

UDK 339.522

L. Kuzmova

University of Economics, Faculty of Applied Languages, Slovak Republic, Bratislava  
E-mail: lucia.kuzmova@euba.sk

### Commercial diplomacy and multistakeholder diplomacy

**Intention of the paper** is to emphasize the fact that the commercial diplomacy today becomes less state-centred and more multistakeholder in its substance. The context is aimed to the analysis and discussion if commercial diplomacy has the attributes of multistakeholder diplomacy. The summary of main actors involved in commercial diplomacy is presented and types of structures used by governments performing commercial diplomacy are described. Additionally, the role of state and non-state actors in commercial diplomacy is discussed together with differences between state-centred and multistakeholder diplomacy. Finally, the attributes of a commercial diplomacy from the perspective of the multistakeholder diplomacy are highlighted.

**Keywords:** Commercial Diplomacy, Multistakeholder Diplomacy, State-Centred Diplomacy.

Л. Кужмова

### Экономикалық дипломатия және көптеген актерлердің дипломатиясы

Бұл мақаланың негізгі мақсаты болып табылатын дерек – қазіргі уақытта экономикалық дипломатия, шын мәнінде, мемлекеттік-бағдарлы болудан гөрі актерлердің жан-жақты ынтымақтастығына шоғырланған. Мақаланың мазмұны экономикалық дипломатияға көптеген актерлердің дипломатия атрибуттарының кіруі туралы пікірсайысқа бағытталған. Мақалада экономикалық дипломатияға қатысы бар негізгі актерлер мен экономикалық дипломатияны іске асыруда мемлекеттің қолданатын құрылым түрлері туралы жазылған. Мемлекеттік және мемлекеттік емес актерлердің экономикалық дипломатиядағы рөлі және экономикалық дипломатияда мемлекет негізгі рөл атқаратын дипломатия мен көптеген актерлердің дипломатиясының айырмашылығы талқыланады. Соңында актерлердің көзқарасы бойынша дипломатия атрибуттарына ерекше көңіл бөлінген.

**Түйін сөздер:** экономикалық дипломатия, көптеген актерлердің дипломатиясы, мемлекеттік-бағдарлы дипломатия.

Л. Кужмова

### Экономическая дипломатия и дипломатия многих актеров

Целью этой статьи является подчеркнуть тот факт, что экономическая дипломатия в настоящее время по существу менее государственно-ориентированная и в большей степени сосредоточена на многостороннее сотрудничество актеров. Содержание статьи ориентировано на анализ и дискуссию, имеет ли экономическая дипломатия атрибуты дипломатии многих актеров. В статье описываются основные актеры, участвующие в экономической дипломатии и типы структур, которые правительства используют в реализации экономической дипломатии. Обсуждается роль государственных и негосударственных актеров в экономической дипломатии и различия между дипломатией, в которой государство имеет центральную роль и дипломатией многих актеров. В конце подчеркнуты атрибуты с точки зрения дипломатии многих актеров.

**Ключевые слова:** экономическая дипломатия, дипломатия многих актеров, государственно-ориентированная дипломатия.

## Introduction

Commercial diplomacy represents a significant part of diplomatic work. It can be taken as one of the dimensions of diplomacy and defined as the work done by the government to promote both export and inward investments. In some countries the concept of commercial diplomacy is interpreted broader, e.g. in Germany. In this case commercial diplomacy includes export and import promotion and inward and outward investments [1]. In the field of commercial diplomacy governments play an important role but they do not act alone. Especially nowadays in many countries the non-governmental actors and private sectors are involved in commercial diplomatic activities.

Multistakeholder diplomacy is an innovative diplomatic method aimed at facilitating the objective participation of all parties concerned in discussions on and debate over particular issues at stake. It is based on the principles of mutually shared expertise and information. The multistakeholder approach to diplomacy brings a synergy between state and non-state actors in their efforts in solving problems of politics, trade, etc. The concept accepts the widely appreciated view that a state alone cannot solve all matters how powerful a state is.

The aim of the paper is to point that commercial diplomacy today becomes less state-centred and more multistakeholder in its substance. The main actors involved in commercial diplomacy are identified and the structures used by governments performing commercial diplomacy are described. It is analyzed if a commercial diplomacy has the attributes of multistakeholder diplomacy. The context of the first part is aimed to the commercial diplomacy, its definition and the role and types of state and non-state actors. In the second part multistakeholder diplomacy and differences between state-centred and multistakeholder diplomacy are specified. In the third part the attributes of commercial diplomacy from the perspective of multistakeholder diplomacy are highlighted.

