2007)* makes an explicit reference to such tasks as defense and promotion of economic interests of Moldova<sup>13</sup>.

*Regulation on the organization and operation of MFA, its structure and staff* (GD nr. 630 of 22.08.2011) provides<sup>14</sup> that MFA collaborates on elaboration and realization of economic and trade policy of Moldova.

<sup>9</sup> With such formulation as „contribution to socio-economic reform promotion needed for transition towards market economy and welfare increase”, to ensure “economic and politic interests”.

<sup>10</sup> Promotion of economic interests (Art. 3, p. a), promotion of bilateral and multilateral relations (including economic ones – p. e), formulation of corresponding diplomatic capacities (p. f), promotion of favorable image abroad (p. h).

<sup>11</sup> Article 6, p. 6.

<sup>12</sup> Article 10, p. 9 and 10.

<sup>13</sup> FDI attraction, export promotion and development of mutual beneficial commercial and financial relations with countries of accreditation (p. j), Participation at preparation and realization of the bilateral official visits and business trips in accreditation countries (p. l), offering support and coordinating the activity of the central public authorities and Moldovan enterprises which are in the accreditation countries (p. m).

<sup>14</sup> Art. 6 (p. 19)

*GD on the activity of MFA (nr. 1062 of 08.08. 2002)* reveals a low efficiency of Moldovan diplomatic missions. To address these deficiencies were elaborated such actions as attraction of FDI and export promotion, improvement of the RM image abroad, attraction of foreign assistance. According to the provisions, MFA should intensify negotiations with the countries with which Moldova has special interests for opening their diplomatic missions. It also provides for the creation of economic offices within Moldova embassies in Russia, Romania, Belarus and Ukraine, organization through embassies the continuous monitoring of economic legislation, presentation of the activity reports of Ambassadors within Government meetings, examination of efficiency of the honorary consuls etc.

In 2006, the Government adopted the *Strategy for investment attraction and export promotion (2006-2015)* (GD nr. 1288 dated 09.11.2006). The main aim of the Strategy<sup>15</sup> was to reduce trade balance deficit and to attract foreign investments, which were insufficient to support economic growth.

A series of benchmarks were approved, the Ministry of Economy (ME) being responsible for monitoring the realization of the Strategy<sup>16</sup> and MIEPO (subordinate

<sup>15</sup> Strategy states a series of actions in particular internal and less external as:

1. Development of country branding, preferential commercial regimes, (especially in the western countries such as EU, Stability Pact for South East Europe, CEFTA, GUAM, BSEC etc.),
2. Maintaining of the traditional markets in CIS,
3. Intensification of Moldova presence in WTO,
4. Conclusion of bilateral agreements,
5. Creation of databases about investors,
6. Elaboration of analyses about foreign markets,
7. Facilitation of dialogue between business and diplomatic representations abroad and their participation in events etc.).

<sup>16</sup> 1. Investment percentage in economy (percentage of investments in fixed capital in GDP -25-30%;

2. Volume growth of investments in fixed capital - 8-15% per year;



institution of ME) coordinated and implemented (in accordance with its competences) the Strategy activities.

At the beginning of 2010, some elements of economic diplomacy appeared among the tasks of the Division for international economic relations of the Ministry of Foreign Affairs and European Integration (MFAEI<sup>17</sup>). MFAEI elaborated a series of economic diplomacy goals<sup>18</sup> and by an internal order<sup>19</sup> created a Regulation.

Therefore, the promotion of economic interests relies on the following priorities:

1. Trade promotion,
2. FDI attraction and new technologies,
3. Attraction of foreign aid,
4. Promotion of the business friendly image for investors.

- 
3. Volume growth of foreign direct investments – not less than 10%;
  4. Growth of industrial production - 10-12% per year;
  5. Current account deficit – not more than 6% per year;
  6. Increase of the exports of goods and services with 10-15% per year;
  7. Diversification of the portfolio of exported production;
  8. Extension and diversification of the export markets;
  9. Increase the level of utilization of preferential trade regime.

