

**7th World Conference of TPOs –  
The Hague, The Netherlands, 2008**

# **Commercial Diplomacy: A Conceptual Overview**

**Conference Paper  
by  
Olivier Naray <sup>1</sup>  
olivier.naray@unine.ch**

---

<sup>1</sup> Olivier Naray is doctoral assistant at the Enterprise Institute, University of Neuchatel. This paper is based on joint research with Prof. Michel Kostecki. The author thanks Prof. M. Kostecki for his support.

## ABSTRACT

**This paper provides a conceptual overview (based on empirical case-study research and a literature review) of commercial diplomacy (CDC) as a business promotion activity. The introduction reviews the literature about the importance of commercial diplomacy in the context of globalisation. The author then addresses CDC's rationale (largely based on a literature review) in the promotion of international business. Critical factors shaping CDC as a business promotion activity are identified (organizational arrangements, commercial diplomat's background and skills, and style). Finally, concrete and typical business promotion activities (intelligence, communication, referral, coordination, logistics) and their areas (trade, FDI, tourism, intellectual property, science and technology) are identified and briefly described based on empirical research.**

## INTRODUCTION: DEFINITIONS AND CONTEXT

Commercial diplomacy (CDC) is an activity conducted by state representatives with diplomatic status in view of business promotion between a home and a host country. It aims at encouraging business development through a series of business promotion and facilitation activities. The spectrum of actors in CDC ranges from (i) the high-policy level (head of state, prime minister, minister or a member of parliament) to (ii) ambassador and the lower level of specialized diplomatic envoy. It is the latter group of specialized professional commercial diplomats (CDs) that remain of main concern in this study.

Commercial diplomats located abroad undertake business facilitation activities in the field of trade, investment, tourism, country image, and promotion of science & technology (S&T). They usually are staff members of a diplomatic mission or heads of a "commercial representation" abroad with a diplomatic status. The term *commercial diplomat* may cover various denominations such as "commercial counsellor" "commercial attaché" "trade representative" "commercial representative", etc. Certain business promotion tasks accomplished by CDs may be also assigned to non-diplomatic institutions, such as trade promotion organizations (TPOs), chambers of commerce or consultants who work in co-operation with CDs or under their supervision.

Commercial diplomacy (CDC) is an issue of growing concern for governments and business alike. For instance, international organizations such as the International Trade Centre (ITC) have addressed the issue on a regular basis (ITC 2004). A world TPO conference, supported by ITC gathers two-yearly to address TPO related issues under which CDC is naturally included, often under the synonym "trade representation".

The reasons for the growing concern are not hard to find. Governments encourage competitiveness of their economies in order to respond to opportunities and threats of global markets and business establishment pressures for beneficiary-orientation and more efficiency of government services, such as commercial diplomacy. Some small and middle-sized countries ask the question whether diplomacy at all should exclusively focus on commercial diplomacy in order to survive in the age of enhanced globalization and competition. Moreover, Internet, increased mobility and emergence of new poles of

economic activities call for rethinking and repositioning of many services offered by commercial diplomacy. Yet, sceptics still ask, for instance, why should the French government support a French company willing to expand in Stuttgart (Germany) while this same government does not help the company back home in Paris or Strasbourg (Carron de la Carrière 1998:121)? Others put forward that firms might become dependent on this type of government assistance, which would hinder companies in their efforts to learn internationalization by themselves. Still, fact is that most – if not all – competitive countries, such as the USA, Germany, UK, Finland not to forget Japan and Singapore, are all maintaining modern and well performing CDC business support services to assist business development.

CDC has been also of interest to researchers. Most relevant studies tackle CDC in the context of export promotion, which is defined as “all public policy measures that actually or potentially enhance exporting activity either from a firm, industry or national perspective” (Seringhaus 1986). Some studies show the importance of CDC for (i) governments in reaching their objectives of international economic integration, thus seeking more growth and employment, and (ii) business firms’ objectives of internationalization, in particular for expanding SMEs. Businesses use and expect help from CDs: Quantitative evidence contained in the study by Rose (2005) suggests that export development is encouraged by diplomatic representations abroad. Using a cross-section of data covering twenty-two large exporters and two hundred import destinations, the author shows that bilateral exports rise by approximately 6-10% for each additional consulate abroad.

