

The role of commercial diplomacy in promoting and facilitating international business

Agnieszka Hajdukiewicz

ABSTRACT

Objective: The main aim of this paper is to examine the role and challenges of contemporary commercial diplomacy in business promotion and facilitation of international trade and investment.

Research Design & Methods: The research methods include the critical review of existing literature, analysis of relevant legal and official documents and the case study of the Polish model of commercial diplomacy.

Findings: The research revealed that with transformation of the world's economy and trading system, the scope and focus of commercial diplomacy tend to change. The activity of commercial diplomats increasingly focuses on promoting national brand and strengthening the image of national companies, discovering more tailored and "hidden" information, expanding tourism and attracting FDIs. One of the main priorities of commercial diplomacy is to support small and medium companies (SMEs) in their first steps to be made in foreign market. The Polish organization model of commercial diplomacy is currently undergoing major reform in the course towards improving the government-business relationship and increasing the efficiency of trade and investment promotion activities through eliminating of tasks duplication.

Contribution & Value Added: The research provides a deeper understanding of rationale of commercial diplomacy and its complex determinants, and it allows to formulate some indications for governments and businesses on how to better use diplomatic tools in achieving internationalization goals.

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INTRODUCTION

In the age of enhanced globalization and competition, both governments, transnational corporations and NGOs need highly specialized knowledge in the field of diplomacy to face the complexity and uncertainty of the modern world and to build a proper image, competitive position and to promote their interests in the international arena. There are different types of diplomacy and diplomatic activities; this paper focuses on commercial diplomacy (CD) and its importance for expanding business internationally.

The paper assumes that commercial diplomacy, as a government service to the business community, provides an important mean to support domestic companies that want to enter new markets and to explore new export opportunities. Public sector involvement in the form of commercial diplomacy seems to be a crucial condition especially for small and medium companies that are newcomers to foreign markets, where the economic, regulatory and socio-cultural context for doing business differs from the one that they are accustomed to. Commercial diplomacy is believed to play also an important role in attracting foreign direct investment (FDI) to the home country. However, it has to be noted that there are still too few scientific studies, which look in detail into the modern functions and tools of commercial diplomacy.

Governments undertake business promotion and facilitation activities to encourage competitiveness of their economies in order to respond to new opportunities and threats of global markets and thus to secure both domestic economic interests and global competitive position. Consequently, trade and investment promotion, is likely to be one of the most important functions of overall diplomacy.

The main purpose of this paper is to examine the role and challenges for contemporary commercial diplomacy as a business promotion and facilitation activity. In particular, this paper analyzes the concept, functions and determinants of modern commercial diplomacy, taking into account its global and national context.

The research methods include the critical review of existing literature, analysis of relevant legal and official documents and the case study method. The case study of the Poland's organization model of diplomacy, presented in this paper, highlights the need to use and adapt the tools and structures of commercial diplomacy to meet the new challenges of a global marketplace.

THE LITERATURE REVIEW

Concept and scope of commercial diplomacy

In the academic literature a number of definitions of the term "commercial diplomacy" can be found and there is no agreement about its extend. In particular, the concept of "commercial diplomacy" in relation to "economic diplomacy" is often elaborated and interpreted in many different ways. Proposed definitions also vary according to the types of actors (public and private) that are involved in diplomatic activities as well as the scope of the issues that provide its content.

Some authors argue that commercial diplomacy is a part of economic diplomacy. Economic diplomacy can be defined as diplomacy where diplomatic means are used to achieve economic, foreign policy goals (Reuvers & Ruël, 2012). Okano-Heijmans (2011)