## Commercial Diplomacy versus Multistakeholder Diplomacy

There are different definitions of commercial diplomacy. Some are more general and can be referred as the definitions on macro level. They define commercial diplomacy as a part of economic diplomacy concerned with economic policy issues. These definitions include more negotiations of trade agreement and their implementation [2]. Except of them there

are much more specific definitions, referred as definitions on micro level. They are focused on trade support and inward and outward investment. For the purpose of this paper Lee's definition of commercial diplomacy will be applied. Lee defines commercial diplomacy "as the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes" [3]. In the paper the term "state actors" covers governmental actors. "Non-state actors" stands for non-governmental actors, e.g. chamber of commerce, various trade promotion organizations (TPOs) or investment promotion agencies (IPAs). Characteristic aspects for commercial diplomacy are:

- the number of departments/ministries taking part in commercial diplomacy,
- the level of government where the services are provided – central, regional, local,
- the character of actors taking part in commercial diplomacy – public, private or mixture of public and private.

Initially foreign economic issues, including commercial diplomacy, were mainly in the responsibility of the ministries of foreign affairs (MFAs) of central governments as they are in charge of foreign affairs of a country and operate an embassy network [4]. Presently many governments reorganized their diplomatic systems and the commercial activities become primarily handled by the economic and trade ministries [5]. In such case the main responsible ministry/department is economic/trade ministry and ministry of foreign affairs provides support via an embassy network and a diplomatic staff. Staff members of commercial sections of embassies and consulates can be commercial diplomats or commercial representatives. There is a certain amount of countries where the central governments decentralized their power to regional governments and this means that the regional levels of government also take an active role in pursuing commercial diplomacy [4]. For example, in the case of Belgium, it is mainly the regional authorities of Flanders, Wallonia and Brussels that are entrusted with the task [6]. Though the regional governments participate, the central government is usually the coordinating body.

Responsibility for commercial diplomacy can have one ministry – ministry of foreign affairs, two ministries – ministry of foreign affairs and economic/trade ministry or eventually there is the possibility to establish special entities, what is called a "third agency" as it is in the case of International Enter-

prise (IE) Singapore [7, 8]. IE Singapore is a statutory board under the Ministry of Trade and Industry of the Singapore Government. Since 2002 facilitates the Singapore-based companies and promotes international trade. IE Singapore originated from a re-organization of what used to be called the Singapore Trade Development Board (TDB). The TDB was formed in 1983. The commercial representatives who are not career diplomats are appointed to key positions of economic sections of embassies and consulates and closely work with the diplomatic staff of the embassies. There are some countries that have merged their ministry of foreign affairs with their ministry of trade to create one consolidated ministry [7]. Such system is applied in Australia (Department of Foreign Affairs and Trade, DFAT) or Canada (Department of Foreign Affairs and International Trade, DFAIT). In other countries MFA is responsible for commercial diplomacy as it is in the Slovak Republic (Ministry of Foreign and European Affairs, since 2011). This arrangement of commercial diplomacy is called as unified [7, 8, 9, 10]. In case of the United Kingdom (UK), the government has created a joint body of the ministry of foreign affairs and the ministry of trade to coordinate export promotion. It is the UK Trade & Investment (UKTI), employees are commercial diplomats and the system is referred as part unification [7].

There are countries, such as the US, India or Switzerland where it is the ministry of trade that is still primarily, but not exclusively, responsible for export promotion [11, 7, 10]. In Switzerland the Ministry of Foreign Affairs (EDA) is responsible for diplomacy but the commercial diplomacy is carried out via economic departments of embassies and managed by the Ministry of Economy (EVD) specifically the State Secretariat for Economic Affairs (SECO). The system is called as competition [7, 8]. The SECO is the Confederation's competence centre for all core issues relating to economic policy. On the domestic front, SECO acts as an interface between business and government. SECO also helps to ensure access to all markets for Swiss goods and services and investment. Except of SECO OSEC (Office Suisse d'Expansion Commercial) has been responsible since 2008 for promoting Switzerland as a business location, as well as promoting imports and investments on behalf of the SECO. OSEC's activities in promoting foreign trade include coordinating a tight network (Business Network Switzerland) of skilled partners at home and abroad. In

Switzerland, OSEC works with cantonal chambers of industry and commerce, the chambers of business and economy and also with the cantonal ministries for economic affairs and economic development agencies. Abroad the network comprises, amongst others, 19 Swiss Business Hubs (SBH), which are established in growth and key markets at Swiss embassies and bilateral chambers of commerce. SBH exist in the following countries and regions: USA, Canada, Brazil, Spain, the United Kingdom, France, Germany, Italy, Austria, Poland, Russia, the Gulf States, South Africa, India, ASEAN, China, Japan, Korea and Hong Kong.