The pertinence, but also the complexity, of CDC is self-evident as soon as one has visited the field. It is estimated that the total number of commercial diplomats across the world is no fewer than 20 000 and that the costs of commercial diplomacy operations – including salaries plus social charges and the operating costs related to the performance of commercial diplomacy functions – exceed half a billion US dollars per year. Those figures do not refer to diplomatic envoys, such as ambassadors, who engage in commercial diplomacy in addition to their other tasks or the non-diplomatic staff of various TPOs and business organizations, which perform commercial diplomacy-related functions (Kostecki & Naray 2007). The non-negligible amounts invested are mainly 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. The quantitative importance measured in numbers of CD units abroad, the home country’s share of world exports as well as the approximate budget for the corresponding trade representation (CD) network gives an idea of proportions (cf. Kostecki & Naray 2007). It is important to observe here that the business potential of the target market is more important than current business flows. A priori, there is no linear correlation between the share of world trade and the number of CDs. There can be traditionally a large amount of trade between two countries, say in raw materials, yet this does not automatically mean that more CDs will be engaged on the spot. Sweden and to some extent Switzerland – if one considers the Swiss Business Hubs actually coordinated by CDs – constitute examples of regional concentration on market potential. The existing publications are useful and discussed – see further in this paper Rana 2000, Rana 2001; Saner & Yiu 2003; Hibbert 1990; Seringhaus & Rosson 1990, 1991 and others – provide a solid basis for the conceptualisation we are about to undertake.

The purpose of this paper is to provide a conceptual overview on commercial diplomacy's rationale, as well as to identify critical factors shaping CDC as a business promotion activity and, finally, to briefly describe more specifically CDs' actual activities and the main business promotion areas.

## **RATIONALE**

Government's objectives in business promotion (including trade, investment, and tourism) – although differing country by country – are ultimately to create jobs, increase tax revenue and economic growth (Kotabe & Czinkota 1992). Government ultimately seeks country competitiveness by engaging in various business promotion programs, including CDC. On the other hand, businesses (beneficiaries) ultimately seek profitability; for them engaging in international operations constitutes a risk. Businesses are generally satisfied with CDC service if they can thereby reduce the risk of entering a foreign market and obtain a service at a competitive price or for free (financed by tax money).

Commercial Diplomacy brings benefits to various stakeholders. The main direct beneficiaries of CDC are private business firms addressing the CD, be it from the home or host country. We also know that there are not only direct beneficiaries. Governments benefit from CDC services because image impact goes in both directions: successful companies may improve the country's and the government's image, as well a "successful" government and country impact positively on business firms' image. Probably, in the longer term, if international business is developed successfully through CDC, the home country's and very likely also the host country's economy will benefit from enhanced economic exchange and integration.

The existing literature justifies CDC activities by their usefulness in dealing with both managerial and governmental concerns. We identified the following rationale for commercial diplomacy throughout an interdisciplinary literature search: (i) the need for access to reliable and neutral business information, (ii) support for the newcomer's weak credibility and image in foreign markets, (iii) partner search: encouragement of national firms (mainly SMEs) to internationalize, (iv) conflict handling, (v) support of home country delegations: ministers often are accompanied by business people in State visits, and (vi) strategic concerns, such as government desire to engage in strategic trade policies, support for R&D activities or improved access to (energy) supplies.

### ***Missing Markets: Business intelligence.***

The origin of CDC roots back to Antic Greece and the Roman Empire. However, information and intelligence were at the origin of the creation of modern commercial attachés in the late nineteenth century (Carron de la Carrière 1998:124). Today, the *missing markets* argument is particularly convincing in the case of business intelligence since "some types of information have the nature of public goods, which markets cannot supply – these include unique, reliable and impartial access to information such as through the *global embassy network* and other government channels and contacts, which become available through the government's very long term, and non-commercial attachment to foreign markets"(Harris & Li 2005:75). Moreover, diffusion of such information is likely

to have a beneficial spill-over (externality) through demonstration effects that lead to the encouragement of business internationalisation among domestic SMEs (Harris & Li 2005:75). With the development of Internet there is a shift towards more value added and tailor-made intelligence based on personal contacts and direct observation since many data are readily available online.