<sup>17</sup> After 2008 the name of Ministry of Foreign Affairs has changed adding “and European Integration”

<sup>18</sup> <http://www.mfa.gov.md/img/docs/obiectivele-diplomatiei-economice.pdf>

<sup>19</sup> 80-b-20a from 28.01.2010

# Achievements and constraints in promotion of economic interests

Analysis of the reports<sup>20</sup> and statements of institutions on activities carried out in the field of economic diplomacy in the period 2009-2015 reveals the use of the following relevant economic diplomacy tools by authorities:

1. Creating a favorable legal framework to attract investments and promote exports by concluding **bilateral agreements on mutual protection of investments and avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income and property** with most EU and CIS countries, **free trade agreements** (Turkey, there are ongoing talks with China as well<sup>21</sup>), Eastern European countries (Romania, Croatia, Serbia, Macedonia, Bosnia-Herzegovina, Albania, Bulgaria, Montenegro and Kosovo) and **preferential trade agreements** (Norway, Canada, Switzerland, Japan, USA) and the **Deep and Comprehensive Free Trade Agreement** with the EU);
2. Expanding the network of honorary consuls<sup>22</sup> and using it in order to promote the image<sup>23</sup> and products made in Moldova as well as attract investments.
3. Participation in *fairs* (Prague (2013), Macao (2013), Changsha, Beijing (China), Vietnam and South Korea (2013), Bucharest (2014)<sup>24</sup>, *international*

*exhibitions* Prodexpo (Minsk (2014), Fruit Logistica (Berlin, 2015), Interfood and Drinks (Sofia, 2014), ProWein (Dusseldorf, 2013), World Food (Moscow, 2014)<sup>25</sup>, *festivals* Delicanto (Berlin, 2014),<sup>26</sup> and organizing own promotional events (presentation of Moldovan wines (Kiev, 2013), “Made in Moldova” (January 28 - February 1 Chisinau, 2015)<sup>27</sup>, *round tables*<sup>28</sup>. Many of these activities were supported by external assistance projects (in particular USAID).

4. Organizing seminars, trainings on economic diplomacy<sup>29</sup> (only some of them were held);
5. Economic visits and missions to France<sup>30</sup>, USA<sup>31</sup>, China, Vietnam, South Korea, and intergovernmental commissions (limited number).

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[www.china.mfa.md/embassy-news-ro/495643/](http://www.china.mfa.md/embassy-news-ro/495643/), <http://www.china.mfa.md/embassy-news-ro/494778/>, <http://www.trm.md/ro/economic/65-de-vinuri-produse-in-moldova-prezentate-la-targul-international-goodwine/>

<sup>25</sup> <http://www.belarus.mfa.md/announcements-md/499548/>, <http://www.germania.mfa.md/embassy-news-en/500113/>, <http://www.bulgaria.mfa.md/stiri-md/499424/>, <http://www.germania.mfa.md/news-economy-tourism-ro/494322/>, <http://www.aced.md/en/news/detail.php?id=97>

<sup>26</sup> <http://www.germania.mfa.md/embassy-news-ro/497992/>

<sup>27</sup> <http://www.ukraine.mfa.md/activitatea-rom/497255/>, <http://chamber.md/ro/nout%C4%83%C8%9Bi/1395-cci-inv%C4%83-vizitatorii-la-expozi%C5%A3ia-na%C8%9Bional%C4%83-fabricat-%C3%AEEn-moldova-%C8%99i-la-programul-de-afaceri-al-evenimentului>

<sup>28</sup> <http://chamber.md/ro/rela%C5%A3i-interna%C8%9Bionale/1388-mas%C4%83-rotund%C4%83-de-prezentare-a-oportunit%C4%83%C8%9Bile-comerciale-%C3%AEEn-china>

<sup>29</sup> <http://www.mfa.gov.md/comunicate-presam-d/475761/>, <http://www.mfa.gov.md/comunicate-presam-d/498977/>

<sup>30</sup> <http://www.franta.mfa.md/news-embassy-ro/492502/>

<sup>31</sup> <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=352316;> <http://www.mfa.gov.md/comunicate-presam-d/495354/>

<sup>20</sup> <http://www.mfa.gov.md/politica-economica-externa/> (section - economic reports)

<sup>21</sup> <http://www.mec.gov.md/ro/content/la-beijing-avut-loc-sedinta-comisiei-interguvernamentale-moldo-chineze-pentru-cooperare>

<sup>22</sup> <http://www.diaspora.md/index.php?pag=news&opa=view&id=1120&tip=noutati-diaspora&start=40&cl=>, <http://www.mfa.gov.md/comunicate-presam-d/500320/>

