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***Commercial Diplomacy in Advanced Industrial
States: Canada, the UK, and the US***

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ABSTRACT

Commercial diplomacy is an elusive concept that is often confused with economic diplomacy. The work done by the government to promote both exports and inward investment summarises what commercial diplomacy is all about. Governments play a major role but they do not act alone and the private sector is intimately involved in commercial diplomatic activities. If both export promotion and inward investment promotion are individually well-documented, few attempts have been made to consider them together. In this era of globalisation, the two activities are becoming increasingly interlinked, and this underscores the relevance of this research. The practices and processes adopted by the USA, Canada and the UK to pursue commercial diplomacy — be it the use of trade missions or trade fairs, the pricing of services, cross-fertilisation, or the use of information and telecommunication technologies — are often similar. However, the structures and mandates adopted by their governments vary significantly. Through the three case studies, this research identifies the differences in structures, mandates, and practices, and it explores possible reasons that explain them.

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COMMERCIAL DIPLOMACY IN ADVANCED INDUSTRIAL STATES: CANADA, THE UK, AND THE US

Alexandre Mercier

Introduction

A significant part of diplomatic work is allocated to commercial issues (Kopp, 2004, p.6; Rana, 2000, p.117). Indeed, the French and German ambassadors claim that 60 per cent of their work is dedicated to economic promotional efforts (Rana, 2004, p.66). Despite this, the literature covering the issue from the perspective of International Relations is extremely limited (Lee and Hudson, 2004). This is surprising given that government support for export promotion has been made available for about a century (Seringhaus and Botschen, 1991, p.116), and that it is possible to go back to at least 1911 and find journal articles that mention the importance of the commercial aspects of diplomacy (Straus, 1911, p.218; No author, 1912).

There is clearly a need for more research on the topic, especially from a comparative point of view, as is recognised by Berridge (2006). This is the point of departure for this research which will compare the contemporary commercial diplomatic structures, processes and practices of Canada, the United Kingdom (UK) and the United States of America (US). More precisely, the aim of this paper is to answer the following questions: What is commercial diplomacy exactly? Who are the actors in commercial diplomacy? What types of structures are used by governments to pursue commercial diplomacy? How are resources allocated between inward investment and trade? Finally, what practices and processes are used to pursue commercial diplomacy? In answering these questions, a cross-country analysis will identify existing variations and then explain why they exist.

The first section of the paper briefly establishes the possible ways in which commercial diplomacy might be defined, and identifies the definition that will be used for the purposes of this research. The second section identifies the main actors in commercial diplomacy, be they state or non-state actors. The third section examines what structures, and processes are used by different countries to pursue commercial diplomacy. The fourth section, and the core of the research, presents and analyses the three case studies. For each country, the structural characteristics will be presented initially. Then, the focus will be to analyse the programmes, practices and processes used and the priorities established by each country. It should be noted that when the

information about a particular issue remains poorly documented or scarce, or there is no significant difference between the case studies, it will only be presented in the theoretical section.

With regards to methodology, two caveats must be made. First of all, the main documentation used for this research is primary sources. As has already been noted, the documentation is often scarce. Moreover, the information available varies enormously between the countries studied. The research can only go as far as the documentation allows. Secondly, although not aimed at being a mere description of facts, this research will hold a significant descriptive nature, since it is a comparison.

Finally, the choice of countries analysed must be explained. In general, first, the three countries are all leading members of the world economy (see Table 1). Second, the relative importance of international trade to the national economy varies across all three countries – with Canada the most dependent and the US least dependent of the three on international trade. Third, as I will demonstrate in section two, the governmental structures created to pursue commercial diplomatic interests vary tremendously between the three countries.

More specifically, the US is particularly interesting for various reasons. The governmental organisation is quite decentralised and this is reflected in the myriad of agencies partially responsible for commercial diplomacy. Moreover, by its sheer economic size and business presence, the US almost always has a national company in contention to win private contracts and government procurements abroad. Finally, the regulations supervising trade are much more constraining for US firms. The UK is interesting because it is one of the main economies of the European Union (EU) and also one of the most open to international markets. Moreover, the UK commercial diplomacy structure has been significantly modified in the recent past. Regarding Canada, most of its international trade is conducted bilaterally with the US. Moreover, Canada's tremendous natural resources attract a lot of attention and this influences the way the country is perceived abroad.

1. Definitions

The concept of commercial diplomacy is usually interpreted in two ways. On a more general level, some scholars define commercial diplomacy as being a part of economic diplomacy, which is concerned with economic policy issues (Berridge and James, 2001, p.81; Saner and Yiu, 2003). This definition — referred to as “macro level” commercial diplomacy by Kopp (2004, p.7) — is broad and seems more concerned with negotiations of trade agreements and their implementation.

There is no doubt that commercial and economic diplomacy are highly complementary (Potter, 2004, p.55), but not the same. A Dictionary of Diplomacy defines commercial diplomacy as follows:

The work of diplomatic missions in support of the home country's business and finance sectors. Distinct from although obviously closely related to economic diplomacy, it is now common for commercial diplomacy to include the promotion of inward and outward investment, as well as trade (Berridge and James, 2001, p.38-39).

This definition—referred to as “micro level” commercial diplomacy—is narrower in scope (Kopp, 2004, p.8). It focuses on supporting trade, and inward as well as outward investment.

Finally, Lee defines commercial diplomacy

“as the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes (2004, p.51).”

For the purpose of this paper, it is Lee's definition that will be used. The primary reason for this is because, in my view at least, in recent years private actors have become more important in the diplomatic sector, including commercial diplomacy.

2. Actors

Initially, economic issues — including commercial diplomacy — were mainly the fiefdom of the ministries of foreign affairs of central governments (Saner and Yiu, 2003, p.5). In the recent past, after the reorganisation of diplomatic systems, the commercial activities of central governments have become more centralised (Lee and Hudson, 2004, p.344). Today, economic and commercial diplomacy is primarily handled by the economic and trade

ministries (Saner and Yiu, 2003, p.5). The decentralisation of power to provincial governments has also meant that these regional levels of government also take an active role in pursuing commercial diplomacy (Saner and Yiu, 2003, p.10).

Saner and Yiu recognise that, nowadays, non-state actors play a significant role in diplomacy (2003, p.5). The main non-state actors, which represent business interests are chambers of commerce and the industry and trade associations (Seringhaus and Rosson, 1989, p.44). As US Commercial Attaché William Thorn suggests, the stance taken by these organisations is a blended position of their entire membership, which means that they cannot represent perfectly all their members (2006).

