©LUMEN Proceedings

8th LUMEN International Scientific Conference Rethinking Social Action. Core Values in Practice | RSACVP 2017 | 6-9 April 2017 | Suceava – Romania

Rethinking Social Action. Core Values in Practice

The Romanian, Bulgarian and Hungarian Economic Diplomacy in the Context of EU-USA Bilateral Negotiations

Ioana GUTU*

https://doi.org/10.18662/lumproc.rsacvp2017.29

How to cite: Gutu, I. (2017). The Romanian, Bulgarian and Hungarian Economic Diplomacy in the Context of EU-USA Bilateral Negotiations. In C. Ignatescu, A. Sandu, & T. Ciulei (eds.), *Rethinking Social Action. Core Values in Practice* (pp. 318-329). Suceava, Romania: LUMEN Proceedings
https://doi.org/10.18662/lumproc.rsacvp2017.29

© The Authors, LUMEN Conference Center & LUMEN Proceedings.
Selection and peer-review under responsibility of the Organizing Committee of the conference

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited

©LUMEN Proceedings

8th LUMEN International Scientific Conference
Rethinking Social Action. Core Values in Practice |
RSACVP 2017 | 6-9 April 2017 | Suceava – Romania

The Romanian, Bulgarian and Hungarian Economic Diplomacy in the Context of EU-USA Bilateral Negotiations

Ioana GUTU[1]

Abstract

The concept of economic diplomacy is rather new for the practitioners of the traditional foreign policy of the states across the Globe. From an European perspective in the context of the currently negotiated free trade agreement with the USA, this emerging diplomatic type becomes the central point of the national 28 Member States Agendas, situation that is also valid for Romania and its two EU neighbors – Bulgaria and Hungary. Even though form an economic point of view these three European countries don't share similarities concerning their transatlantic relations with USA, the three diplomatic agendas and the internal institutional structure is similar. The outcome of practicing a fair economic diplomacy on the American territory follows the same aim – attracting investments, promoting trade and the internationalization of the small-and-medium –sized enterprises. Even if the negotiations of the Transatlantic Trade and Investment Partnership (TTIP) are not close to be ended, these three countries seem to have acquired one of the most valuable lessons –replacing the traditional diplomacy with technology and new practice styles, together with reorienting the activity of the national responsible institutions towards international actions, transatlantic actions.

Keywords: EU, US, diplomacy.

1. The Economic Relations between the EU and USA

When writing about the subject of economic and commercial activities of the permanent representations of the EU Member States in USA, as the main activity conducted under the umbrella of the Foreign Affairs Ministries of countries, it is necessary to consider the patterns that

[1] Alexandru Ioan Cuza University of Iasi, Romania, gutu.ioana@yahoo.com.

https://doi.org/10.18662/lumproc.rsacvp2017.29
Corresponding Author: Ioana GUTU
Selection and peer-review under responsibility of the Organizing Committee of the conference

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited

were developed throughout the history of the bilateral diplomatic relations between the two powers – EU and USA.

Since their formal relations have a history of more than 117 years (signature of the Transatlantic Declaration) the following diplomatic steps of economic origins were officially guided through the Transatlantic Agenda [1] and its main core objectives: (1) promoting peace, stability, democracy and development; (2) answering to the global addressed issues; (3) encouraging the expansion of free liberalized trade and (4) improving the communication and the bilateral partnership on long term.

The article analyses the characteristics of the economic diplomacy of Romania and its two European Union partners – Bulgaria and Hungary, in the context of the European economic and social relations with the USA. From a diplomatic perspective, all the EU Member States and the United States develop their diplomatic activities by respecting the two core conventions that cover both the diplomatic and consular affairs: Vienna Convention on Diplomatic Relations from 1961 and the Vienna Convention on Consular Relations from 1963.

