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## **MODEL OF ENTREPRENEURSHIP AND COMMERCIAL DIPLOMACY IN THE CONDITIONS OF TRADE GLOBALIZATION**

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**Abstract.** *Commercial diplomacy, being a specific field of diplomatic activity, involves the use by the state in cooperation with non-state actors of diplomatic channels and instruments, both on a bilateral entrepreneurship basis and on a multilateral basis, to facilitate trade and investment in order to provide national companies with business opportunities, to remove barriers for trade and investment, to increase competitiveness and to develop national economies. It is an integral part of the broader concept of economic diplomacy, pursues purely commercial goals and in this terms includes the notion of trade and investment diplomacy. In its historical development, commercial diplomacy has gone through five stages and today is characterized by growing complexity, interdependence and multi-leveledness, transformation of functions and increase of mobility of commercial diplomats, digitization of activities, devaluation of the monopoly role of the state in international economic relations, institutionalization of business participation in the development of international trade policy, updating of global trade agreements.*

**Keywords:** *trade globalization, entrepreneurship, liberalization, business opportunities, commercial diplomacy.*

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### **Introduction**

Global trade liberalization in the context of rapid development of information and communication technologies creates new opportunities for access to markets and, at the same time, intensifies and distorts competition in them. The complexity, contradictions and unprecedented dynamism of modern transformation processes

place new demands on both the content of trade policy and adequate means of its implementation. Promotion of goods and services to foreign markets through commercial diplomacy is an important tool for the implementation of national economic interests and competitiveness of business for most countries.

Significant changes in models, forms and methods of commercial diplomacy at all levels, in the quantitative and qualitative composition of its subjects, national and regional peculiarities of diplomatic support for the implementation of trade and economic interests in a highly competitive geo-economic environment determine the research interest and the need to generalize and systematize the experience accumulated in this field and justify directions for improving commercial diplomacy.

### **Literature review**

So what distinguishes economic diplomacy is a broader scope and strategic focus on national interests that can go beyond purely economic goals (Ruël, H. (Ed.). (2017)). Therefore, it can be assumed that in addition to commercial diplomacy, economic diplomacy also includes integration, financial and debt diplomacy, as well development diplomacy.

Molendowski, E. (2018) also suggest environmental diplomacy, and rightly so, since climate change also has economic implications.

Gertz, G. (2018) notes the significant security component of environmental diplomacy. In general, energy diplomacy, as well as resource diplomacy have a strong connection with economic diplomacy as through the increase of world population the struggle for resources becomes a matter of strategic interest.

Commercial diplomacy aims to maximize the business opportunities of home country companies by removing all kinds of barriers for trade and investment.

Also, it seems logical that trade diplomacy, at least a part of it, belongs to commercial diplomacy, given that historically commercial diplomacy has been discussed precisely in the context of interstate commercial agreements, which are certainly belong to trade diplomacy. At the same time, one must agree with the argument of Egea, Manuel A., et al. (2020), Lee, D. and Ruel, H. (2012) stating that the macro and micro levels of commercial diplomacy are interrelated and often difficult to separate.

For example, negotiations on the introduction of a free trade regime with another country through the signing of relevant agreements or accession of the country to the WTO (related to trade diplomacy, i.e. diplomacy that accompanies trade policy) provide for preliminary consultations with business (micro-level), on the basis of which negotiation position of the state is formed (Mogensen, K. (2017); Villanueva Lop, G. (2017)). Although it should be noted that business interests are not obvious in all processes and where they dissolve in the state interest without being able to be identified, and trade diplomacy begins, which acquires the traits of economic one.

In the scientific and professional literature the concept of investment diplomacy is used most in the context of negotiations on regulation of investment activity. However, it is infrequently used in comparison to the usage of the terms "commercial diplomacy" (Naray, O., & Bezençon, V. (2017)) and "economic

diplomacy" (Okano-Heijmans, M., & Asano, T. (2018)), to which spheres the diplomatic support of investment activities belongs.

### **Methods**

A combination of methods used for theoretical and empirical research was applied: dialectical and historical methods of scientific knowledge, analysis and synthesis in the study of the genesis of the content and evolution of the development of commercial diplomacy, the systematization of forms and methods of commercial diplomacy; method of systematic analysis in the study of national and regional models; statistical and graphical methods for information processing; separation of its models and formulation of conclusions to sections and general conclusions.