defines economic diplomacy as “the use of political means as leverage in international negotiations with the aim of enhancing national economic prosperity, and the use of economic leverage to increase the political stability of the nation” (p. 17). In her research, commercial diplomacy is one of the strands of economic diplomacy, alongside with trade diplomacy, financial diplomacy, inducements, and negative sanctions. The author understands commercial diplomacy as cooperative efforts by government and business that aim to achieve commercial objectives that advance national interests, including trade and investment promotion. However, the different strands of economic diplomacy may overlap, implying that economic diplomacy is not a linear, but more of a network concept (Okano-Heijmans, 2011). According to Potter (2004), economic diplomacy and commercial diplomacy are irrevocably intertwined since CD aims at exploiting the opportunities that are more or less created via the other strands of economic diplomacy. Reuvers and Ruël (2012) use “commercial diplomacy” as an umbrella term for both – economic and commercial diplomacy, since according to them in practice there is not much of a differentiation between the two. They define commercial diplomacy as follows: “Commercial diplomacy is the use of diplomatic means to support commercial activities, such as export and foreign direct investment (FDI) promotion. It is pursued with resources available to the home country, aiming at outputs such as economic stability, home country welfare, and a national competitive advantage. ... Commercial diplomacy functions is an umbrella term, including nation branding and participation in multilateral meetings, such as those of the WTO, and rewarding and sanctioning other countries in order to achieve foreign policy objectives.” (Reuvers and Ruël, 2012, p.5). For Feketekuty (2012) commercial diplomacy is designed to influence government policy and regulatory decisions that affect global trade and investment. It involves the application of advocacy tools to government policies that affect international commerce.

Mercier (2007) notes that the concept of commercial diplomacy is usually interpreted in two ways. On a more general level, “as being a part of economic diplomacy”, that is related to economic policy issues. This broad definition seems to be more concerned with negotiations of trade agreements and their implementation. If narrowed on a micro level, the definition of commercial diplomacy focuses on “supporting trade and inward as well as outward investment”. According to Visser and Ruël (2012) commercial diplomacy features two types of activities: policy making and business support.

A number of authors more clearly distinguish economic diplomacy from commercial diplomacy and emphasize that commercial diplomacy, as opposed to economic diplomacy, focuses on business support and promotion and that is a more entailing concept than trade and export promotion. Kostecki and Naray (2007) use the term commercial diplomacy to cover business-support activities performed by the members of diplomatic missions, their staff and the related agencies. In their interpretation, commerce refers not only to trade but also to those activities related to investment, tourism or intellectual property. They define commercial diplomacy as “a government service to the business community, which aims at the development of socially beneficial international business ventures” (Kostecki & Naray, 2007, p.1). Yakop and van Bergeik (2009) define commercial diplomacy as activities carried out by public officials from diplomatic missions, Foreign Affairs Ministry and other government departments, aimed to support the promotion of foreign direct investment and international trade by supplying information and advice about

trade and investment opportunities and by organizing and helping to act as hosts to trade missions from the home country. Berridge and James' definition of commercial diplomacy refers to the work of diplomatic missions in support of the home country's business and finance sectors and includes the promotion of inward and outward investment as well as trade (Berridge & James, 2003). Naray (2008) defines it as: "an activity conducted by public actors 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" (p. 2). According to Saner and Yiu (2003) economic diplomacy which is concerned with economic policy issues, e.g. works of delegations at standard setting organizations such as the World Trade Organization (WTO), should be distinguished from commercial diplomacy which covers the work of diplomatic missions in support of the home country's business and finance sectors in their pursuit of economic success and the country's general objective of national development.

In most of definitions (Naray, 2008; Saner & Yiu, 2003; Yakop & van Bergeik, 2009), commercial diplomacy covers activities conducted by public actors, but not necessary with the diplomatic status (Kostecki & Naray, 2007). Diplomatic activities conducted by private actors, Saner and Yiu (2003) don't consider as commercial diplomacy, they count them to corporate or business diplomacy. However, Lee (2004) suggest that both public and private actors provide commercial diplomacy services; he defines commercial diplomacy as "the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes" (p. 51).

The activities identified by Saner and Yiu (2003) in the area of commercial diplomacy include the promotion of inward and outward investment as well as trade. Important aspects of commercial diplomat's work is reporting to the home country about export and investment opportunities and organizing and acting as hosts to trade missions from their home countries. They can also promote economic ties through advising and support both domestic and foreign direct investors. For its part, Naray (2008) identifies five areas in which commercial diplomats operate and six types of activities they perform. Five areas include: promotion of trade in goods and services, protection of intellectual property rights, cooperation in science and technology, promotion of made-in and corporate image, and promotion of FDI. The activities in these areas cover: intelligence, communication, referral, advocacy, co-ordination, and logistics. According to the Busshers and Ruël (2012) the concept of CD can best be described by its observable business promotion services.