<sup>23</sup> <http://www.mfa.gov.md/comunicate-presam-d/498975/>, <http://www.rusia.mfa.md/anounsments-ro/498165/>; <http://www.mec.gov.md/ro/content/andrian-candu-participat-la-reuniunea-consulilor-onorifici-ai-republicii-moldova>

<sup>24</sup> <http://www.mfa.gov.md/embassy-activity-ro/495880/>, <http://>

6. Identification of new markets such as Norway<sup>32</sup>, Nigeria<sup>33</sup>, Estonia<sup>34</sup> etc.
7. Initiation of diplomatic talks with a range of states to increase the potential for cooperation (India<sup>35</sup>, Mexico), opening of new embassies, (Japan<sup>36</sup>), consulates<sup>37</sup>;
8. Mobilization of Diaspora potential (officials visits to USA, Canada<sup>38</sup>, organization of forums (Diaspora business forum)<sup>39</sup> launching of special programs for investment/remittances attraction from diaspora<sup>40</sup>, PARE 1+1),
9. Creation of an investment attraction team within the Office of the Prime Minister<sup>41</sup> and reanimation of the specialized agency MIEPO<sup>42</sup>.

Currently, despite the fact that economic diplomacy is announced on the website of MFAEI as one of foreign policy priorities, in reality, the activity of the ministry in this respect is quite reduced. Moreover, although some of its elements were presented as a priority in a number of normative acts of the MFAEI and a Division for foreign economic cooperation was established within the Ministry in 2009-2010, after a recent reorganization (most probably in 2013) it has disappeared and those regulations were amended/repealed. Presently, the MFAEI, at least based on the information made public, does not have a strategy or a concept that would guide the activity of the missions and central apparatus of the

Ministry and provide a framework for coordination between institutions in the field of economic diplomacy.

At the national level, a Strategy for attracting investments and export promotion (2006-2015) guides the activities, in particular, those related to the internal dimension (such as creating favorable conditions for business and attraction of investments) and to a lesser degree those concerning the external one (it holds rather sporadic activities especially participation in various symposiums, contests, fairs etc.). Thus, the activity of institutions is mostly reactive, dictated by economic agenda and diplomacy of other countries, project support from development partners and/or, less commonly, individual efforts of Moldovan diplomatic representatives or large enterprises that have sufficient resources for economic diplomacy. Apparently, the country's network of diplomatic representation is not used in an optimal way and a number of specific instruments of economic diplomacy<sup>43</sup> applied by other countries are not undertaken by Moldova.

As the official statistics on the structure of exports<sup>44</sup>, information about fairs, festivals, exhibitions etc. demonstrate, the export promotion offer remains quite limited. Most of it are agricultural produce and agro-food industry goods- wine (which seems to be the most promoted our export product,) then cognac, carpets, sweets, fresh fruit (apples, grapes, vegetables), processed products such as juices, dried fruits, nuts, honey, meats, bread and cakes. Moreover, reports about implementation of activities in the field of economic diplomacy by MFAEI reveal certain constraints<sup>45</sup> regarding successful promotion of national economic interests.

To a large extent, activities pertaining to economic diplomacy are undertaken by the private sector itself. This is due to a lack of attention to this area from the state, the economic structure which is not sufficiently competitive and diversified,

<sup>32</sup> <http://independent.md/dupa-4-ani-de-negocieri-vinurile-moldovenesti-au-ajuns-pe-piata-din-norvegia/#.VO3JbvmUeAU>

<sup>33</sup> <http://www.mold-street.com/?go=news&n=3481&t=1>

<sup>34</sup> <http://www.estonia.mfa.md/ambassador-interviews-ro/494907/>

<sup>35</sup> <http://www.mfa.gov.md/comunicate-pres-a-md/495360/>

<sup>36</sup> <http://sfm.md/2014/república-moldova-isi-va-deschide-o-reprezentanta-diplomatica-japonia/>

<sup>37</sup> [http://www.diaspora.md/index.php?pag=news&opa=view&id=1163&tip=noutati\\_diaspora&start=10&l=163&tip=noutati\\_diaspora&start=10&l=163](http://www.diaspora.md/index.php?pag=news&opa=view&id=1163&tip=noutati_diaspora&start=10&l=163&tip=noutati_diaspora&start=10&l=163)