3. Structure and Process in Commercial Diplomacy

Export Promotion

The most significant variations between countries are in regard to the structural form of the agencies that are given responsibility for export promotion (Sharma and Tyerman, 1998, p.7; Department of Trade and Industry, 2004, p.60). The reasons behind this are not always obvious. Seringhaus and Rosson (1990, p.10) identify country philosophy and the history of business-government interaction as explanations. It seems that political issues, the homogeneity of the country and the size of the country are other explaining factors.

The most important factor, however, is its character: public, private or a mixture of both (Seringhaus and Botschen, 1991, p.116; Rana, 2002, p.70-71). As we will see, two of our case studies have instituted a form of structure that is purely governmental. However, not all countries adopt such a structure. The best example of this situation is Austria, where it is the chambers of commerce that have the responsibility to provide the commercial diplomatic services (Department of Trade and Industry, 2004, p.60; Seringhaus and Botschen, 1991, p.117). However, many countries adopt a public-private organisational structure (Seringhaus and Rosson, 1989, p.35). Moreover, as the case studies will demonstrate, it seems that most of the government led agencies are increasingly welcoming support from the private sector or integrating it into its structure, which confirms the public-private partnership tendency.

The second structural aspect concerns the level of government where the services are provided. There are organisations at the central, regional and local level that provide export promotion services (Department of Trade and

Industry, 2004, p.60). For example, in the case of Belgium, it is mainly the regional authorities of Flanders, Wallonia and Brussels that are entrusted with the task (Coolsaet, 2004, p.62). For many countries, it is the central government that fulfils most of the export promotion (Wells and Wint, 2000, p.51). It is true that regional governments also play a role, but the central government is normally the coordinating body.

The last structural aspect regards the number of departments/ministries that share the management of commercial diplomacy within the governmental structure. There are about 15 countries that have merged their ministry of foreign affairs with their ministry of trade to create one consolidated ministry (Rana, 2002, p.70). These include Australia, Belgium, Canada, and Sweden (Lee and Hudson, 2004, p.343; Rana, 2002, p.70). In other cases, such as the UK and the Czech Republic, the government has created a joint body of the ministry of foreign affairs and the ministry of trade, to coordinate export promotion (Lee and Hudson, 2004, p.343; Rana, 2002, p.70). There are countries, such as the US, where it is the ministry of trade/commerce that is still primarily—but not exclusively—responsible for export promotion (Kopp, 2004, p.8). Finally, there is the possibility to establish special entities, what Rana calls a “third agency”, the best example being Singapore (2002, p.70).

Investment Promotion Agencies

The promotion of foreign direct investment (FDI) also referred to as inward investment is usually done through organisations that are called investment promotion agencies (IPAs) (Loewendahl, 2001; UNCTAD, 2001). This type of agency is relatively new and only started to grow in popularity within the last 20 years (UNCTAD, 2001, p.3). The almost universal adoption of this type of agency is a great sign of the rising importance that is given to FDI. However, not all countries possess national IPAs, an example being China (Loewendahl, 2001, p.7). The main reason behind this decision is usually due to the belief that the major question is not about which country to invest in, but where to invest within a country (Loewendahl, 2001, p.7). This is why some countries, mostly developed ones, have created over 250 sub-national IPAs (UNCTAD, 2001, p.vii).

Sub-national IPAs, which are often present in federal states, are usually agencies that promote regions, provinces or states (UNCTAD, 2001, p.6). Thus, they usually promote a sub-national political entity. The attention given to local agencies seems very limited. This is surprising, since the major cities and urban areas of the countries under discussion, are growing drivers of economic production. This has led major cities also to create IPAs, for example Montreal International and Think London (Montreal International,

2006; Think London, 2006). This trend is understandable since major cities are often the main economic motors of entire regions, even countries.

Since sub-national IPAs are usually independent organisations, and not subsidiaries of the national IPA, the issue of coordination becomes vital (UNCTAD, 2001, p.6). The independence of sub-national IPAs leads to competition between them for the same investment and this can be very problematic (Loewendahl, 2001, p.9).

Similar to export promotion, the core decision when establishing the structure regards its nature: public, private, or a mixture of both (Wells and Wint, 2000, p.50). Investment promotion involves some tasks that are usually best performed by private organisations, and some other tasks which are traditionally executed by governmental organisations (Wells and Wint, 2000, p.50). Therefore, the choice of structure is really an important decision. The possible structures are: governmental, autonomous governmental body, joint private-public, and private (UNCTAD, 2001, p.4). The vast majority of countries, 80% according to UNCTAD (2001, p.4), choose a form of governmental structure. The reason lies in the fact that investment promotion is considered a public good (UNCTAD, 2001, p.4), that is “they provide social benefits that outweigh their potential to generate private profits (Wells and Wint, 2000, p.53).” However, IPAs need some independence from the government, because of the special nature of investment promotion (UNCTAD, 2001, p.4) and their constant interaction with business (Loewendahl, 2001, p.8). This might mean that there will be an increase in the number of organisations that will become quasi-governmental in the future.

Strategic approach and targeted companies

Concerning export promotion, there are two possible strategic approaches adopted by the countries: loosely coordinated or integrated (Seringhaus and Rosson, 1990, p.8-11; Seringhaus and Botschen, 1991, p.117). Some countries prefer to offer an array of services—generally to most or all companies—that are loosely coordinated. In contrast, some countries target specific market projects and assist companies for a specific period of time (Seringhaus and Rosson, 1990, p.9). Moreover, these “services appear to be coordinated across programmes to address firms’ different requirements over the exporting process (Seringhaus and Botschen, 1991, p.128).” Countries adopting a strategic approach usually identify the industries they will focus on and the companies they target.

Regarding inward investment, the strategic approach is more concerned with the core objectives or functions adopted by IPAs (Wells and Wint,

2000). The main objectives given to IPAs are the following: image-building, investment services, and investment generation (Wells and Wint, 2000, p.22-26). Generating investment, through targeting of investors, is obviously very important to all agencies (Morisset, 2003, p.32; UNCTAD, 2001, p.15). Although not clearly mentioned by any author, it is most probable that developing countries need to put more effort into image-building.

Targeting specific sectors, for export promotion and more importantly for inward investment, is a practice adopted by most countries. The targeting is highly dependent on the level of development of the country concerned (Charlton et al., 2004, p.8). Developed countries are highly interested in those sectors related to innovation and what is called the “knowledge-based” economy (Department of Trade and Industry, 2004). What becomes obvious through the case studies, however, is that what seems like a strategic approach — focusing on innovation and the knowledge-based economy — is not that strategic and is quite wide in scope (Dickson, 2006).

The programmes and services provided to potential exporters or those seeking to expand further are generally focused on small- and medium-sized enterprises (SMEs) (Seringhaus and Rosson, 1989, p.34; Department of Trade and Industry, 2004, p.63; International Trade Association, 2006). The reason why governments target SMEs rests on the fact that they usually lack financial resources and the information needed to pursue possibilities overseas on their own (Spence, 2003, p.83).

