

Training Professionals in Trade Policy Development Advocacy and Negotiation - The Training Challenge in Commercial Diplomacy

Geza Feketekuty

The expansion of trade brought about by the reduction of trade barriers and the globalisation of production has created a shortage of professionals trained in commercial diplomacy. Commercial diplomacy encompasses all the activities related to analysing, developing, negotiating and implementing trade agreements. Professionals with the unique set of skills associated with commercial diplomacy are in demand not only in trade ministries, but also in many other government departments, in private corporations, in industry associations, in other non-governmental organizations and in international economic institutions. The shortage of well-trained professionals is particularly acute in developing countries and transition economies, which face a severe shortage of experienced professionals in the field and lack the institutional capacity to train them. Training professionals in the skills of commercial diplomacy is thus a new challenge for the global trading system that needs to be addressed.

Negotiating and managing a country's participation in trade agreements has become an increasingly important task, since trade agreements have emerged as the key driver of the global organization of production, investment and trade, and consequently of the commercial success and economic welfare of nations. Negotiating and managing a country's participation in trade agreements has also become an increasingly challenging task, since trade agreements now address a wide range of domestic regulatory measures, as well as measures at the border such as tariffs. Professionals in the field must be able to analyze complex commercial, political, legal, economic, institutional and substantive policy issues. They have to be skilled communicators and negotiators, able to formulate, negotiate and implement trade agreements.

Most practitioners in the field today have acquired their skills and knowledge through on-the-job training. On the job training requires personal mentoring by an experienced supervisor, over a period of up to several years. As a result of the sharply increased demand for professionals with skills in commercial diplomacy, the old mentoring/on the job training method is no longer adequate to meet the demand.

Training trade professionals in the skills of commercial diplomacy is thus a new challenge that needs to be addressed. The problem is particularly acute for developing countries and transition economies, now referred to as disadvantaged countries. Without more trained professionals in trade related fields, including commercial diplomacy, these countries cannot take advantage of the economic opportunities provided by trade liberalization.

World leaders have come to recognize the critical importance of helping these countries to train trade professionals and to build an institutional capacity for developing, managing and implementing trade agreements. Commitments to support and fund such training have been made by the WTO, the OECD and by the 1999 G-8 Economic Summit in Okinawa, Japan.

The formation of an effective training program in commercial diplomacy for developing countries has been hampered by the fact that the economically advanced countries have never developed a systematic approach to such training. It is therefore necessary to examine what a professional training program in commercial diplomacy should encompass, and the kind of technical assistance and training materials that would be needed to establish an institutional capacity to train commercial diplomats in the developing countries themselves.

This article presents the content, scope and methodology of an integrated and comprehensive approach to training in commercial diplomacy, and describes the steps required to make such training widely available in developing countries. It places the challenge of training commercial diplomats into the context of the development needs of disadvantaged countries and the commitments made by world leaders to support efforts by these countries to develop an institutional capacity to train professionals in trade-related skills, including commercial diplomacy. It concludes with a modest proposal for reaching consensus on a way forward.

What is Commercial Diplomacy?

Commercial diplomacy is diplomacy with a commercial twist — diplomacy designed to influence foreign government policy and regulatory decisions that affect global trade and investment. In the past commercial diplomacy concerned itself largely with negotiations on tariffs and quotas on imports. In today's more interdependent world, trade negotiations cover a far wider range of government regulations and actions affecting international commerce — including standards in health, safety, environment, and consumer protection; regulations in banking, telecommunications and accounting; competition policy and laws concerning bribery and corruption; agricultural support programs, and industrial subsidies. Commercial diplomacy encompasses the whole analysis, advocacy, coalition-building and negotiation chain that leads to international agreements on these trade-related issues.

A commercial diplomat must learn how to analyze all the factors that have a bearing on the policy decision-making process at home and abroad, including an in-depth analysis of

- The commercial interests at stake,
- The macro-economic impact of alternative policy options,
- The political influence of all the stakeholders with commercial, policy-oriented or institutional interests,
- The domestic policy issues that may be entwined with the foreign trade issue,
- The applicable domestic and international legal provisions, and
- The state of public opinion, and including the impact of media coverage

Most issues addressed by commercial diplomacy today are political in that they affect the interests of many stakeholders. A stakeholder is anyone who has a stake in the outcome of decisions and who can exercise political influence of one kind or another to shape the outcome. Stakeholders in trade policy decisions can include (a) officials of any government department or regulatory agency with a policy interest or bureaucratic stake; (b) any firm, union, or industry association with a commercial stake; (c) any non-governmental organization with a policy or organizational stake in the outcome; (d) individual citizens as voters. The increased focus in trade negotiations on domestic regulatory issues has substantially increased the potential

pool of stakeholders, and thus increased the domestic political dimension of commercial diplomacy.

