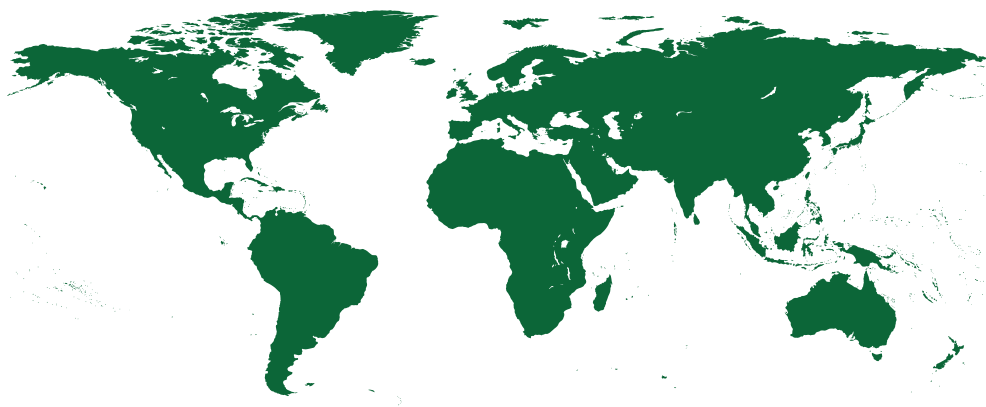


IMO



ZAKLADADRIS

**COMMERCIAL DIPLOMACY OF
THE REPUBLIC OF CROATIA OR WHY CROATIA
TODAY DESPERATELY NEEDS A STRONG AND
SYSTEMATIC COMMERCIAL DIPLOMACY**



ADRIS FOUNDATION

Programme "KNOWLEDGE AND DISCOVERIES"

**COMMERCIAL DIPLOMACY OF THE
REPUBLIC OF CROATIA OR WHY
CROATIA TODAY DESPERATELY NEEDS A
STRONG AND SYSTEMATIC COMMERCIAL
DIPLOMACY**

ADRIS FOUNDATION

Programme “KNOWLEDGE AND DISCOVERIES”

**Institute for International Relations
IMO, Zagreb**

October, 2012

**ADRI FOUNDATION
INSTITUTE FOR INTERNATIONAL RELATIONS**

**COMMERCIAL DIPLOMACY OF THE REPUBLIC OF CROATIA OR
WHY CROATIA TODAY DESPERATELY NEEDS A STRONG AND
SYSTEMATIC COMMERCIAL DIPLOMACY**

Authors:

Ana-Maria Boromisa
Sanja Tišma
Anastasya Raditya-Ležaić

Publisher:

Institute for International Relations
(For the publisher: Sanja Tišma)

Reviewers:

Mladen Andrić
Dražen Kalogjera
Mladen Staničić

Proofreader:

Andrea Ruk

Layout:

Dragana Markanović

Printing:

Printed in 700 copies

The catalogue record (CIP) for this book is available from the
National and University Library, Zagreb, number 826677

ISBN 978-953-6096-66-4

We would like to thank the Adris Foundation for having recognised the significance of the study on commercial diplomacy and for the financial support without which the implementation of this study would not be possible. We hope that this study will stimulate further analyses and discussions, thus contribute to the improvement of the existing system of commercial diplomacy in Croatia

CONTENTS

Acknowledgements	7
1. Introduction	9
2. Commercial Diplomacy	12
2.1. Definitions and Theories	12
2.2. Development and models of commercial diplomacy	16
2.3. The Key elements of commercial diplomacy	21
3. Model of Commercial Diplomacy in Croatia	25
3.1. Institutional Structure	25
3.2. The perception of the actors	35
3.3. Needs of the users	38
3.4. Commercial diplomacy of other countries in Croatia	43
4. Current state and the future of croatian commercial diplomacy	48
4.1. Current state	48
4.2. Outlook of development	52
5. Conclusions and recommendations	62
Bibliography	69
Survey of Opinions	72

Commercial Diplomacy of the Republic of Croatia or Why Croatia Today Desperately Needs a Strong and Systematic Commercial Diplomacy

Acknowledgements

We thank Aleksandar Heina, M.Sc., Mrs. Emilija Vučinić-Margeta, Mrs. Alma Ljubić, Mrs. Marica Jukić, Mr. Hrvoje Ćurak, M.Sc., Mr. Jasmin Devlić and Mrs. Tihana Bohač from the Ministry of Foreign and European Affairs of the Republic of Croatia for their help on the implementation of the research “Commercial Diplomacy of the Republic of Croatia or Why Croatia Today Desperately Needs a Strong and Systematic Commercial Diplomacy”. We also thank Mrs. Lidija Švaljek from the Croatian Chambers of Commerce, Mrs. Sanja Rendić-Miočević from the Ministry of Economics, Ana Pavičić Kaselj, M.Sc. from the Ministry of Construction and Spatial Planning, Mr. Tomas Kuchta from the Embassy of the Czech Republic in Croatia together with Mr. Robert Vindiš from the Czech Agency for the Promotion of Trade, Mr. Valentin Tobias Gescher and Mrs. Snježana Slijepčević from the Embassy of the Federal Republic of Germany in the Republic of Croatia, Mrs. Laura Stojić from the Embassy of the Republic of Finland in the Republic of Croatia, Mrs. Micaela A. Schweitzer-Bluhm and Mrs. Maca Bahlen from the Embassy of the United States of America in the Republic of Croatia and also above all Prof. Mirko Bilandžić, Ph.D. from the Faculty of Philosophy of the University of Zagreb who have helped us gather and arrange all of the information.

We thank all of the participants of the survey and the focus groups that have provided insight into the needs of commercial diplomacy, and also we thank our colleague Mr. Krešimir Jurlin, Ph.D. who had prepared the questionnaire.

We thank Mladen Andrlić, Ph.D., the Director of the Diplomatic Academy of the Ministry of Foreign and European Affairs of the Republic of Croatia, professor Dražen Kalogjera, Ph.D., research

advisor at the University of Applied Sciences “Vern“ and Mladen Staničić, Ph.D., our emeritus researcher who is also the professor at the Higher School of International Relations and Diplomacy “Dag Hamarskjoeld” for their reviews of this study.

For the project team

Sanja Tišma, PhD

Project Manager

1. Introduction

In 2011, the year in which this project was designed, the reform of commercial diplomacy – that is the replacement of the economic advisers with the commercial attachés in the Croatian diplomatic missions – was drafted. There are two key differences between the economic advisers and commercial attachés, as far as their functions and status are concerned. First, the economic advisers are responsible for cooperation with the economical institutions of the government of the host state, while commercial attaches should conduct cooperation with companies. Second, the economic advisers are full-time employees of the Ministry of Foreign Affairs, with the status of diplomatic advisers, while commercial attachés are contractual diplomats who are elected by public competition for a particular country and period of service, or so called attaché. For a more comprehensive understanding, attaché is the lowest diplomatic rank, while the diplomatic adviser is in the middle of the diplomatic hierarchy.

So, the changes (replacing the advisers with the attachés) were expected to achieve the goal of saving the budget, yet to contribute to the implementation of the Economic Recovery Programme. The Economic Recovery Programme was intended to strengthen the promotion of the Croatian economy, including upgrading and strengthening commercial diplomacy. In this context, the Ordinance on the manner of the selection of personnel, vocational preparation, responsibilities and tasks of the Croatian commercial attachés were adopted.

The preliminary analyses, which served as the basis for the project proposal, pointed to the conclusion that the reform of the economic diplomacy has to be completely redesigned and reorganised in order to achieve its primary objectives of promoting exports and attracting foreign investment. Therefore, the starting assumption for this study was primarily to expand the commercial diplomacy implementing activities.

In the meantime, the parliamentary election took place, and it led to the governmental changes and the changes in the structure of the ministries, especially those of key importance to commercial diplomacy: the Ministry of Foreign Affairs and the Ministry of Economy. The concept of commercial diplomacy created by the previous government was abandoned and it was announced that the contracts of the previously appointed trade attachés will not be extended. The analysis of the success of the commercial attachés and their (un)justified work are beyond the scope of this study. However, the status and trends in the economy show that the support of the economy to strengthen competitiveness in the global market and attract the necessary investment is needed.

In this research we try to answer the question of how and to what extent commercial diplomacy could help the Croatian economy to be more competitive in the global market, as well as to contribute to the understanding of the role and the importance of modern commercial diplomacy for the economy and the development of the Republic of Croatia.

In the first part of the study we provide an overview of the theory of commercial diplomacy and bring the examples of the world's practice. It is followed by the part that reviews the institutional structure of commercial diplomacy in Croatia at the national, regional and local level. Based on the situation review, the model of commercial diplomacy used in Croatia could be determined, and the next part of the study evaluates its success. When evaluating

the performance the authors used the results of the survey which included selected participants and beneficiaries of commercial diplomacy. Based on the analysis of the current state and the evaluation of the performance, we draw conclusions and provide recommendations for future improvements.

2. Commercial Diplomacy

2.1. Definitions and Theories

Traditionally, diplomacy is an act that is conducted between states (see for example Berković, 2006: 13). Berridge, G. R. (2001) defined diplomacy as official channels of communication employed by members of a system of states, therefore it is the conduct of relations between sovereign states through the medium of officials based at home and abroad, the latter being either members of their state's diplomatic service or temporary diplomats (Berridge, G. R. and Alan, J., 2003). Through these definitions, diplomacy is seen as an act that does not involve any other non governmental institutions and that does not involve any other interests but the state's interests.