From a diplomatic perspective, all the three states keep a diplomatic relation with the USA throughout the Embassies from Washington and a number of Consulates and Consulates General spread across the 50 territories of the federate states. Due to the traditionalism of the diplomatic practices in Europe, it is important to study the evolution of the newly adopted trend of economic diplomacy and its role in the diplomatic agendas of the European states. The added value of such a perspective resides in the current negotiations of TTIP that changed the bilateral diplomatic practices in regard with the international negotiations processes.

Setting a new diplomatic standard for the European Union is a step of great importance for Romania and its two neighbours, the stronger the *communautaire* integration and the largest the opening towards new diplomatic practices leading to a deeper economic integration both on the European and American levels.

2. The Institutional Structure of the Romania – US Relations

Romania started its diplomatic relations with the United States in 1880, following it's declaration of independence from the Ottoman Empire. The collaboration was interrupted by the two World Wars and the instauration of the communist era, being restarted after 1989. Afterwards, Romania's external policy became pro-western, reason for which the United States of America initiated a collaboration of economic development and

diplomatic cooperation. As a result of this situation, in 2011 both actors signed the *Common Declaration for the 21'st century between the United States of America and Romania*, restating their common interests in the commerce, investment and energetic collaboration.

Since Romania became a member of the European Union starting with 2007, the previous Investment Bilateral Treaty between Romania and USA from 1994 was modified so that after the Romania's accession, it could still be applied and recognized.

It resulted that the Romanian economic diplomacy is a function of the external policy that connects its actions with the welfare of the citizens. The main purpose of applying this type of diplomacy in the relations with the American partner resides in promoting the country's economic interests and national businesses towards the potential American partners.

These actions are encouraged and supervised through the Economic Diplomacy Department that acts within the Ministry for Foreign Affairs, connecting the activity of the Romanian diplomatic missions in USA and the business environment and other institutions whose practices involve economic activities. The responsibilities of this department include promoting the national economic interests on an international level, improving the cooperation with the USA international organizations on an inter-institutional level.

When analysing the Romanian interests in connection with USA, the diplomats that act within the American territory through the embassy and the consulates, must follow specific actions that include (1) lobby activities; (2) encouraging and offering support for the companies that might export Romanian products and services in USA; (3) offering support for the Romanian business environment in USA; (4) establishing an action plan in regard with achieving strategic economic goals. All these activities are maintained through the Embassy from Washington, and a number of Consulates and Honorary Consulates spread across the American territory [2]. In support of the Ministry for Foreign Affairs acts the Consultative Council, both on a formal and informal level, with the purpose of offering support for the business diplomacy and its members on a national and international perspective.

Another institution that shares the same objectives is the Ministry of Economy and its Department for External Trade that is responsible for the creation and promotion of the National Export Strategy of Romania for the period 2014-2020 [3]. Adapting to the new environment, the online platform – External Trade Platform has the role of offering valuable information and support for the Romanian business environment.