### ***Country image***

The concept of country image and country branding by CDC are addressed by Potter (2004) who concentrates on the Canadian experience and emphasizes the value added of commercial diplomacy's various functions. Country image and country brand constitute an important managerial concern for newcomers to foreign markets and the CD's support may be crucial, The issue is particularly important in distant, i.e. non-traditional, markets and for SMEs because export potential of such newcomers depends on image of a company, which – unless it is internationally established – may be difficult to achieve without the benefit of a strong and positive “made-in” image (e.g. German car, Swiss watch, Italian design cf. Kostecki et al. 1994). A CD can therefore help by enforcing a country's image or contributing to the company's credibility by recommending it to the host country business and government (Rana 2001, Harris & Li 2005: 76). The country-image is particularly important for services (e.g. tourism), which are intangibles, products with pronounced attributes of ethnicity (i.e. Swiss cheese, Iranian carpet, French perfume) and for attraction of foreign direct investments (FDIs).

### ***Networking and partner search***

Assistance in matchmaking for companies is one of the main CDC tasks, but it usually involves no responsibilities concerning the outcome of transactions and no involvement in deal making on the part of a CD (access to supplies being, perhaps, an exception). Important aspects of a commercial diplomat's work also consist of providing insights about investment opportunities and promoting business relations through advising and supporting both domestic and foreign companies in the implementation of their FDI projects (Saner & Yiu 2003). The local knowledge of a commercial diplomat is particularly useful in helping business people to participate in trade fairs, trade displays, store promotions, social receptions for local leaders, trade and technical symposia, etc (Carron de la Carrière 1998, ITC 2004, Hibbert 1990). Given the growing role of Internet it is likely that CDs will more and more assume a role in increasing the credibility of “virtual” business relations, which is a major business concern (Rana 2001:73).

### ***Conflict handling***

Commercial diplomats are also involved as facilitators in business conciliation, and dispute settlement. CDs may be of direct help for business firms experiencing business disputes, non-payments, etc in the host country. Most of the time CDs help in order to avoid the judicial path and encourage “out of court” solutions.

### ***Support of business and government delegations***

Ambassadors and embassy staff actively support and prepare home government visits and provide inputs into trade negotiations with the host country – especially as far as their business relevant aspects are concerned (e.g. dealing with problem areas signalled by managers and bringing them to attention of bilateral trade consultative bodies). CDs also assist in the organization of trade missions and business visits. Both types of activities

constitute a classic method of promoting trade and investments. Scrupulous programming and pre-arrival arrangements to identify serious interests among business communities, on both sides, are typically accomplished by CDC services (Hibbert 1990).

### ***Strategic concerns***

CDC frequently deals with strategic trade policy, international co-operation in the area of science or research and development (R&D), and access to supplies for energy resources or other materials. Strategic trade policy arises when government identifies an industry where above average profits can be earned and finds that it can strengthen the strategic position of its national producer to capture those profits (Helpman, Krugman 1985). CDC frequently assumes an important role in that context. For example, large companies operating in oligopolistic markets often rely on an ambassador's support to obtain important contracts. There is an agreement in specialized literature that diplomatic missions increasingly undertake technical and specialised business-assistance functions (Rose 2005, Garten et al. 1998 and Rana 2001). This signifies, in particular, that diplomatic staff is more and more required to assume a role in business intelligence, partner search, promotion of investments or business advocacy.

Having addressed CDC's rationale, it is now useful to address some of the critical factors that shape commercial diplomacy in practice as a business promotion activity.

## **CRITICAL FACTORS SHAPING COMMERCIAL DIPLOMACY AS BUSINESS PROMOTION**

This section identifies factors that may be critical for commercial diplomacy in being an effective business promotion activity. Different dimensions are involved: organizational arrangements differ from the commercial diplomat's business background and skills. Finally, we identify a variable pattern in CD style in terms of beneficiary vs. ministry orientation.

### **Organizational arrangements**

There are substantial differences between (national) CDC systems with respect to organizational / institutional arrangements. The CD's unit position is at the centre of organizational concerns. The various types of distinguishable arrangements serve as a basis to elaborate the criteria concerning organizational arrangements. Criteria such as the trade promotion organization's (TPO) relative independence, i.e. decentralization from ministries, its position in the trade promotion structure, the responsible ministry, for commercial diplomacy are among the most important. Government structures in terms of responsible ministries seem particularly complex, i.e. ministry of foreign affairs (MFA) or/and Ministry of Trade (MT) and promotion agencies (TPOs most of the time). There are different possible configurations: in some cases the MFA dominates, in others the MT, and sometimes even joint structures exist (UK). Also, there is a difference in the TPO's position in the structure and its relationship with the CD. Table 1 summarizes the major tendencies found.