Until a few decades ago, economic (including trade) activities were often considered peripheral within diplomatic activities. Thus, the "traditional" diplomats enjoyed much more respected reputation than the "regular commercial attachés".

As the world becomes more open, the markets more liberalized and the competition stronger, it became necessary to encourage activities that support economic growth, investment and exports. This was why diplomats are increasingly concerned with the activities to increase the competitiveness of the national economy

and individual businesses, and diplomatic activities started to include new actors. The inclusion of new stakeholders in diplomatic activities initiated the use of the concept of commercial diplomacy¹.

In Croatia, neither the term economic nor commercial diplomacy are widely known, although the scholarly diplomatic literature has been using the terms economic and/or commercial diplomacy (Mesić, S. and Plevnik, J., 2011.). The term economic diplomacy would include trade, financial and other economic relations between the countries, the industries, including investments, customs cooperation, cooperation in agriculture and trade, and a common approach to the market (Nick, 1999: 62).

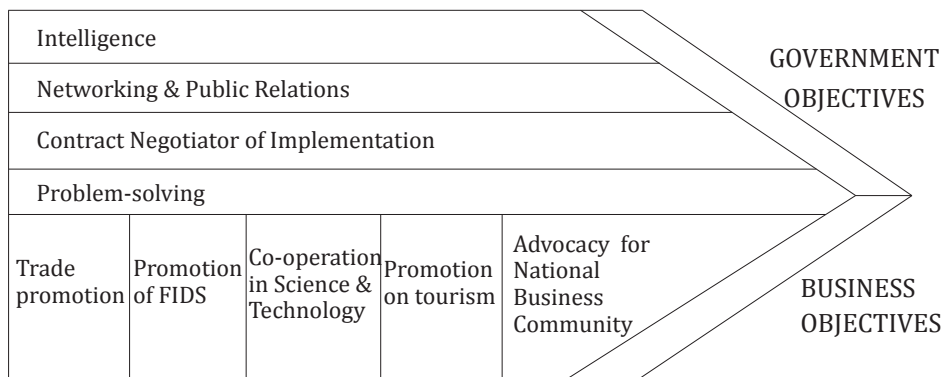
Economic diplomacy implies diplomatic activities in support of the business and the financial sector of the mother country. These activities concern economic policy issues, therefore economic diplomats monitor and report on economic policies in foreign countries and give the home government advice on how to best influence them (Berridge and James, 2005). Meanwhile, commercial diplomacy is defined as a support to the home country's business sector for the sake of national development (see Figure 1).

Throughout this study the term commercial diplomacy is mostly discussed. When the term economic diplomacy is used in broader sense of the economic policies, it is particularly highlighted.

Potter (2004) has demonstrated the value of commercial diplomacy as a combination of effects of business-government cooperation for the realization of economic benefits.

1 The concept of commercial diplomacy has not been formally used until recently, but the activities have been carried out for a long time. Trade agreement is a good example of commercial diplomacy, and the Egyptian pharaohs and Babylonian kings inferred such contracts already in 2500 BC.

Figure 1: Activities and goals of commercial diplomacy



Source: Potter (2004)

Potter defined five primary activities of the commercial diplomacy:

1. Trade promotion,
2. Promotion of Foreign Direct Investments,
3. Cooperation in science and technology including research and development,
4. Promotion of tourism, and
5. Advocacy for national business community

For supporting the primary activities, other supportive activities were also defined to provide the inputs needed for the primary activities to take place. These supportive activities are:

1. Intelligence,
2. Networking and public relations, involvement in the branding or image campaign,
3. Support for business negotiation and contract implementation, and
4. Problem solving.

Trade promotion is a fundamental scope of activity within commercial diplomacy. Not only is the goal of trade promotion to increase export of the home country, but also to search for new potential markets. Traditionally, this effort was performed by the embassies under the Ministry of Foreign Affairs (MFA). Nowadays, depending on the institutional structure of the state, the effort can be carried out solely by MFA, or jointly with other ministries (such as the Ministry of Trade or the Ministry of Economy) or with the third agencies. For example, in the United Kingdom (UK), the Ministry of Trade and Industry had established jointly with the Foreign Office (Ministry of Foreign Affairs) two special units to handle trade and investments. In Singapore, the Ministry of Trade and Industry supervises two special entities (the Singapore Trade Board and the Singapore Economic Development Board) which are fully in charge of promoting the trade issues (Rana, K. S., 2000).

The second main activity of economic diplomacy is **promoting Foreign Direct Investments (FDIs)**. The promotion of FDIs today mainly remains the tasks of embassies. It is performed by the staff of the relevant ministries or agencies in charge of trade and foreign investment. In the home country attracting the investments are usually handled by special agencies, and their work is based on a detailed investment strategy that includes priorities and projects.

Cooperation in science and technology, including research and development, is significant to improve technical capacity of the business sectors, therefore guaranteeing their competitiveness in the international market. Often, the Ministries of Science coordinate the activity.

Promotion of tourism is generally conducted by the Ministry of Tourism or the National Tourism Board. Most embassies in the world are well equipped with various promotional materials of the home country, and this could be the result of the cooperation between MFA and the Ministry of Tourism, or solely the work

of one institution, depending on the cooperation model by the country. For a country that relies on tourism industry as one of its primary revenues like Croatia, the promotion of tourism is a very vital activity in the commercial diplomacy. Tourists visits increase not only income of the businesses in the tourism sector but also in other sectors, or even invite FDIs.

While other activities are mainly conducted by governmental bodies, the last primary activity, **advocating business sectors**, is mainly done by non-governmental bodies (such as chambers of commerce, the unions and other civil organisations including farmers' organisation, consumers' organisation, etc.). In some countries advocating business sector is done by special commissions within the framework of the ministries or other governmental bodies.

Advocating for the business sector is a growing activity of commercial diplomacy, and it is sometimes difficult to determine the difference between the economic diplomacy (which should help in achieving the interests of the state and the business community) and lobbying (which is primarily focused on one interest group). This kind of activity is very popular and well developed in the more developed countries, but somehow non-existent in less developed and developing countries, if not seen as illegal and linked to corruption (Narray, P., 2005).

2.2. Development and models of commercial diplomacy

Various factors, domestic and international, have been affecting the development of commercial diplomacy.

At the international level, the most important processes are trade liberalisation, strengthening competition and globalisation. Decentralisation, however, is among the leading factors at the national level to promote the development of commercial diplomacy.

Globalisation had created a more complex and interconnected world. The borders and limits between states that are decreasing from time to time had created so-called supra-territorial relations between individuals and/or institutions in the world. On one side, Multinational Companies (MNCs) and Transnational Companies (TNCs) have been increasingly doing mergers and acquisitions in order to intensify cooperation while also trying to influence domestic and international policies in their favours by lobbying governance bodies. On the other side, countries are facing an intensive competition in economic gains; therefore they form groupings between alike-minded countries in order to form supranational governance in their favour.

Within the framework of the competition and cooperation with nation states and giant companies as the main actors, other non-governmental and non-profit actors such as Non Governmental Organisations (NGOs) are also getting involved. These NGOs could be in the form of pressuring groups, lobbying groups or other civil society organisations that are trying to add their voice to the policy making process within setting intergovernmental organisation such as the World Trade Organisation (WTO). The lobbies that NGOs are doing could be in various forms and for different interests, such as fight to protect the local people and small business from fierce competition with MNCs, or fight against exploitation of resources. In order to avoid violence and chaos that can be erupted from potential policy conflicts, there is an urgent need of a constructive diplomatic expertise to manage the relations in today's relations between all the actors.

The development of commercial diplomacy had transformed the tasks of most governmental institutions within a nation-state. The Ministries of Foreign Affairs (MFA) that in the past period had prerogative task for state-to-state affairs are now supported by other ministries or state bodies in conducting international affairs. Ministries in other specified fields have been also engaging in inter-state affairs that relate to their specific fields of work, and are responsible to those domains in the framework of international cooperation, for example, Ministry of Labour at the International Labour Organisation (ILO), Ministry of Trade at WTO, Ministry of Finance at the International Monetary Fund (IMF), etc.

Facing this shift in the power, many MFAs in the world are trying to block other ministries' entrance to the international arena, some have been gradually accepting their secondary role in the meetings, and the rest have been successfully transforming their role from being a single player in the international economic policy to becoming an inter-ministerial coordinator in the formulation of foreign economic policy (Saner, R. and Yiu, L., n.d). In Croatia, the Ministry of Foreign and European Affairs is in charge of the coordination of policies related to foreign policy. However, a part of them is in charge of the accession to the European Union (EU), and the EU affairs are not exclusively foreign affairs, but they also include domestic issues. Furthermore, as the authority for the creation of foreign policy is shared between the president and the government, while the president does not have instruments for the implementation of the economic policies, the institutional relations are quite complex (more on this in the next chapter).

Other factor that encouraged the development of commercial diplomacy is decentralisation within a country. The latest developments in the world show that greater power is given to the regional and local authorities to conduct their affairs. Many regions, provinces and counties in the member states of the EU

have their representative offices in the European Commission (EC) in Brussels. If traditionally affairs with other countries were monopolised by the central or federal government, recent empowered regional and local authorities are determined to establish their own direct ties with the outside world to satisfy their specific regional and local interests, regardless in economical sense or others.

The outlined roles of various actors indicate that there are numerous models of commercial diplomacy. The key differences are in the organization and coordination, i.e. which body takes on a leadership role. The following are the five models that are commonly applied by most MFAs in the world, described by Rana (2000).