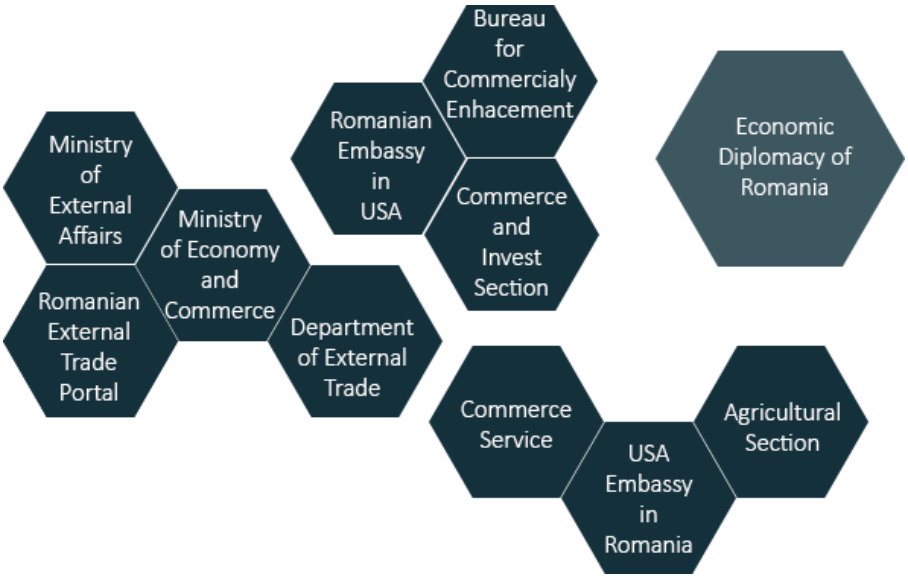


Figure 1. Romania's economic diplomacy

Source: own representation

From Figure 1 it can be easily observed that the Romanian economic diplomacy and its actions towards the United States are encouraged through the specialization of the structure of the Embassy in Washington, the presence of the Office for the Economic and Commercial Promotion proving it. It is important to state that Romania promotes its economic and commercial interests in USA with the help of three offices, located in New York, Chicago and Los Angeles.

On the other side, USA has an embassy in Bucharest whose main actions regard promoting bilateral economic and commercial cooperation on the Romanian territory, by encouraging the regional stability and focusing on the evolution of the American economic prosperity. Even though the embassy doesn't have a specific section for economic diplomacy, the economic interests are carried by the Foreign Agricultural Service (FAS) from Warsaw, Poland, whose main tasks regard activities of promoting the access of the American products both in Europe and Romania.

Another structure that encourages actions specific to the economic diplomacy of the USA in Romania is the Commercial Service as part of the USA Department of Commerce, that acts with the help of over 1800 specialists across the world, in 105 cities and 151 American embassies, consulates and commercial offices [4]. Its main objective is to improve the American access to the Romanian and world markets, with the help of the online platform export.Gov.

The Romanian economic diplomacy in relation with the USA can be analysed both on an individual and an European level, the future Transatlantic Trade and Investment Partnership being a new opportunity for the external Romanian market, as the embassy in Washington strategies confirm.

3. Bulgaria's Economic Diplomacy Perspective Towards USA

The Bulgarian diplomatic relations with the USA date back from 1903, while the first Bulgarian consular agency in America was set up two years later. Starting with this point, the relations of the two powers resulted in signing two agreements of an economic nature, a bilateral investment treaty and another treaty that regards avoiding the double taxation.

The external policy of Bulgaria has the advantage of its geographical position and the energetic resources, fact that explains the USA interests towards this territory; EU and Russia also expressed their interests for Bulgaria natural resources, leading to a unique diplomatic cooperation of Bulgaria with the three powers. According to Johnson [5] as a member of the European Union, despite the generous interests of other forces, the decision of driving away its external policy objectives from the EU, would mean a tectonic destabilization of this country's economy.

From an economic perspective, Bulgaria tends to become stable, registering a 3% economic growth in 2015 and manifesting a strong dependence from exports [6]. Given these conditions, USA is the ninth most important export destination for Bulgaria, the stability of the economic relation being a result of the NATO adhesion of the country, as well as to the European Union.

From an institutional internal perspective, the economic diplomacy of Bulgaria is subordinated to the Ministries of Economy and the Ministry of Foreign Affairs that also guide the actions of the Embassy in Washington and the consulates spread across the USA territory. The Ministry of Foreign Affairs acts with the help of three structures – Directorate General for European Business, Political Affairs and Global Affairs, that develop their actions with the help of nine other Directorates that implement the external policy strategy of the country.



Figure 2. Bulgaria's economic diplomacy

Source: own representation

As the Figure 2 shows, the responsibility of the Ministry of Economy includes the creation and the encouraging of the necessary conditions for a stable economic and a competitive business environment. The same institution coordinates the activity of a Consultative Council for Industrial Stability [7] and of the InvestBulgaria Agency that acts as a non-governmental structure, with the purpose of attracting investments and encouraging job creation [8].

The Commerce Chamber of Bulgaria is an independent organization that promotes and protects the business interests of the national companies, with the help of 28 Regional Offices [9] spread across the entire national territory.