**Table 1: CDC Organizational Arrangements according to Home Country**

Arr. no.	Arrangements between Trade and Foreign Affairs	Responsible Ministry	CD's role & TPO arrangements	Country
1	Trade promotion part of trade policy –MT and MFA work <b>Not harmonized</b>	Ministry of Trade (MT)	CD working with the TPO branch, which is frequently in the perimeter of the embassy. CDs may also report to the ambassador (MFA).	US, China, Poland, France, Russia, (South Africa)
2	Separation of trade promotion activity and trade policy – MT and MFA work <b>Harmonized</b>	Ministry of Foreign Affairs (MFA)	CD coordinates the TPO branch. Trade promotion handled by separate agency (TPO)	Australia, New Zealand, Canada
3	Trade promotion integrated in MFA – MT and MFA work <b>Harmonized</b>	Ministry of Foreign Affairs (MFA)	CD coordinates the TPO branch, which is integrated with the MFA.	Sweden, Norway, Denmark, Finland, Iceland
4	<b>Coordination mechanism</b>	Joint oversight by MFA and MT	Trade promotion entrusted to a dedicated agency	UK, Singapore,
5	Separation of foreign affairs and trade <b>Not Harmonized</b>	Ministry of Foreign Affairs (MFA)	CD is mainly generalist and deals with both economic and political issues. If agency, integrated with MFA and embassy.	Large and medium sized developing countries
6	<b>Delegation</b> of trade promotion	Mostly Ministry of Trade but not strictly	CD runs TPO branch separately, <i>independently</i> from the embassy. The latter is only involved in policy issues no CD in the embassy for business promotion. Germany is a special case.	Japan, Korea, Italy, Germany (CDC by BCC)

Source: Inspired by Rana 2000, and Prof. Rana's comments in 2007 on various contents of this paper, Carron de la Carrière 1998 and our empirical study interviews

***Arrangement 1: Trade promotion part of trade policy – Ministry of Trade***

In China the ministry of foreign affairs is not directly involved in commercial diplomacy and the activity is the responsibility of another ministry. China keeps a “commercial service” collaborating with the embassy. The US “commercial service” which deals exclusively with business support issues is a part of the Department of Commerce but it also lies under the authority of the ambassador and, through them, of the Department of State.

***Arrangement 2 & 3: Combination of foreign affairs and trade***

Australia, Canada and New Zealand separate trade policy and trade promotion activity. Scandinavian countries include trade promotion – but all these countries combine foreign affairs and trade in a single ministry and maintain a separate representation distinct from their diplomatic service, though the heads of the diplomatic missions are responsible for both activities.

#### ***Arrangement 4: Coordination mechanism***

UK Trade and Investment (UKTI) is subordinated both to the Foreign Office and the Department of Trade and Industry. The structure is centralized. The UK CDs are career diplomats but commercial activities take by far most of the UK's diplomatic resources and three quarters of the staff is recruited locally in the target market. Rana (2000) mentions a matrix of "part unification" since the two ministries have created two special units in the Foreign Office to handle trade and investments by a unified diplomatic service.

#### ***Arrangement 5: Trade promotion in MFA***

MFA is « the only master » and there is no combination of foreign affairs and trade. The weight of institutions may be considerable and thus reforms may be difficult to carry out (Rana). Also, rivalry is very likely between MFA and MT. This is the typical case of large or medium sized developing country.

#### ***Arrangement 6: Independent trade promotion structures***

CDC of the two countries is essentially delegated to a public or semi-private / subsidized agencies. These have no hierarchical subordination to the embassy and work independently. The embassy only tackles political affairs and the political dimension of trade. For instance, Germany delegates the main trade promotion activities to the network of bi-national chamber of commerce. Japan (JETRO) and South Korea (KOTRA) dispose of very solid, relatively independent structures practicing de facto CDC. This is also the case of Italy's ICE. In the Portuguese case the CD is nominated by the MFA and he/she may or may not be a civil servant and has a double mandate as member of the embassy and director of the TPO's (ICEP) branch in the target market. (Carron de la Carrière 1998:192).