Commercial diplomacy increasingly requires the use of a wide range of advocacy and coalition-building tools for favourable decisions at home and abroad. To obtain the support of the home government in trade disputes with other countries, or to gain favourable decisions from the home government in on trade-related issues, the commercial diplomat must use a range of advocacy tools. Advocacy tools include letters, testimony, white papers, speeches, op-ed pieces in newspapers, phone calls and personal visits to key stakeholders and decision-makers. The commercial diplomat must also build coalitions — within the government, industry or interest group -- to exert political influence in support of desired outcomes among stakeholders with political influence. Internationally, commercial diplomats must apply the same advocacy and coalition building tools to stakeholders in all other countries involved in the resolution of an international trade or investment issue.

Once a domestic decision has been reached on a trade negotiating issue, a trade dispute, or on a broader scale, on a national trade policy, commercial diplomacy moves to the international negotiation and/or dispute settlement phase of the process. The negotiation of politically sensitive issues, however, may well require further interactions with domestic stakeholders as part of a continuing consensus building process. Once an agreement is negotiated or a decision is rendered in a trade dispute, trade officials usually have to persuade domestic decision-makers to effectively implement the agreed outcome.

Who Needs Training in Commercial Diplomacy?

The most obvious candidates for training in commercial diplomacy are the officials responsible for developing their country's international trade and investment policies and for negotiating international trade and investment agreements with other countries. What is less obvious is that all other stakeholders involved in the trade policy development and advocacy processes need the same training. Trade officials are only the most visible commercial diplomats. They usually are outnumbered by officials with trade-related responsibilities in many other government departments and ministries — officials from departments or ministries responsible for foreign affairs, finance, agriculture, industry, labour, health, the environment, the regulation of banks, telecommunications, air transportation, or the licensing of professionals.

Others who need instruction in commercial diplomacy include managers in the international departments of industry associations, corporations, unions and non-governmental organizations that have a stake in the outcome of trade policy decisions. In order to play an effective role in the domestic and global political advocacy and coalition-building process that precedes negotiations, these stakeholders need most of the same commercial diplomacy skills as government trade negotiators. Skill in commercial diplomacy is also required of corporate managers posted in foreign countries, who often must interact with the host government on a broad range of regulatory issues.

Another group that requires training in commercial diplomacy is the secretariat staff of international organizations that deal with global trade, investment and trade-related regulatory issues. While such officials as a rule play less of a direct role in the

political management of trade issues, they can most effectively do their job if they understand the politics of trade.

The Skills the Commercial Diplomat Needs to Acquire

The commercial diplomat requires all the finesse and knowledge of foreign cultures required by a traditional diplomat. In addition, the commercial diplomat must acquire a wide range of analytical, advocacy, public relations and negotiating skills.

Analysis

Commercial Analysis.

Commercial diplomacy is all about commercial interests and the commercial diplomat must have the ability to analyze and understand the commercial interest that underlies most issues in trade negotiations. The commercial diplomat must be able to read a company's balance sheet and income statement, and understand how a trade issue impacts the costs, revenues, market share and growth prospects of a firm or industry.

Economic Analysis

Commercial diplomacy touches not only the commercial interests of individual firms and industries, but also on the economic interests of the country as a whole. The commercial diplomat therefore must be sufficiently conversant with economic analysis to be able to analyze and discuss the impact of trade policy decisions on overall national economic output, growth, jobs, wages, consumer prices, industry profits, and income distribution.

Analysis of Public Policy and Regulatory Issues

Since commercial diplomacy is increasingly embedded in domestic policies and regulations, the commercial diplomat must be able to analyze and understand a broad range of domestic policy issues, ranging from the habitats of plant pests and the health effects of various toxic chemicals to the testing required to assure the professional competence of accountants, from the capital adequacy ratios of banks to the competitive safeguards in telecommunications. Some of these issues require a rudimentary understanding of science, and they all require an ability to analyze the relationship between a stated public policy objective and the regulations designed to implement them. They require an understanding of best practices and the analysis of empirical evidence.

Political Analysis

Since commercial diplomacy takes place against the backdrop of a domestic political process, the commercial diplomat must be able to analyze the politics of any particular issue. This requires an ability to identify stakeholders, their interests, and their means of political influence. The commercial diplomat must understand the similarities and differences of the political process in different countries, and how the domestic politics of each country impacts trade policy decisions. He or she also must understand the institutional process that underlies trade decisions and how bureaucratic rivalries can influence such decisions. Commercial diplomacy also requires an appreciation of the role of public opinion in influencing policy outcomes, and the role of the press in shaping public opinion.

Legal Analysis

Both domestic laws and international trade rules influence government policy on trade and foreign investment. Commercial diplomacy thus requires an understanding and a rudimentary ability to analyze the domestic and international legal issues that underlie a negotiation or trade dispute. The commercial diplomat must be able to analyze the stated and implied objectives of domestic laws and the legislative history that influences their implementation.