1. The unified model, where MFA completely handles and unifies the foreign affairs and the issue of foreign trade. A mission abroad would have both its diplomatic service and its commercial export promotion service. This model is applied by Brazil, where the key actor is the MFA. Only MFA has the authority to negotiate with third countries. With the occurrence of new players on the international level, the ministry established a new department. Brazil is one of the few countries that are represented by the MFA in the WTO. The diplomatic service also performs economic activities abroad.
2. Partly unified model, where the MFA and the Ministry of Trade or of Economy jointly establish a special unit to handle trade and investments in the diplomatic mission. Besides the aforementioned UK, Thailand applies such a model. Instead of the usual ambassadors, who head the diplomatic staff of the MFA abroad, Thailand has introduced the so-called CEO-ambassadors who manage the staff of the MFA and all other state bodies (ministries and other agencies) in the receiving state.

3. Third agency model, where MFA stays completely out of the trade issues to be handled by independent state entities under the supervision of the Ministry of Trade. The posts of these entities could be within MFA's missions, with ambassadors and other diplomats working closely with them, but their tasks will never overlap. An example of this model is Singapore. International Enterprise Singapore (IES)² promotes the export of products and services, and mobilises all actors of economic diplomacy, so-called Singapore Team. IES has set a long-term vision for growth that includes a "growth triangle" with Malaysia and Indonesia.
4. The competition model, where MFA and other ministries have overlapping tasks and responsibilities without clear divisions, not only in handling foreign trade and investments but also in handling international meetings within international organisations. This model is the result of incompatibility of goals and activities.
5. The renunciation model, where MFA completely handles the issues of foreign trade and investments over to other ministries, therefore MFA do not have any role in the economic work of the country. Such a model is being applied in China, where the MFA is not concerned with anything that is related to trade issues. Commercial diplomacy is conducted by the Ministry of Economy and other ministries or agencies under the direct coordination of the Politburo of the Communist Party. Coordination between ministries is done at the level of deputy ministers.

2 Previously known as Singaporean Board for Development and Trade

2.3. The Key elements of commercial diplomacy

Regardless of the chosen model, some recipes are provided on how commercial diplomacy could be successful. These elements are identified in the literature (more on this in Rana, 2000) and to date have not significantly been changed. The elements are described in Table 1.

Table 1: Key ingredients to successful commercial diplomacy

	Key ingredient	Example	Potential problem
1.	Involvement of other institutions in activities abroad, not just MFA and Ministry of Economy/ Trade/ Industry. Business units, chambers of commerce, financial sector, business schools and tourism sector should also be involved.	Involvement of advisory groups composed of businessmen to guide external economic outreach and FDI mobilisation; think-tanks and scholars working with business leaders to advise on free trade negotiations.	MFA is usually marginalised when other agencies gain ascendancy in foreign policy decision-making; therefore diplomatic-consular mission is often not utilised to its capacity for the advancement of national interest.

2.	The structures of foreign affairs and external economic management need to be integrated or harmonized.	<p>Merging foreign affairs and external trade to become one agency/ministry. Example: Scandinavian, Caribbean and South Pacific countries,</p> <p>Separating trade policy activities (to be combined with foreign affairs) from trade promotion which is handled by another agency.</p>	Merging foreign affairs and trade might be seen taboo considering the institutional weight of the ministry of trade in handling the internal/domestic trade.
3.	Focus on the twin immediate priorities: increasing exports and mobilisation of FDIs.	Embassies and consulates could focus on export promotion by finding markets, trade fairs, business meetings, etc., while mobilisation of FDI could be done from the home country.	

4.	Good regulatory framework to create the conditions needed to advance trade and investments.	Free trade and preferential trade agreements, agreements that tackle non-tariff obstacles, shipping and other transport agreements, investment protection and facilitation accords.	The process will not be handled optimally if the MFA and the Ministry of Trade are not merged or not in the position of close cooperation.
5.	Maximising the effectiveness of the action taken.		general lack of drive in the country's entire diplomatic mechanism.

Source: Rana, K. S. (2000)

There are more actors in commercial diplomacy today compared to the traditional diplomacy. The relations between each actor is also more complicated and interconnected given the nature of competition. Difficulties arise when these interests oppose. For example, the interests of MNCs may include investments in emerging markets, and such investments may have an adverse effect on small businesses that want to increase their exports to these markets. In this context, economic diplomats have to enable the achievement of government objectives (which follow the bodies that oversee their work, and the MFA, Ministry of Economy) and the goals of the business users.

The above point is also the element that can be used to differentiate the commercial diplomacy of lobbying. Lobbyists representing the interests of individual companies, sectors and interest groups, regardless of their impact on the economy in general or other interest groups, while economic diplomat advocates aligned interests.

Balance of interests is often painstaking and time-consuming, and in some cases impossible. Therefore, different instruments are used to achieve the goals. For example, small and medium enterprises (SMEs) use economic diplomacy to get basic information on market information, list of potential buyers, distributors, importers or simply contacts for more specific information (Naray, O., 2010). Larger firms and MNCs use commercial diplomacy in a higher level such as to influence relevant policy-making and regulations in the host country.

The selected model of commercial diplomacy should, therefore, respond to the needs of the economy, which depends on the structure (size of the companies, sectors in which they operate). It is also important to guarantee the minimum level of knowledge and skill that every single economic diplomat must have. This level relates to:

- Maintaining and providing overview of the business needs;
- Being familiar with given complex sectors such as bio-tech and IT;
- Providing the right networks and contacts;
- Being familiar with local regulations, institutions and economic reports;
- Searching for potential new business areas;
- Attracting investments; and
- Promoting positive corporate and country image (Naray, O., 2010).

3. Model of Commercial Diplomacy in Croatia

3.1. Institutional Structure

The description of the model and the basic activities of commercial diplomacy have shown that within its implementation, the relations between the institutions involved are the vital keys to the creation and the implementation of foreign and trade policy. Therefore, it is best to start by defining the responsible institutions for shaping Croatian foreign and trade policy. The following are the institutions that have been identified as the actors in commercial diplomacy:

The President of the Republic of Croatia co-operates with the Government in formulating and executing foreign policy. The President, upon the proposal of the Government and with the co-signature of the Prime Minister, decides on the establishment of diplomatic missions and consular offices of the Republic of Croatia abroad. The President, upon the proposal of the Government and with the opinion of the competent committee of the Croatian Parliament, shall decide on the appointment and the dismissal of heads of diplomatic missions of the Republic of Croatia abroad with prior co-signature of the Prime Minister.

The Government of the Republic of Croatia conducts foreign policy, directs and supervises the work of the state administration

responsible for the economic development of the country, yet directs the operation and the development of public services.

The Government consists of the President of the Government (which is a Prime Minister), Vice Prime Ministers and the Ministers. Two Vice Prime Ministers are responsible for the issues of economic and foreign policy, and therefore the activity of commercial diplomacy: the first Vice Prime Minister who is also the Minister of Economy (R. Čačić) together with the Vice Prime Minister for Internal, Foreign and European Affairs (N. Mimica). The Government also has several other permanent bodies that are responsible for the tasks related to commercial diplomacy, such as: the Committee on EU Affairs, Co-ordination for Internal and Foreign Affairs, Co-ordination for Regional Development and EU Funds, and Co-ordination for Economy.

The Government's Committee on the EU Affairs co-ordinates and confirms the positions of the state for the representatives of the state to represent in the EU institutions and bodies; it also decides on the Croatian participation in international development aid and co-operation, and it concludes and implements the international agreements in the above mentioned areas.

The Co-ordination for Internal and Foreign Affairs handles the issues of Croatian position on the international level for deciding on co-operation, development and improvement of Croatian relations with other countries, international organisations and other international subjects. It also conducts Croatian participation in the working scope of the EU in the field of the common foreign and security policy, preparation and execution of international obligations assumed the Republic of Croatia, and the conclusion and the implementation of international agreements in the above mentioned areas.

The Co-ordination for Regional Development and EU Funds handles the issues related to the development of cross-border,

transnational and interregional co-operation.

The Co-ordination for Economy handles the issues in the fields of industry, energy, shipbuilding, mining, crafts, corporations, transport and connections, physical planning and construction, environmental and natural protection, food service, trade, monetary system, customs system policies, employment, labour markets, financing of public facilities, state budget and other issues in the areas of finance and economy, property and other proprietary rights, protection of the Croatian property, business property, the Croatian participation in multilateral trade and other international economic bodies, organisations, and finally it concludes and implements the international agreements in the above areas.

In short, the Co-ordination for Internal and Foreign Affairs, the Co-ordination for Economy, the Co-ordination for Regional Development, and the Committee on EU Affairs are responsible for coordinating and verifying the positions concerning relations with other countries, international organisations and other subjects of international law, and to conclude and implement the international agreements in each field. The structure of the tasks of the permanent bodies of Government does not give a clear picture of the division of powers nor supplementing duties to certain ministries. Their activities anyhow are associated with the promotion of trade and FDIs, co-operation in science and technology (including R&D), tourism promotion and advocacy of national business community.

The Ministry of Foreign and European Affairs (MFEA) replaced the former Ministry of Foreign Affairs and European Integration following the Parliamentary election.

The scope of the work of MFEA includes the traditional foreign affairs and diplomacy, and tasks related to commercial diplomacy. MFEA's tasks include representing Croatia in other countries,

international organisations and at international conferences; the development and improvement of Croatian relations with other countries, international organisations and other subjects of international law and international relations.