Another system described by Rana is renunciation. In this type the ministry of foreign affairs does not play an active role in bilateral economic work. Example is Germany. Since 1971 Germany has implemented three-pillar system of commercial diplomacy. The whole system is coordinated by the Federal Ministry for Economics and Technology (BMW) and constituent pillars are German embassies and consulates of MFA (Auswaertiges Amt, AA), the Foreign Chambers of Commerce (the AHKs) and Germany Trade and Invest (GTAI). GTAI is the foreign trade and inward investment agency. The AHKs are in many countries over the world and are closely linked to the Inland Chambers of Commerce (IHKs). IHKs and AHKs support German companies in building up and consolidating their business relations in Germany and host countries. AHKs are bilateral chambers, autonomous and active not only for German companies but also for the host country enterprises. In Kazakhstan AHKs in Astana (**Representation of the German Economy for Kazakhstan**) and Almaty (**Representation of the German Economy in Kazakhstan for Central Asia**) are present. German economic interests abroad are supported by others subjects though they are not directly responsible for commercial diplomacy, e.g. umbrella organization of the network of the bilateral AHKs and the IHKs is the German Association of Chambers of Commerce and Industry (Deutscher Industrie- und Handelskammertag, DIHK, formerly DIHT). Since 2000 the German Centres for Industry and Trade (Deutsche Industrie- und Handelszentren DIHZ also "*German Centres*" or "*Haus der deutschen Wirtschaft*" or "*Deutsche Hauser*) are sometimes referred as the fourth pillar of German commercial diplomacy [1]. The first center was established in 1995 in Singapore and since then the centers in China, India, Indonesia, Mexico and Russia were established.

Nowadays, non-state actors play a significant role in diplomacy [4]. The main non-state actors which represent business interests are chambers of commerce, trade promotion organizations (TPOs) and investment promotion agencies (IPAs). The most significant variations between countries are in regard to the structural form of the agencies that are given responsibility for export promotion. The reasons behind this are not always obvious. Seringhaus and Rosson identify country philosophy and the history of business-government interaction as explanations [12]. It seems that political issues, the homogeneity of the country and the size of the country are other explaining factors.

The next important factor of commercial diplomacy is its character if it is public, private or mixture of both [13]. Some countries have instituted a form of structure that is purely governmental e.g. Canada, UK, the Slovak Republic, Switzerland. However, not all countries adopt such a structure. The best example is Austria, where it is the Chamber of Commerce (Wirtschaftskammer Oesterreich, WKO) that was entrusted to provide the commercial diplomatic services [13]. WKO provides commercial diplomacy via specialized unit Foreign Trade Austria (Aussenwirtschaft Oesterreich, AWO). Foreign centers WKO/AWO act as the commercial centers of embassies and consulates, which give them the diplomatic character though the employees are commercial representatives. In Kazakhstan it is AussenwirtschaftsCenter Almaty. In comparison, while in Austria the Chamber of Commerce is responsible, in Germany the structure which combines the governmental structure and chamber of commerce is adopted. Many countries adopt a public-private organizational structure [14]. Moreover, it seems that most of the government led agencies are welcoming support from the private sector or integrating it into its structure, which confirms the public-private partnership tendency [2].

The scale of actors engaged in the diplomacy directly or indirectly is diverse. This diversity of actors has attracted varying terminologies, of which “multistakeholder diplomacy (MSD)” is one. “Actors, including states – commonly identified as the generators of diplomacy – are no longer able to achieve their objectives in isolation from one another. Diplomacy is becoming an activity concerned with the creation of networks, embracing a range of state and non-state actors focusing on the management of issues that demand resources over which no single participant

possesses a monopoly” [15]. The states and their apparatuses through which they conduct their business are responding to a plethora of internal and external actors. In this context MSD is a new model of diplomacy and there is a debate about how it relates to conventional models that are referred to as state-focused or state-centred. Differences can be seen in context, forms, participants, roles, communication patterns, functions, location, representation patterns and rules [15]. For the purpose of the paper only some of them will be discussed – form, participants, roles and communication.

In the **state-centred model** – the state is terminal authority. Participants are diplomats whose credentials are based on principles of sovereignty. Diplomatic agents possess diplomatic immunity. Communication is hierarchical, focused on governments and confidential. Diplomatic relations are among sovereign entities, defining and promoting national interests. Clear and normative behaviours are derived from sovereignty-related rules and protocol.