However, the concept of SMEs is not totally clear and transparent. Mr. Thorn, who is a US Commercial Attaché, asked how do we define a SME (2006)? The definition of the concept is not a universal one and it varies between countries (Ayyagari, Beck, and Demirgüç-Kunt, 2003, p.2).

Although not definitive, there seems to be a tendency across countries to become more strategic in their approach. After being more loosely coordinated (Seringhaus and Rosson, 1989, p.36-37), Canada has adopted a more strategic approach (Potter, 2004). Some years ago, the UK was described by Seringhaus and Rosson as adopting a strategic approach (1989, p.37), and this is even more true today. It appears that it is the limited amount of funds available and the need to maximise resources that has led to this situation.

The process of targeting companies for inward investment is quite different from that undertaken when targeting companies for export promotion. UNCTAD affirms that “greater importance is placed on SMEs rather than on large TNCs (2001, p.23).” TNCs are thought to have sufficient resources to allow them to work without the assistance of IPAs (UNCTAD, 2001, p.23). However, major companies are not ignored and they are sometimes precisely targeted (Rana, 2002, p.87). This is probably

due to the fact that major companies' investments are usually quite large and they might create a lot of jobs, which makes it more cost-effective for commercial diplomats.

Programmes

Governments use many programmes to pursue export promotion and inward investment. Regarding export promotion, Kotabe and Czinkota separate programmes into two categories: export service programmes and market development programmes (1992, p.639). The former category includes seminars for potential exporters, export counselling, how-to-export handbooks, and export financing, while the latter category includes dissemination of sales leads to firms, participation in foreign trade shows, preparation of market analysis, and export news letters (Kotabe and Czinkota, 1992, p.639). Seringhaus and Rosson claimed almost 20 years ago that developed countries universally used these programmes with similar approaches (1989).

Regarding inward investment, Wells and Wint identify various practices used by the governmental agencies:

[These include] advertising, direct mailing, investment seminars, investment missions, participation in trade shows and exhibitions, distribution of literature, one-to-one direct marketing efforts, preparation of itineraries for visits of prospective investors, matching prospective investors with local partners, acquiring permits and approvals from various government departments, preparing project proposals, conducting feasibility studies, and providing services to the investor after projects have become operational (2000, p.21-22).

As Seringhaus and Rosson noted in 1989 (p.34), there exist many similarities between the programmes and services offered by the various countries. Given that there is not much evidence that this situation has changed in the interim, the only programmes that will be compared are the ones concerning trade shows and trade missions.

Trade shows and missions are two types of practices that are believed to be amongst the most effective when the government is actively involved (Wilkinson and Brouthers, 2000, p.725). Trade shows, also referred to as trade fairs, are usually events that take place at a fixed location overseas, where firms exhibit their products in a stand for the duration of the show (Wilkinson and Brouthers, 2000, p.731). These events have grown in number, there are more than 2,000 major trade shows each year (Hansen, 1996, p.39). International trade fairs "present a highly focused effort to enter

foreign markets and thus help exporters in a tangible, experiential way to develop contact with their target markets (Seringshaus and Rosson, 1998, p.400).” Governmental support for trade shows is a well-established strategy adopted by many nations, in order to help their exporters (Hansen, 1996, p.44; Seringshaus and Rosson, 1998, p.400).

Trade missions are a widely used form of commercial diplomacy. They have become very popular in the recent past (Spence, 2003, p.84). The availability of rapid air transport at low cost has made the organisation of trade missions — like summit diplomacy — much simpler (Cooper, 1999) and more cost effective (Spence, 2003, p.84).

General definitions of the concept are rather rare. Jaramillo’s (Wilkinson and Brouthers, 2000, p.731) reference to them as the arrangement, made by export promotion professionals, of individual or group meetings between buyers and sellers at appropriate overseas locations, appears to be too narrow since it does not account for some of the high profile missions that take place. In addition to export promotion professionals, who are usually governmental staff, trade missions can also be composed of governmental personalities: central government politicians, and provincial/state/regional politicians.

Trade missions allow the participants to gain knowledge of a foreign country’s culture thanks to “direct contact with local business persons and government representatives (Spence, 2003, p.83).” Trade missions seem a very good way of allowing companies to find opportunities abroad and encounter possible partners through local networks (Young, 1995, p.15). However, the question remains whether they really bring about new opportunities in themselves, or if they are only used to maximise publicity by formalising already agreed deals.

Pricing Practices

The various services provided by governments are not all free. In the past, the majority if not the entirety of services provided were free (Thorn, 2006; Dickson, 2006). This is no longer the case today. Although not trying to compete with private counselling firms, governments have slowly become more market oriented in the provision of their services. The aim is not to charge the total cost of the services, but to share the burden between the government and the companies seeking help (Thorn, 2006; Dickson, 2006). This approach is mostly true for export promotion. Charging foreign investors is not a general practice adopted by IPAs; it goes against the “welcoming attitude” that they like to display (UNCTAD, 2001, p.34).

The budget constraint put on governmental support programmes is significant (Crick and Czinkota, 1995, p.61), and is the main reason

explaining this trend of charging for certain services. The general information and counselling provided to exporters and investors are usually free. However, many of the more personalised services, such as participation at trade shows and trade missions or special market analysis lead to charges. According to Ms. Dickson, the reason behind this rationale is the fact that companies used to come unprepared to meetings and lacked seriousness in their attempt to export when no charges were levied (2006).

Cross-fertilisation

The importance given to economics and commercial issues in diplomatic organisations is relatively new. This tendency can be observed through the fact that some countries, for example Germany, hire more economists than law graduates in their diplomatic services nowadays (Rana, 2002, p.68). However, diplomats of older generations still lack the expertise needed to manage commercial diplomatic policies (Lee, 2004, p.53).

This has led to the establishment of “cross-fertilisation” schemes; some diplomats are placed in business settings for short periods of time, while business representatives take temporary postings in diplomatic missions (Lee, 2004, p.53). The UK has seriously embraced this strategy (Rana, 2004, p.67; Lee, 2004, p.53-54). Canada and the US also see some positive benefits linked to cross-fertilisation, but prefer to give supplementary training through diplomas and distance-learning programmes (Rana, 2004, p.67). The staffing of IPAs illustrates cross-fertilisation emphatically. According to UNCTAD, half of the staff employed by OECD IPAs come from the private sector (2001, p.12).

Information technologies

There is no doubt that new technologies have “significantly affected the process of diplomacy (Kurbalija, 1999, p.171).” The Internet clearly has changed the way in which diplomats work on a daily basis. It offers various cost-effective possibilities to facilitate export promotion efforts (Rana, 2002, p.85), and the same is true for inward investment (UNCTAD, 2001, p.34).

