

COMMERCIAL DIPLOMACY IN PRACTICE: EXPERIENCES OF INTERNATIONAL BUSINESS EXECUTIVES AND REPRESENTATIVES

Huub J.M. Ruël – University of Twente – h.j.m.ruel@utwente.nl

Sirp de Boer – University of Twente -s.j.deboer@utwente.nl

Wouter ten Haaf – University of Twente

Abstract

Commercial diplomacy aims at creating and expanding business opportunities abroad. Empirical research on commercial diplomacy from a business perspective is hardly available. This paper presents the results of a study on the experiences of an embassy's commercial diplomacy activities by home country business executives and representatives abroad. The findings show that companies familiar with the foreign business environment apply less for diplomatic business support, but that support towards newcomers is assessed as valuable. Businesses experience the commercial diplomatic services as reactive, though willing to help. Matchmaking facilities are valued, especially by companies that are not familiar with the foreign business environment.

INTRODUCTION

Governments and businesses from developed and emerging economies alike face competitive challenges in today's global economy. Governments realize that their businesses need to expand internationally as it creates opportunities to grow. Expanding beyond the domestic market can be beneficial for companies and

governments of home as well as host countries. Companies can gain easier access abroad through a sustainable relationship with governments, and governments are interested in job creation, tax revenue increase and economic integration. This provides an explanation why governments support commercial internationalization by means of diplomatic¹ relations abroad.

The consensus view is that diplomacy has a constitutive function; it is a means of ordering the relations between states, an ordering principle that can create balances of power (Lee and Hudson, 2004). Ambassadors have traditionally been their countries' chief trade promotion officers. Today, with the forces of globalization ensuring greater and greater economic integration, the government's role in responding to and managing this process bears greater scrutiny (Potter, 2004).

Far less attention has been devoted to the topic of commercial diplomacy, defined as the application of the tools of diplomacy to help bring about specific commercial gains through promoting exports, attracting inward investment and preserving outward investment opportunities, and encouraging the benefits of technology transfer (Potter, 2004). The spectrum of actors in commercial diplomacy ranges from the high-policy level (head of state or prime minister to ambassador) and the lower level of specialized diplomatic envoys like trade representative, commercial attaché or commercial diplomat.

Commercial diplomacy has an “invisible” status within diplomatic studies (Lee and Hudson, 2004), since it is often confused with economic diplomacy, and there is

¹ Cambridge Dictionary: Diplomacy refers to the management of relationships between countries

overlap in several activities. Governments benefit from commercial diplomacy services because 'image impact' extends in both directions: successful companies may improve the country's reputation, and 'successful' governments might have a positive impact on a business firm's image (Naray, 2008).

Commercial diplomacy is a significant factor in the on-going process of globalization, yet there is a shortage of empirical research on this activity (Kostecki and Naray, 2007; Naray, 2008). A reason for a shortage of research articles relates to the newness of the field. There is widespread evidence of prioritization of commercial diplomacy in the international objectives of an increasing number of states (Lee and Hudson, 2004) and increased government spending in business support. Governments are reorganizing their diplomatic systems (Lee and Hudson, 2004; Potter, 2004; Naray, 2008) so that commercial activities are far more centralized. The commercial activities of diplomats are extended, whereby branding of the nation plays a more central role.

Governments are recognizing the importance of commercial diplomacy as a new area of activity. Most of the literature views commercial diplomacy from a diplomacy and policy perspective. However, not much empirical research has been published on how commercial diplomacy activities are working out in practice. This paper aims to contribute to our understanding of commercial diplomacy in action and how it is assessed by a core target group and stakeholders, namely international business executives and representatives. We present the results of a single case study, the Netherlands embassy in Malaysia. Dutch business executives and representatives doing business in Malaysia were interviewed on how they experience commercial

diplomacy facilities and activities as deployed and on their usefulness and effectiveness.