<sup>38</sup> <http://www.mfa.gov.md/comunicate-pres-a-md/496028/>

<sup>39</sup> <http://www.belarus.mfa.md/announcements-md/498219/>

<sup>40</sup> <http://capital.market.md/ro/content/fondul-de-economii>

<sup>41</sup> <http://www.germania.mfa.md/img/docs/investmen-attraction-team-newsletter-april.pdf>; <http://adrnord.md/libview.php?l=195&id=1634>

<sup>42</sup> <http://curentul.md/business/dona-scola-vrem-sa-dezvoltam-capacitatea-de-a-oferi-asistenta-companiilor.html>, <http://www.amcham.md/?go=news&n=234>, <http://miepo.md/news/miepo-supports-startup-ups-potential-promote-moldova>

<sup>43</sup> These include such measures as: collecting information about economic sectors of particular interest for exports, contacts with potential investors, information about legislation governing business operations in the country of accreditation, possible barriers to trade, analysis of certain sectors, production and demand for products of a certain category, estimation of the opportunities for business in a particular sector, payment conditions, competition in the sector, new events, acquisitions or projects to be implemented etc. Such activities must be conducted by at least one specialist and require an adequate budget.

<sup>44</sup> <http://www.statistica.md/category.php?l=ro&idc=336&>

<sup>45</sup> (Report 1, 2009, pp. 13-15), (Report 4, 2009, pp. 20-23) - <http://www.mfa.gov.md/politica-economica-externa/>

lack of qualified personnel in diplomatic missions<sup>46</sup> but also in the central apparatus (in the former Division for external economic cooperation there were only 4 people) and poor coordination between responsible institutions (MFAEI, ME, MIEPO). Currently, the selection criteria for being employed in the MFA for most of the positions open for competition<sup>47</sup> do not include a mandatory economic qualification<sup>48</sup> and the trainings, held at the Academy of Public Administration, do not contain foreign economic cooperation /economic diplomacy specialties<sup>49</sup>.

The training courses offered provided by projects and programs financed by external partners is somewhat specific, and do not necessarily identify and address deficiencies in qualification of the national diplomatic service, while universities preparing specialists in external relations have largely an obsolete curriculum, poorly adapted to the requirements of profession<sup>50</sup>. Most diplomatic staff lack economic qualification (basic or continuous), the staff of the embassies do not necessarily contain specialists in economics/trade with few exceptions such as some CIS countries (Russia, Ukraine, Belarus), Romania with economic specialists delegated by ME and Poland<sup>51</sup>. It's interesting how Moldova plans to seize the opportunities which EU markets can offer if it does not

have within the diplomatic missions (most of them) at least one specialist in economic affairs (economic advisers) and has no specialized unit within the Ministry<sup>52</sup>?

Moreover, poor coordination due to the lack of a clear division of responsibilities and adequate staffing of the missions and central apparatus favors situations when the Ministry as external cooperation coordinator is overwhelmed.<sup>53</sup> MIEPO, which is responsible for private sector and ensuring effective cooperation with diplomatic missions abroad, is constrained by reduced budgetary and human resources capacities<sup>54</sup>. In addition, the cooperation between the MFAEI and MIEPO (agency subordinated to the ME) is sometimes difficult due to the lack of strict division of responsibilities in foreign economic cooperation.

Up to this moment, there has been no public assessment that would evaluate the efficiency of MIEPO<sup>55</sup>, which raises questions about its effectiveness and overall activity in the field of economic diplomacy of Moldova (opportunities and constraints). In addition, Moldova lacks a platform for discussion with the private sector and non-governmental organizations on subjects related to economic diplomacy (Gotișan 2012, p. 37).

As a result, if the progress is to be measured using the indicators set by the Strategy (mentioned above) it becomes obvious that **these will not be achieved by the end of this year (such as those related to increasing the volume of exports, industrial production, FDI attraction** (all core elements for measuring the results of Strategy implementation).

<sup>46</sup> The economic sections were open only in the Moldovan embassies in some CIS countries Russia, Ukraine, Belarus, Romania, Poland (each has an economic adviser) while most of the Ambassadors and diplomatic staff in the diplomatic missions does not have an economic profile or special training on economic subjects.

<sup>47</sup> <http://www.mfa.gov.md/announcement-vacancies-ro/>

<sup>48</sup> With exception of positions for Main Division for European Integration, Division for economic cooperation and sector coordination with EU but there as well, it is not mandatory.

