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What a Good Commercial Diplomat Has to Know and Be Capable Of

History teaches us that commerce lies at the very origins of diplomacy rather than the other way around. Examples include ancient civilisations of Egypt and West Asia, Ancient Rome, and the Ottoman Empire, only to mention a few. The idea was very simple: foreign merchants could organize themselves in colonies headed by a consul whose task was to facilitate merchants' interests in dealings with the host country authorities. Both commerce and to protecting the institutions are often perceived as protoplasts of today's consular and commercial diplomacy.

There is a distinction between *commercial* diplomacy and *trade* diplomacy. Commercial diplomacy includes all aspects of business support and promotion (trade, investment, tourism, science and technology, protection of intellectual property) while trade diplomacy refers to intergovernmental negotiations in view of agreements, treaties, etc. such as a bilateral free trade agreement.

There has been growing concern about commercial diplomacy as a business, trade and investment promotion activity. Governments invest considerable amounts financed by public contributions with the aim of supporting internationally expanding businesses. This should, in turn, bring increased international economic integration, growth, and employment for the home country and generally good bilateral business relations. Almost all OECD countries as well as those with emerging economies review their budgets and policies on regular and frequent basis to rethink and reorganise their commercial diplomacy, trade and investment promotion departments of ministries (most often head of commercial diplomatic networks) and other relevant organisations.

Commercial diplomacy has to satisfy various publics. Commercial diplomats work on one hand to reach government and ministry objectives (ministry of trade or foreign affairs) and simultaneously to satisfy business beneficiaries. We distinguish two groups of beneficiaries. Business firms that directly use commercial diplomacy's services with or without paying fees. These firms may be small and middle-sized enterprises (SMEs) or large. The purpose might vary according to size. SMEs, sole traders use commercial diplomacy most of the time in their first steps of internationalisation with the given target market (host country for the commercial diplomat): market information, list of potential buyers, distributors, importers or simply contacts for more specific information. The problem-solving function is very important too: should businesses encounter legal issues, non-payments in the foreign markets, then commercial diplomats may help to find a friendly solution. Larger firms use the diplomatic channel at a higher level starting with ambassadors up to the ministerial level, mostly to gain advocacy support in international tenders, influence relevant policy-making and regulations in the host country.

Today, some small and middle-sized countries with open economies where political ambitions on an international level should be limited, could focus increasingly on business promotion within their bilateral diplomacy. The United Kingdom (even if a political power) is an example worthwhile considering: most of bilateral diplomacy activities focus on commercial and business promotion aspects. It is hence a question of weighting: to what extent could

resources be re-allocated within current structures and even personnel retrained in favour of business promotion and facilitation activities. In Switzerland one used to say “Aussenpolitik ist Aussenwirtschaftspolitik”, today this could be paraphrased as “bilaterale Diplomatie ist Wirtschafts-und Handelsdiplomatie” if the government undertakes the necessary steps in reorganisation.

Distant markets should constitute the priority in terms of facilitation activities and providing quality information on them. Commercial diplomats facilitate access to markets by providing relevant information and contacts also by helping business becoming familiar with culturally distant markets. Several Swiss, European and US export managers refer to cultural problems in China, Japan or other Asian countries and recognize that commercial diplomats *may facilitate* interaction. For instance, the US Commercial Service (...) *aligns the (...) resources to developing markets that are of growing importance to future U.S. business opportunities*”. It is meant to move commercial diplomats and their teams from developed markets such as France and Canada to developing (emerging) markets such as India and China. (US “Transformational Commercial diplomacy Initiative”). Opening and closing of Swiss Business Hubs or bilateral chambers of commerce should remain flexible according to market realities, which should be followed closely permanently. Ireland, New Zealand, Sweden and the UK being pragmatic in this regard are worthwhile considering.

An important question is, to what extent commercial diplomats should focus on a reduced number of areas and sectors and to what extent remain broad in areas covered. Our research shows that too often almost “everything” is expected at the same time without specifying the intensity. In concrete terms this means to understand business needs, become quickly familiar with a given complex sector (such as IT or bio-tech), provide the right networks and connections, and also know well enough local regulations, institutions, evolution of the economy and report about them, look for potentially new business areas, attract investments and promote positive corporate and country image, etc. One could fairly raise the question whether all these functions have to be included in one person’s portfolio that often has limited resources. The three following functions seem to be essential to focus on.

PROMOTION ACTIVITIES

The country as a location for foreign direct investments, tourism, R&D, etc. and a generally credible and positive image is better reminded by commercial diplomats than other actors since commercial diplomats have an overview that others might not have. They also correct when bad publicity occurs, as for instance with Switzerland and banking secrecy issues, tensions with OECD, etc. Classical trade promotion is necessary only in culturally and geographically distant markets only such as emerging markets.

FACILITATION AND PROBLEM SOLVING

Competent commercial diplomats could provide the best relationship capital. The problem solving capacity due to contacts in the host country, often based on even non-commercial attachments in bilateral relations plays a key role in case of conflicts with business firms and authorities. Facilitation in terms of serving as a platform of recommendations and referral can be key for businesses entering a new market.

PRE-BUSINESS COOPERATION AND VENTURES

The detection of fruitful sectors and potential fields of bilateral business ventures should be carried out by curious, long-term thinking and business promotion oriented commercial diplomats. Keeping up to date with international tenders and simplify today’s technocratic

and complex language such as the EU's may help in gaining access to new international business partners, grants, etc. These activities benefit both businesses, public institutions as well as non-state actors.

Since business promotion tasks have often been delegated to non- managerial positions (within embassy or TPO), its prestige ought to be built up in both career diplomats' and new commercial diplomats' circles by offering attractive work conditions. It is a challenge for governments to recruit potentially professional commercial diplomats who are in an ascending career phase given a system where commercial diplomacy is not limited to classical career diplomats. The private sector offers obviously better material conditions (salaries, stock options, etc.) for senior managers, yet diplomacy remains attractive for other benefits, such as good working conditions abroad, tax free salaries, job security, high prestige and contacts.

The ideally newly recruited profiles ought to combine strengths in international experience and business, preferably in senior marketing and have a solid understanding of involved institutions. Various models and priorities may be chosen; there is no single winning formula. In Ireland and Sweden, for instance, the most successful commercial diplomats are those with a business background and at least five years experience in senior management, if possible in marketing. It has been also suggested that after several years of diplomatic service commercial diplomats should return to the private sector so as not to lose touch with the business world. Whatever model is chosen, the most important is that the commercial representatives have a natural access to international business and marketing issues while understanding the broader context of bilateral relationships between two countries. Cross-fertilisation with the private sector could be encouraged: Swiss multinationals constitute a reservoir of great Swiss international talents to be recruited even if only for limited assignments to start with.

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