LITERATURE REVIEW

Defining commercial diplomacy

Commercial diplomacy was introduced relatively late in the whole range of diplomatic activities led by state representatives. Better known activity fields are economic, military or political diplomacy. There are several different angles regarding the content and purpose of commercial diplomacy. For example, Potter (2004) argues that commercial diplomacy is a value-creating activity due to its usefulness in dealing with both managerial and government concerns, each disaggregated into strategically relevant activities. Two types of activities are distinguished: *primary activities* (relating to trade and FDI, research and technology, tourism and business advocacy) and *support activities* which provide the inputs needed for the primary activities to take place (intelligence, networking, involvement in the 'made-in' image campaign, support for business negotiations, contract implementation and problem solving). According to Lee (2004) commercial diplomacy involves the promotion of inward and outward investment and of exports in trade and can be classified into three broad categories of activity. One is gathering and disseminating commercial information and market research, which is information on existing and potential markets on both a geographical and sectional basis. Secondly, developing business and government contacts in the host countries and introducing the home private sector to these

contacts. Finally, there is the promotion of goods and new products in the host market through the organization of seminars, trade fairs, and direct lobbying.

Kostecki and Naray (2007) identified the following rationale for commercial diplomacy by way of 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 on state visits by business people, and
- (vi) strategic concerns, such as the government's desire to engage in strategic trade policies, support for R&D activities or improved access to supplies.

Naray (2008) identified that commercial diplomatic activities abroad can be divided into a range of activities. They can undertake business-facilitating activities and services in the field of trade, investments, tourism, country image and promotion of science and technology.

In summary, the major support activity of commercial diplomacy is gathering intelligence, which includes an information search and dealing with business enquiries from the home country and host country firms. A commercial diplomat's public relations activities essentially aim at maintaining good contacts with business leaders and authorities and cover advocacy efforts aimed at protection of the home

country's business interests in public hearings or consultations in the host country's legislative process. Many of these kinds of issues are discussed during periodic bilateral consultations between the government and host country (Kostecki and Naray, 2007). Anglo-Saxon commercial diplomats (Lee and Hudson, 2004) state that they assist both SMEs and MNEs.² In the case of the MNEs, the emphasis is on public relations involving the host country government and private sector personalities. Support for MNEs involved in negotiations with authorities or corporations from the host country are also an important form of support offered by commercial diplomacy services.

There is a critical need for the government and companies to act together and realize mutual benefits. Due to globalization and the need to approach the world as one market, countries can no longer generate enough growth, jobs profits and savings from domestic sources (Garten, 1997). Government objectives in business promotion (commercial diplomacy) are ultimately to create jobs, increase tax revenue and stimulate economic growth (Kotabe and Czinkota, 1992). Business needs government help to liberalize trade, protect intellectual property, remove regulatory barriers, and encourage continued economic integration. For example, by reforming the Foreign Service Organization in the UK, government-business partnerships have become a key organizing principle in contemporary UK diplomacy, so much that public interest is increasingly conceptualized as a collective of private business interests (Lee, 2004).

Effects and impact on host and home country

Countries' efforts and impacts in commercial diplomatic activities depend on many factors in the home and host country. The host country's market size and market

² SME: Small and Medium Enterprises, MNE: Multinational Enterprises

potential are the most significant determinants of the investment in commercial diplomacy, even more important than the current business flow (Rose, 2005). Countries with a lot of growth potential are able to attract more commercial diplomatic activities. That seems to be a logical step for strategic governmental decisions because the objectives of government are to increase jobs, increase tax revenues and stimulate economic integration. The most crucial markets are those where not only the opportunities but also the commercial and political risks are the greatest.

Issues in commercial diplomacy

Commercial diplomacy, being a government service, is accused of certain shortcomings. There is an ongoing debate in the literature (Potter, 2004) and at research institutes³ about whether the service and activities of diplomats are adequate in the current setting of globalization. In some cases, the criticism may reflect certain stereotypes about government agencies (Potter, 2004; Kostecki, 2008; Naray, 2008).

Some of the criticisms are listed below:

- There is 'no need for commercial diplomats: they only take advantage of diplomatic privileges; one cannot measure their performance in export promotion at all' (confidential source).
- Diplomats are generalists most of the time and do not understand business concerns.
- Commercial attachés are bureaucratic and ineffective (an Australian businessman).

³ This conclusion was derived from an interview with the Clingendael research institute (International diplomatic relations).

- Commercial diplomats will only help their private friends and will therefore only encourage corruption within the diplomatic services.
- Diplomats are overloaded most of the time with issues other than trade and investment so they do not have time to do their work correctly as trade representative and do not have the sense of priority to assist business people.
- There is no need for commercial diplomat activities in a free market economy. Buyers and sellers can meet without assistance.
- Performance – being intangible – is difficult to measure. The quality of the relationship between commercial diplomats and their beneficiaries is highly dependent on the skills and motivation of the individual/team.