The Internet is a powerful tool to disseminate and give access to information. All three governments targeted in this study now use it to give out free basic information about export promotion and inward investment. The information can be related to regulation and customs, market information, and much more. The other opportunity is match-making among buyers and sellers, through specialised computer softwares (UNCTAD, 2001, p.9). Currently, this is mostly exploited by business chambers and private entrepreneurs

(Rana, 2002, p.85). Rana recognises that official agencies responsible for export promotion are beginning to use these methods (2002, p.85). Moreover, the Internet can be really efficient in helping to computerise the network and the various contacts established by the employees (UNCTAD, 2001, p.11).

However, the Internet's influence is not all positive. Many businesses try to find information for possibilities abroad directly on the Internet, but as Ms. Dickson and Mr. Thorn suggest, the problem is that only a small portion of all the information available is accurate (2006; 2006). This suggests that the Internet has diverted some companies away from commercial diplomatic services, sometimes with negative results.

4. Case Studies

Canada

Canada has thrived on international trade. It is the leading exporting nation of the G-7 when measured in percentage of output (Stothart, 2003, p.22). It also spends a lot of money on commercial diplomacy (Figure 1). In 1996, Canada spent 10 times more than the USA on government-backed trade missions (Garten, 1997a, p.77). This high level of spending is due to the importance given to the success of Canadian companies worldwide. As Potter suggests:

“given the high level of dependence on the international economy, Canada has more to win or lose (2004, p.59).”

Structural layout

Canada has created a public organisation to pursue commercial diplomacy (Seringhaus and Rosson, 1989, p.37). It is one of the few countries in the world that has unified its ministry of foreign affairs and its ministry of foreign trade (Rana, 2002, p.70). The amalgamation of the Trade Commissioner Service (TCS) with the Department of External Affairs happened in 1982 and the ministry is now known as the Department of Foreign Affairs and International Trade (DFAIT) (Potter, 2004, p.56). The official reason given for the merger of the departments was that foreign policy included a vast array of interests—economic, trade, immigration, political, aid, and cultural—that should be centralised under one single bureaucratic ‘roof’ (Potter, 2004,

p.56). Moreover, as we have seen, diplomatic work increasingly has become centered around economic and commercial issues.

It may be, however, that Canada simply lacks the political power to pursue a strong foreign policy and that economic and commercial issues are much more vital concerns. Potter refers to this as the “trade-driven” foreign policy agenda of Ottawa (2004, p.59). In 2001, former Prime Minister Jean Chrétien conducted a second Team Canada mission to China in less than a decade, showing the importance for Canada of trade in general and between the two countries in particular (Privy Council Office, 2006). However, when asked why Canada was pursuing strong economic ties despite the poor human rights record of the country, Mr. Chrétien bluntly expressed his view – that a country of 30 millions inhabitants like Canada could not really influence China, with a population of over 1 billion, through political pressure (Cordon, 2001).

The creation of the DFAIT has not received unanimous support. Experts and insiders usually recognise that within the DFAIT, the International Trade section is a junior ministry of the Foreign Affairs section (Stothart, 2003, p.23; Dickson, 2006). During interview, Ms. Dickson claimed that it was very important for the two departments to be together and that the rapid break-up and re-amalgamation that took place in 2003-2004 had been quite damaging to the institution. The confusion is compounded by the fact that while it is theoretically a single ministry, the department has 2 ministers (DFAIT, 2006a).

Commercial Diplomacy in Numbers

Unfortunately, no figures are given by the government about how much it spends on commercial diplomacy. At home, the central institution charged with implementing trade promotion is Team Canada Incorporated (TCI), which was created in 1997 (Potter, 2004, p.57). TCI's membership is composed of 16 federal departments and agencies which either have a mandate or interest in helping Canadian companies succeed abroad. It also works in close collaboration with provinces, territories and other partners. The management board of TCI is composed of a five-person executive committee, which is usually chaired by the International Trade Canada representative (Treasury Board of Canada, 2006). The structure of TCI, where many agencies are involved, is rather similar to the one in the US.

The Trade Commissioner Service is the central body used abroad to pursue commercial diplomacy (Potter, 2004, p.56). The most recent annual report available states that the TCS is staffed by approximately 800 trade commissioners posted in 140 cities overseas. To support them, 100 trade

commissioners provide services through the 12 regional offices within Canada (TCI, 2004). Canada's TCS expansion abroad has been quite important, with the number of trade commissioners growing by 300 between 2001 and 2004 (TCI, 2001). The recent trend has been to put additional resources in the major emerging markets, such as India for example (Trade Promotion Coordination Committee, 2005, p.vii).

The organisation responsible for investment promotion is Invest in Canada. Until recently, the organisation was known as Investment Canada (Wells and Wint, 2000, p.51). Invest in Canada is part of the governmental structure and has always been under the control of Industry Canada (Industry Canada, 2006; Wells and Wint, 2000, p.55). The organisation, which is a member of TCI, makes use of the TCI network of offices at home and abroad. Canada is one of only a few countries which take the approach of employing diplomatic staff for investment promotion in the network of embassies and consulates (UNCTAD, 2001, p.8).

Strategic approach and targeted companies

Today, the approach of the government of Canada is quite similar to most OECD countries, in that there is a clear focus on innovation sectors and the knowledge-based economy (Dickson, 2006). This more strategic approach was adopted in 1997 by Ottawa and it is referred to as the "New Approach" (Potter, 2004, p.58). Previously, the approach of Canada was much more general and loosely coordinated (Seringhaus and Rosson, 1989, p.37-38).

Canada is deeply integrated with the US, its southern neighbour. This is why North America, including Mexico, is widely recognised as the most important market for export promotion and inward investment. This is reflected by the signing of the North American Free Trade Agreement (NAFTA) in 1994. The document *Opening Doors to the World* is quite general in the fact that most regions of the world are identified as important markets (DFAIT, 2006b). A look at the destinations where Team Canada Missions have been held since 1994 gives a good indication that Asia and Latin America are key markets for Canada (DFAIT, 2006c).

The main sectors identified, for both export and investment promotion, are the following: aerospace and defence, automotive, chemicals and petrochemicals, energy and environmental technologies, information and communication technologies, and life science (biotechnology, medical devices and pharmaceuticals) (Industry Canada, 2005, p.30). The sector that must be highlighted is energy and environmental technologies. Canada is endowed with vast amounts of energy and other natural resources. With the recent upward trend in the prices of those resources, the exploitation of them

becomes much more attractive. Ms. Dickson mentioned during the interview the fact that the resource potential of northern Canada is still waiting to be fully exploited and that facilitating this is important to Canada (2006).