<sup>49</sup> [http://aap.gov.md/index.php?option=com\\_content&view=article&id=162&Itemid=66&lang=ro](http://aap.gov.md/index.php?option=com_content&view=article&id=162&Itemid=66&lang=ro) another aspect is the quality of these trainings. Experienced professionals (not only theoreticians) which are difficult to attract due to low remunerations must train diplomats.

<sup>50</sup> Universities besides theoretic experience do not have specialists with practical experience. Moreover, the specific of university curricula makes students to learn theories and not skills. The curricula of the State University of Moldova (International Relations Department) that according to Foreign policy concept should constitute the center for training of the future diplomats has not changed in the last 10 years. Thus, it does not have such specific specialties (mandatory courses) such as economic diplomacy, global political economy, development assistance, international economic relations, but continues to focus especially on security studies. Some universities most of the private (such as International Free University of Moldova, International Relations Institute of Moldova) have introduced these modification but as in the others cases does not invite practitioners from Moldova and abroad.

<sup>51</sup> Apparently, the specialists delegated by ME are nominated for positions in diplomatic missions from CIS (economic sections) while Moldova's missions from EU are filled with personnel from MFAEI.

<sup>52</sup> It seems that Tudor Ulianoschi, Deputy Minister of external affairs and European integration is responsible for economic diplomacy. However, this portfolio of activities lacks resources such as specialized staff (a Division) within the MFAEI.

<sup>53</sup> Currently, the majority of ministries (economy, finance, transport, ecology, regional development, health, agriculture etc.) have their own external cooperation departments, which causes often situations when the discussion held directly with external partners diminishes the role of MFAEI as a national coordinator. The technicality of the subjects, limited equipment of MFAEI with specialists in economy/ other sectors (due to quite closed diplomatic system for specialists from other ministries), modest remuneration for the period of staying within the central apparatus (MFAEI), difficulties which appear due to rotation of the personnel in the missions, unclear division of work with other institutions/ internal actors complete the list of problems.

<sup>54</sup> The MIEPO website does not offer information about the staff number. However, previous estimations show a number of 10 persons.

<sup>55</sup> [http://www.publika.md/experti--miepo-nu-are-o-strategie-clara-de-atragere-a-capitalului-strain\\_488441.html](http://www.publika.md/experti--miepo-nu-are-o-strategie-clara-de-atragere-a-capitalului-strain_488441.html)

# Experience of other countries

Only economists are able to carry out an analysis of the economic situation in a country through analysis, forecasting and monitoring over long periods of time the macroeconomic indicators. At the same time, foreign activity does not require only specialists responsible for collecting materials on specific subjects, evaluating components or facilitating cooperation with the accreditation country but also those able to conduct international economic negotiations (Дектев, 2010, p. 147). In this respect, an optimal solution could be increasing the level of understanding of economic issues of the career diplomats or training of economic specialists on issues related to diplomatic art.

Currently, diplomats are involved fully in the economic and trade issues, which became one of the most important goals of diplomacy. The aim of the diplomacy is increasingly perceived as the ability to sell, contribute by all possible ways to satisfy the commercial interests of the country, help business people arriving in the country of accreditation, answer their specific questions, provide all necessary information including that, which is less accessible. All of that in order to help the country to formulate appropriate trade policy and business to obtain preferential conditions in the local market. Therefore, when available resources allow, a group of collaborators from the mission is charged with gathering and analyzing information.

Thus, one of their main concerns will be to stimulate the interest, by all means, of the business in the country of accreditation in their own country, answer their questions, provide support to business people visiting the mission, answer specific questions, provide all the information that would contribute to the formulation of trade policy and facilitate access to the local market. The diplomat studies changes in customs tariffs, quotas and provisions about regulation of imports, tenders calls

etc. (Feltham 2010, p. 21). The embassies of Western countries always keep the doors open for business. The information provided by embassies contributed to the conclusion of many advantageous agreements and avoidance of the dubious ones (Попов 2002, p. 195).

German diplomats were pioneers in this respect (mentioned by Harold Nicholson as commercial diplomats) who had the task of helping economic rehabilitation of the country after the devastation suffered during the war which was later to become the economic powerhouse of the Europe.

Germany's external economic promotion is fragmented between actors at the federal, regional and private sector level with decisions coming largely from the private sector and take the form of public-private partnerships. The most important element of Germany's external economic promotion is the concept of three pillars:

- German diplomatic missions abroad
- The international network of the German Chamber of Commerce;
- German agency for trade and investment.