In addition, MFEA, in co-operation with other relevant ministries and governmental agencies, is involved in the promotion of the economic interests of Croatia abroad, and in the creation of cross-border, transnational and interregional co-operation projects. MFEA performs tasks related to the policy of international development assistance and co-operation, and the participation in related projects. Also, MFEA is responsible for co-operation and negotiations with representatives of other countries, international organisations and other subjects of international law and international relations, the preparation, signing and execution of international agreements, and to encourage and facilitate the co-operation of the governmental bodies with foreign partners in the economic and scientific fields.

Operationally, the tasks that are associated with economic relations are conducted at the level of "Service" (Croatian: *Služba*). Within the Directorate for European Affairs, the tasks are carried out by the Service for Bilateral Economic Relations with EU and EFTA Member States; while within the Directorate for Bilateral Affairs the tasks are carried out by the Service for Bilateral Economic Co-operation; and within the Directorate for Multilateral Affairs and Global Issues the tasks are carried out by the Service for Multilateral Economic and Social Affairs together with the Service for International Development Co-operation and Humanitarian Issues.

The activities of commercial diplomacy are carried out by economic advisors and by commercial attachés within the diplomatic and consular missions. Economic advisors are full-time employees of the MFEA, while the commercial attachés are contractual diplomats. The economic advisors are responsible for

the relations with financial institutions in the recipient country, and the commercial attachés with businesses. The main goal of the activity of the attaches is increasing Croatian exports and attracting FDIs to Croatia. These activities should be carried out on the basis of strategies to facilitate and encourage investment and exports, which are produced by the **Ministry of Economy**.

The Ministry of Entrepreneurship and Crafts handles the issues related to the promotion of export and FDIs, especially facilitating international co-operation in the field of handicrafts and SMEs. The Ministry provides support to SMEs in the areas of strategic marketing and connects them to foreign markets in order to increase their competitiveness³. Although these measures help reaching the general economic objectives of the Government and the business community, such measures are not considered the activities of commercial diplomacy.

The Ministry of Tourism carries out activities related to the promotion of Croatian tourism abroad; the co-ordination of tourist boards; the enhancement of international co-operation related to tourism; the operation of the instruments of the economic system and economic policy measures on the development of supply and provision of tourism and hospitality services, and general development of tourism and hospitality businesses.

The Directorate for Tourism Market and International Co-operation is responsible for the activities related to the promotion of Croatian tourism abroad, including exploration of new markets.

The Ministry of Science, Education and Sports performs tasks related to monitoring, recording and realisation of scientific, technical and technological co-operation with foreign countries and international organisations in accordance with

3 For example through the SMEPASS project –Promoting and provision of advisory services to SMEs

the international agreements; the referral of Croatian experts abroad and the participation of foreign experts in Croatian projects, records and co-operation with local experts in the world; the duties related to scholarships, training and internship of local and foreign experts on the basis of international, national, business, and other agreements. In addition, the Ministry participates in the preparation of programmes and projects as well as the implementation of EU projects and other forms of international assistance.

Along with the mentioned Ministries, which are the primary carriers of commercial diplomacy activities at its core, to follow are the list of the tasks of several other institutions (governmental, public, and non-governmental sectors) that are as well associated with the activities of commercial diplomacy.

The Ministry of Finance carries out tasks related to the preparation of draft of the laws and other regulations, and the basis for negotiations in the field of financial relations with foreign countries, resulting from multilateral and bilateral credit co-operation with international and regional financial institutions, foreign governments and commercial banks. This ministry also performs operational tasks related to the membership of Croatia in the international financial organisations (such as the International Monetary Fund –IMF).

The Croatian Bank for Reconstruction and Development (HBOR) is the Croatian bank for development and export, whose main task is to foster the development of the Croatian economy. HBOR's banking services (credit, export insurance against political and commercial risks, issuing guarantees, business counselling) allow strengthening the competitiveness of Croatian economy, with a focus on exports, tourism, and SMEs. HBOR participates in the implementation of commercial diplomacy by conducting support activities such as the organisation of conferences on the promotion of exports and promoting investment opportunities to Croatia.

The State Office for Trade Policy deals with administrative and professional activities related to trade policy, in particular the participation and the representation of Croatian interests in the EU bodies in the process of adopting common trade policy and trade measures in the area of trade in goods and services; co-ordination of activities related to Croatian membership at WTO and participation in multilateral trade negotiations within the framework of the organization; the implementation of trade policy; relations with international multilateral economic organisations and economic agencies of the United Nations (UN); leading the negotiations on agreements on the promotion and protection of investment and bilateral economic cooperation.

The Croatian National Tourist Board is the national tourism organisation established to promote and create the identity and the reputation of Croatian tourism, to plan and implement common strategy and the concept of tourism promotion, to suggest and perform promotional activities at home and abroad of common interest to all stakeholders in the tourism industry, and to raise the quality of the entire Croatian tourism. The tasks of the Board involve commercial diplomacy activities such as market research for the promotion of Croatian tourism, development of the programmes and plans for promoting Croatian tourism product and their implementation, the establishment of tourist offices abroad, co-operation with national tourist organisations of other countries and specialised international regional tourism organisations. The activities are carried out under direct supervision of the Ministry of Tourism, with the Minister of Tourism as the President of the National Tourist Board.

The Croatian Chamber of Commerce (CCC) on its website (www.hgk.hr) presents itself as a modern professional institution that provides reliable source of information for all Croatian companies and their foreign partners, in co-operation with state institutions

in order to protect and represent the interests of the Croatian economy. CCC conducts activities of commercial diplomacy and lobbying with the help of representatives of CCC in Brussels as well as its membership in “EuroChambers” and many other international economic associations. Together with the Croatian Enterprise Europe Network, along with its four specific centres in the county chambers, CCC provides its members access to all the information about the EU, and the organisation of seminars on EU funds and other issues to help Croatian entrepreneurs in the EU market and increase their opportunities to obtain EU funds.

The Croatian Chamber of Crafts is the umbrella organisation of craftsmen in Croatia. It co-operates with overseas chambers, associations and similar institutions (such as the Chamber of Crafts for Munich and Upper Bavaria, Crafts Assembly of Slovenia, Association of Craftsmen of Vicenza (Italy), the Society of Italian Fishermen’s Associations, Hungarian Chamber of Crafts, the previously Chamber of Commerce of Serbia and Montenegro, and the West Australian-Croatian Chamber of Commerce) and participates in bilateral and multilateral initiatives. In the interest of business associations, it promotes and organises business meetings for Croatian craftsmen and entrepreneurs with the craftsmen and entrepreneurs from other countries, organises presentations and business meetings for Croatian tradesmen with foreign partners, and supports international participation in trade fairs.

In 1995 the Chamber of Crafts became an associate member of the European Association of Craft, Small and Medium Sized Enterprises, and since then it has its own independent office in Brussels, from which it follows the economic situation in the member states of the EU, promoting international economic co-operation of the craftsmen and SMEs’ entrepreneurs, as well as lobbying the EU institutions and bodies.

The Croatian Exporters is an association promoting and representing the interests of Croatian exports. The basic goal of Croatian Exporters coincide with the goals of commercial diplomacy, and include the promotion and supports of Croatian exports, promotion of the quality of Croatian exports, continuous analysis of proposed regulations that have an impact on the promotion of Croatian export and competitiveness of Croatian goods and services.

Croatian Employers Association advocates the interests of employers in the policy-making process, and advocates for fair competition, dynamic and sustainable growth of the economy.

The National Council for Competitiveness is an advisory body to the Government, which was established at the initiative of the business sector and the Croatian Employers Association. It includes representatives from four key stakeholders - business, Government, trade unions and academia - to create dialogues, consensus on programmes and policies essential for sustainable growth and development of Croatia, for anything related to globalization process, the transition to a market economy, accession to the EU and to strengthen competitiveness.

The main objective of the Council is to increase the competitiveness of Croatian economy; therefore the Council generally seeks to achieve the implementation of the following measures of commercial diplomacy:

- encouraging policy reforms;
- creating recommendation and guidelines for development policies;
- building coalitions with stakeholders who support the reform process;
- increasing public understanding and support for reforms;

- encouraging dialogue between the private and public sectors;
- raising and spreading awareness and knowledge about the importance of competitiveness;
- monitoring and evaluating the implementation of reforms.

The local authorities such as cities and counties also promote their economic interests, for example the **County of Istria, the County of Dubrovnik-Neretva, the County of Varaždin**, as well as **the County of Slavonia-Baranja**, have opened their representative offices in Brussels. The representatives are monitoring the work of the EU institutions, to provide information about events and programmes to develop co-operation with other regional offices therefore with other regional, European or other international institutions; to lobby and promote the interests of the counties represented in Belgium; to represent the investment opportunity, promote bilateral co-operation with Belgian regions and co-operation with the Mission of the Republic of Croatia at the EU, with the Croatian Embassy in Belgium, with the Permanent Representation of the Republic of Croatia to NATO, and with other Croatian representatives in Brussels.

The County of Varaždin, through its Development Agency, opened an Office of Croatian Regions in Brussels in 2007. This Office represents the interests of eight Croatian counties: the County of Međimurje, the County of Varaždin, the County of Zagreb, the County of Sisak-Moslavka, the County of Dubrovnik-Neretva, the County of Karlovac, the County of Vukovar-Srijem and the County of Primorje-Goranska. It also represents six cities: Rijeka, Koprivnica, Bjelovar, Karlovac, Opatija and Ivanić Grad; as well as two Development Agencies: the Development Agency of Varaždin County (AZRA), and Development Agency of Višnjan (VIRA) which represents few municipalities: Višnjan itself, Tinjan and

Bale. Similarly, the City of Osijek along with the County of Osijek-Baranja, with the help of the Regional Development Agency of Slavonia-Baranja Ltd, had opened a **Representation of the County of Slavonia-Baranja in Brussels** in 2007. The Regional Development Agency of Slavonia-Baranja is responsible for the work of the Representative office in Brussels, which, through their actions represent the interests of the City of Osijek and the County of Osijek-Baranja in all institutions of the EU in Brussels.