Therefore, image-building is much more important to Canada than it is the US and the UK. Whilst often still perceived as a mostly resource-based economy by many foreign investors (Potter, 2004, p.58), Canada is determined to be identified as both a source of and location for high-tech, high value-added knowledge based industry.

The companies targeted vary depending on whether they have been targeted for export or investment promotion. The emphasis is put on SMEs when it comes to export promotion (Potter, 2004, p.58). More importantly, the services are offered to companies who have “done their homework and researched their foreign target markets (Potter, 2004, p.58)”, and are therefore “market-ready” (Team Northern Ontario, 2004, p.3; Dickson, 2006). However, despite this emphasis on SMEs it is actually medium-sized companies that are mostly targeted (Dickson, 2006). This is because it is mostly this size of enterprise that fulfils the “market-ready” constraint, and they are the ones who are most likely to succeed in their attempts to export.

When it comes to investment promotion, the attention is put on the two ends of the size scale: large or small enterprises (Dickson, 2006). As noted above, focusing on large companies is a general approach adopted by all countries. However, the focus on small companies is concerned with innovative sectors, where it is believed that the growth of such companies in the near future will be quite significant and beneficial to Canada (Dickson, 2006).

Trade missions

Trade missions have been a very important tool utilised by Canada in the last 15 years and hundreds of them are organised every year (Stothart, 2003, p.27). The most important trade missions conducted at the federal level are Team Canada Missions, and Canada Trade Missions (DFAIT, 2006b). The Team Canada Missions, which were used between 1994 and 2004 by Prime Minister Jean Chrétien, gathered together the federal and many provincial prime ministers with identified business leaders to conduct high-visibility visits to a foreign country. Canada Trade Missions mainly differ in that they are led by the international trade minister and the trade ministers of the provinces (DFAIT, 2006b). The success of these missions has helped to raise the image of Canada as a knowledge economy (Potter, 2004, p.59; Dickson, interview). Once again, this shows the importance of image-building for Canada.

Team Canada Missions have been discontinued. The main reason for this is that they had in effect become political 'events' designed to generate exposure and publicity for Prime Minister Jean Chrétien for domestic political consumption (Dickson, interview). Subsequent Prime Ministers appear to have decided not to continue the practice, which perhaps confirms the claim of authors who suggest that personality influences the way diplomacy is conducted (Barston, 1988).

As separate political entities, the provinces of Canada also conduct trade missions on their own. Recent examples of these missions are the mission of the province of Québec to India, in January 2006 (Gouvernement du Québec, 2006), and the mission of the province of Ontario to China in November 2005 (Government of Ontario, 2005). It is clear that these missions are not of the same scale as those conducted by the federal government, but they allow smaller and more local companies to try to establish foreign business. They also clearly show the importance of regional governments in commercial diplomacy.

Pricing Practices

Canada's approach to pricing is not very well documented. The information presented in this section comes from the information gathered at interview with Counsellor Dickson. It appears that the tendency to charge for services, while still not extensively used, has become more common in the last 5 years. The services that are charged for are special market analysis and participation at trade fairs or trade missions. The approach is to share the cost of these types of services between government and business, rendering them accessible whilst making sure that the companies are serious in their intent.

Cross-fertilisation

There is little evidence of cross-fertilisation in Canada's commercial diplomacy. It is only in the home country that private sector influence is really significant (Dickson, interview). Here, the private sector has access to high levels of the government and can identify and influence the way that services are provided. It is mostly staff from other governmental bodies and a few associations and chambers of commerce that do short term work in the home section of the DFAIT (Dickson, interview). How this will affect the provision of services and help improve the provision of them is quite uncertain.

Information technology

The available evidence suggests that Canada has fully embraced the potential of information technologies and is putting a lot of emphasis on developing this further, especially through the creation of websites. There has been an effort to gather all the formerly disparate trade-promotion websites under the banner of the international commerce section of the DFAIT's website.

Moreover, the match-making possibilities offered by the Internet have been awarded a high priority in the overall strategy. The government has already built a virtual match-making programme called "CTCS", and is working on another called "TRIO" (Dickson, interview). It is no coincidence that these tools can also be used to measure the work of employees and the success of their efforts (Dickson, interview).

United Kingdom

The UK is one of the main political actors in the European Union and one of the biggest and most open economies in Europe. According to the OECD, it is the country that applies the lowest restrictions on FDI (DTI, 2004, p.57). It also supports its exporters extensively (Figure 1). However, competing effectively against low cost producers within the newly expanded EU and elsewhere, together with the growing economic weight and attractiveness of China and India in particular, demands that the UK continues to develop an efficient, effective commercial diplomacy.

Structural layout

In 1999, British Trade International (BTI) was created to become the lead agency for trade and investment promotion in the UK. BTI, which brings together the Foreign and Commonwealth Office (FCO) and the Department of Trade and Industry (DTI), was renamed UK Trade and Investment in 2003 (UKTI, 2006a, p.3). UK Trade and Investment is the body that coordinates all the export and investment promotion efforts of the country, and was created in order to centralise commercial diplomacy within the governmental organisation (Lee, 2004). It works closely with the private sector and thus falls into the public-private organisation category (Seringhaus and Rosson, 1989, p.37). Both export promotion and the attraction of inward investment are clearly within the mandate of UK Trade and Investment, and this differentiates the UK from the Canadian and US cases. There seems to be a stronger belief in the UK about the fact that inward investment is as important as export promotion, because it brings more competition and better

technologies. As noted above, the UK is the country that applies the least restriction on FDI. Therefore the need for a large department responsible for the screening and managing of inward investments is less apparent and might explain why investment and export promotion activities can realistically be dealt with by only one governmental agency.

Commercial diplomacy in numbers

In the UK, there is a complex network of agencies dealing with commercial diplomacy. UK Trade and Investment works in partnership with

the nine English Regional Development Agencies (RDA), the devolved administrations of Northern Ireland, Scotland and Wales, other government departments, as well as other national bodies including VisitBritain [and the British Council] (UKTI, 2006b, p.12).

The annual budget of UK Trade and Investment was just over £281.5 millions for fiscal year 2004-2005 (UKTI, 2005a, p.9). Staff numbers declined from 2,500 to 2,300 between fiscal years 2004-2005 and 2005-2006 (UKTI, 2005a, p.3; UKTI, 2006b, p.4). The organisation has 1,300 employees who work abroad in over 100 countries, and there are 400 members of staff deployed in the English regions (UKTI, 2005b, p.4). The remainder of the employees work at Headquarters in either London or Glasgow (UKTI, 2005a, p.7). Financial constraints imposed by the government help to explain this downward trend in staff numbers and there appears to be an understanding, applicable also to Canada and the US, that there is a need to do more with less.