MATERIAL AND METHODS

The paper addresses the issue of the role of commercial diplomacy in promoting and facilitating international trade and investment. The link between commercial diplomacy and international business development is examined through reviewing secondary source materials and using case study method. The results of several theoretical and empirical studies on commercial diplomacy and its effectiveness are presented and discussed in the paper.

The literature search was focused mainly on scientific articles from peer review journals. This search was conducted using major entrepreneurship research academic databases, such as EBSCO and JSTOR. Equally important, academic browsers such as Science Direct, Springer Link, and Google Scholar were used. The search was established without limiting

the period of publication, which allowed to track the origin of the discussion about the role and challenges of commercial diplomacy in supporting international business development.

First, in order to achieve the goal of the paper, the main benefits and rationale for commercial diplomacy are explored and assessed, with a particular focus on trade effects. Then, factors influencing commercial diplomacy are identified and discussed. The current challenges for commercial diplomats and the process of reforming and adjusting institutional models of CD to changing external and internal environment are examined, based on the case study analysis of the Polish model of economic diplomacy.

RESULTS AND DISCUSSION

Benefits and rationale of commercial diplomacy

Since commercial diplomacy is publicly funded, the justification for using it needs to be based on an assessment of the shortcomings and benefits associated with the CD services. Reuvers and Ruël (2012) state that both business enterprises as well as the governments and society can be beneficiaries of commercial diplomacy. In their input-throughput-output model of CD they identify political and economic benefits of commercial diplomacy, stressing that commercial diplomacy should be a value added activity. Political benefits include job creation, increased tax revenues and stimulation of economic growth, while economic ones comprise such outcomes of commercial diplomacy as trade increase, nation branding and welfare increase. Naray (2008) posed six rationale for commercial diplomacy: (1) the need for access to reliable and neutral business information; (2) support for the newcomer's weak credibility and image in foreign markets, (3) partner search: encouragement of national firms (mainly SMEs) to internationalize, (4) conflict handling, (5) support of home country delegations to the host country, and (6) strategic concerns, such as government endeavour to engage in strategic trade policies, support for R&D activities or access to supplies for energy resources and other materials. He also stated that the main direct beneficiaries of CD are private business firms, but governments can also benefit from the CD services. Successful companies may improve the country's and the government's image. Also, if international business is developed successfully through CD, the home country's economy and very likely also the host country's economy will benefit from enhanced economic exchange and integration.

In his newer research, Naray (2012) focuses on advantages of using CD from a business perspective. He states that there are both practical and symbolic reasons why business people trust the institutions of commercial diplomacy and often use its services. The advantages of commercial diplomacy are connected to considering it as: (1) central platform for international business to government relations; (2) activities being characterized by neutrality and credibility; (3) support in the first steps to be made in foreign markets (good price/quality ratio). In his view, commercial diplomats offer a centralized platform with the location in the "target market" from a business perspectives, offering general and specific knowledge about it.

Thanks to the centralization of governmental support and the resulting economy of scale, commercial diplomats can conduct business facilitation and promotion activities with lower costs (Villanueva Lop, 2017). Furthermore, commercial diplomats have better access to decision-makers, such as executives of large corporations, policy-makers, elites in the

host country, having possibility of linking business with politics. Neutrality as an attribute of CD means that firms are not discriminated against their competitors. By credibility it is meant that diplomats in general enjoy good reputation, and are considered to be well informed about political and economic affairs. Moreover, commercial diplomacy as a form of governmental support services is to high extend focused on small and medium enterprises (SMEs) (Busschers & Ruël, 2012). On one hand, the SMEs have a growing capacity to drive the economic development of a nation and their role in the economy is increasing. On the other hand, in their internationalization process they have a higher exposure to trade barriers, compared to the larger companies. According to the OECD, the main internationalization barriers of SMEs are: the shortage of working capital to finance exports; limited information to locate/analyze markets, the inability to contact potential overseas customers; and, a lack of managerial time, skills, and knowledge. The market-entry function of CD is particularly critical for SMEs that are newcomers to a particular region (Naray, 2012).

Private companies rarely invest in acquiring knowledge by themselves, as it is a risky investment for them, so it is important to use the governmental intelligence service. However, information is more accessible for companies today thanks to Internet based information systems and to the improved transparency in business brought about by different organizations such as the WTO. Thus, the traditional intelligence function of a commercial diplomat is decreasing at the expense of more specific, "hidden" information and new forms of promotion events such as trade fairs or trade missions (Villanueva Lop, 2017).