Developing a Plan of Action

A commercial diplomat must be both a keen observer and a participant in the political process leading to a desired policy decision and/or negotiating outcome. In order to assure that the actions are well targeted, the commercial diplomat must translate the analysis of the issue into possible solutions, and into strategies and policies for implementing desired outcomes.

Developing a Solution

Successful Commercial Diplomacy requires creativity in the development of solutions to trade problems or avenues for pursuing trade opportunities. This requires an ability to integrate all the elements of the analysis into a holistic view of the issue, and developing an approach that builds on the opportunities and addresses the problems identified in the course of the analysis. The solution must be politically feasible, i.e., meet the needs of the most interested stakeholders, while also serving the broader public interest, i.e., constitute good public policy.

Strategy Development

In order to translate a desired policy or negotiating outcome into reality, the commercial diplomat must develop a strategy. A strategy moves the commercial diplomat from the role of keen observer to an actor in the process. The mistake that most students and practitioners make is to think that a list of actions per se constitutes a strategy. Aspiring commercial diplomats have to be taught that good strategy flows from good analysis, and that a well-implemented strategy should provide a coherent blueprint on how the problems identified in the analysis can be addressed or how potential allies can be mobilized.

Policy Development

Since commercial diplomacy is all about government actions, the commercial diplomat must understand the nature and role of policymaking in government, and how policy is developed and implemented. In the author's experience, many otherwise highly qualified individuals never grasp the essential role of policymaking in government. A commercial diplomat who wants to influence government behaviour, either as a government official or as a private stakeholder, often must seek to build a consensus around an abstract principle or concept that will lend legitimacy to the desired outcome. The successful commercial diplomat must learn when and how to frame an issue as a matter of policy rather than just as a grubby little problem that affects the mercantile interest of a particular stakeholder.

Building Consensus on a Desired Policy or Negotiating Outcome

In addition to analytical skills, the commercial diplomat must possess effective advocacy, coalition building and negotiating skills. In order to advance the interest of the organization he or she represents, the commercial diplomat must build a

consensus among private sector allies and government decision-makers on the desired outcome to a trade problem or trade opportunity. To build consensus, the commercial diplomat needs good public relations skills. The commercial diplomat must also acquire sufficient political skills to influence and/or manage the political decision making process. Finally, the commercial diplomat must be a good negotiator, both internally with other domestic stakeholders and externally with representatives of other countries. To accomplish these tasks, the commercial diplomat must learn how to listen and to productively interact with people of different personalities, languages, cultures, and ethnic backgrounds.

Advocacy

In order to persuade relevant stakeholders of the desirability of a proposed course of action, the commercial diplomat must use a wide range of advocacy tools. The basic advocacy tools of the trade include briefing memos, advocacy letters, white papers, press releases, op-ed articles, public testimony and speeches. These operational documents are the essential tool kit of a commercial diplomat, and learning how to write them in a short and succinct manner is key to success in the field. Equally important is an ability to make effective oral presentations to other stakeholders engaged in the decision-making process.

Coalition Building

A commercial diplomat must learn how to build coalitions. Successful coalition building is critical to the effective representation of less powerful stakeholders or countries, and to the successful pursuit of issues that lack popular appeal. Coalitions bring together different organizations and countries in support of a common goal. Coalition building involves identifying other stakeholder groups or countries with common interests, and developing a common plan of action in support of a desired governmental action, policy goal or negotiating objective.

Negotiation

Ultimately, the commercial diplomat must be an effective negotiator. Effective negotiations start with a thorough identification of the interests of all parties, the constraints that limit possible outcomes, and the alternatives to a negotiated outcome available to each of the parties. Effective negotiation also is a process issue — a process of building relationships, of building momentum through the identification of common interests and the resolution of less difficult issues, and of building up the information necessary for a negotiated solution. Good negotiators know how to avoid certain pitfalls and how to deal with them when they cannot be avoided.

Being an effective negotiator requires a great deal more than being effective in bargaining. Trade negotiations in many ways are quite different from bargaining in the bazaar or market place. The difference is a result of differences in the number of stakeholders represented, in the degree of authority exercised by the negotiator, by the extent to which the negotiation is part of an ongoing relationship, and the extent to which other issues are at stake between the parties.

What Knowledge Does the Commercial Diplomat Need to Acquire?

Along with the skills outlined above, the commercial diplomat must acquire knowledge in a diverse number of fields. These fields include trade laws and institutions, current trade issues, foreign languages and cultures, major areas of

domestic policy, and a combination of economic history and the history of economic thought.