In Bulgaria a special attention is offered to the Small and Medium Sized Entreprizes (SME) whose interests are promoted by a governmental Agency that focuses on the commercial policies of the Government, both on national and international level. As a preface of the future TTIP effects, Bulgaria encourages the internationalization of the SME activities, focusing on penetrating new markets and improving the existing trade and investment conditions with other economies, including USA. In this country, Bulgaria develops its economic diplomacy with the help of a specialized Economic and Commercial Office, promoting the economic interests across the American business community and fulfilling the economic interests described within the Bulgaria's External Trade Agenda.

It must be emphasized that USA develops its interests in Bulgaria with the help of an Embassy situated in Sofia, the economic diplomatic interests being carried by a Commercial Section and a Regional Department for Energy; the American diplomats in Bulgaria have as primary objective the promotion of the USA business environment as a primary destination for the Bulgarian investments, under the provisions of the Economic Partnership signed by the two parts.

As it can be seen, despite the fact that Bulgaria is one of the smallest and least developed economies of the European Union, due to its energetic resources and the geographical importance, it represents a confluence of the diplomacies of three of the most representative powers in the world: EU, US and Russia. The evolution of this economy in relation with USA shows a close connection with the military perspective of both Bulgaria and its neighbor country Romania, the strategic point from Deveselu and the four Bulgarian provinces representing at least partly the nature of the American interests in the area.

4. The Hungary - US Diplomatic Relations

Starting their diplomatic relations back in 1921, after the IInd World War, Hungary and United States of America had a long period of mutual recognition, reinitializing the diplomatic cooperation in 1980, when this country received American assistance for establishing a democratic political regime and for the implementation of a free economy.

USA is the 10th most important investor for Hungary, manifesting interest for industries like manufacture, services and IT; in the same time, US is the second most important economic partner following China, in Hungary acting more than 600 American companies spread across the entire territory [10].

In a globalized economic trend, Hungary shows three main foreign policy objectives: (1) becoming one of the main economies of the EU, (2) attracting a larger quota of foreign investments and (3) developing exports. These targets cannot be acquired without the help of the Ministry of Foreign Actions and Commerce whose strategy encounters developing economic cooperation agreements with the help of the commercial *attaches* from the diplomatic missions of Hungary in other states.

The relation with USA keeps a specialized economic diplomacy personnel, being maintained with the help of 4 economic diplomats, specialists in organizing common meetings among the American business environment and promoting the Hungarian foreign policy objectives.

The successful relation of this country with USA resulted in the creation in 2016 of a Business Council in Washington [11], that acts as a private dialog platform for leaders of the American corporations and the Hungary Administration, with the purpose of encouraging the development of the economic relation between the two actors. This act of welcoming the international cooperation with USA is set in the conditions where the Foreign International Agenda of this country has as main concerns, finding ways of attracting investors and diversifying, with the help of the economic diplomacy, the export destinations and diversity of goods and services [12].



Figure 3. Hungary's economic diplomacy

Source: own representation

As it can be seen, the economic relation between the two powers is maintained through a Financial and a Commercial and Economic Section in the case of Hungary in USA, and a Commercial Service and a Political and Economic Section representing the American interests in Budapest.

The main online platforms that encourage trade and economic cooperation of the two powers are AmChamHungary and BuyUSA, acting on a non-political and financial independent level, promoting American market and its products among the Hungarian business environment and interested parties.