3.2. The perception of the actors

For analysing the operational work of the actors and evaluating the recognition and the success of their commercial diplomacy, authors used the results of the field research and interviews that involved the MFEA, the Croatian Chamber of Commerce and the Croatian Employers Association (Barun, 2012). A questionnaire was used, in which eight questions related to economic diplomacy in Croatia were asked to the representatives of the mentioned institutions – what commercial diplomacy is, whether it exists in Croatia, whether it exists within their institutions, what does it do, how it is organised and how are commercial diplomats employed.

According to MFEA, commercial diplomacy should involve both governmental and non governmental institutions in Croatia as a mosaic of organisations under the coordination of the MFEA. The activities themselves should be conducted by the representatives in the diplomatic and consular missions of the country all over the world. By governmental and non governmental institutions, MFEA specified: (then) Ministry of Economy, Labour and Entrepreneurship; the Government; the Office of the President; the Croatian Chamber of Commerce, the Croatian Employers

Association; Croatian Exporters; the National Tourist Board and the Croatian Bank for Reconstruction and Development.

As far as real tasks are concerned, MFEA confirmed the existence of special departments (now services) for economic cooperation. Additional to that, MFEA (since summer 2011) has trade attachés posted in diplomatic and consular missions in Vienna, Milan, Chicago, Munich and Ljubljana.

MFEA also underlined that by talking about commercial diplomacy, we are only referring to bilateral economic relations, while multilateral relations are not counted as commercial diplomatic activities due to the fact that these kinds of relations and affairs are conducted under the international organisations such as the WTO and IMF.

The second interviewed institution was the Croatian Chamber of Commerce (CCC). According to CCC, commercial diplomacy is a state affair which should exclusively be conducted by governmental bodies: MFEA, Ministry of Economy, and State Agencies or State Offices for Promoting Exports and Attracting FDIs. According to CCC the main and only goal of commercial diplomacy must be boosting exports and attracting FDIs, including multilateral cooperation in the scope of EU, WTO and other global organisations. While having mentioned that nongovernmental institutions are not obliged to actively conduct commercial diplomacy, CCC stated that they are involved in the activities coordinated by the MEFA by being in a close cooperation with the staff of diplomatic and consular missions abroad in need of data. One of the strongest cooperation with MEFA (which was also confirmed by MEFA) is the involvement of CCC in conducting the training for the preparation of Croatian diplomats in the field of economic cooperation before they are posted abroad, after the graduation from the Diplomatic Academy which is conducted by MEFA. CCC started to open its own representative offices in 1996. Today, CCC has representative

offices in Sarajevo, Mostar, Banja Luka, Kotor, Prishtina, Brussels, Moscow and Kabul.

The Croatian Employers Association (CEA) underlined the main goals to be achieved instead of the actors to be involved. Whoever shall conduct the activities, it is important according to CEA, to focus on the two main goals: increasing exports and attracting FDIs. As much as CEA is supporting the effort that has been made by MEFA, it thinks that the five cities where the attachés are currently posted were not very well chosen. The representative of CEA during the interview mentioned that MEFA might have missed other opportunities by not posting any attachés in ex Soviet countries as potential markets and Arab countries as potential investors. It is interesting that the opinion of CEA is different from the basis for selection of the first destinations of trade attaches, which further confirms the absence of a common understanding of the Croatian commercial diplomacy.

Based on the answers of the representatives of three key institutions of Croatian commercial diplomacy the following can be concluded:

- There is no solid understanding and agreement on the definition of commercial diplomacy and who is supposed to implement it.
- Increasing exports and attracting FDIs are commonly recognised as the main goals of commercial diplomacy.
- The way in which activities are carried out are not appropriate because: the (previous) economic advisers were not considered competent enough, and the destinations to where the commercial attachés were sent were not well chosen.
- Few problems are recognised: the impact of policy changes, lack of coordination and missing clearly defined tasks.

In order to solve the problems above, some recommendations of solutions suggested by the institutions above are: modernising current unfashionable system; applying best practices from successful models applied by other countries; and enhancing the quality of workers by providing enough education on the field.

3.3. Needs of the users

The empirical findings – that have led to the identification of the model and the key elements of commercial diplomacy (shown in the second chapter) – show that the customers' needs vary depending on their size. Specifically, large and multinational companies are using the commercial diplomacy to influence policies, while SMEs and potential exporters need help obtaining basic information about markets and business conditions, contacts, etc. Deadlines and limited resources have prevented the implementation of a structured research to a more structured user groups (e.g. exporters, companies on the rise, and foreign companies that have invested in Croatia thanks to their commercial diplomacy, or sectoral studies – tourism, pharmaceuticals, food processing, information technology, etc.). The approach was chosen that can serve as a pilot study whose results can be used for future research. Two methods were used for the two categories of users: poll for the “large” and focus groups for “small” businesses.

The main goal of the questionnaire was to define the needs of the business sector of commercial diplomacy (kind of support needed, forms, methods, procedures, policies, etc.). The questionnaire was also focused to measure the efficiency of the work of several institutions in conducting commercial diplomacy: the Office of the President and the Prime Minister (Government); MFEA including diplomatic and consular missions; other Ministries; Regional and

Local Government Offices (county, city and municipality levels); CCC and CEA; and other related sectoral business associations or organisations (association of farmers, association of fishermen, etc.). The questionnaire which required around ten minutes to fill (see Annex) was, in the first round of the research implemented from May 14-28, 2012, sent to eighty largest enterprises by total income listed by the register of business entities (<http://www1.biznet.hr/HgkWeb/do/advsearch/results>).

However, despite the actions to push for response (by making phone calls and sending reminder e-mails), the questionnaire was answered by only 10 percent of companies in the sample. This limited number of responses might have been caused by the small sample of the research, but also it might have been caused by the fact that commercial diplomacy is not yet an interesting issue for these firms as it is not yet widely known and conducted correctly. Later, between August 20 and September 3, 2012, another 16 answers were collected.

The results show that all the companies that responded to the survey believe that economic diplomacy is very necessary to improve the Croatian economy and significantly (almost 90 percent) believe that commercial diplomacy is highly needed to improve Croatian economy, and that commercial diplomacy will help their companies. The interesting pattern appeared when the companies were asked if they have been concretely using commercial diplomacy service conducted by the country. The companies that have been using some kind of commercial diplomacy of the state to promote their interests do not to carry out the activities of commercial diplomacy on their own, and the other way around, the companies that conduct their own activities are not utilising the commercial diplomacy by other organisations. CCC and CEA have been identified as the most active institutions to conduct commercial diplomacy, followed by

sectoral business associations or organisations, and the local and regional governmental authorities. On the other hand, the active role of MFEA, other ministries and the Office of the President and the Office of the Prime Minister are not too visible according to these firms.

The focus group was held in Sisak on June 19, 2012. 15 small entrepreneurs, mostly artisans, participated. The focus group was focused on the issues related to the support for the development of SMEs, including a promotional strategy that should help attract investment and increase competitiveness and export undertakings in Sisak. The results of the focus groups show that specific conditions are necessary to be created to attract investment (traffic connections, communal equipment) and the availability of information on investment opportunities to potential investors needs to be ensured. In this sense, the importance of marketing activities aimed at domestic and foreign investors was recognised. The establishment of special institutions for providing support to entrepreneurs (Sisak Projekt Ltd.) has been recognised as an important element of facilitating investments. The task of the Sisak Projekt Ltd. is to co-operate with regional and local actors in order to establish a favourable investment environment, making market analysis, linking investors and partners, providing advice to investors and entrepreneurs, etc. These activities at the local level are considered as support measures, which include marketing and education (but not commercial diplomacy). The support is directed equally to domestic and foreign investors, and helps existing businesses to open up to new markets (domestic and foreign) (see Table 2). The issues related to the organisation and services provided by specialized institutions to support entrepreneurs were perceived as a lack of direct connection with the governance structures at the local level (the City of Sisak), which, according to the focus group participants, is to provide political support to the development of entrepreneurship. Also, the participants believe

that entrepreneurs should be supported at the city level (at least at the level of the Office for Economy), while confirming that they are not familiar with the existence of the Croatian Regions Office in Brussels that provides opportunities for the promotion and education of the County of Sisak-Moslavina.

Table 2: Developmental problems and needs in the field of marketing and education

Developmental problems	Developmental needs
inability to attract sufficient interest from local and foreign investors in the southern industrial zone (JIZ) Sisak	enhancing the attractiveness JIZ Sisak for domestic and foreign investors
lack of a strategy and plan of targeted marketing and promotional activities of JIZ Sisak	developing a plan and strategy with targeted marketing and promotional activities JIZ-Sisak
low level of knowledge about the potential spread of businesses to other markets and adjustment in terms of business after the accession of Croatia to the EU	strengthen the knowledge of entrepreneurs on the potential spread to other markets and business conditions in the EU
the absence of the Center for supporting entrepreneurs in all stages of the project	establishing and put into operation center supporting entrepreneurs in all stages of the project

The results of the focus group suggest that small entrepreneurs and artisans favour local level organisations to represent their interests, i.e. representatives of the city or county, which would have offices (or at least contacts) close to the working area of entrepreneurs. Furthermore, the results were of great importance in determining the barriers to investment, which derived from property rights, the total administrative inertia and the difficulty of harmonizing procedures at the local level, and the fact that in order for their removal it would be necessary to establish a system for coordinating procedures.