The Ministry of Economy and Technology is the main institution responsible for promoting foreign trade, formulating and coordinating various activities and programs.

The Ministry of Foreign Affairs offers information to private sector about political and economic situation, socio-cultural particularities, and behavioral characteristics of the local business sector as well as information about potential partners. Embassies organize regular meetings in the embassies, where the private sector is invited once a month, to extend the network of contacts and discuss the current situation. Foreign Ministry often uses diplomatic channels to



support German companies carrying out business activities abroad. The Agency for trade and investment attraction of the German government administered as a commercial entity has 100% state ownership. Recently (in 2012) the Federal Republic of Germany developed a new concept and the German Foreign Ministry announced a shift towards areas with rapid economic growth (China, India, Brazil, South Africa (Amariei et al 2014, pp. 16- 17). To optimize and facilitate the work of diplomats, the German Government has established trade chambers in 27 countries in order to meet the requests for information of German business agents (Попов 2002, pp. 190-192). The German diplomatic service gave priority to lawyers for a long time. However, afterwards, preferences shifted to economists. Since 1994, MFA of FRG takes vigorous efforts to improve the practical training of diplomats and emphasizes topics related to national business. A requirement was introduced to pass four-month training on topics related to international trade and finance. This complements other 2 weeks of training with participation of high-level managers where lobbying models for national business abroad are simulated. In addition, young diplomats benefit from 2 sessions (three weeks each) of internship in German companies (ibid, pp. 270-271).

Under the French system of staff training in economic diplomacy the inter-ministerial principle has gained a broad use (Дектерев 2010, p. 150)<sup>56</sup>(Дектерев 2010, p. 150). Since the 80s of the last century, the French Foreign Ministry began to actively involve young diplomats in economic diplomacy providing support for private business abroad. French companies accepted these specialists on negotiations and were often successful (Попов 2002, p. 263). At this point, the French system undertakes a reform and economic diplomacy constitutes a top priority<sup>57</sup>.

Trade and tourism portfolios were transferred under the MFA so that the network of economic missions is integrated in the diplomatic system. This implies an expansion outside the traditional areas of influence in

Europe, North America, Africa and the Middle East to fast growing economies - Brazil, Russia, China, India, South Africa, and Mexico. A strategic action plan for economic diplomacy for all ministries was established to improve coordination between institutions and thus streamline the Government's activity. An inter-ministerial agreement was signed and an action plan established for embassies to be implemented under the authority of the Ambassador - leader of "French Export Team". Each embassy has an individual action plan monitored under a common process for both ministries (MFA and ME). Support for SMEs has become the responsibility of UbiFrance, which has 60 offices in the most important countries, while, in the areas they are not present, the French missions perform that function. UbiFrance supports international business development of French companies through *consulting* (carries out market studies and provides information on market access), *communicating* (promoting French companies) and *facilitating establishment of contacts* (identifying new opportunities and partners). In addition, a special fund for private sector - *reserve for emerging markets* provides support for French companies investing there and a *study fund and private sector support* was established to assist the private sector in these countries with the expertise and smart solutions. Simultaneously, the French government provides support through a special mechanism - Coface offering warranties in order to promote export and banking services in emerging economies. Additionally, an international internship program is supporting professional assignments of young Frenchmen abroad for a period of 6 months to 2 years<sup>58</sup>. France currently has 113 chambers of commerce and industry with a network of 3,200 member companies in 83 countries<sup>59</sup>. The number of economic missions was enlarged and the Foreign Minister Laurent Fabius make more than 18 visits over the last two years of which 7 to China<sup>60</sup>.

American diplomacy also has a long tradition in this respect. The State Department provides American private sector the necessary information about opportunities

<sup>56</sup> The diplomat is delegated, transferred for a short period to other ministry or is past in reserve during which time he/she works in the private sector.