Several studies have been carried out in the past to measure the results of export support programmes, both at the national and business level. At the national level, Coughlin and Cartwright (1987) found that a 100 US dollars rise in export promotion expenditures generated an increase by 432.000 US dollars in value of exports. The study by Rose (2005) showed that the presence of a diplomatic mission abroad (an embassy or a consulate) may have a positive impact on bilateral trade. Using the sample of 22 countries and about 2000 potential trading partners, he estimated that for each additional consulate abroad, exports increased by 6-10 percent. The finding that embassies and consulates do facilitate trade was confirmed by Bergeijk, de Groot, and Yakop (2011). At the business level, Gencturk and Kotabe (2001) found, based on a sample of 162 US firms, that the use of export support programmes increased profitability but not sales of these companies. The study by Yanopoulos (2010) revealed that some export services are more useful (e.g. foreign market information, finding agents/distributors) for companies than others (such as language training or export business planning). Justinek and Sedej (2012) state that governments should count on the positive effects of export support, such as boosting exports and consequently, economic growth, but the support measures have to work in practice.

At the same time, government intervention through economic and commercial diplomacy is criticized by some economists and accused of transferring resources to an export industry that potentially distorts the efficient outcome. Some neoclassical economists hold the ideal of no governmental interference. For them firms should be able to enter foreign markets on their own account and if they have to be supported by governments, then, this is perhaps because of their products or services are not competitive. These critics argue that commercial diplomacy implies a transfer of resources from the public sector to commercial activities while is not clear if the private benefits exceed the cost of providing the public service (Yakop & van Bergeijk, 2009). They believe that taxpayer's money

can often be wasted. However, most of economists provide justification for that governmental intervention (considered as “necessary evil”) based on the theory of asymmetric information and market failure. The competitive advantage of one company can limit ability of other firms to collect the knowledge needed in the process of internationalization. The task of CD is to address information asymmetry, imperfect networks and informal trade barriers, such as cultural or language barriers.

From a business perspective, there are some concerns related to the quality of information received from commercial diplomats and alternative actions. The leading concerns include their lack of practice and a “too general” overview, not very quick service and sometimes lack of updating. But the research conducted by Naray (2012) showed that companies often don’t know what commercial diplomacy can bring, what the company can expect from diplomats and how to contact them. This is not a lack of willingness to cooperate, but rather a misunderstanding of the services offered by commercial diplomacy.

Factors influencing commercial diplomacy

In the modern economy many factors shaping activities and influencing effectiveness of commercial diplomacy can be identified. The external phenomena such as globalization and internationalization that encourage more political and economic interdependencies between countries, as well as technological advances and increasing influence of private actors are often discussed as the elements of commercial diplomacy context (Ruevers & Ruël, 2012). In addition to that a number of authors stresses the importance of both home and host country characteristics as determinants of CD. Concerning the home country’s features Ruevers and Ruël (2012) identify ministry structure and subsidiary level as key factors of the CD’s context, influencing its outcome. The home country influence was also elaborated in the study of Stadman and Ruël (2012). According to them country factors that specifically influence commercial diplomacy can be grouped into ones concerning the government of a country and its foreign posts. On the government level, the factors are: the ministry responsible for commercial diplomacy, its structure, the level of centralization/decentralization, the degree of independence of trade promotion organization (TPO) etc. On the foreign post level the commercial diplomacy practices are influenced by the structural form of the agencies responsible for commercial diplomacy and depend on the level of government (central, regional and local) where the services of these agencies are provided. The structural forms of these agencies can be divided into private, public or a mix of public and private. Based on foreign economic policy goals the foreign posts can use different programmes and practices for the promotion of export and inward investment (Figure 1). According to Mercier (2007) the export promotion programmes can be divided into market development programmes and export service programmes. Market development programmes are concerned with the generating of sales leads, the participation in trade shows, the preparation of market analyses etc. Export service programmes comprise holding seminars for exporters, providing them with export guidelines and helping with the financing of export. The factors influencing commercial diplomacy services at the foreign post level include also a number of diplomats and employees working there and their characteristics and types. Commercial diplomats often have different styles based on their approach to commercial issues and their leading concerns. Kostecki and Naray (2007) distinguish three basic types of commercial diplomats: business promoter (the business-oriented diplomat, closely cooperating and actively supporting business),