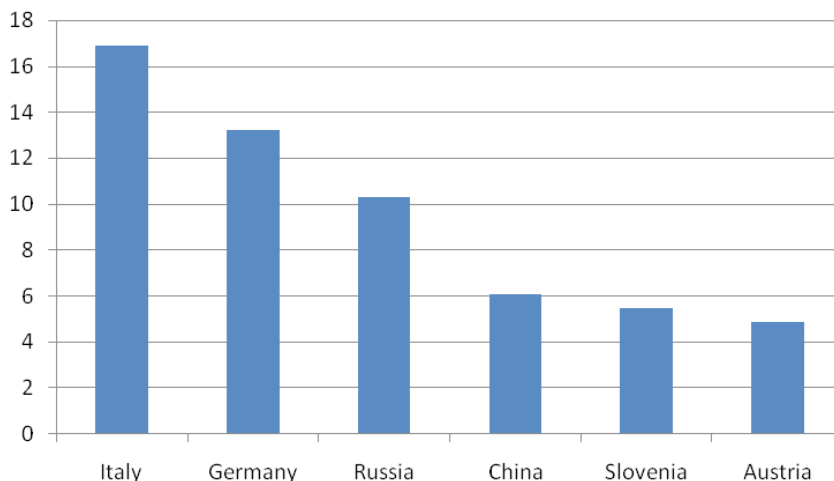
Finally, it should be noted that the Strategy of the Development of SMEs of the City of Sisak recognizes the support system for entrepreneurs (education and marketing) as its integral part. The support includes entrepreneurial infrastructures such as entrepreneurial centers, regional development agencies, business incubators, technological parks, business zone or free zone. Education, marketing, networking, participation in trade fairs, etc. are among the measures that can be granted on a project basis, primarily to entrepreneurs with growth potential, new entrepreneurs and businesses target groups (women, youth, newcomers, people with disabilities, etc.) and institutions whose primary or indirect role is entrepreneurship development (regional development agencies, business centres, technology parks, chambers, unions, etc.). Specifically, it is anticipated that the entrepreneurs themselves identify, propose and implement measures (for which they can obtain financial support), while participants in the focus group felt that effective aid should provide information on education, trade shows, etc. and promote their interests.

3.4. Commercial diplomacy of other countries in Croatia

As Croatia has been integrating to the EU, it is seen as a new potential market as well as a new country to invest in. Several countries had conducted the activities of commercial diplomacy through their official representatives in Croatia such as diplomatic missions, but also through several non governmental bodies such as chambers of commerce. Very recently in May 2012, an international EU-Croatia Business and Investment Conference was held facilitated by the Euroconvention Conferences, sponsored by, among others, the American Chamber of Commerce (Amcham), the Nordic Chamber of Commerce (NCC) and the British Croatian Chamber of Commerce (BCCC). This conference highlighted the fact that Croatia has been emerging as a hub between east-west and north-south businesses; the incentives and projects given by the government to attract investments; and the focuses of business development in Croatia which is tourism.

As commercial diplomacy focuses on increasing exports and attracting investment, we have to start to analyse the other countries' commercial diplomacy in Croatia by looking at the statistical data of Croatian imports (see Figure 2)

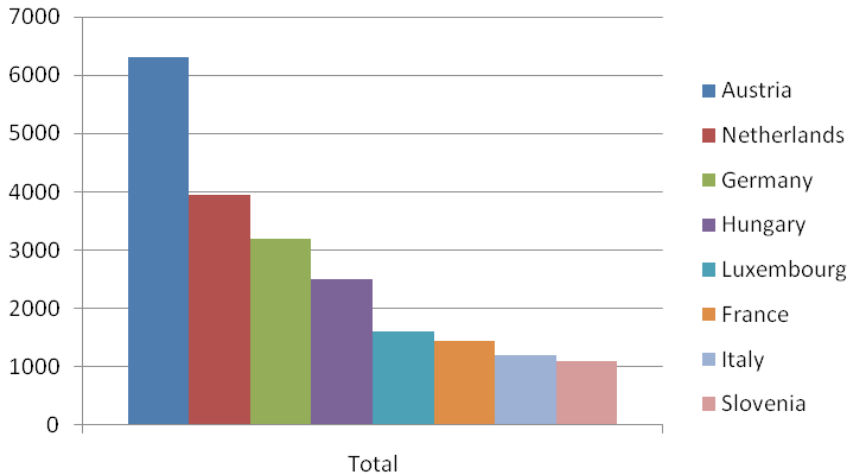
Figure 2: Croatian import in 2010 by country



Source: Croatian Bureau of Statistics, 2012

From the figure 2 it is visible that Croatia imports most goods and services from Italy. Italy was also in 2010 the second biggest investor in Croatia, not to mention that 65 percent of active banking activity in Croatia is under Italian ownership, which could be a great pulling factor for Italian investment. Still in 2010, goods imports from Italy amounted to €2.3 billion (while Croatian export amounted to €1.66 billion). Croatia was visited by a million of Italian tourists who have contributed to 4.73 million overnight stays. The structure of foreign tourists put the Italians (with 9.3 percent) on the third place of Croatian visitors. Investments from Italy until the end of 2010 amounted to €1.17 billion, while the Italian investors are in the seventh place amongst the biggest investors in Croatia.

Figure 3: FDIs in the Republic of Croatia (by country of origin), in € millions cumulative of 1993-2011



Source: Croatian National Bank (2012)

Together with its diplomatic missions, Italian economic interests in Croatia are represented by the Italian Institute for Foreign Trade (ICE). While the Italian embassy and consulates in Croatia offer only basic information on doing business in Croatia, ICE, along by providing information about its services, has an online application for determination of potential business partners. It also regularly organises (in collaboration with CCC, Croatian Chamber of Crafts and/or local chambers) meetings for Croatian and Italian entrepreneurs, while also participating in projects for exchange of experiences between Italian and Croatian enterprises for enterprise development, enhancing competitiveness, promoting and reporting on joint projects.⁴

Germany, as the second biggest exporter to Croatia as well as the third biggest investor, is assisted mainly by the German-Croatian

⁴ E.g. the cooperation project on the internationalisation of Italian and Croatian companies of Bjelovar Region for wood processing sector that was organised by the City of Bjelovar with ICE in 2010. For more information see the <http://www.bjelovar.hr/projekti-i-pozivi/realizirani-projekti/>.

Industry and Trade Chamber. Although it is also engaged in education and student exchanges, the chamber mainly focuses on market research in Croatia for German business actors (German-Croatian Industry and Trade Chamber, 2012).

Some other countries which are relatively new to Croatian market (e.g. have not had big amount of export to Croatia) initiated to strengthen the commercial diplomacy activities in Croatia, for example by establishing their chambers of commerce. Although Chambers of Commerce are nongovernmental, non profit and non political, most of them actually were founded by or in cooperation with the diplomatic mission in the designated country.

The Nordic Chamber of Commerce (NCC) in Croatia was founded in 2005 on the initiative of the Nordic⁵ embassies and companies. Its vision is to promote Nordic business and cultural values in Croatia, as well as to assist Nordic business communities in Croatia and Croatian business communities that are interested to expand their business to Nordic markets. It aims to strengthen the network and cooperation between Nordic countries and Croatia to contribute to their business development. Some of Croatian companies or institutions that are members of NCC are Dalekovod d.d., Končar Elektroindustrija d.d., Energetski institut Hrvoje Požar and Podravka. It is quite strange that few public institutions are also members of NCC, such as Zagreb Airport, UNDP some embassies. From the type of the companies that are members of NCC, it could be seen that mostly they are producing or working on engineering and technology, which gives a hint that Nordic countries are their expected markets or aid for technology transfers.

The American Chamber of Commerce (AmCham) in Croatia has a different view. Its vision is to be the leading association in creating a strong and competitive business environment in Croatia.

⁵ Denmark, Finland, Sweden, Norway and Iceland

From the several goals that it has, it is very visible that AmCham is focusing on the influence to policy making in Croatia rather than practical market research for the members or investment guides like what German-Croatian chamber and Nordic Chamber do. Some Croatian members are: Gavrilović d.d., Pliva Hrvatska d.o.o., and many tourism sector business actors such as Hotel Dubrovnik, Hotel Antunovič and Atlas Tour. Croatian Employers Association (CEA/HUP) and Croatian Bank for Reconstruction and Development (HABOR), which are ideally main actors for Croatian commercial diplomacy, are also members of AmCham.

The comparison of the type of company members in NCC and AmCham shows how Croatian firms, mostly the big ones, have already defined their targeted markets and investors. However, the membership in all of the chambers is lacking small and medium enterprises which actually need more assistance and help in finding markets than the big established enterprises.

4. Current state and the future of croatian commercial diplomacy

4.1. Current state

The picture of the institutional structure and the findings on the perceptions of stakeholders and users has shown that there is no uniformed understanding of the concept or complete agreement about the concept of commercial diplomacy.

Croatia has made initial steps by fulfilling the first ingredient to establish an effective commercial diplomacy (more on this in section 2.3.), which implies the involvement of a large number of stakeholders (Office of the President, the Government, the Ministry of Foreign and European Affairs, Ministry of Economy, Ministry of Entrepreneurships and Crafts) in the designing of the goals and the implementation of the measures of commercial diplomacy.