Strategic approach and targeted companies

Of the three case studies, the UK is the first to adopt an integrated, strategic approach (Seringhaus and Rosson, 1989, p.35-37). In tandem with all industrialised countries, it is focusing its efforts on innovation and high-technology (UKTI, 2006b). The government is a world leader at setting commercial diplomacy practices and strategies. In its most recent planning document, the government explicitly states that it aims to transfer resources from the current ratio of 85% directed to trade promotion and 15% directed to inward investment to a ratio of 67% directed towards trade promotion and 33% for inward investment (UKTI, 2005b, p.5). The Canadian government intends to follow the path set by the UK (Dickson, interview).

The main markets for the UK remain the advanced economies, and the European market in particular is vital. Despite this, a greater emphasis will be put on emerging markets, particularly on China and India (UKTI, 2005a, p.4; UKTI, 2006b, pp.32-33). This is exactly the same approach adopted by Canada and the US, although a significant difference is that the UK specifically targets South Africa (UKTI, 2005a, p.7). Beyond the good economic prospects offered by South Africa, it appears that historic relations between the two countries play an important role.

There are 16 sectors identified by the government as of the utmost importance including, for example, financial services, oil and gas, information and communication technologies, and biotechnologies (UKTI, 2006b, p.32). Again, this tendency is observed in Canada and the US. A mention must be made about the oil and gas sector. The oil reserves in the North Sea are limited, and the UK is more known as an outward investor in that sector through companies like British Petroleum. UK Trade and Investment's role regarding that sector is primarily concerned with advocacy, to ensure that its companies are treated fairly in projects where the stakes are very high.

In terms of export promotion, targeting SMEs is the principal objective since a market failure has been identified in this area (UKTI, 2005a, p.5). Thus, help is provided in high value-added sectors through a programme called Passport to Export (UKTI, 2006b, p.28). This Programme targets the "new-to-export" segment in particular, and is where most of the resources are expended (UKTI, 2005a, p.5). However, attention is also given to firms exploring new markets, and to major firms which face trade barriers (UKTI, 2006a, p.3).

In the case of inward investment, no document clearly states which investors are targeted. This could mean that all companies are treated equally and that there is no screening, but it is probably more accurate to say that targeting does take place but is kept 'in house' so as to avoid sending the wrong message to investors. Concerning FDI, interregional rivalry is unhealthy and is a rising concern (Tewdwr-Jones and Phelps, 2000). It even leads companies to invest in other countries (Dickson, interview).

Trade missions

Within UK Trade and Investment, it is mainly the International Sectors Group (ISG) that is responsible for organising trade missions (UKTI, 2006a, p.11). For example, a trade mission to Singapore was organised in July 2006, and one-to-one meetings with local companies could be organised by the High Commission for the sum of £300 (UKTI, 2006c).

There is very little information concerning the use of politicians in trade missions. John Major visited Asia in 1994, and trade promotion was definitely the principal goal during his visit (Rothkopf, 1998). However, there is no clear tendency for the Prime minister of the UK to go on trade missions. Rather, among the major European countries' leaders, there is a strong tendency to raise the issue of a particular commercial deal when meeting other political leaders and, the UK is no exception (Kopp, 2004, p.54-55).

It appears much more common for the government to give private sector organisations and chambers of commerce a significant share of the task of organising trade missions. UK Trade and Investment mostly acts as a sponsor of such missions, stamping them with its "brand" (London Chamber of Commerce and Industry, 2006). Moreover, the regions of the UK do not have the same type of political power as the provinces of Canada or the states of the USA. It is UK Trade and Investment that organises trade missions for a specific region and, once again, this is done in close collaboration with the private sector (Coventry & Warwickshire Chamber of Commerce, 2006).

Finally, it is very interesting to see that the EU, through the European Commission (EC), has developed an export promotion programme (EXPROM) that provides support for European companies trying to export to Japan (European Commission, 2006). More precisely, the "EU Gateway to Japan Campaign" helps SMEs participate in trade missions in that country (Gateway to Japan, 2006). This shows how the EU is slowly starting to play a role in commercial diplomacy. However, this could potentially create tensions between states if one member feels ill-served by the program compared to others.

Pricing practices

UK Trade and Investment is definitely pursuing a market-oriented approach. Currently, charges levied for services amount to £1 million and the organisation aims to increase charges in the future. Participation on trade missions, through the "Overseas Market Introduction Service", incurs charges, and this is quite similar to our other case studies (UKTI, 2005a, p.6). However, the reasons behind the charges seem to be, at least in part, different from Canada and the USA. The Corporate Plan 2005-2008 states that "[c]harging is a lever to drive up standards of service to our customers and to improve professionalism and consistency" (UKTI, 2005a, p.6). This suggests that the fees requested are mainly a way to ensure that the services provided by the government are of quality, and not a way to ensure the seriousness of the companies. The importance of the involvement of chambers of commerce and other private organisations might explain this

difference. These institutions have good knowledge of their members and they probably help to screen potential customers of the services.

Cross-fertilisation

There is no doubt that cross-fertilisation is more developed in the commercial diplomacy of the UK compared to Canada and the US. The FCO has created a “Short Term Business Attachment Scheme” where business executives provide support and advice to the diplomats of overseas missions for periods of three to six months (Lee, 2004, p.53). Moreover, some FCO officials are also placed in business environments such as British Aerospace, Unilever, and British Petroleum (Lee, 2004, p.54). This gives them a better understanding of private sector needs. A major aim of these programmes of exchange is, moreover, to increase the professionalism of the staff. During fiscal year 2005-2006, 39 individuals from the private sector were a part of the UK Trade and Investment staff, and 36 civil servants of the organisation were placed in the private sector (UKTI, 2006a, p.9). These numbers show a clear indication of the importance given to these exchange schemes in the UK.

Information technology

Great importance is given to ICT. The centralisation of web-services is almost certainly easier for this country since UK Trade and Investment is clearly defined as the lead organisation in charge of commercial diplomacy. The website of the organisation gives all the necessary information for exporters and investors. The organisation also has been developing programmes to facilitate its work. These include implementing new systems such as a web-based customer relationship management programme and a workflow management system that helps to manage chargeable research and market support (UKTI, 2006a, p.9).

Moreover, due to the importance of the marketing aspect, UK Trade and Investment places great emphasis on making its services appealing, including those provided on the web. This is why it has invested in upgrading both the design and the reporting capabilities of its website (UKTI, 2006a, p.9). Extensive personal experience leads me to state that the UK website is more user-friendly and agreeable than those of Canada and the US.

United States of America

Despite, or perhaps because of its economic size and weight in the global economy, commercial diplomacy is vital to US interests. Indeed, the US even

has a “Bill of Rights for U.S. Business” (Kopp, 2004, p.6). However, the interaction between foreign policy and commercial interests is becoming more difficult to reconcile (Garten, 1997a, p.67). Bearing this in mind, Kopp reminds us that “[s]ecurity and prosperity are the two greatest goals of American foreign policy (2004, p.1).” In the end, however, security will always take precedence over commercial issues (Rothkopf, 1998).