### **Background and Skills**

Carron de la Carrière (1998) argues that business support is no job for traditional diplomats; rather, the job finds its roots and challenges in marketing, market knowledge, commercial and financial techniques which are in general not expected from traditional career diplomats. The question is legitimate as far as one asks: what do high level government negotiations (at a legal framework level) and country positions at the International Monetary Fund and the World Trade Organisation have to do directly with the promotion of business deals and the marketing plan of an SME?

The issue of recruiting the right profile and competencies remains. It is a challenge for governments to recruit potentially professional CDs who are in an ascending career phase. 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 and high prestige and contacts. In some countries, CDs are expected not only to have business training and education but also direct experience in the private sector.

Our research identifies two main dimensions that seem critical for the future of CDC: (i) business knowledge, mainly in international marketing, and (ii) business experience. In Ireland, for instance, the most successful CDs 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 CDs should return to the private sector so as not to lose touch with the business world. For example, in Ireland, as one of the interviewees points out, “*it is most useful if CDs go back to private sector after 3 to 4 years of diplomatic activity*”.

In some countries CDs have typically trade ministry, rather than business, experience. They often have some economic or commercial school training but little direct business know-how. For example, in Poland or Germany the counsellors tend to have a background in economics but very limited first-hand business experience. In the Swiss Foreign Service *most commercial attachés are generalists learning on the spot*. For local market expertise, Swiss Business Hubs (SBH) hire local assistants or subcontract to local consultants. A typical ministry of foreign affairs (MFA) diplomat also rarely has direct business experience or business education and tends to learn by doing. Countries like Japan or Korea encourage their CDs *to remain for a longer period of time in the same posting to ensure good local contacts and expertise* (Kostecki & Naray 2007).

### **Style/Orientation**

There are substantial differences between (national) CDC systems with respect to their vision of what style of commercial diplomacy should be favoured. CD style does not only depend on national parameters, and the approach to style can evolve quickly due to foreign influence, CDs’ background and personality for instance. Beneficiaries’ relationship with government is closely linked to CD style. The latter emerges possibly out of (i) government conviction to act business friendly and (ii) beneficiary pressure and interest. The following patterns emerged out of our empirical research.

A *business promoter* may be described as a business-oriented, pro-active CD that seeks the satisfaction of companies served (rather than that of the ministry). Their major role is to provide the consultancy-like services requested by business firms. Knowing business, they are close to managers, have a solid technical know-how and entrepreneurial approach. Usually located in the economic capital of a host country, possibly with branches in the main industrial regions, they have a hands-on vision of support activities. Most of the consultancy services they offer are provided against payment. To put it in the words of an Irish expert, the most successful CDs are those who work mainly for the clients.

A *civil servant* CD has a behaviour pattern of an employee in the ministry of trade. These CDs tend to be reactive rather than pro-active and keep their distance from business deals (an arms-length approach). A civil servant CD typically emphasizes policy implementation rather than business support and is more responsive to government instructions than client needs. Their strength is to provide a link between business and the ministry rather than to stimulate business operations.

A *generalist* CD is a career diplomat assuming business support functions on an ad hoc basis or in addition to other diplomatic duties. Typically, they tend to be less technical than the two former types. However, they may offer good contacts (especially at ambassador level) and place commercial diplomacy activities within a broader context of foreign aid programs and national diplomacy.

Table 2 summarizes the essential features of the particular styles of commercial diplomacy. This classification only shows broad and so far typical tendencies: various styles might co-exist within the same country. Three basic types of commercial diplomats can be suggested: (i) business promoter, (ii) civil servant and (iii) generalist commercial diplomat.

**Table 2: CD styles**

<b>Style of Commercial Diplomat</b>	<b>Business promoter</b>	<b>Civil Servant</b>	<b>Generalist</b>
<b>Approach</b>	Commercial issues are understood mainly as business issues.	Commercial issues are seen as an integral part of international relations.	Commercial issues are perceived in a broader diplomatic and political perspective.
<b>Leading concern</b>	Focus on client satisfaction.	Focus on satisfaction of the Ministry of Trade.	Focus on satisfaction of the Ministry of Foreign Affairs.

*Note:* The results are based on thirty-five in-depth interviews with commercial diplomats, government officials, experts and managers.