Although there are several critiques on the effectiveness and favoritism of commercial diplomatic activities, one of the very few studies done on the results on commercial diplomacy by Rose (2005) found that the presence of foreign missions is positively correlated with exports. He found, by keeping other factors constant, that each additional consulate is associated with slightly higher exports; his point estimate is around 6-10%⁴. It varies by exporter, and also seems to be non-linear; the first foreign mission has a larger effect on exports than successive missions. Still, the commercial diplomatic activities do indeed seem to enhance exports at the margin (Rose, 2005).

Commercial diplomacy is tailor-made to the needs of different countries, and there is no one-size-fits-all concept. The diplomatic service is always adapted to the local circumstances and preoccupations first of all (Melissen, 2006). Secondly, commercial diplomacy that deals with foreign target groups should be a two-way street. It is as

⁴ This result is statistically significant, and economically plausible in magnitude.

much about listening and receiving as it is about speaking and sending. The intention is to work more outwards. In other words, diplomatic activities serve as a window into a society and as a window out.

As mentioned earlier, little empirical research has been done into the field of commercial diplomatic activities. Most research that has been conducted is conceptual and hardly includes a business perspective. This paper aims to fill in this gap and presents result of a study on the experiences and evaluation of commercial diplomacy activities by a core target group, namely business executives and representatives from the home country that are doing business in the host country. Overall, this study's contribution is that it provides one of the very few available insights in commercial diplomacy in action by an embassy.

METHOD

We decided to do an exploratory study, since there is no solid literature base yet regarding commercial diplomacy and commercial diplomacy from a business perspective. In this context we also thought it was most relevant to adopt a case study design, meaning that one specific context was selected for our study. The context chosen was an embassy of the Netherlands in Malaysia. Dutch business executives and representatives are the embassy's main target group for its commercial diplomatic activities (the other target group are host country businesses for example to support them in investing in the embassy's home country).

By adopting a single case study design we were able to 'control' the phenomenon (commercial diplomatic facilities provided by an embassy), namely one and the same

set of facilities where business executives and representatives are referring to. Obviously, a single case study limits us in generalizing the findings empirically; to a considerable extent this is outweighed by the fact that our approach provides an in-depth view on commercial diplomacy ‘in action’ as experienced by business executives and representatives.

We used semi-structured interviews as the research technique, which means that we designed an interview protocol based on definitions of the dimensions of commercial diplomacy as put forward by Naray (2008). The activities are depicted in table 1.

Support newcomers	How does the embassy support Dutch newcomers and mediate in conflicts?
Information provision	How does the embassy participate in the process in the need for access to reliable and neutral business information?
Network of the embassy	Partner search: encouragement of national firms (mainly SMEs) to internationalize.
Delegations and events	Credibility and image in foreign markets.

Table 1: Selected dimensions of commercial diplomacy and their definitions (based on Naray, 2008).

However, during the interview there is space to probe the answers, when it is useful for the respondent to explain, justify or clarify the given answer. The interviews were conducted face-to-face, individually with each interviewee.

The selection of interviewees, the business executives and representatives was done via the non-probability sampling method. We aimed for diversity among the interviewees in order to get 'rich' data, rather than aiming for a representative sample. The latter would also be hard to achieve as it is not fully clear how many and in what type of industries entrepreneurs and businesses from the home country were doing business in Malaysia. Based on data available through the Netherlands embassy we compiled a list of potential entrepreneurs and businesses. We found 21 companies willing to participate. The majority of the respondents were already engaged in business projects in Malaysia, most of them had business ties extending back for more than 1.5 years. In addition, more than 70% of the companies are actually based in Malaysia, with an own subsidiary, manufacturing plant(s) and/or sales office(s).

Interviews were done individually, face-to-face and lasted from one hour to two hours. The setting was always the interviewee's office environment or an agreed on location, but never the embassy was chosen as the place to meet.

The interviews were recorded and literally transcribed. We developed an analysis matrix with the dimensions of commercial diplomacy as the one side and the definitions, indicators and key words on the other side. This matrix was used to code the interview transcripts.