As far as the second ingredient, harmonising foreign and economic policy, is concerned, the precondition was created on a formal level that MFEA and the State Office for Foreign Trade take over the co-ordination. In fact, the inclusion of Croatia in the EU foreign and trade policy has become a European issue, which is the responsibility of MFEA. On the other hand, internal trade is under the authority of the Ministry of Economy. Croatian accession to the EU causes the internal trade to become a trade within the

EU. Based on the analysis of the institutional framework, taking into account the fact that the State Office for Foreign Trade was established in February 2012 (therefore unlikely to have institutional experience), it is not possible to easily conclude which institution will be in charge of trade issues at the EU level, or for the negotiations within the WTO (which had previously been done by the Ministry of Economy).

Thirdly, the central interest of Croatian commercial diplomacy is in line with the proposed priorities: increasing exports and attracting FDIs. However, it may be justified that Croatia should also identify tourism as its priority as around 15 percent of annual revenue of the state comes from foreign tourists (Ministry of Tourism, 2011). The Ministry of Tourism and the Tourist Board have so far been conducting the tourism promotion abroad, however (as for now) it is not clear whether coordination with MFEA and the Government exists at all and if it does, what kind it is.

Fourth, Croatian accession in the WTO in 2000 and its accession to the EU has significantly reformed the regulatory framework related to the liberalisation of prices, trade and investment. However, different regimes apply for EU Member States and third countries.

Finally, with regard to strengthening the effectiveness of the measures to be implemented, the previous government had recognised the general lack of initiative in diplomacy. Therefore, the MFEA had begun the process of establishing a systemic commercial diplomacy as it appointed trade attachés as contractual diplomats whose contracts depend on the results of the work. The change of government and the structure of the ministries have suspended this process⁶. The restructuring process has not been completed, so it is

⁶ Minister Pusić announced the abolition of the trade attaché (Frlan, 2012), but their job description is available on the Ministry's website (www.mvep.hr). Information on commercial diplomacy and the tasks of economic advisers are still available and updated periodically at the old site (http://hgd.mvpei.hr/_index.aspx?id=1), while the new domain (mvep) does not exist.

possible that the government will establish a systematic commercial diplomacy as a tool for the promotion of the Croatian economy.

Finally, the key elements of commercial diplomacy are recognised and have slowly been established in Croatia. The way they are interconnected and co-ordinated defines the model, and with substantial measures it also defines the success of the commercial diplomacy.

In order to determine the current model of commercial diplomacy, the tasks of MFEA had to be analysed, taking into account the organisational structure necessary to implement them. The relations between policy-making and implementation of foreign and trade policy are essential (Table 3 and 4).

Table 3: Basic activities of MFEA in implementing commercial diplomacy

Promotion of trade	Promote exports, cooperation and coordination with the State Office for Trade Policy and the Croatian Chamber of Commerce
Promotion of Foreign Direct Investments,	Attract investment, cooperation with the Agency for Investment and Competitiveness and the State Office of Trade Policy.
Cooperation in science and technology including research and development	Coordination of the use of aid and development cooperation that Croatia receives from foreign sources and the implementation of policies of development assistance and cooperation provided by Croatia to the developing and underdeveloped countries

Promotion of tourism	/
Advocacy for national business community	encourage participation in the promotion of Croatian economy abroad; participation in bilateral and multilateral negotiations in the field of economy and in the work of joint committees on economic cooperation

Table 4: Supporting activities of MFEA

Intelligence	Data collection and analysis of the legal framework and business conditions in other countries, and also the economic development of those countries, economic reports and analytical views of communication with the business community, and the provision of business information within the area with the assistance of the website of “Croatian Economic Diplomacy”
Networking and public relations, involvement in the branding or image campaign	encouraging and participating in the promotion of Croatian economy abroad
Support for business negotiation and contract implementation	participation in bilateral and multilateral negotiations in the field of economy and in working with the joint committees on economic co-operation
Problem solving	/

The tasks of MFEA include the coordination role, which would entail the presence of the unified model of commercial diplomacy. However, it is difficult to expect that such a model could function as the commercial diplomacy is organised at a low level in the hierarchy within MFEA: the level of “Service”. This leads to the question of whether the officers of MFEA which are responsible for commercial diplomacy will be able to coordinate other bodies, particularly bearing in mind the fact that the activities of commercial diplomacy within the Ministry of Tourism are defined at the “Directorate” level. In addition, a new State Office for Trade Policy was set up, and it operates under the direct supervision of the Government, which would indicate the usage of the third agency model.

The fact that a (proper) framework for co-operation of various authorities has not (yet) been established, and the fact that the coordination and the management of the activities of commercial diplomacy are still overlapping, we conclude that the model of the Croatian commercial diplomacy is competition. Compared to other models, this model is probably the least effective model because the institutions do not have clearly defined roles and responsibilities, and the coordination between them is lacking.

4.2. Outlook of development

The goal of commercial diplomacy in Croatia is to strengthen the economic competitiveness and enable the implementation of the Government’s strategy on export and investment. The adoption of these strategies has been planned, but they have not yet been realised. Furthermore, the effects of the measures taken

by the Government are not yet visible. Therefore, the outlook is, taking into account the current situation, seen on the basis of the planned actions and strategic documents: the Programme of the Government's mandate for the 2011-2015, the Strategic Plan of the MFEA for the period of the 2013-2015 and the identified key elements of commercial diplomacy. The Programme of the Government's mandate of the 2011-2015 recognises the commercial diplomacy as one of the activities within the foreign policy framework. "With the exception of the neighbouring countries, the EU, several member states of the EU and the USA, the whole and the dominant emphasis of our foreign policy is put on the Croatian economic relations with other countries. This does not mean that economic relations with the above mentioned countries are not important. In fact, in the relations with the mentioned countries, political relations precede or are as vital as economic relations in foreign policy. In all other cases, foreign policy should be one of the important channels in the function of economic relations. In the context of these efforts, we will create a portfolio bank of Croatian companies that are ready for openings to the third markets. We will also establish annual meetings with Croatian investors to identify and resolve the difficulties they have in business in foreign markets"(Government, 2011).

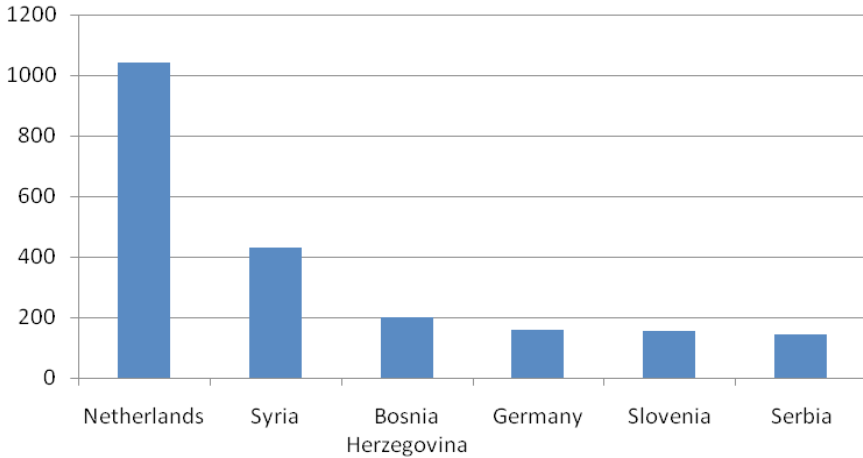
Commercial diplomacy is also mentioned in the section related to multilateral co-operation and in the section related to the improvement of business environment within the Programme of the Government. The Government plans to utilise the membership in multilateral organisations as an instrument for ensuring Croatian interests and strengthening partnerships with other countries. The participation in international organisations is planned to be used as a support for commercial diplomacy.

The Programme of the Government explicitly states that "in order to attract investors from abroad (...) on the investment market and

make maximum use of the instrument of economic diplomacy” (Government, 2011).

Respectively, the Programme of the Government predicts that foreign policy shall focus on external economic relations, except in relations with the EU, the USA and the neighbouring countries. Commercial diplomacy will in turn affect the investment market. The major investors today are just the members of the EU (see Figure 3). This suggests that commercial diplomacy develops in two directions: the first course leads to major investment markets, where specific investment projects will be promoted to attract FDIs; and the second direction is toward emerging markets, where commercial diplomacy will be the main task of diplomatic and consular missions. It is unclear how the portfolio of Croatian companies would be able to reach the third markets – whether the choice of the commercial diplomats in third countries should focus on the sectors and markets of these countries, and who will and how solve problems faced by investors in doing business in foreign markets. Specifically, the main markets for investment are still the EU countries and the neighbouring countries. In the period of 1993 to 2011, these are the countries that had received the most Croatian investment: The Netherlands, Bosnia and Herzegovina, Serbia, Slovenia, Syria, Poland, Switzerland and Germany (Croatian Central Bank, 2012), and this order has not changed significantly in the last five years (see Figure 4).

Figure 4: Croatian FDIs abroad, 2007-2010 in € million



Source: Croatian Central Bank, 2012

Some other parts of the Programme do not explicitly cite commercial diplomacy but they indicate orientation towards it in two directions: by specific projects and by opening up new markets.

The Government also plans to strengthen the institutions for the promotion of entrepreneurship as well as the support of its development including utilising the educational and scientific institutions to strengthen the competitiveness of Croatian businesses. It is a priority for radically removing the barriers for the new investments in four areas: tourism, energy, infrastructure, and environment including irrigation.