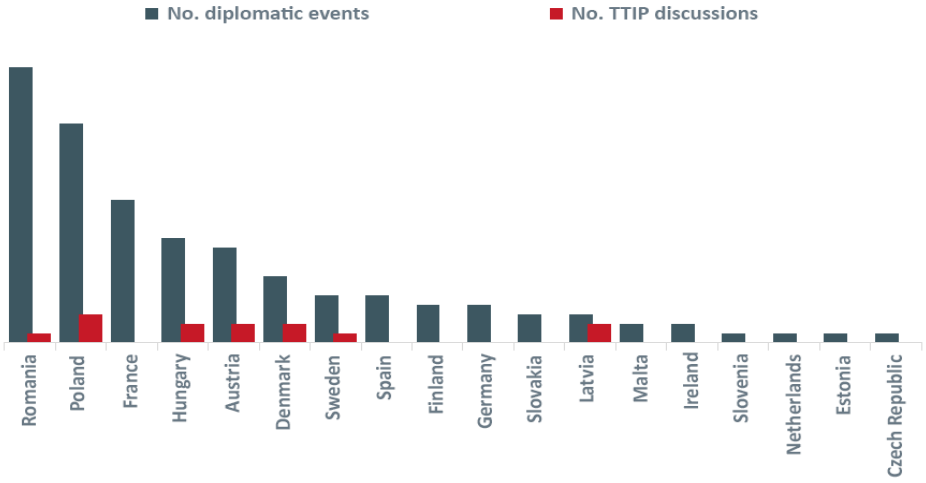
As it can be easily observed, from the three economies analysed, Hungary has the greatest potential of mostly benefitting from the implementation of TTIP, with a developing economy and a stable foreign

policy representation. Even though USA doesn't have the same strong military interests over this territory compared with Romania and Bulgaria, the expansion of the globalization economic consequences in the context of the emerging Asian powers, determines USA to orient it's foreign policy actions over each of the 28 European Member States, creating stronger bilateral bonds and promoting free economies.

5. TTIP and the Implications for the Three Countries Bilateral Meetings

Performing a study in regard with the diplomatic activities of the EU Member States with USA for the period Ian. – Jun. 2016, it was observed that the Romanian leaders performed the most diplomatic visits in USA, followed by Poland and France. On the Opposite side are Czech Republic, Estonia and Netherlands, that did not show a particular interest towards the diplomatic relation with USA.

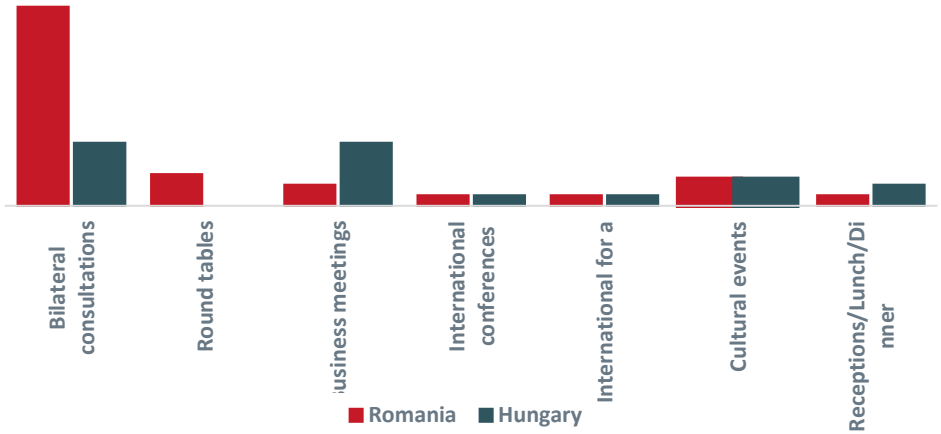
Graph 1. TTIP and the bilateral talks of the EU-USA



Since the study analyzed the data of the Member States Embassies in Washington, transparency biased our research, reducing the sample from 28 countries studied to 18, Bulgaria and nine other Member States keeping secrecy in regard with the diplomatic activities in regard with USA. Even though discussing the subject of TTIP was in none of the cases the aim of the diplomatic visits in USA, the topic was an important part of the bilateral discussions with the American Congress representatives. As the Graph 1 shows, Romania had less discussions about TTIP than Hungary, a sign that

the economic diplomacy of Romania is still not entirely ready for the potential diplomatic changes following the implementation of this agreement.