### **Results**

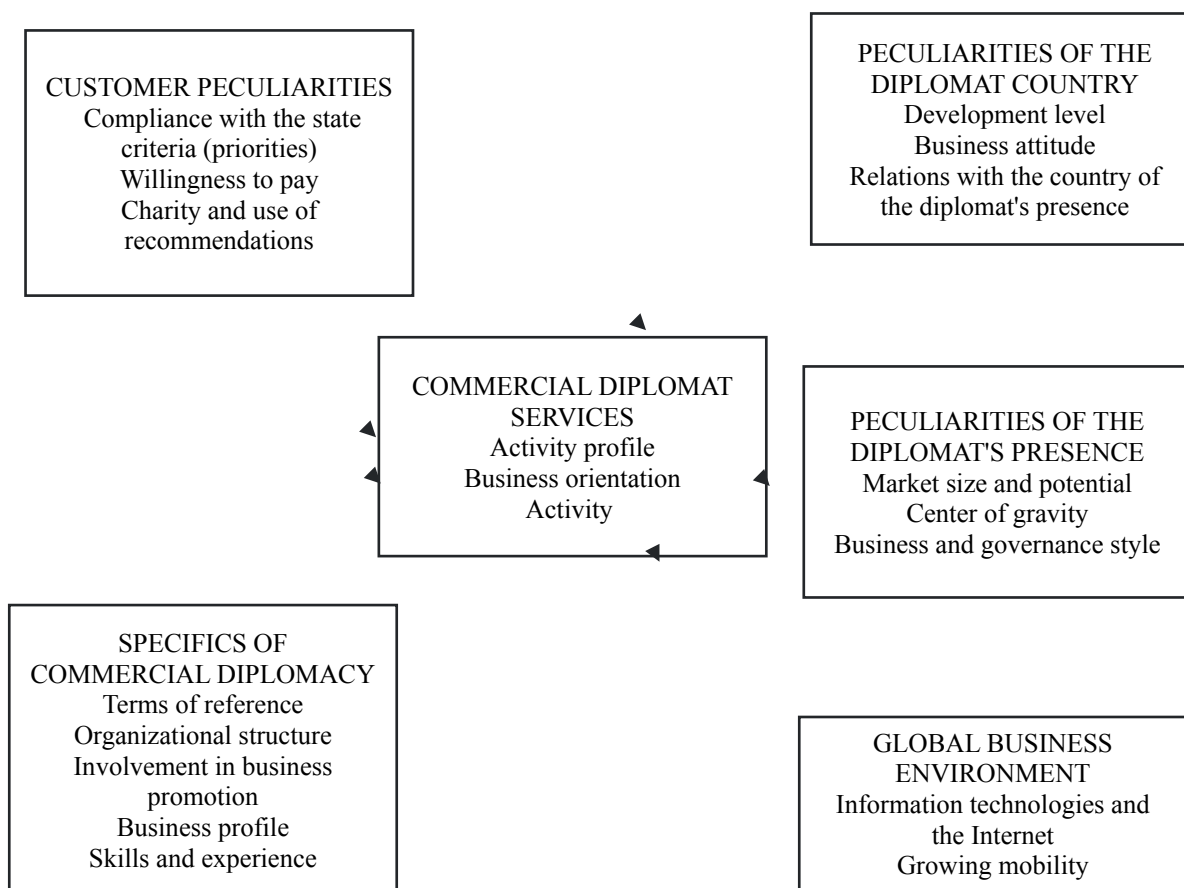
Specificity of commercial diplomacy implies that the diplomat may act as a business promoter, civil servant or generalist, which is mainly due to his subordination to the relevant export promotion agency, the Ministry of Trade (Economy) and the Ministry of Foreign Affairs. The relative importance of ancillary services to which researchers refer the search and analysis of business-related information depends on the willingness of the business to pay for such services. Direct involvement of diplomats in the promotion of business depends on the organizational structure, culture, recruitment system, motivation, control and encouragement. In addition, with increasing involvement, the importance of business experience and effective liaison with the business community of a trade and investment support diplomat is growing.

Commercial diplomacy has undergone significant changes in the course of its development and differs in its manifestations. In the scientific literature the search for determinants and factors that influence certain aspects of commercial diplomacy and determine its specificity is underway.

In our study we have identified the determinants that determine the services of commercial diplomats abroad, namely: the specifics of commercial diplomacy, the peculiarities of the customer, the peculiarities of the country of the diplomat himself, the peculiarities of the country of the diplomat's presence and the global business environment (Fig. 1).

Customer specificity also matters. Companies are often can rely on free services if they meet the criteria set by the state (for example, small and medium-sized enterprises, newcomers, priority sectors, companies willing to enter the international market). Customer willingness to pay determines the availability and range of paid services. When forming a customer base by diplomats recommendations and reliability of companies are essential.

The peculiarity of the country of origin of the diplomat also leaves its traces on his activities. Commercial diplomats from developing countries are more concerned with the image of their own country as a producer of certain products, as well as the image of national business. The better the relationship between the state and business, the more the government is inclined to pay attention to the promotion of business.



