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EFFECTIVE BUSINESS DIPLOMACY

BY DR. RAYMOND SANER

Business diplomacy is about making the environment suitable for business and to reduce risk and uncertainty. This in turn requires that Indian companies have to understand the historical factors that influenced a foreign country's economic, political, military, social and cultural forces, which all impact business practice today in a foreign country.

Diplomacy and business are not incompatible nor are they totally different. Professional boundaries between business and diplomacy have gradually become blurred especially after the end of the Cold War period. States are championing economic development and trade relations in today's global economy, which is increasingly interconnected and interdependent. Governments use economic and commercial diplomacy to represent their interests abroad and at home¹. However, Indian companies are less aware that they need to develop their own diplomatic competencies in order to be successful abroad and to be less dependent on information and guidelines provided by their Embassies abroad.

The routine work at Embassies abroad consists of well-known steps such as the ones of the *chargé d'affaires* or economic and trade advisor, who reads the press, meets with economic decision-makers and writes summaries for the ambassador on the state of business in the host country. Such summaries are later handed over to companies considering the possibility of investing in the host country. Today, the role of these summaries is no longer as important as it once was since similar information can be gathered by local corporate agencies. Companies without foreign branches can gather information on any country on Earth by means of the internet.

With the globalisation of means of communication, many governments and corporations have regularly updated internet sites containing pertinent information. The development of press agencies such as Reuters, AFP and Panapress has encouraged the circulation of a huge amount of information. Press agencies are increasingly fulfilling the task of Foreign Service officials. Multinationals employ local agents or firms not only to gather information, but also to act as facilitators in their dealings with local authorities.

The function of Business diplomacy management should be placed close to other core functions of an Indian company investing abroad. In addition to this, the diplomatic know-how should be a company-wide responsibility and the business diplomacy function should be under direct supervision of the Indian CEO.

Business Diplomacy Management: Know-how Indian Companies Must Have

Success of future investments abroad will depend on commercial prowess of an Indian firm and sufficient support from the Indian government, but success also will depend on how the Indian company interacts with non-business counterparts in a foreign country. An Indian investor has to be able to look for commonality of interests, while at the same time, be able to agree to disagree without falling into the trap of carrying out disagreements through conflicts. In other words, Indian investors moving to a foreign country need to acquire

diplomatic skills to manage the multiple differences between Indian and foreign business and societal contexts.

Foreign non-business stakeholders can be very problematic for an Indian investor if the Indian investor does not know how to respond to these non-business stakeholders in a competent and appropriate way. Business diplomacy management is for instance called for to constructively engage consumer groups, religious leaders, or other influential powerful forces.

Faced by an Indian company's competitive products and services might lead potential local partners to act very opportunistically and hence the local partner might not always honour agreements with an Indian business partner. Non-execution of commercial agreements might follow generating a sense of insecurity on the side of the Indian investor who cannot read the factors that might have led to non-traditional business practice by a foreign counterpart or to a withdrawal from cooperation with an Indian company in case of broken promises or abrupt changes of commitments.

The following skills and knowledge could be useful to an Indian company investing in a foreign country:

1. History of the foreign country targeted for investment by an Indian company;
2. Basic knowledge of the foreign country's legal systems (public law, constitutional law, administrative law, private law and criminal law), and principles of treaty making (soft and hard law);
3. Evolution of the foreign country's economy from pre-WWII to current times, understanding current foreign country's explanatory schemes of world development as seen through current ideological lenses;
4. Ability to be a gracious host to a wide variety of interlocutors from all parts of the foreign country's society including appreciation of all forms of art of a foreign country's society, past and present;
5. Cross-cultural awareness regarding norms and values governing decision-making and conflict resolution processes in the foreign country;
6. Understanding how the Indian and foreign state diplomats have solved previous conflicts with regard to commercial disputes;
7. Skills in presenting and representing one's own company and India at the foreign country's gatherings and official meetings, getting respect while at the same time respecting the foreign country's counterpart's personality and dealing with the foreign country's media and informal pressure groups;
8. Strategy, tactics, and procedures of negotiations with the foreign partner as well as being clear of the strengths and weaknesses of an Indian negotiator's negotiation behaviour.

Implementing Business Diplomacy: Management at Indian Firm Level

Diplomatic know-how at the firm level of an Indian investor has to be a strategic core competence as defined by Hamel and Prahalad². *A core competence represents the sum of learning across individual skill sets and individual organisational units. Thus, a core competence is very unlikely to reside in its entirety in a single individual or small team.*



Diplomatic know-how should hence be seen as a company-wide responsibility shared by top management and the respective heads of business units. In order to realise this core competence, an Indian company should create a Business Diplomacy Management function consisting of the following elements:

1. A Business Diplomacy Office, which would be similar to Public Affairs but expanded to include the diplomatic functions described above and placed under direct supervision of the CEO;
2. Business Diplomacy Managers as staff members of the new Business Diplomacy Office including specially trained business managers and economic and commercial diplomats seconded by the Indian Foreign Service;
3. A Business Diplomacy Liaison officer in the foreign country directly reporting to the top manager of the central Business Diplomacy Office at Indian headquarters;
4. Business Diplomacy Management Information System, which contains information pertaining to Business Diplomacy (including the profiles of active non-business stakeholders at the global level and in conflict-prone countries).

supports the new office's operations through appropriate rewards and sanctions and corresponding internal communication campaigns.

Taking care of business diplomacy and ensuring competent application of business diplomacy management would greatly increase the chances of Indian companies that plan to embark on a business venture in a foreign country. Such interest in business diplomacy should however, not be short-term one-off measures but rather consist of sustainable and fruitful engagements and dialogue with all parties involved in an Indian company's investment abroad.

References:

¹ Saner, Raymond; Yiu, Lichia; "International Economic Diplomacy: Mutations in Post-modern Times", *Discussion Papers in Diplomacy*, No. 84, Clingendael Institute of International Relations, The Hague, pp. 1-37, January 2003.

² Hamel, Gary; Prahalad, C.K., "Competing for the Future", July-August 1994, Harvard Business School Press. .



5. Development of a business-related socio-political perspective (e.g., establishing a stakeholder analysis of the foreign country's stakeholders);
6. A Mandate to strengthen the overall organisational capacity in business diplomacy management at an Indian company's foreign subsidiary.

Positioning the new Business Diplomacy Office under the direct supervision of the Indian CEO should facilitate the gate-keeping function of this new unit, with the main function to scan the foreign country's environment, interact with foreign non-business stakeholders and engage in diplomatic missions under close direction of the Indian CEO. Further strengthening of values and ethics linked to business diplomacy should be expected from an Indian CEO taking an active interest in this strategically important function and accordingly

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