RESULTS

The embassy of the Netherlands in Malaysia, and especially the commercial diplomat, is the contact person for the home country government, home country companies, and institutions interested in trade, development, technology or joint ventures. The

commercial diplomat is expected to connect home country companies with Malaysian counterparts to encourage opportunities between local and foreign players. It is important to have an in-depth knowledge of the local markets in order to understand them and make an adequate contribution. To serve the target group as good as possible, it is important for the embassy to communicate to several stakeholders about what they might expect from it. The embassy needs to follow current developments closely to remain prepared to respond at any time to requests from the Malaysian niche markets. The embassy's home country maintains close business ties with Malaysia as the 9th largest importer and 4th largest investor in Malaysia. Between the embassy's home country and Malaysia the potential for cooperation is increasing between several industries, like 'green technology' and R&D. Its special knowledge position in the field of agricultural technology and water management from an environmental perspective distinguishes the embassy's home country from the competition and can be used to its advantage.

The assistance of commercial diplomats is considered a primary service, which means eliminating trade barriers, providing information, assistance, promotion of the home country and supporting missions. It is prohibited by law of the embassy's home country to interfere with market research for individual companies, consultancy and transaction help.

Findings derived from the interviews are presented in this section as follows. The interview results are displayed by category. In the first subsection we summarized the gathered data regarding the subject *support of newcomers*, followed by *information provision*, *network of the embassy*, and finally *delegations and events*.

Support of newcomers

The embassy's support towards newcomers has been experienced as moderately valuable by the target group. Companies who are unfamiliar with the Malaysian business environment and/or have no business ties with Malaysia judged the assistance of the commercial diplomat as very fruitful. One of the respondents said:

“I was quite unfamiliar with the Malaysian market and contacted the embassy for the possibilities to export my product to Malaysia. They informed me about the opportunities in the country, and after an official request from my side, they arranged 4 meetings with potential agencies for my company. Due to embassy efforts I found my way in Malaysia.”

Another respondent however said:

“The relationship is very reactive on their side, sometimes I put some effort into making it more interactive. The request from my side is a trigger for the embassy to take action. I would like to see them being more active in sharing information and mentioning challenges.”

But yet other respondents having the opposite experience:

“The relationship with the embassy is very good and close. I consider it an interactive relationship with passion on both sides.”

In addition, it was found that companies with current business ties to the Malaysian market invoke the embassy less frequently on issues related to newcomer problems, like market information, concessions, and customer contacts, as they gather their own knowledge and have market experience. According to one of the respondents:

"The information of the embassy contains little information that is new to me. I consider this as not interesting."

Another respondents stated:

"The embassy can provide a prepared list of customers, which I can do better by myself."

It is acknowledged by business executives and representatives that the first request for help or information has to come from the company, but subsequently the embassy was very willing to help. SMEs⁵ are found to make use of the information and matchmaking facilities of the embassy, whereas MNEs⁶ do not.

Or as one respondent put it:

"I gather all necessary and interesting information myself, also I was not aware that an embassy could offer such assistance."

Another respondent was positively surprised by the mixed program of the matchmaking day. In the morning he was informed about the market structure,

⁵ SME: Small and Medium Enterprises

⁶ MNE: Multinational Enterprises

challenges and opportunities, and in the afternoon he was introduced to potential clients.

“If I had known of this service before, I would have contacted the embassy much earlier.”

And yet another respondent expressed:

“I received a list with Malaysian partners in the same industry, and it should be interesting to cooperate with them in the future.”

In cases where the embassy was present during ceremonies, e.g. signing contracts, or arranged meetings, both MNE and SME appreciate the embassy's presence and awareness of the business situation the company is involved in.

A respondent said:

“The commercial diplomat introduced me to a potential client. After the introduction, we put our efforts into a good business relation, but the initial contact was based on the embassy's network.”

But also a respondent with an established business expressed:

“The existing network is already so well developed that the embassy could add little value”.

Information provision

It was found that most requests for information are related to general topics, and the embassy will not usually receive requests for more in-depth information.

One of the respondents said:

“The commercial diplomat keeps me informed about new opportunities. However, while she put great effort into making it accessible for me, I have to put effort into getting the contract signed.”