## **ACTIVITIES AND AREAS**

CDC produces intangible assets – such as information, image, relationship capital – and it relies on human assets (people’s time and effort). CDs carry out activities as a means to reach government objectives and also to satisfy concrete business demands, i.e. CDs seek the satisfaction of beneficiary business firms too, as the “business promoter” type of CD seems to become the trend. The following activities are typically carried out by CDs and, thus, their weight and aspects are often different from other trade support institutions (TSIs). When activities are carried out most professionally in harmony with both government’s objectives and beneficiary’s satisfaction, then we consider that CDs actually add value to the promotion of international business (IB).

Business-related functions of diplomatic envoys are clearly recognised under the Vienna Convention on diplomatic relations (Vienna Convention 1961 and subsequent amendments) – which explicitly refers to diplomatic activities such as: (i) protection within the host state of the interests of the home state and its nationals including their property and shares in companies, (ii) gathering economic information, and (iii) promotion of economic and scientific relations between the two states, which includes commercial and investment related issues (Vienna Convention 1961). By providing the area / activity matrix we list a systematic illustration of CDC activities and areas covered by them based on our field analysis.

The activity/area matrix of CDC activities (Table 3) has emerged from our empirical research and literature review. The areas covered by CDC services comprise promotion of trade in goods and services (including tourism), protection of intellectual property rights (such as trade marks, copy rights patents, denomination of origin), promotion of made-in and corporate image of the home country companies and promotion of inward and outward foreign direct investments (FDIs). The variety of CDC activities are there reduced to six

essential categories comprising intelligence, communication, referral, advocacy, co-ordination and logistics.

**Table 3: Area-Activity Matrix**

<i>ACTIVITY</i> \ <i>AREA</i>	Promotion of Trade in Goods and Services	Protection of Intellectual Property Rights	Co-operation in Science & Technology	Promotion of Made-in and Corporate Image	Promotion of Foreign Direct Investments (FDIs)
Intelligence	Gathering export marketing data	Supervision of violations of IPRs	Monitoring research achievements	Image studies	Identifying potential investors
Communication	Tourism promotion conference	Presentations during awareness campaigns	Preparation of press articles on scientific achievements	Contribution to made-in promotion events	Briefings for potential investors
Referral	Introducing potential exporters	Search for reliable IP lawyers	Facilitation of contacts between H.T. labs	P.R. for large contracts where national image counts	Approaching CEOs with investment proposals
Advocacy	Support of firms in dispute settlement procedures	Pressures for improved protection of home country's IPRs	P.R. in favour of joint scientific projects	Defence of national companies singled out by host country authorities	Protection of home country investors in the host country
Co-ordination	Organization of prospect meetings	Co-ordination of legal action	Introducing parties to initiate R&D joint ventures	Co-ordination of made-in campaigns	Organizing minister's participation in private investors' forum
Logistics	Embassy's secretariat is servicing a trade promotion conference	Training material for awareness campaigns is printed and distributed by the Embassy	Ambassador or CD hosts a conference on promotion of scientific co-operation	Translation of the campaigns material is done by the CD unit's staff.	Members of an investment promotion mission use office facilities at the Embassy.

### ***Intelligence***

Most studies on commercial diplomacy refer, in one way or another, to business intelligence, which comprises both data collection and analysis for the home country business community and – to a lesser extent – foreign investors and traders. Harris & Li (2005) maintain that the critical factor determining internationalization is “the core and essential role of knowledge generation and acquisition both within the firm and its external environment”. CDC services tend to guarantee that the information is both reliable and neutral. A French study group led by Martre (Commissariat du Plan, 1994) recognizes the particular role of commercial diplomacy as a determinant of international competitiveness. The study emphasises the necessity of collaboration, cooperation and coordination among all actors (private and public) involved in the gathering and diffusing of such “competitive intelligence”. *“We have to find projects include find distributors, provide information on*

*Switzerland concerning authorizations, etc. More specific and detailed studies such as market research are charged” (CD team from Japan located in Europe).*

**Communication** consists of CD’s presentations, participation in conferences, preparation of business briefings, press articles, direct involvement in event marketing, etc. Other internal and G2G (government to government) communication activities are also included, such as reporting to the home ministry the information of government counterparts in the host country.

**Referral** covers recommendation of companies to prospective clients and partners and vice versa and other forms of facilitation of direct contacts.