<sup>57</sup> [http://www.france24.com/en/20140414-economic-diplomacy-business-fabius-pellerin-trade-investment/#.1?&\\_suid=142529823025501488652939847145](http://www.france24.com/en/20140414-economic-diplomacy-business-fabius-pellerin-trade-investment/#.1?&_suid=142529823025501488652939847145)

<sup>58</sup> <http://www.diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy-foreign-trade/economic-diplomacy-the-french/article/economic-administrations>

<sup>59</sup> <http://www.ambafrance-uk.org/Foreign-Ministry-to-give-extra>

<sup>60</sup> <http://www.reuters.com/article/2014/04/02/france-government-fabius-idUSL5N0MU3HI20140402>

on the foreign markets collected through diplomatic missions. The American practice has a principle according to which “diplomats should be trained primarily by diplomats”, in other words, the specialized higher education institutions attract many former ambassadors to teach (ibid, p. 282). Particular attention is paid to subjects related to economic and trade issues. The course on economic principles duration is two semesters, USA economic history - 1 semester, international trade and finance 1-2 semesters (ibid, p. 124). The USA has organized the activity of commercial services of its embassies in the same way, the only distinction being that the mandate of its services does not go further the support, which it gives to national companies (not reflected on other spheres of economic diplomacy). It is a subject of both Ambassador and Trade Division (Trade Service of USA, one of the departments of the Coordination and Stimulation of Trade Committee) and the mission members receive instructions from this institution while some of the team members are recruited locally. Here can be also included the External Service on agricultural issues created by the Ministry of Agriculture in charge of promoting exports of agriculture and forestry industry products (Carrière, 2003, p. 263).

British diplomats had to consider a reconfiguration of the foreign policy following the loss of the economic power status of UK and the dissolution of the British Empire, which has caused problems for its trade balance. Thus, since 70s, significant attention has been paid to trade activities involving about 384 diplomats and 400 local experts.

Currently, like in the case of France, Great Britain has focused on new markets with rapid economic growth (Brazil, China, India and other less obvious like Indonesia, Mexico, Turkey and plans to open embassies in these countries. British Foreign and Commonwealth Office adopted a charter for business in May 2011 in which reiterated the commitment of the Ministry to promote British interests abroad and set seven priorities for economic diplomacy capacity building within the ministry. A special department for economic and trade diplomacy was created and the number of representatives from the business community participating in economic missions abroad was increased. Commercial Diplomacy of UK consists of 4 groups of activities: *commercial information, trade connections, commercial promotion*

*and government consulting.* Business units within the embassies were expanded by attraction of private sector staff and specialized training on economic diplomacy subjects<sup>61</sup>. For the next five years, the following priorities were set: facilitation of UK exports, FDI attraction, promotion of British brand and relations with the countries with the highest economic growth. Six embassies and seven consulates were opened in emerging countries, including Brazil, while in India and China the decision was to increase the diplomatic presence.

In the same way, Holland<sup>62</sup>, Spain<sup>63</sup>, Portugal<sup>64</sup>, Malta<sup>65</sup> have reformed their diplomatic service turning economic diplomacy and diversification of export markets to countries with high economic growth into a priority. The new EU member states such as Slovenia<sup>66</sup> (from 56 diplomatic missions 23 have economic advisers), Croatia<sup>67</sup> (which in 2013 elaborated an economic diplomacy concept), Czech Republic<sup>68</sup> (though economic sections but also special agencies), Lithuania<sup>69</sup> (through Economic Diplomacy Council instituted in 2013) as well as other countries that aspire to integrate into EU - Macedonia<sup>70</sup> and Kosovo region<sup>71</sup>.

<sup>61</sup> [http://www.ft.com/cms/s/11416480-139b-11e1-81dd-00144feabdc0,Authorised=false.html?\\_i\\_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F11416480-139b-11e1-81dd-00144feabdc0.html%3Fsiteedition%3Duk&siteedition=uk&i\\_referer=#axzz3TEXqDKKy](http://www.ft.com/cms/s/11416480-139b-11e1-81dd-00144feabdc0,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F11416480-139b-11e1-81dd-00144feabdc0.html%3Fsiteedition%3Duk&siteedition=uk&i_referer=#axzz3TEXqDKKy)

<sup>62</sup> <http://www.government.nl/ministries/bz/about-the-ministry/missions-abroad/reforming-diplomacy-clear-choices-new-emphases>

<sup>63</sup> <http://thediplomatinspain.com/en/margallo-insiste-en-la-diplomacia-economica-ahora-en-uzbekistan-y-azerbaiyan-2/>

<sup>64</sup> <http://atlanticsentinel.com/2012/02/portuguese-foreign-minister-conducts-economic-diplomacy/>

<sup>65</sup> <http://www.timesofmalta.com/articles/view/20130315/local/foreign-policy-to-be-marked-by-continuity-and-economic-diplomacy.461613>