Graph 2. Typology of bilateral meetings of Romania and Hungary in relation with the USA



Since there were no available data for Bulgaria, Graph 2 shows that in the case of Romania, the predominant type of meetings were the bilateral consultations, followed by the business meetings that over the last years, have become a diplomatic trend in the majority of the cases. Hungary had less bilateral meetings, but an increased number of business meetings, attracting American investments being one of the most important points in the list of tasks of the diplomatic agenda of Hungary in regard with USA.

The success of implementing TTIP within the three studied economies shows a large dependence of the national measures and legislative and diplomatic openness. It is clear that encouraging SME and exports to USA and attracting investors would lead to a fast positive economic evolution, once the largest part of the transatlantic tariff and non-tariff barriers will be removed.

6. Conclusions

The economic diplomacy of the European Union is strongly dependent by the practices of the Member States in collaboration with the USA. By negotiating since 2013 the largest bilateral and investment agreement ever attempted, the two world powers designed the framework of

practicing on a high level the most proeminent diplomatic type of the XXIst century – the economic diplomacy.

Even though the Member States of the EU are not directly involved, they interact with the subjects from the negotiations table with the help of the Council and the MEP, trying to ensure that the negotiated articles will bring them a closer collaboration with the United States, by encouraging bilateral investments and creating a proper international environment for the SMEs to trade over the Atlantic.

Romania, Hungary and Bulgaria were in the first semester of 2016 among the most diplomatically-active European economies towards USA; the leaders of the three economies performed several high-level visits to Washington, where among trade and investment, TTIP was one of the high interest subjects to be discussed.

If successfully negotiated, TTIP will represent the product of the most profound diplomatic economic collaboration of the Member States with the United States of America, promoting a new diplomatic negotiation style to be followed by the future attempts of any country in the world. Creating a precedent both in collaboration and in the substance of the negotiation, EU and USA are trying to ensure their primacy as world economic leaders, by respecting the WTO rules and reshaping the global trade, by not inviting any other economies to the negotiating table.

References

[1] Export.Gov. About U.S. Commercial Service Bucharest. [Accessed in June 2016]. Available fom: http://export.gov/romania/

[2] Ministerul afacerilor externe. Diplomatia economica. [Accessed in July 2016]. Available from: https://www.mae.ro/node/1418/1

[3] Ministerul Economiei. Strategia Nationala de Export a Romaniei pentru perioada 2014-2020. [Accessed in July 2016]. Available from: http://www.dce.gov.ro/

[4] Export.gov. International Trade Administration, export.gov, 2017. [Accessed in May 2017]. Available from: https://www.export.gov/welcome

[5] Johnson K. Sofia's Choice - Why the energy agendas of the United States, Europe and Russia are colliding head-on in Bulgaria, a small, Russophile country in the far-off corner of Europe, 2015. [Accessed in July 2016]. Available from: http://foreignpolicy.com/2015/01/16/sofias-choice-bulgaria-russia-gas-energy-kerry-hochstein/

[6] Markova R. Bulgaria Economic Snapshot. Cushman & Wakefield; 2016.

[7] Republic of Bulgaria Ministry of Economy. Consultative Council for Industrial stability, structure. [Accessed in June 2016]. Available from:

http://www.mi.government.bg/en/pages/about-council-industrial-stability-75.html
[8] InvestBulgaria Agency. Activities and Aims. [Accessed in June 2016]. Available from: http://www.investbg.government.bg/en/pages/activities-and-aims-103.html
[9] Bulgarian Chamber of Commerce and Industry. About BCCI. [Accessed in June 2016]. Available from: http://www.bcci.bg/about-bcci-en.html
[10] Embassy of Hungary in Washington D.C.. Business and Trade Relations. [Accessed in June 2016]. Available from: http://washington.kormany.hu/business-and-trade-relations
[11] USHBC. US Companies Launch new Hungary Business Council, 2016. [Accessed in July 2016]. Available from: http://ushungarybc.org/2016/02/16/u-s-companies-launch-new-hungary-business-council/
[12] Szatmary K. Ministry for National Economy, Economic Relations between Hungary and the USA. Hartford; 2011. 5 p.