**Advocacy** consists of systematic and planned efforts to defend the home country’s business interests in dealings with home country governments and major publics with the objective of improving the regulatory environment. It also comprises the CD’s assistance in conflict resolution and dispute settlement involving home country firms. *“When a food product suffered from export ban to Europe’s market, CDs also assist in the finding of a “friendly” solution without judicial procedures when business conflicts arise” (CD from an Asian country located in Europe).* Also, support for problem-solving is well illustrated by Asian CDs’ efforts to deal with the European health authorities *when a food product suffered from export ban to Europe’s market.* CDs also assist in the finding of a *“friendly” solution without judicial procedures when business conflicts arise.*

**Co-ordination** means encouraging social interaction between partners (businesses and/or state authorities) where various processes are considered simultaneously and their evolution arranged for the benefit of all parties. Typically the organization of meetings and networking sessions belong to this category of activity.

**“Logistics”** refers in the CDC context to activities that deal with all aspects of technical and facility support for the actually or potentially involved parties in the CD-led business promotion and facilitation. A CD from South America referring to the physical premises of the embassy says that *“our exporters of meat and poultry use our embassy in their dealings with the local sanitary authorities or to initiate a new business project”*. A CD from Hungary provides various facilities: *“we provide rooms and translators for contract negotiations between home and host businesses firms”*.

## **CONTRIBUTION AND LIMITATIONS**

This conceptual overview has considerably opened the emerging research field of CDC. New research questions for further research may be formulated on the basis of this paper. The above conceptualisation leaves us with some implications and possible suggestions for the future development of CDC. Further research could investigate how one could measure to what extent government objectives and beneficiary (business) satisfaction have been reached and thus address CDs’ effectiveness and performance.

The case-study method as well as other methods all have their own limitations. First, the relatively broad sample did not allow for addressing particular country or company cases

more in-depth as some single case studies often do. The study offers a useful and probably unique but generally applicable conceptualization beyond common sense and established wisdom, yet, further research is needed to refine and build on those concepts with quantitative survey and case study data if one seeks to formulate even more concrete and number based recommendations to governments and business firms. However, this was not the objective of the present paper.

## **APPENDIX**

### **METHODS**

Research methods and procedures followed recommended guidelines for theory / concept development in exploratory case study research (Eisenhardt 1989, Yin 2003, Eisenhardt 2007). The data collection involved (i) existing literature, (ii) a 3-day long professional workshop with practitioners (CDs) and field experts, (iii) in-depth face-to-face semi-structured interviews, (iv) in-depth semi-structured telephone interviews, (v) questionnaire-based research, and (vi) reading material distributed by interviewees. Overall, we led 44 progressively structured (semi-structured), in-depth interviews following Kvale's (1996) recommendations in interviewing techniques. The interviews and the questionnaire-based research constitute our observations.

#### **Data Collection & Research Design**

Our case framework follows Yin's (2003) single case study with embedded case design. Commercial Diplomacy as a value-creating activity in the promotion of IB constitutes the case to analyze. The multiple units of analysis are the various commercial diplomats as head of their "trade representation" (within or outside the embassy). CDs represent various home countries governments being located in various target markets – or "host countries" – but mainly in Switzerland for this study. The level of analysis is the commercial diplomats' organisational unit, which means either the embassy or an external branch of a trade / investment promotion organisation in the host country. The context is governmental efforts to promote international business development with its trade and investment promotion policies to enhance national competitiveness in a globalized business environment.

In-depth face-to-face interviews proved to be a useful tool for the development and testing of our guiding research propositions (see data analysis). They were supplemented by two telephone interviews with business leaders and a panel discussion. The research team was encouraged to emphasize lateral thinking and insights rather than the mechanical sorting of ideas. Interviewed commercial diplomats, businessmen and experts were selected by a research panel involving the authors and one senior diplomat.