Structural layout

US commercial diplomacy is pursued through 19 agencies (International Trade Association[ITA], 2006), and it is a public type organisation. The Department of Commerce is the principal agency dealing with commercial diplomacy, but the leading agency varies depending on the type of transactions (Kopp, 2004, p.8). The Department of Agriculture deals with agricultural products issues, while the Department of Defense and the State Department control transactions that involve weapons and military technologies (Kopp, 2004, p.8). As Mr. Thorn, US Commercial Attaché in London, explained at interview, the different governmental agencies make reference to the US Constitution to affirm that they have a role to play in commercial diplomacy – and that explains the decentralisation of the system. To overcome coordination and friction problems created by this structure, the Trade Promotion Coordination Committee (TPCC) was created in 1993. The intention was good, but in reality the TPCC does not accomplish its task of enhancing coordination and avoiding duplications (Kopp, 2004, p.9). There is also a sentiment among some experts that the US should go far beyond the TPCC and create a single agency responsible for all aspects of commercial diplomacy (Rothkopf, 1998).

What is most intriguing about the US case is that contrary to the UK and Canada, the central government only deals with export promotion. Indeed, the US does not have a national IPA, since the ‘brand’ of the country is so well-established (Loewendahl, 2001, p.7). Moreover, the US government believes that particular decisions are concerned with identifying a state in which to invest rather than the country as a whole (Loewendahl, 2001, p.7). Since inward investment promotion is not a role fulfilled by the central government it will not be discussed further here.

What also emerges from this is that the US does not seem concerned about its ability to attract FDI. This is surprising since international competition from emerging markets is growing fast, due to what Thomas L. Friedman calls the “flattening of the world” (2005). On one hand, outsourcing is becoming a concern according to some politicians, and it was debated during the last presidential election (Tierney, 2004, p22). On the

other hand, however, the USA's dominant technological position is not assured, which makes the absence of an emphasis on attracting FDI seem short-sighted.

Commercial diplomacy in numbers

At home, the organisation of commercial diplomacy is vast. The budget for the fiscal year 2006, for the activities falling under the umbrella of the TPCC, was \$1.516 Billion (TPCC, 2006, p.71). For 2004, the budget of the Commercial Service of the Department of Commerce was approximately \$200 millions, and the State Department expected to spend \$155 millions on economic and trade affairs (Kopp, 2004, p.11). As in the UK, the trend in budget allocations is downwards (TPCC, 2006, p.71). The ITA, a section of the Department of Commerce, manages a network of 108 offices on the national territory (ITA, 2006, p.1). This network is vast and means that on average there are about 2 centres per state. This is significantly different from Canada, where there is one office per province. It seems that every state competes to have good representation and that this explains why there are so many offices (Thorn, interview).

Legislation passed in 1980 allowed the Department of Commerce to create the US Commercial Service (Kopp, 2004, p.5). It is the US Commercial Service that provides the 1,700 trade specialists who are employed in the national network. There are 150 employees working in 80 foreign countries. Moreover, the Foreign Service Officers (FSO) of the State Department also provide some assistance (ITA, 2006, p.12). Thus, the majority of the staff is based at home in the US, compared to a majority of staff abroad for Canada and the UK. This difference is clearly a consequence of the fact that export promotion is the sole task given to the US Commercial Service.

Strategic approach and targeted companies

The strategic approach of the US is not well documented, perhaps because of its extent and complexity. In their research, Seringhaus and Rosson give minimum attention to the case of the USA (1989, p. 33-44). As we have seen earlier, the lead agency varies according to the nature of the transaction. Therefore, the best way to define the strategy is probably to call it a fragmented strategy. A major reason why the US is not as strategic as the UK and Canada is the fact that it only pursues commercial diplomacy in order to "level the playing field" (Kopp, 2004; Rothkopf, 1998).

The USA's principal target markets are twofold. The first group are the "Big Emerging Markets" (BEMs) (Garten, 1997b), including Argentina, Brazil, China, India, Indonesia, Mexico, Poland, South Africa, South Korea, and Turkey. The BEMs were identified in 1993, and it was believed that they would lead the world in terms of economic growth for the next two decades (Slough, Miesing and Brain, 2004, p.1). The second group are those that have signed a Free Trade Agreement (FTA) with the US (TPCC, 2005, p.ix).

TPCC documents reveal that no particular sectors are identified as a priority (2005; 2006), and this was confirmed by the US representative (Thorn, interview). This is, again, an approach that is not adopted in Canada or the UK. However, it must be restated that this only concerns export promotion. Despite not taking an active role in the promotion of inward investment, the central government can still influence the types of inward investment it favours by adopting laws that are more favourable for certain sectors. By contrast, there are definitely sectors that are sensitive and where exports are clearly monitored. The obvious case is military technologies and armament, evidenced, for example, in the sale of F-16s to Chile (Kopp, 2004, pp.25-29). Other examples of sectors that are monitored are telecommunications, and computers (Garten 1997a, p.75-76).

Since the US government does not pursue inward investment promotion, image-building is not a priority, possibly not even a concern. This is a rare case. There are some signals that inward investment promotion might become part of the mandate of the TPCC (Thorn, interview). However, the importance of image-building will most likely remain at the bottom of priorities even if the TPCC mandate is modified, since the US economy looks set to maintain its global dominance.

The government officially prioritises SMEs (ITA, 2006, p.1; Kopp, 2004, p.53). However, since there is no official definition of an SME in the Department of Commerce, this claim is ambiguous (Thorn, interview). Leaving this aside, because of its economic size, it is quite common for the US to have more than one company competing for major contracts or government procurements. This leads to situations where the government can only provide general support for US firms because of the need to avoid favouritism (Kopp, 2004, p.12).

Trade missions

Trade missions from the US are never led by the President (Thorn, interview). As Kopp says: "Raising commercial diplomacy to the White House level has historically been difficult and remains so today (2004, p.54)." Usually, the most senior person to lead trade missions is the Secretary of

Commerce (Rothkopf, 1998). The trade missions are subcategorised as follows: commercial missions, market access missions, policy missions, combined missions, and certified trade missions (ITA, 2006, pp.24-25). They vary in their objective, but for the purpose of this research, we will focus on the last one, certified trade missions.

Certified trade missions are usually organised by private-sector groups or states, but they are approved by the Department of Commerce (ITA, 2006, p.25). This highlights the role played in US commercial diplomacy by both the private sector and the states. Canadian provinces also pursue trade missions, of course, but here the scale is very different; California, for example, has roughly the same population as Canada as a whole. Therefore, the impact of missions conducted on behalf of the major US states can not be underestimated because of the size of their population and the political power that they possess.