civil servant (the economic policy-oriented diplomat, who does the work that is requested by the ministry, in a mostly reactive way) and generalist commercial diplomat (the foreign policy-oriented diplomat, occasionally supporting business). In the classification by Galting and Ruge from 1965 three extreme types of diplomats were identified: the “elite-oriented”, that means a diplomat with a lot of connections, who usually comes from the upper class; the “treaty-oriented” diplomats, that should have a law background and be able to negotiate and draft agreements; and the “structure-oriented” diplomat, with a degree in social sciences, able to provide insight into the political, economic and social structure of the host country (Stadman & Ruël, 2012).

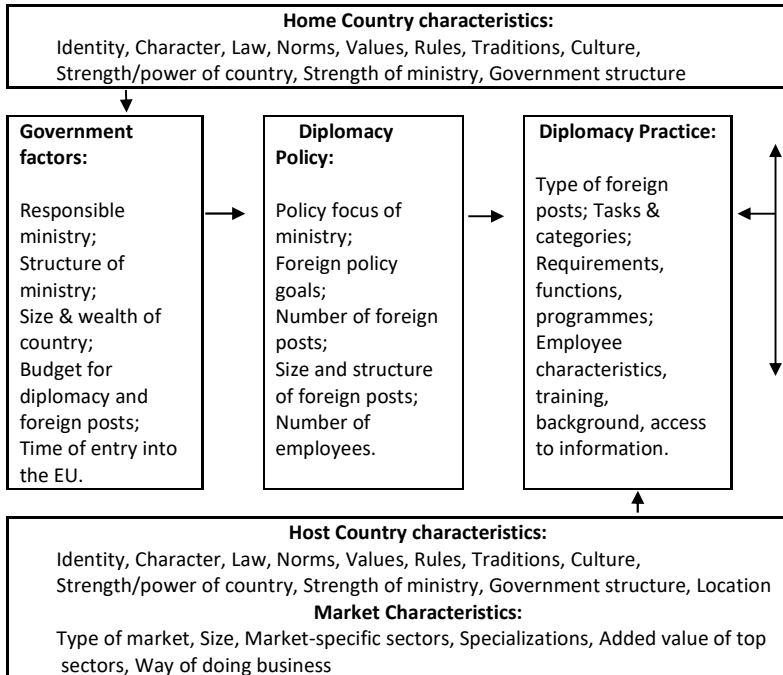


Figure 1. Factors shaping commercial diplomacy

Source: adapted from Stadman, & Ruël (2012, p. 190).

Among host country characteristics influencing the commercial diplomacy policies and practices Kostecki and Naray (2007) considers the host country’s market size and potential as the most significant determinants for investment in commercial diplomatic relations. Another factor of influence according to them may be “gravity center” or top sectors, implying that some countries are very important markets for certain products. Many authors add such factors as cultural, legal and political situation in the host country and historic background between home and host country, such as for instance colonial ties (Reuvers & Ruël, 2012). According to Cuero Acosta, Adu-Gyamfi, Nabi, and Dornberger (2017) entrepreneurial opportunity does not only emerge from the individual mindset, but can also have its origin in the external environment in which the entrepreneur operates. The challenges come from various external conditions such as financial volatility on markets, rapid technological innovation, changing customer preferences, the growth of new segments on

the market, culture, demographic rates, institutional framework conditions, macroeconomic conditions, and the natural environment.

Since commercial diplomacy should add value for clients firms, by offering activities or services that are relevant and of a good quality, Kostecki and Naray (2007) focus on determinants of value-added commercial diplomacy. They pose several propositions that might impact the activity profile, the business orientation and the performance of CD services. The propositions, are grouped into five categories: client characteristics, home country features, host country features, the global environment, and the commercial diplomacy arrangements. In this approach, apart from the external context of CD services, which was already mentioned above, the focus is to a big extend on a client firm characteristics. The preparedness of the firm which makes use of commercial diplomacy can be also an important determinant of CD effectiveness. Clients have to acquire some knowledge and skills to participate effectively in the service creation and delivery process. It is often the case that client firms do not positively participate in the service process, and they tend to be unprepared and their requests tend to be unspecific or unrealistic (Zuidema & Ruël, 2012). Therefore, the preparedness of a firm to go abroad, defined as a state of readiness for internationalization has to be taken into account. A distinction is often made between the firm's internal resources and capabilities used to deploy these resources. Resources are tradeable and non-specific, while capabilities are firm specific and used to engage resources within a company. Determinants of the commercial diplomacy linked to a firm's resources and capabilities include the size of a firm, the available business network in which a company can participate, the level of international experience of a firm and the degree to which they rely on foreign public customers and partners.