Respondents acknowledge that players in specific industries have better access to market information than the embassy. Further findings in this research are that the longer a company is part of the Malaysian business environment, the less its need for information from the embassy. The information provided to clients during matchmaking programs is considered of high quality and informative. Participants of this program can be considered as unfamiliar with the Malaysian market which they are interested to enter. Respondents who had participated in industry-specific missions/matchmaking programs were highly satisfied with the information received.

Or as one of them put it:

“During the matchmaking day, the first appointment was with a representative of the government, who elaborated extensively about the market opportunities. This quick scan was really helpful to get an overview of the market.”

Especially in selected high-tech countries Dutch embassies employ a science & technology specialist. The Netherlands embassy in Malaysia does not have such a specialist, and this lack is considered a shortcoming by two of the 21 interviewed companies. These two small company representatives from the technical industry said:

“The embassy initiates and stimulates some key industries in Malaysia politically, but is not focused on technical assistance on an individual level”,

Critical notes regarding the information provided by the embassy where that the embassy is not sufficiently focusing on business issues. One respondent put it as follows:

“The embassy is out of the touch with reality, a ‘clean saloon’ but the output of information is marginal. The economic department is overshadowed by the consular affairs.”

Network of the embassy

It is acknowledged that the embassy has a very extensive network in the private and public sectors, but some respondents mentioned that the embassy’s network is just one of many, assumed to be “one of the players” and not the hub in the system.

To cite a respondent:

“Each company creates its own network, as it happened to me. I don’t need the embassy’s support for any contacts or matchmaking events. I already had contacts in Malaysia before I established the company here.”

Another respondent said:

The embassy might be a hub in someone else's network, but not for the companies which have been doing business for a longer period of time ... Especially for new entrepreneurs with fewer contacts and experience, the embassy is able to facilitate a good network that could serve as a good stepping stone.”

Especially companies that have been operating in Malaysia for quite some time, or that have close business ties, have built up their own network and business contacts. It is noted that the embassy is willing to use its network and even search beyond its network for appropriate partners. Companies interacting more closely with the embassy experience a more active attitude of the commercial diplomat than companies with less contact.

The “round-table” events organized by the embassy are evaluated as successful and positive by all participating SMEs, and the interaction between SMEs and the embassy is recognized as fruitful.

One respondent said:

“Because we have no local representative in this area, it is important to us to have a tight relation with the embassy. In the Asian business environment, it is largely a

matter of people-network, carefully built up over a long period of time. Therefore, the embassy, with all its contacts and seniority, is our hub.”

Although the embassy maintains an extensive network in certain ministries and government-linked agencies, the influence of the embassy in the policy-making process is slight, the Malaysian government sets its own agenda. The embassy can create the opportunity to improve the business environment by having an open dialogue on specific issues or raise certain points in conjunction with the EU⁷ ambassador.

A CEO of a MNE said:

“Foolish to think that the [home country] embassy has any influence on the legislation in Malaysia, but the embassy creates an opportunity to have an open dialogue on difficult issues, whether or not in cooperation with other embassies. You can’t change them if they do not want to change.”

Another respondent added:

“The influence of the [home country] embassy can only be exploited when it is accompanied by money and major investments in Malaysia. As long as the [home country] is one of the largest investors in Malaysia, they have some influence.”

⁷ European Union

There is a small group of respondents who actually think that the embassy has some influence on political affairs.

Or as one respondent put it: *“The influence of the embassy is considerable.”*

Delegations and events

Based on the interview findings it can be concluded that the majority of the trading missions are initiated by organizations established in the embassy’s home country. When the embassy is involved in the preparations, efforts are mainly focused on matchmaking (due to its extensive network in the private and public sector) or logistic facilities. SMEs taking part in trade missions mention the high level of the negotiations and that participation in these missions was invaluable. They experienced limited room for individual meetings and business negotiations, while a lot of attention is paid to signing MoUs and agreements. This opinion is shared by a respondent of another home country company:

“We receive invitations for trade missions frequently. However, the composition of the delegations is not interesting for our company and thus has little added value.”

MNEs judged these missions as valuable, because more attention is paid to multinationals. One respondent, CEO of a multinational, appreciated the invitations to participate in trade missions. He considered the trade mission valuable for his company, because *“attention is focused on the services our company delivers”*. He judges this as *“mutual advantage”*.