Pricing practices

The services offered by the US Commercial Service range between \$100 and \$800. They are always calculated with a matrix of costs depending on the type of service and the location where it is provided. The types of service that are charged are the following: participation in trade missions and trade fairs, special market research, and research to find potential partners. The costs are normally very low and only serve to recover a portion of the costs. The provision of these services at low cost aims to fill a gap, since some companies cannot afford expensive private sector counselling (Thorn, interview).

Cross-fertilisation

The issue of cross-fertilisation is not well documented in the US case. Similar to Canada, only a few schemes exist where associations and chambers of commerce exchange staff with the governmental organisations. The difference in salaries between public and private-sector workers in the US explains why few business people transfer to the public sector, even for short periods (Thorn, interview). However, in the US, the nomination of ambassadors from the private sector is quite common.

Information technology

The entry point in the US for questions concerning export promotion is the Trade Information Center (ITA, 2006). The Internet is the perfect place to give out the basic information and it gives great reach. However, there will

always be a need for people that can explain foreign regulations and give in depth analysis (Thorn, interview). Moreover, the US appears to be leading the way when it comes to “virtual trade missions”. The government offers a videoconference service that allows companies to meet potential foreign partners without having to pay the expensive travel costs (ITA, 2006, p.16). This service, which is endorsed by the US Commercial Service, ensures the seriousness of clients and saves companies precious time.

5. Conclusion

Commercial diplomacy is well-established. It is the art, or the science, of helping a country’s enterprises trade abroad and to convince foreigners of the advantages of investing in the home country. This task is usually pursued through a network of public and private actors that include governmental staff, business leaders, chambers of commerce and associations.

The governmental structures adopted vary greatly. They can be solely public or private. However, the vast majority of countries adopt a public-private structure that gives more flexibility. Canada and the US have adopted a purely public structure while the UK employs a public-private structure. As a consequence, the UK structure seems more flexible and adapts more rapidly to changes than those of Canada and the US; however, the potential for conflicts of interest is also greater.

The lead agency varies from a unification of foreign policy and trade departments, as in the case of Canada, to a complete decentralisation of activities, as in the case of the US. In all three of the cases analysed here the central government takes responsibility for commercial diplomacy. What distinguishes the US significantly from Canada and the UK is the fact that it does not deal centrally with inward investment.

Regarding export promotion, the strategic approach — be it loosely coordinated where an array of general services are provided to all companies or integrated to offer different services depending on where the company is situated in the exporting process — adopted by the countries evaluated in the case studies differs. The US is clearly not strategic in its approach, while the UK is quite strategic. Canada is situated in the middle, although it tries to adopt approaches similar to those in operation in the UK. As concerns inward investment, the importance given to image-building is greater in Canada, because it is not internationally recognised as a leading economic destination for investment. The sectors targeted by Canada and the UK are very similar. They consist of all the sectors that are associated with the knowledge-based economy. Moreover, all the countries dedicate their resources to help small

and medium-sized enterprises export abroad.

When it comes to FDI, the countries focus on large companies because they provide tremendous opportunities. The services provided are always similar in nature, because that is what firms want. The way trade missions are used varies between the three countries. Canada uses politicians of the highest rank possible, the UK rarely does this, while the US avoids such practices. There is a trend toward charging for certain services in all three countries. Cross-fertilisation, the practice of including business executives in embassies and sending civil servants to the private sector to improve their skills, is mostly used in the UK. Finally, information and communication technologies are widely used by all the countries.

Many questions remain unanswered. To what extent can the government recover costs through charging? How will the tendency to centralise commercial diplomacy be affected by the autonomy given to local and regional governments, and subsequently how can countries deal with regional rivalries over FDI? With rising questions over conflicts of interest, how far can cross-fertilisation schemes go? Concerning export promotion, which companies should be helped; those whose headquarters are based in the country or those that deliver the most value-added to the country?

It is difficult to foresee how commercial diplomacy will evolve in the future. For policy makers there is no clear answer to the question of which structures and practices are best. Even if there was such an answer, the political, historical, and economic factors that have influenced the way commercial diplomacy is conducted in every country will not change. Therefore, it will be difficult to modify successfully existing structures and processes. What is certain is that commercial diplomacy will not disappear. No country can afford not to engage in the practice and the three countries studied here seem fairly content with the existing situation, despite the large amount of money spent on commercial diplomacy.

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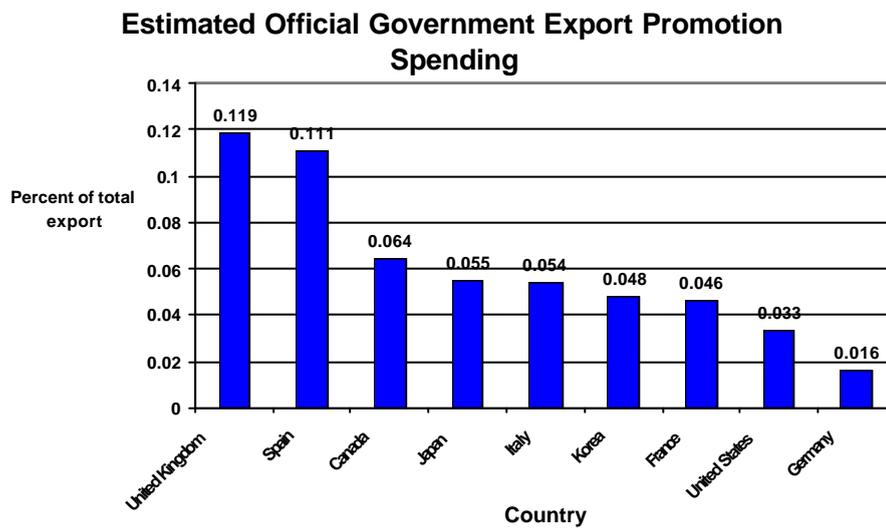
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Statistic	Canada	UK	USA
Gross Domestic Product (GDP) (Billion \$US, current prices and in purchasing power parity (PPP))	1,003.0	1,881.0	11,679.2
GDP per capita (\$US, current prices and in PPP)	31,395	31,436	39,732
FDI flowInwards (Millions \$US)	6,293	78,399	95,859
FDI flows.....Outwards (Millions \$US)	47,453	65,391	229,294
Exports (Free on board (F.O.B.), millions \$US)	304,453	341,596	818,520
Imports (Cost, Insurance, Freight (C.I.F.), millions \$US)	279,912	451,680	1,525,680

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FIGURE 1



Note: Figures exclude trade financing and agricultural promotion.

Source:

Trade Promotion Coordination Committee, *The 2005 National Export Strategy*, Washington: Department of Commerce, p.vii, 2005.

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