Evolving model of commercial diplomacy: the case of Poland

The political and economic breakthrough in Poland in 1989, related to the fall of communism and the return to the market economy, did not imply an immediate change in economic diplomacy. The first Polish Minister of Foreign Affairs in the transformation period was in fact criticized for abandoning the construction of economic relations, not giving priority to economic diplomacy, and for the lack of strategies and structures, and deprecating the importance of diplomacy in the sphere of economy (Molendowski & Polan, 2007). The first bigger reform of the Polish economic diplomacy took place in July 1999 with the transformation of Commercial Counsellor's Offices (originating in communist times) into the Commercial and Economic Sections (Wydziały Ekonomiczno-Handlowe – WEH). These new units, functioning within diplomatic missions and consular offices, took over tasks in the field of economic relations as well as protection and promotion of Poland's economic interests abroad, thus constituting the institutional basis of Polish economic diplomacy. They were subject to the Ministry of Economy in respect of financial resources, staff and tasks to be performed. However, since their employees belonged to the Polish diplomatic corps, in their activities always the political and protocol primacy of the Embassy was emphasized. This model of economic diplomacy was the result of a compromise between ministries of economy and foreign affairs, that reconciled different concepts of commercial diplomacy in Poland, but for the most part it was criticized due to the lack of one centre with competences and resources in the area of eco-

conomic (export) promotion and coordinating all initiatives and projects in this field. Pursuant to the 2006 reform of the organizational model of Poland's economic diplomacy, WEHs were being replaced by: Economic Departments (Wydziały Ekonomiczne – WE) subject to the Ministry of Foreign Affairs, and Trade and Investment Promotion Departments (Wydziały Promocji Handlu i Inwestycji – WPHI) subordinate to the Ministry of Economy. The aim of this reorganization was to distinguish different functions of diplomatic missions: analytical – performed for the government administration, from the purely commercial ones, dedicated to the business community. Thus, competencies of WEs included the analysis of macroeconomic situation in inward countries and the application of bilateral economic policy of the Polish government, while WPHIs were responsible for the promotion of the Polish economy and business, supporting SMEs in their export activities, attraction of inward investment etc.

The 2006 reorganization of the Polish economic diplomacy didn't end the discussion on the model of Poland's commercial diplomacy. In recent years according to a number of experts, there has been still a need for further reforms, which could define more precisely the division of competences between the Ministry of Economy and the Ministry of Foreign Affairs. These reforms could improve the coordination of activities and cooperation between ministries in the field of business support on foreign markets. In particular, many claimed that the reform of 2006 was incomplete, because one of its main goals was to create a government agency responsible for supporting internationalization of Polish enterprises and attracting foreign investments to Poland, which, however, was not set up. Lack of such an agency resulted in poor synchronization of activities and has deepened an "atomization" of the promotion and support system, leading to some inefficiency of the existing solutions.

At the same time, Polish business is more and more interested in expansion into new foreign markets. Taking into account the overdependence of Polish exports on one market – the European Union's – which has recently been stagnating, the main goal of promoting the Polish economy should be to facilitate the expansion of companies in more distant non-EU countries. In markets located in South Asia, North America, South America, Africa, the Middle East, Polish products and services could exploit their competitive advantage thanks to their quality and competitive prices. However, distant markets although promising and increasingly attractive, but at the same time might be very difficult for new companies to enter due to the different economic, political, social and technological business environment and numerous entry barriers. The changing geography of Poland's global business presence will require the state's political support and trade promotion, which is often a necessary condition for undertaking commercial activities on a new foreign market. Since in the past the Trade and Investment Promotion Sections were located mainly in Europe, nowadays it would also require building a new network of Polish diplomatic and consular post and trade missions, in order to expand into new countries and cities.