In the **multistakeholder model** – multiple spheres of authority can be seen. The leader may be government or other stakeholder. Multiple participants based on varying models, frequently based on bisectoral or trisectoral model incorporating governments, business and NGOs. Participants are stakeholders whose credentials are based on interests and expertise. Communication is multidirectional. Information and resources are exchanged through networks.

In contrast to the traditional, hierarchical model of diplomacy that stresses the centrality of intergovernmental relations, MSD is a reflection of a much more diffuse, network model. “A policy network can be defined as a set of relatively stable relationships which are of a non-hierarchical and interdependent nature linking a variety of actors, who share common interests with regard to a policy and who exchange resources to pursue these shared interests, acknowledging that cooperation is the best way to achieve common goals” [16]. MSD establishes relationships of varying scope and composition, which, for example, bring governmental actors and business together.

The main objective of this paper is to examine commercial diplomacy from the view of multistakeholder practices or arrangements with a focus on multistakeholder aspects – participants, roles, communication and forms.

**Participants and roles** – As it was showed in the first part in commercial diplomacy is involved a great scale of state and non-state actors. Nowadays

ministries of foreign affairs or trade ministries take the role of co-ordinators in synchronising a broad spectrum of institutional and commercial interests. Interests expressed by domestic stakeholders are taken into account in the formation of economic strategy and priorities of a state. Non-state actors (industry associations, chambers of commerce, TPOs, IPAs, trade unions and entrepreneur groups) often enter into a dialogue with government structures (parliament, MFA, trade, finance and agriculture ministries) in promoting economic agendas and in influencing them. Ad hoc interactions are common. A trend can be seen towards institutionalisation of domestic stakeholder relationships with the professional diplomatic guild. For example the Canadian Department of Foreign Affairs and International Trade integrates a multistakeholder model in its diplomatic practice. It holds regular dialogues with the business community, state and territory governments, NGOs, labour unions, community groups, and all others with trade related issues. Appropriate platforms such as National Trade Consultations and Trade Policy Advisory Councils enable this ongoing discussion. NGOs are also part of the group advising the Foreign Minister on multilateral trade policies and bilateral trade agreements [17].

**Communication** – Except of hierarchical communication between ministry of foreign affairs and embassies and economic/trade ministries a multidirectional communication is used. Information flow through network of embassies and trade agencies enables exchange of resources. The rise of new technologies and social media (e.g. e-mail, blogs, Web site and service, wikis) has also opened additional channels of communication for diplomacy including commercial diplomacy. These e-tools typically function as networks. The World Wide Web has consequences for a commercial diplomacy which relies so much on communication.

**Forms** of interactions between direct actors of commercial diplomacy and indirect domestic stakeholders may include practices visible in a number of processes within:

- permanent and/or periodic consultations between commercial diplomats and commercial representatives and domestic stakeholders,
- dialogue with domestic stakeholders on both a formal basis (seminars, conferences) and an informal basis (meetings, round-table discussions),
- inclusion of personnel from business and academia in official delegations or to international conferences,

- multi-dimensional supports (financial, material, exhibitions and institutional) to stakeholders in their activities.

Since 2011 in the Slovak Republic (SR) the system of commercial diplomacy has changed from the competition to unified one. The SR carries out its commercial diplomacy through economic departments (OBEO) that are part of embassies managed by Ministry of Foreign and European Affairs (MFEA SR). Since then round-table discussions about mutual cooperation between business representatives and commercial diplomats take part. In Germany, the support offered by the political leaders of the country to domestic companies abroad is referred as political support (*politische Flankierung*) [1, 18]. Via contact center for political support (*Anlaufstelle zur politischen Flankierung*) BMWi interconnects requirements of German companies to German embassies and AHKs in the host country. In addition to this coordination support priority areas of the economy are defined which are primarily focused to political support. In order to ensure transparency in the promotion of foreign economy website [www.ixpos.de](http://www.ixpos.de) was established.

A significant player of commercial diplomacy especially in Germany and Austria are the chambers of commerce. They are under the compulsory or public law model. Their role is important for several reasons. Both countries have a long experience with them, a membership in them is compulsory and even though they are established as public institutions they work on a commercial basis. In addition, AHKs are bilateral and provide support not only to the German entrepreneurs but to entrepreneurs in the host countries, too. In this way cooperation between domestic and foreign business is ensured. The chambers both in Austria and Germany have linked domestic and foreign part, either within a single organization, a case of Austria - WKO, or by an umbrella organization, a case of Germany - DIHK. Under the private model, which exists in English-speaking countries like USA, Canada or the UK, companies are not obligated to become chamber members. However, companies often become members to develop their business contacts. The chambers closely cooperate with commercial sections of embassies. Whether the chambers take part in commercial diplomacy or do not they are examples of the wide cooperation of commercial diplomats, commercial and business representatives of home and host countries.