**Figure 1. Determinants of commercial diplomat services (original development)**

Lack of proper regulation of the rules of the game for business between the country of origin of the diplomat and the country of his presence (for example, in taxation of foreign direct investment, visa regime, etc.) creates additional difficulties for commercial diplomats.

Large and potentially attractive markets make commercial diplomat activities more sophisticated. The relative importance of certain basic services, which are directly related to marketing (facilitating the holding and/or participation in fairs and exhibitions, trade missions, conferences and seminars, promotional made-in campaigns) depends on whether the country is the center of gravity for the activity: banking center, fashion center, specialized cluster of research and development and more. Also, the more similar the business regulatory regimes of the countries of origin and the presence of the diplomat, the less the emphasis in his activities on issues of regulation. Changes in the business environment are driven by the development of information and communication technologies, which access is increasingly push diplomats to focus on providing business support and PR activities.

Trade globalization is manifested by the growing interconnectedness and interdependence of economies through international trade. With increasing exports and foreign trade, countries are becoming more sensitive to changes in international trade trends and are thus relying more on commercial diplomacy to maintain and develop commercial ties.

With the development of the international trade system, the scope of commercial diplomacy, which is involved in trade in goods, services, technology transfer, foreign trade-related investments, as well as environmental and labor-related issues affecting trade, is growing. The skills and experience of diplomats do not always meet the realities and requirements of today dynamic environment, especially when the issues raised are increasingly technical and require constant updating. With such subject complexity, trade globalization stimulates commercial diplomacy to enhance the competence of diplomats. The width of subject coverage of today international trade system requires the involvement of all types of actors. Therefore, diplomats are expected to have a wide network of contacts, be open and flexible in bringing different subjects together around different topics or interests.

Under the influence of the global economic crisis, globalization has received new development vectors and has led to changes in the strategies of development of the international economic system in the medium and long term. Further intensification of competition, which is accompanied by the efforts of major actors of the world economy to redistribute spheres of influence and markets, is carried out. In such circumstances, the importance of national development strategies is growing. They reflect the ability of states to properly assess opportunities and risks and determine how best to act, as well as generate commercial interests that drive the country in international economic relations.

Today to ensure the competitiveness of national economies and businesses is at the heart of many national development strategies. In response to these challenges of time, commercial diplomacy, on the one hand, focuses on implementing such strategies in terms of trade and economic objectives, and on the other hand, on finding mutually acceptable solutions to international economic cooperation that will facilitate the implementation of the national agenda.

### **Discussion**

Global digitalization requires increased efficiency, mobility and transformation of methods from diplomatic systems. One of the first consequences was the significant modernization of the function of information collection by diplomats. Before the appearance of the Internet, diplomats were equally involved in the collection and analysis of information. Now it is inefficient to retain a diplomat abroad for the sole purpose of collecting information, since access to the vast majority of information, from media publications, and telecontent to government official sources and special information, is possible without crossing the border. In such circumstances, the development of the analytical function of commercial diplomacy and prompt response is stimulated.

Improved access to information is felt not only by diplomats, but also by a wide range of other actors who not only consume information from the government, but can use and distribute it themselves. In general, the individualization of contacts is a distinctive feature and a challenge in modern communications. This requires from diplomacy to change the way it communicates with different audiences in order to improve communication efficiency, the ability to adapt to new interests and technologies, and use the latest platforms – specialized websites, social networks, etc.

Digital technologies also promote new forms of representation, including temporary representation, embassies playing the role of hubs. The promptness of communication also requires speeding up the response to an event or a media request.

### **Conclusions**

Commercial diplomacy is a specific field of diplomatic activity, which provides for the use by the state, in cooperation with non-state actors, of diplomatic channels and instruments, both on a bilateral and multilateral basis, to facilitate trade and investment in order to ensure business opportunities of national companies, to remove barriers for trade and investment, to increase competitiveness of the national economy. It partly includes trade and investment diplomacy. It is distinguished from economic diplomacy by the purely commercial nature of the goals, and unlike business diplomacy, it is carried out by the state.

Current trends in the development of commercial diplomacy are increasing the funding for the purpose of commercial diplomacy and developing formal links between government and business, increasing the importance of coordination, increasing the mobility of commercial diplomats across time and space, increasing job requirements and changing working conditions, increasing client-centricity of the work of diplomat abroad, with the active use of new communication instruments to provide information to exporters, increasing the number of information, analytical and other paid services, new multilateral negotiating platforms; increasing the number of local employees in embassies and representative offices advising businesses at the cost of reducing the staff of the country of origin; as well as the increased efforts of government agencies and academic researchers to evaluate the effectiveness of export and investment support.

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