Besides, Polish entrepreneurs believe that a poor recognition of "POLAND" brand in the world is a significant obstacle in their expansion on foreign markets. Especially in the service sector Poland has no strong image as a professional and reliable partner. Therefore, the government should intensify activities aimed at promoting the country brand in order to increase the visibility and attractiveness of products and services from Poland in global markets.

According to the Polish Foreign Policy Strategy for the years 2017-2021, important tasks in the area of economic expansion and brand building include (The Ministry of Foreign Affairs of the Republic of Poland, 2017):

- assisting Polish businesses in expanding onto new international markets, in particular by developing cooperation with Asian, African, Middle Eastern, and Latin American countries,
- seeking cooperation opportunities with non-European partners, especially the People's Republic of China, in the implementation of regional infrastructure projects,
- identifying and eliminating barriers to non-EU markets that are particularly cumbersome for Polish exporters,
- attracting more foreign tourists by promoting innovative tourism products,
- protecting and projecting Poland's reputation as part of our political and economic promotion.

To meet the above mentioned ambitious goals, Poland has recently taken steps to build a new model of economic promotion abroad.

The main element of the new reform of the Polish model of commercial diplomacy, was the establishment of The Polish Investment and Trade Agency as the central institution responsible for the economic promotion abroad and facilitation of foreign investment. Starting February 3, 2017, the Polish Investment and Trade Agency (PAIH), which is the joint-stock company with State Treasury as the only stockholder, replaced the Polish Information and Foreign Investment Agency (PAIILZ). This reorganization was much more than rebranding as it was connected with the expansion of the scope of the agency's activities. The Polish Investment and Trade Agency acts as the central point on the map of national economic agencies, engaged with foreign expansion of Polish entities, coordinating all operational instruments, such as diplomatic missions, commercial fairs and programmes dedicated to specific markets and sectors. It is in charge of the export promotion of Polish companies, especially small and medium enterprises, as well as for the promotion of the whole Polish sectors. Agency's mission is to create a positive image of Poland across the world and promoting Polish goods and services. The Agency is engaged with facilitating foreign investments in Poland, Polish investments abroad and also Polish investments in Poland, which is a much broader scope of investment-oriented activities as compared with the previous model, in which the PAIILZ's core operations entailed servicing foreign investors in Poland. It is also responsible for providing information on legal and economic environment and organizing information and promotion venues in Poland and abroad.

Another important element of the current reform is the departure from the Investment and Trade Promotion Departments (WPHIs), operating as it was mentioned above by embassies and consulates, subordinate to both the Ministry of Foreign Affairs and the Ministry of Economy. WPHIs are being successively closed and replaced (but not necessary in the same locations in which they used to operate) by commercial offices abroad, which are subordinate to the new Agency. Until April 1st, 2018, 29 Foreign Trade Offices have been established, including ones in such distant locations as Astana (Kazakhstan), Dubai (United Arab Emirates), Jakarta (Indonesia), Ho Chi Minh City (Vietnam) or Tehran (Iran). Ultimately, there will be 70 locations of Foreign Trade Offices in the world (The Polish Trade and Investment Agency [PAIH], 2018a). The services of Foreign Trade Offices in-

clude: helping to reduce business risk in foreign expansion by managing business information; selecting reliable business partners (they act as a “professional matchmaker” for Polish companies and foreign clients); arranging B2B talks; arranging trade missions and the presence of a client at trade shows; offering investment site advisory; getting the access to full range of business support tools offered by the Polish Development Found (The Polish Trade and Investment Agency [PAIH], 2018b).

The replacement of the old WPHIs with the network of foreign trade offices subordinate to the Polish Investment and Trade Agency (PAIH) is a qualitative rather than a quantitative change in the Polish commercial diplomacy model. These offices operate outside the structure of embassies, and their employees do not have diplomatic status. It lowers the operating costs of these branches, although at the same time it may somewhat weaken their credibility. It also implies direct subordination of the issues of commercial diplomacy to the ministry responsible for economy and development. The ministry intends to focus the Agency’s activity on potentially attractive for Polish exporters non-European markets, which are most often more difficult to reach than those geographically and culturally closer, especially those located within the framework of the European Union.