Trade Laws and Institutions

The commercial diplomat must know the basic rules that govern global trade. These include the rules of the World Trade Organization, the rules of key regional trade agreements like the European Communities (EC) and the North American Free Trade Agreement (NAFTA), and the laws governing trade within the home country and within trading partner countries. A commercial diplomat must understand the institutions established for managing trade issues at the national, regional and global level. He or she also must understand the domestic procedures established for negotiating international agreements and addressing and resolving trade conflicts.

Current Trade Issues

A trade professional needs to acquire a full familiarity with all of the current issues on the proposed trade policy and negotiating agenda. No matter what organization or particular issue a trade professional represents, he or she must be sufficiently familiar with all the issues on the current negotiating agenda to understand potential linkages and trade-offs.

Foreign Languages and Cultures

To some extent, the commercial diplomat operates within a global culture defined by the rules and practices of the World Trade Organization and by the English language, which has become the lingua franca in the current era. Nevertheless, to be fully effective when working in a foreign country, the commercial diplomat must be able to speak the language of that country and be conversant with local cultural norms. The commercial diplomats have to be able to discern and address the cultural dimension of international interactions.

Major Areas of Domestic Policy

Trade policy and negotiations cover an increasingly wide range of domestic regulatory issues. Health, safety, and environmental standards; domestic regulations in banking and telecommunications; domestic agricultural support programs, and a myriad of other issues are covered by trade negotiations. An effective commercial diplomat must therefore acquire enough knowledge of the underlying regulatory issues to ask experts in the field the right questions.

History of Economic Thought and Economic History

Knowledge of the history of economic thought and of economic history is useful in commercial diplomacy because it helps to put current issues and ideas into a broader and longer-term context, thus providing the basis for a deeper understanding of the issue and of possible solutions. Such knowledge is not as essential as knowledge of current issues and applicable laws and institutions, but it helps to prepare the truly world class professionals in the field.

What kind of Training is required for Commercial Diplomacy?

The Training Challenge

The commercial diplomat must be part commercial expert, part economist, part public policy analyst, part politician, part lawyer, part negotiator, and part public relations

and media expert. In most universities, a different department teaches each of these subjects. Few graduates of traditional universities or graduate schools emerge with a rudimentary knowledge of all of these fields. More importantly they usually lack an ability to integrate the various fields into a coherent analysis and an integrated strategy. In most cases they also do not know how to apply their academic knowledge to real world situations.

A Comprehensive Approach

A comprehensive training program in commercial diplomacy calls for courses in many different disciplines — economics, business, politics, law, media and public relations, international relations, negotiation and dispute settlement, area studies, foreign languages, and culture. Students should not be expected to become experts in all of these areas, but should be expected to develop a sufficient knowledge to ask the right questions and to translate the answers into an intelligent layman's interpretation of the issue. Students should be expected to understand linkages among the various dimensions of an issue and to rank-order the issue for any stakeholder.

A comprehensive training program in the field would also help students acquire effective written and oral communication skills, as well as good consensus building and public relations skills. The program should include instruction on the techniques of effective negotiation. A commercial diplomat must learn how to assemble information on the interests, constraints, and alternatives that influence the negotiating positions of negotiating partners, and how to distinguish between interests, beliefs, positions and arguments mobilized in support of a position. An effective negotiator also must understand that the successful negotiation of trade agreements requires more than a process of bargaining within a zero sum game framework, and that success often hinges on the ability of negotiators to establish a positive sum game.

Ideally, the instructional plan would require students to practice their analytical and writing skills by having them draft such operational documents as briefing memos, white papers, advocacy letters, press releases, op ed articles, speeches, public testimony, and negotiating instructions on real world issues. Students should learn how to write an operational document that integrates the many dimensions of a trade issue – the commercial, political, economic, legal, regulatory, and institutional dimensions - into a coherent analysis, and lays out a course of action that advances the interests of the organization they represent.

Example of a Comprehensive Graduate Degree Program in Commercial Diplomacy

The graduate program in commercial diplomacy at the Monterey Institute for International Studies in Monterey, California provides one example of a comprehensive professional training program in commercial diplomacy. It consists of a Masters Degree and a certificate program in commercial diplomacy. The educational philosophy of the program is that training in commercial diplomacy, as is the case generally with professional training, should be based on the application of the tools of the trade to real world situations. Students are asked to analyze real world trade issues in terms of their commercial, economic, political, legal, institutional and public policy dimensions, and to integrate the analytical results into real world strategies and negotiating solutions. Students prepare operational documents used in the trade, including options papers, white papers, briefing memoranda, press releases,

speeches and public testimony. Finally, students engage in simulations of real world activities involving commercial diplomacy, including negotiations, press conferences, and public hearings. The objective is for graduating students to master all the operational tasks of a commercial diplomat and to be fully prepared to utilize the tools of the craft on behalf of any government agency, industry association, corporation, union or other non-governmental organization from which they may be hired.