The companies involved in matchmaking programs, meant to serve as an introduction to the Malaysian market, evaluated the embassy's efforts in arranging the meeting as useful and thought it very important to have an overview of the main issues/challenges in the market.

When interesting and knowledgeable persons from the home country visit Malaysia, the embassy puts on an event (e.g. seminar) and invites all relevant parties, to share their knowledge and bring together home country solutions for Malaysian challenges.

None of the interviewed companies mentioned being dissatisfied about not being invited.

“As a newcomer, I am not aware of the important players, rules and regulations. We were grateful for the help from the embassy, and it was of great assistance to us to decide to enter the Malaysian market.”

DISCUSSION AND CONCLUSIONS

In this section we will discuss the findings of the data. Expanding the domestic markets can have mutual beneficial effects for companies and government (Kostecki & Naray, 2007), as mentioned earlier. Companies gain easier access abroad through a sustainable relationship with the government, and the government is interested in job creation, increased tax revenue and economic integration.

Regarding the support of newcomers, not all new home country players on the Malaysian market are being supported by the commercial diplomat. In those situations in which the embassy was not involved in a supportive or advisory role, it is very common for companies to have conducted market scans in their home country before

deciding to expand abroad. This market research process is already accomplished when companies enter a new market and/or come into contact with one of the diplomats.

Kostecki and Naray (2007) mentioned that the commercial diplomatic activities should focus on assisting a large range of companies rather than supporting individual companies. Given the perspective of entanglement of interests or nepotism, it might be more transparent to offer a large range of companies the same service, instead of individual help. This criticism is also mentioned in a review of Kostecki and Naray (2008), “Commercial diplomats will only help their private friends and will therefore only encourage corruption within the diplomatic services”.

However, the embassy is accessible for all companies, which means that every company has the opportunity to apply for the same services. In addition, there is a policy guideline from the home country that indicates what services can be delivered, and finally, an integrity code is implemented in every embassy. Nepotism cannot be excluded completely (in all industries). Based on our findings, we can doubt whether the argument in the paper of Kostecki and Naray is solid.

The individual support experienced by newcomers, especially the matchmaking programs based on company-specific needs, were very attractive. After an extensive intake, the local employees of the embassy contact and arrange appointments with local companies. The strength and benefits of local employees, with their experience and knowledge of the local market, are very obvious in these matchmaking programs. The markets in Malaysia are increasingly transparent, but still difficult for inexperienced players. The important positive effect that knowledgeable employees

can have for the local markets is in line with the theoretical findings of Kostecki and Naray (2007). Without this commercial diplomatic support, SMEs were less able to scan the market for business opportunities and meet appropriate counterparts. This individual help is considered as fruitful and helpful, based on the findings. One of the reasons why SMEs do not invoke the embassy's help was that they were unaware of the support on offer.

According to Lee (2004), one of the commercial diplomatic activities is gathering and disseminating commercial information and market research, which is information on existing and potential markets on both a geographical and sectional basis. Although the discussion within the embassy's home country ministries of Economic and of Foreign Affairs is directed towards a more result-oriented system of organization, information gathering and sharing activities are based on the commercial diplomat's judgment. There are some industries that are relevant for the Netherlands in most countries and that should be included in an annual report, like oil and gas or water management; there are also some specific needs for each individual country, depending on the level of development, geographical location and natural resources.

When investigating the reorganization in Canada's Foreign Service, Potter (2004) stated that the trade commissioners are Canada's eyes and ears in foreign markets. We assume that this statement can be generalized to every commercial diplomatic department. Requests for industry-specific related issues are rare. Both MNEs and SMEs that are familiar with the local business environment do not complain about the lack of in-depth information of explicit sectors, which is quite understandable. It would be remarkable to ask a commercial diplomat with less in-depth knowledge about a specific industry for advice or information. The supportive task of an embassy

regarding providing information is based on primary services, regarding general information of the market, but the spotlight is on the needs of an individual company. These findings are in line with Naray (2008) who stated that the development of the Internet as a source of information has shifted the service of the commercial diplomat towards more value-added and tailor-made intelligence based on personal contacts. The longer companies are established in a country (thus more experienced), the less their demand for information. The highest added value is delivered to newcomers and concerns information provision.