The resources within these support go first of all to those projects that have the best chance of success. Intensely promoted will be especially 12 industries, which were indicated in the “Strategy for Responsible Development” as the most innovative and prospective, and at the same time which can create the brand of Poland, which in the future will be strongly associated with Poland. These include among others yachts, furniture, cosmetics and medical equipment (The Ministry of Infrastructure and Development of the Republic of Poland, 2017). Under this program, entrepreneurs from twelve industries will receive assistance in creating and financing promotion programs, which will include not only participation in fairs, but also business to business meetings, bringing business partners to Poland, trips to meetings with a foreign contractor, consulting, training, etc., that is all that is needed to enter the remote market. These programs are financed mainly from European Union funds, but through the agency and with its active involvement.

The new system also assumes that foreign commercial offices in most cases operate in accordance with the commercial law. They can therefore conduct normal commercial and service activities. In addition, private companies will be able to participate in the promotion system of the Polish economy and will bear the costs of functioning of foreign trade offices. This therefore means, that there has been a transition from the public to the public -private commercial diplomacy model. This is also favoured by the human resources policy, which presupposes the preference for young people to work in foreign trade offices who are knowledgeable in foreign languages and are not only risk-tolerant but also have good connections with business and are able to create good relations with the local business environment. Some promotion activities are undertaken together with the Polish diaspora. It is expected that these changes will lead to closer cooperation between the administration and business, and will ensure the better adjustment of CD services to the needs of companies as well as increase the efficiency of the funds spent on the international business promotion.

Since new solutions to the Polish model of commercial diplomacy have been introduced only recently, it is too early to assess their impact on the effectiveness of the entire system, and especially on export results. Therefore, further research needs to

be carried out to examine if the export support offered within the new model affects exports and investment in Poland.

CONCLUSIONS

With globalization of the world's economy and trading system, the importance of commercial diplomacy has been increasing, since companies that operate more and more internationally face many constraints and challenges due to complex business environment and global competition and they show a growing need for a government support in their efforts to exploit their competitive advantage in international markets. Governments respond to these needs and invest considerable amounts of public resources by being engaged in the activities which are nowadays fundamental for commercial diplomacy, i.e. facilitation of international business and export/business promotion. It is expected that this should, in turn, result in increased international economic integration, growth, and employment along with generating good bilateral business relations between countries.

While the main functions of commercial diplomacy remain unchanged, the scope and focus of CD activities has evolved during the years; nowadays the main tasks include strengthening a country's image, building country brands and enhancing the companies' credibility abroad, attracting more tourists by promoting innovative tourists products as well as facilitating FDIs. In the area of export promotion the commercial diplomacy is tasked particularly with supporting SME's, which on the one hand, have a growing capacity to drive the economic development of a nation, but the other hand, in their internationalization process they have a higher exposure to trade barriers, when compared to large companies. The function of supplying information, which is one of the main responsibilities of commercial diplomats, has evolved towards discovering more tailored and "hidden" information and public relations.

There are many external and internal factors that can determine the relevance and effectiveness of commercial diplomat's work. They can be grouped into such main categories as: the home and host country characteristics, government factors, diplomacy policy of a country and diplomacy practices. Some of them are reflected in a country's specific model of commercial diplomacy services. The Polish model of commercial diplomacy is currently undergoing major reform in the course towards improving the government – business relationship and increasing the efficiency of trade and investment promotion activities through eliminating of tasks duplication. The main element of this reform is the creation of The Polish Investment and Trade Agency as the central institution responsible for the economic promotion abroad and facilitation of foreign investment. It is set to play an important role in a modern mechanism of economic promotion abroad that effectively facilitates the internationalisation of Polish business and implements the Strategy for Responsible Development.

Since the study is an introductory one, and it faced some data limitations, only qualitative methods have been used to explore the potential the links between commercial diplomacy and international business development. Further research is needed to measure the impact of commercial diplomacy activities on international trade results, and in particular to investigate the link between export promotion expenditures and export performance.

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Author**Agnieszka Hajdukiewicz**

Associate professor, Ph.D. in economics. Works at the Department of International Trade, Cracow University of Economics (Poland). Her research interests focus on trade protectionism, barriers to international trade, international trade and policies in the agricultural sector, international marketing.

Correspondence to: Agnieszka Hajdukiewicz, PhD, Cracow University of Economics, Department of International Trade, ul. Rakowicka 27, 31-510 Kraków, Poland, e-mail: hajdukia@uek.krakow.pl

ORCID  <http://orcid.org/0000-0002-8249-2314>

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