<sup>66</sup> [http://www.mzz.gov.si/en/economic\\_diplomacy/](http://www.mzz.gov.si/en/economic_diplomacy/)

<sup>67</sup> <http://dalje.com/en-croatia/new-economic-diplomacy-concept-presented/485659>

<sup>68</sup> Czech Republic has an Export Academy for training of diplomats (mandatory training) [http://www.mzv.cz/jnp/en/foreign\\_relations/export\\_assistance/economic\\_diplomacy\\_and\\_export\\_promotion.html](http://www.mzv.cz/jnp/en/foreign_relations/export_assistance/economic_diplomacy_and_export_promotion.html)

<sup>69</sup> <http://www.urm.lt/default/en/economic-diplomacy/economic-diplomacy-council>

<sup>70</sup> <http://www.mfa.gov.mk/index.php/en/foreign-policy/goals-and-priorities/economic-diplomacy>

<sup>71</sup> <http://www.kosovapress.com/en/politics/kosova-intensify-economic-diplomacy-as-well-13607/>

One of the most advanced in terms of economic diplomacy is Australia<sup>72</sup> (supporting economy through economic diplomacy based on four pillars: trade promotion, fostering

economic growth, investment attraction and support for business people), while India<sup>73</sup>, Canada<sup>74</sup>, China<sup>75</sup>, South Korea<sup>76</sup> and Vietnam<sup>77</sup> are intensifying their efforts.

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<sup>72</sup> <http://www.dfat.gov.au/trade/economic-diplomacy/pages/economic-diplomacy.aspx> , <http://thediplomat.com/2014/08/australia-as-economic-diplomacy/>

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<sup>73</sup> <http://thediplomat.com/2013/08/indias-experiment-in-economic-diplomacy/>, <http://www.gatewayhouse.in/indias-move-towards-economic-diplomacy/> , <http://www.livemint.com/Politics/dtIs5COBG4jXvZy4AVIC7M/Economic-diplomacy-to-be-top-focus-at-Indian-envoys-meet.html>

<sup>74</sup> <http://opencanada.org/features/the-think-tank/comments/economic-diplomacy-time-to-get-down-to-business/>

<sup>75</sup> [http://www.china.org.cn/world/2014-11/11/content\\_34020591.htm](http://www.china.org.cn/world/2014-11/11/content_34020591.htm)

<sup>76</sup> <http://www.korea.net/NewsFocus/Policies/view?articleId=73927>

<sup>77</sup> [http://vccinews.com/news\\_detail.asp?news\\_id=31263](http://vccinews.com/news_detail.asp?news_id=31263)



# Conclusions

While most states are reforming their diplomatic service so that to meet the needs of their economies, Moldova does not have a foreign policy that would focus on actively promoting foreign economic interests abroad. Currently, both the concept of foreign policy of Moldova<sup>78</sup> and the Strategy for Export Promotion and investment attraction<sup>79</sup> along with other normative documents regulating the activity of institutions on the external dimension propose a limited use of economic diplomacy tools.

Thus, the diplomatic representation network of the country is not used at its full capacity<sup>80</sup>, there are still deficiencies in coordination between institutions, as well as cooperation with the private sector, civil society, Diaspora, academia, etc. which leads to limited and/or ad-hoc use of economic diplomacy tools. These circumstances prevent the optimal use of existing resources and require rethinking on the basis of the example of other states.

Another aspect is that while most countries (UK, France, Germany, Holland etc) are focusing their attention on emerging economies with prospects for sustainable economic growth (China, India, Brazil, South Africa etc.), Moldova is for the time being almost exclusively oriented towards the EU (a mature and highly competitive market but with slower economic growth) and to an insignificant extent (perhaps except for China and the attempt to preserve traditional markets in the CIS) to other markets. Geographical proximity and geopolitical factors influence undoubtedly the laws of economic gravity; however this should not exclude identifying and harnessing other opportunities.

The issues addressed above imply the need for reconfiguration of Moldova economic diplomacy so that to include economic diplomacy as a priority.

<sup>78</sup> The concept is obsolete and its text does make only few references about elements of economic diplomacy but not as priority. The activity of MFAEI seems to be guided by another document such as that of cooperation within UN, which is not known, to the large public.

<sup>79</sup> The Strategy actions are addressing mostly the internal dimension and less the external one.

<sup>80</sup> The responsible Division within MFAEI was dissolved and majority of the embassies does not have economic sections and specialists.

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