### Conclusions

It can be summarized that the states preserve their roles in commercial diplomacy. They define strategy, coordinate and make important decisions. However, numerous examples demonstrate the growing role of non-state actors and this can be taken as a result of using a multistakeholder diplomacy approach as a complementary instrument. In addition a commercial diplomacy has to adapt to new realities of inter-

dependent international and national relations where non-state actors provide considerable input.

It can be highlighted that a multistakeholder approach within a commercial diplomacy brings better efficiency and effectiveness. Using a multistakeholder approach gives a country the opportunity to benefit from resources, experience, and expertise from other stakeholders as the issues and concerns of countries are complex and diversified.

### References

- 1 Scultes N. Deutsche Aussenwirtschaftsfoerderung. Oekonomische Analyse unter Beruecksichtigung der Aktivitaeten und Programme in Japan. – Muenchen: Herbert Utz Verlag GmbH. - 2006.- 286 p.
- 2 Mercier A. Commercial Diplomacy in Advanced Industrial States: Canada, the UK, and the US. In: *Netherlands Institute of International Relations "Clingendael"*.- 2007.- 35 p.
- 3 Lee D. The Growing Influence of Business in U.K. Diplomacy. In: *International Studies Perspective*.- 2004.- Vol. 5.- №1.- P. 51-61.
- 4 Saner R., Yiu L. International Economic Diplomacy: Mutations in Post-modern Times. In: *Discussion Papers in Diplomacy*.- 2003.- №84. P. 5-8.
- 5 Lee D., Hudson D. The old and new significance of political economy in diplomacy. In: *Review of International Studies*.- 2004.- Vol 30.- P. 343-360.
- 6 Coolsaet R. Trade and Diplomacy: The Belgian Case. In: *International Studies Perspective*.- 2004.- Vol. 5.- №1.- P. 62-652.
- 7 Rana K. Bilateral Diplomacy. Geneva: DiploPublishing.- 2002. - P. 70-71.
- 8 PAJTINKA E. Hospodarska diplomacia: Hladanie efektivneho modelu riadenia, alebo boj o obchodnych atashe? In: *Mezinarodni politika*.- 2007.- Vol. 31.- №10. - P. 16-18.
- 9 Rusinak P. et al. Diplomacia – uvod do shtudia. – Bratislava: Vydavatelstvo EKONOM.- 2012. - 434 p.
- 10 Toth L. Horvathova K. Hospodarska diplomacia bilateralne vzťahy. Bratislava: SPRINT, - 2006.- 192 p.
- 11 Kopp H.W. Commercial Diplomacy and the National Interest. Washington: American Academy of Diplomacy/Business Council for International Understanding. - 2004. – 141 p.
- 12 Seringhaus F.H., Rosson P.J. Export Promotion and Public Organization: State-of-the-Art. In F.H. Seringhaus and P.J. Rosson ed. *Export Development and Promotion: The Role of Public Organizations*. Boston: Kluwer Academic Publishers. - 1990. - P. 3-18.
- 13 Seringhaus F.H., Botschen G. Gross – national Comparison of Export Promotion Services: The Views of Canadian and Austrian Companies. *Journal of International Business Studies*. - 1991.- Vol. 22.- №1.- P. 115-133.
- 14 Seringhaus F.H., Rosson P.J. Government Export Promotion a Global Perspective. London: Routledge.- 1989. – 35 p.
- 15 Hocking B. Multistakeholder diplomacy: Forms, Functions, and Frustrations. In: *Multistakeholder diplomacy. Challenges and opportunities*. Ed. J. Kurbalija and V. Katrandjiev. Published by DiploFoundation, Malta and Geneva. - 2006.- P. 13-29.
- 16 Stone D. Networks, second track diplomacy and regional cooperation: the role of Southeast Asian think tanks. Paper presented to 38<sup>th</sup> International Studies Convention, Toronto. - 1997.
- 17 Hay J.B. Practicing democratic foreign policy: DAIFT's consultations with Canadians. - 2000. [online].// <http://dsp-psd.communication.gc.ca/Collection/E2-239-2000E.pdf> [Accessed 15.10. 2012]
- 18 Aussenwirtschaftsoffensive – Chancen nutzen weltweit. In: *BMW portal*, - 2010. – 24 p. [online].// <http://www.bmwi.de/Dateien/BMWi/PDF/aussenwirtschaftsoffensive-2010,property=pdf,bereich=bmwi,sprache=de,rwb=true.pdf> [Accessed 15. 10. 2012.]