Ambassadors, commercial attachés, and other members of the diplomatic corps are said to play a key role in developing and maintaining export markets, and creating an image of the home country (Naray, 2008). An embassy provides a so-called primary service to anybody who requests assistance, which is in line with the state-aid legislation for interference in the free market economy. In the Ministry of Foreign Affairs there is an ongoing discussion about reorganizing the task-oriented system towards a result-oriented system, whereby assistance could be extended to more in-depth market information or tailor-made advice. The second question that arises is the free availability of the service. Is an embassy an appropriate institution to extend the service into tailor-made options, subject to a fee?

If it is decided to reorganize the embassy into a result-oriented organization, there are several implications and consequences. Industry-specific specialists should be hired to deliver the correct information/advice, which increases the cost of labor. As a consequence, the embassy might be seen as a competitor of other consultancy firms, 'customers' will expect high-quality work, the accessibility of the embassy may be diminished and/or objectivity may be compromised.

The future of commercial diplomacy

Commercial diplomacy is undergoing a gradual process of privatization (Sherman and Eliasson, 2006). These institutional developments consider a move toward influence of the government's foreign policy by the private sector.

Reorganizations, increasing the yield, and improving efficiency are recurring items of the discussion about the future of commercial diplomatic activities. The economic crisis has also affected the budget of the Ministry of Foreign Affairs, which may result in a cut for embassies and consulates, and thus also for the commercial diplomatic activities.

Critics or opponents of these commercial diplomatic activities might argue that information gathering and disseminating activities and matchmaking events could be realized by private companies. Aside from this "informal" task, the presence of the commercial diplomat also serves "formal" purposes, such as a backing facility and maintaining a network in private and governmental institutions, which are more difficult for private companies.

In the interest of making the embassy visible to its target group, it is quite important for the embassy to communicate repeatedly what services it can offer and stay connected with the target group.

Suggestions for future research

The findings of this research are based on information gathered in Malaysia, and the results are limited to the circumstances faced there. It would be interesting to see if

these findings could be generalized to other embassies. Future research in different embassies is needed to validate the outcomes of this research, and find out whether these outcomes are applicable in all cases.

Another suggestion for future research is the influence of the personal traits of the commercial diplomat on the image of embassy. The three work styles mentioned by Naray (2008) are significantly different. From bureaucratic report writer towards a hands-on approach, it can create a completely different image of an embassy. Is the Ministry of Foreign Affairs aware of these influences, and how can these personal traits aspects be implemented in their HRM system?

An interesting topic for future research is whether the effect of a mission accompanied by captains of industry or political leaders has more added value/leads to a significant positive effect than one without them. For example, a Norwegian delegation seems to be very impressive due to the presence of important and influential leaders from industry and politics. These missions are extensively announced and get massive attention when they visit a country. In addition, it would be interesting to discover whether matchmaking programs/trading missions in cooperation with an industrial branch organization are more effective in industry promotion than ones without this cooperation.

REFERENCES

Garter, E. 1997. Business and foreign affairs. *Foreign Affairs*. May/June 1997
Volume 76, No. 3

Kostecki, M. & Naray, O. 2007. Commercial Diplomacy and International Business, *Clingendael Discussion Paper in Diplomacy*, The Hague, Clingendael Institute, April 2007;

Kotabe, M. and Czinkota, M.R. 1992. State government promotion of manufacturing exports: a gap analysis, *Journal of International Business Studies*, 23, 637-658.

Lee, D. 2004. ISP Policy forum: public advocates for private interests? The rise of commercial diplomacy. *International Studies Perspectives* (2004) 5, 50–54.

Lee, D. and Hudson, D. 2004. The Old en new significance of political economy in diplomacy. *Review of International Studies*, 30, 343 – 360.

Melissen, J. 2008. Why the Dutch must win hearts, *Netherlands institute of international relations ‘Clingendael’*, March 14.

Naray, O. 2008. Commercial diplomacy: a conceptual overview, *Enterprise Institute, University of Neuchatel* 2008

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

Rose, Andrew K. 2005. The Foreign Service and Foreign Trade: Embassies as Export

Promotion, **Working Paper 11111** *National Bureau of Economic Research*,
Cambridge(USA).

Sherman, R. and Eliasson, J. 2006. Trade disputes and non state actors: New
Institutional Arrangements and the privatization of Commercial Diplomacy. ***Journal
compilation***. Leiden University