## REFERENCES

- Carron de la Carrière G. (1998), *La diplomatie économique : le diplomate et le marché*, Paris, Economica.
- Commissariat général du Plan (1994), *Rapport du Groupe "Intelligence économique et stratégie des entreprises"*, Paris, La Documentation française.
- Garten J., Zoellick R., Shinn J. (1998), *Riding the Tigers: American Commercial Diplomacy in Asia*, Columbia International Affairs online, Columbia University Press, <https://www.cc.columbia.edu/sec/dlc/ciao/wps/>
- Eisenhardt, K. (1989) Building theories from case study research, *Academy of Management Review*, 14, 532-550.
- Eisenhardt, K. (2007) Theory Building From Cases: Opportunities and Challenges, *Academy of Management Journal*, 50, 1, 25-32.
- Harris R. and Li Q. (2005) *Review of Literature: Review of the Literature: The Role of International Trade and Investment in Business Growth and Development*, United Kingdom of Great Britain, Richard Harris & Q. Cher Li (copyright).
- Hibbert E. (1990) *The Management of International Trade Promotion*, London, Routledge.
- Hibbert E. (1998) Evaluating Government Export Promotion: Some conceptual and Empirical Approaches, *The International Trade Journal*, XII, 4.
- Hocking B. (2000) Diplomacy of Image & Memory: Swiss Bankers and Nazi Gold, *Diplomatic Studies Program Discussion Paper No. 64*, University of Leicester.
- International Trade Centre UNCTAD / WTO (2004), *A Manual for Trade Representatives*, Geneva, ITC.
- Kopp H.W. (2004), *Commercial Diplomacy and the National Interest*, Washington DC, Business Council for International Understanding / The American Academy of Diplomacy.
- Kostecki M. (2005), *Business Advocacy in the Global Trading System: How Business Organisations May Shape Trade Policy*, Geneva, ITC, xiv – 180.
- Kostecki M., Brossard H., Furrer O. Gramigna M. (1994) L'image des services suisses: Enjeux et proposition d'action, *Die Unternehmung*, Zurich, 1/94, 35-50.
- Kostecki Michel & Naray Olivier (2007) Commercial Diplomacy and International Business, *Clingendael Discussion Paper in Diplomacy*, The Hague, Clingendael Institute, April 2007; available at: [http://www.clingendael.nl/publications/2007/20070400\\_cdsp\\_diplomacy\\_kostecki\\_naray.pdf](http://www.clingendael.nl/publications/2007/20070400_cdsp_diplomacy_kostecki_naray.pdf)
- Kotabe, M. and Czinkota, M.R. (1992) State government promotion of manufacturing exports: a gap analysis, *Journal of International Business Studies*, 23, 637-658.
- Kvale S. (1996), *An InterViews: An Introduction to Qualitative Research Interviewing*, London, Thousand Oaks [etc.].

Lovelock, C.H. (1983) Why Marketing Management Needs to be Different for Services, in Donnelly, J.H. and George, W.R. (Eds), *Marketing of Services*, American Marketing, Chicago, IL.

Lovelock, C.H. (1991) *Services Marketing Text, Cases and Reading*, London, Prentice-Hall International, Inc.

Morisset J. & Andrews-Johnson K. (2004) *The Effectiveness of Promotion Agencies at Attracting Foreign Direct Investment*, Occasional Paper 16, Washington, Foreign Investment Advisory Service, World Bank.

Olins W. (1999) *Trading Identities: Why Countries and Companies are Taking on Each Others' Roles*, London, Foreign Policy Centre.

Potter, E. (2004), Branding Canada: The Renaissance of Canada's Commercial Diplomacy, *International Studies Perspectives*, 5, 55-60.

Rana K.S. (2001), *Bilateral Diplomacy*, Geneva, Diplohandbooks.

Rana K.S. (2000), *Inside Diplomacy*, New Delhi, Manas Publications.

Rose, Andrew K. (2005) *The Foreign Service and Foreign Trade: Embassies as Export Promotion*, Working Paper 11111 National Bureau of Economic Research, Cambridge(USA).

Rothkopf D. (1998), *Beyond Manic Mercantilism*, Columbia International Affairs online.

Saner R. and Yiu L.(2003), International economic diplomacy: Mutations in post-modern times, *Discussion Papers in Diplomacy*,84, The Hague, Clingendael Institute.

Seringhaus (1986) The impact of government export marketing assistance, *International Marketing Review*, 3(2).

Seringhaus F.H., Rosson P.J. (1990), *Government Export Promotion: A Global Perspective*, New York, Routedledge.

Seringhaus F.H., Rosson P.J. (Ed.) (1991), *Export Development and Promotion: The Role of Public Organizations*, Boston, Kluwer Academic Publishers.

*Vienna Convention on Diplomatic Relations*, 1961, available at: <http://www.un.org/law/ilc/texts/diplomat.ht>

Yin R. K. (2003) *Case Study Research: Design and Methods- Third Edition*, London, Sage Publications.