Tourism is recognised as a strategic sector for development and an important instrument of economic and cultural integration into the EU. Government intends to raise the competitive capacity of tourism and the ability to produce value added products. Therefore, it envisages measures to improve investment conditions (competitive taxes, incentives, removal of barriers to entry, etc.)

and to involve business sector, the touristic regions and leading tourist destinations for the construction of the new business environment. In addition, it plans to define a new system and new marketing contents of tourism according to the competitive positioning of Croatian tourism. The promotion of investments in four main areas was announced: investment in the modernisation of existing tourism capacity, investment in the state owned hotels, investment to activate unused state property, and the investment in new private hotels for increasing tourism capacity. The construction of several hotels was planned (Brijuni Riviera, Duilovo, Kupari, Pelješac, Sveti Juraj on Lastovo or Prevlaka), the development of nautical tourism and launching of an integrated tourism offers in Dalmatian hinterland from Zadar to Konavle were also planned. The Government has announced that “the existing tourism businesses that are owned mostly by the state were assessed (...) the market potential, and therefore a business strategy for them that may include a sale, bankruptcy or liquidation are proposed (Government, 2011)”. Once the assessment of the market potential and the development strategies are implemented for the entire tourism sector, it could be seen as an activity of commercial diplomacy.

However, the formulations listed in the Programme lead to the conclusion that the Government will provide business consulting for companies majorly owned by state. The Government provides for the introduction of specific measures to remove barriers to new investment in tourism resulting from property rights, the total administrative inertia and the difficulty of harmonising procedures at the local level. These measures include central evaluation of projects and the introduction of urgent and prioritised procedures of urban property and solutions for sustainable projects that exceed the threshold value (€20 million), and also the introduction of special packages of incentives for the construction of hotels with four and five stars. In short, in the field

of tourism, the Government plans to implement the measures of commercial diplomacy coordinated on the level of Government, defined as the measures to improve the business environment.

The energy sector plans the construction of four hydropower plants on the river Sava, two on the river Drava, in Senj and in Kolinj, thermal power plants Plomin 3, in Ploče, and some new blocks of gas power plants in Zagreb and Sisak, new gas power plants in Slavonia and Dalmatia, investment in transmission and distribution of electricity, investment in the construction of gas pipelines and storage, exploration and production of oil and gas and the modernisation of refineries in Rijeka and Sisak, LNG terminal of Omišalj and oil pipeline Družba Adria.

Infrastructure projects are related to the reconstruction and construction of lowland railroad (Krk) Rijeka-Zagreb, the new capacity of Rijeka port, and the modernisation of railway corridor X and Vb.

The Programme of the Government does not contain information about the location or the extent of potential farmland irrigation projects, and changes in the structure of agricultural production projects, waste management, remediation, collection and conversion of waste to energy, flood protection and water supply, sewerage and water treatment.

However, it is estimated that the investment in these four areas (tourism, energy, infrastructure, and irrigation-environment) could increase GDP from 2 to 4 percent on an annual basis, with appropriate additional employment.

The funding for the planned projects has not been secured, although it is planned to come from many sources - funds of interested local and foreign private investors, funds from the EU and own co-financing, loans from international financial organisations

(directly or through HBOR), public-private partnerships, capital of investment funds, regulated investments of property funds, investments of the citizens in securities, and others. In this context, it seems that the commercial diplomacy at the high level (e.g. Vice Prime Minister, Minister of Finance, Central Bank's Governor, etc.) will play an important role in the next year or two during which the preparation of projects should be completed and their financing secured. A vertical decision making from the state level will be enabled for the projects worth more than €20 million.

In the area of technological development and strengthening competitiveness, strengthening co-operation, integration in research projects in the EU and strengthening the institutional and financial infrastructure i.e. the connection between research and enterprises is expected. That is, by definition, one of the key activities of commercial diplomacy, and the Programme recognises it as a measure to improve the business environment. Another goal besides that is to reform the public administration to achieve greater efficiency and service quality. Most of the goals are to be achieved by strengthening of the organisational and institutional capacity, creating and using the projects that can be financed from the EU funds. The experience of other countries (e.g. Italy through ICE) shows that the institutions of commercial diplomacy can help in connecting businesses and thus create conditions for joint project application. However, the Government's Programme does not recognise that such activities will be conducted in the neighbouring countries and in the EU member states, nor in the countries that are traditionally trading partners and from which the majority of FDIs come.

The Government's Programmes of economic development are based on the new investment cycle, the growth of production, competitiveness and exports. The goal of the economic policy of the Government is to establish a competitive export-oriented market

economy. For achieving the goal, the key elements are attracting FDIs and increasing export. The plan is to achieve a combination of measures aimed at the production and export business projects. In addition, the Government intends to encourage the development of sectoral strategies and form a stronger system of horizontal industrial policy measures (subsidies for R&D and deployment of new technologies).

In short, the measures of commercial diplomacy are needed to achieve the objectives of the Government's Programme. Commercial diplomacy has been recognised as one of the elements of foreign policy within the scope of MFEA. A part of the measure of commercial diplomacy has been recognised in the scope of measures for the improvement of business environment. In the Programme of the Government though, six areas of action in terms of foreign policy were identified:

- neighbourhood policies;
- policy towards the EU and within the EU;
- migration;
- NATO, the USA, bilateral relations with major global actors and developing countries;
- commercial diplomacy;
- multilateral cooperation.

The Strategic Plan of MFEA does not recognize commercial diplomacy as a separate activity. In the area of bilateral foreign policy activities, it envisages the development of contacts with countries that belong to the group of key actors in the international arena, as well as other countries of the world where there are economic interests and specific links such as cultural relations and numerous Croatian emigrants (MFEA, 2012: 3). In addition, it

states that special attention will be given to the implementation of political and economic interests in non-European countries such as Russia, China, India and Brazil, as well as other countries of the world, particularly those linked with the Croatian economic or other relations. The development of commercial diplomacy is aimed at enhancing bilateral economic relations and has been recognised as a key component of foreign policy engagement (MFEA, 2012: 8). The Government's Programme additionally identifies Japan among key international actors that are mentioned in the plan of MFEA, and more intense political relations and economic exchanges with developing countries.

Therefore, there is a gap between the Government's Programme, which is more specific than the Strategic Plan of MFEA which covers a shorter time period than the Government's Programme. The Government believes that foreign policy should be one of the important channels in the function of economic relations, including that the conduct of foreign policy should lead to the creation of economic interests, rather than to follow them, which, seems to be the MFEA's approach.

Regarding the implementation of the foreign policy of the Republic of Croatia in the bilateral relations with European countries, the Strategic Plan as one of the measures of success of bilateral cooperation cites the intensity of economic cooperation. Accordingly, the improvement of economic cooperation and successful export indicators of Croatia, as well as increasing FDIs in Croatia, have been recognised as one of the most important strategic interests of Croatia, and thus one of the most important future activities of Croatian diplomacy. Therefore, it is planned that the activities of the Directorate for European Affairs will focus on the development and implementation of measures that will contribute to greater efficiency of commercial diplomacy. In accordance with the organisational structure, it is the

responsibility of the Service for bilateral co-operation with EU and EFTA countries. The strategic plan does not mention similar measures in other Directorates of MFEA.

Regarding the adaptation and the development of the staff of the foreign affairs, the Strategic Plan envisages the improvement of the normative framework, continuous staff education and technology development of the services. Explicitly, courses and training on EU Development Aid were mentioned, but not for commercial diplomacy.

The strategic documents do not envisage the establishment of a comprehensive system of commercial diplomacy with a structured hierarchy and the ways of harmonisation of relations. Instead, the specific activities are carried out within the framework of other policies.

5. Conclusions and recommendations

1. There is no unified understanding of the concept or a complete agreement about the concept of commercial diplomacy in Croatia. In other words, each of the actors and the users has his/her own interpretations. However, there is a consensus that commercial diplomacy involves activities aimed at increasing exports and attracting investment. The opinions differ mainly in two points:
 - Whether commercial diplomacy should be conducted exclusively by central governmental institutions, or should the regional and local governments and the non-governmental sector take part;
 - Whether commercial diplomacy is exclusively bilateral diplomatic activity or it also includes multilateral diplomatic activity.

Furthermore, the differences between commercial diplomacy, lobbying, advocacy of business consulting, business infrastructure and measures to improve the business environment are not well defined.

Recommendations:

Defining the concept of commercial diplomacy and its activities

MFEA should define the concept of commercial diplomacy and identify stakeholders and their activities. The definition

should include support to the business and financial sector through the Croatian co-operation with multilateral, national and regional institutions and the business sector abroad. The basic activities should include the promotion of trade, investment and tourism, and co-operation in science and technology, including research and development. Within the diplomatic and consular missions, the advocacy for national business community should be limited to the level of the state and international organisations, including the provision of general information on business conditions. Activities at the level of the entrepreneurs without a clear institutional framework are sometimes difficult to be distinguished from lobbying, advocacy and business consulting, which are often associated with the conflict of interest and corruption.

Identifying the existing activities

The action plans for the implementation of policies related to investment promotion, export promotion, tourism, cooperation in research and development need to identify the measures of commercial diplomacy. These may include, for example, support for entrepreneurs (e.g. information, education, marketing) to open up to foreign markets, and measures to improve the business environment.

2. Croatia has made initial steps to improve the effectiveness of its commercial diplomacy, including the establishment of the **key elements**, such as the **promotion of exports, investment and tourism, co-operation in research and development, and advocacy for the business community**. However, the activities in the field of tourism, co-operation in research and development are not recognised as commercial diplomacy and the advocacy for the business community involves the elements of lobbying and business consulting.

Recommendations:

- **Continuing to develop the key elements of commercial diplomacy.**
- **Expanding the priorities of commercial diplomacy from the current ones, especially the ones related to the promotion of investment and exports, tourism and cooperation in research and development.**
- **Conducting the activities in accordance with the action plans to implement the strategy of export, investment promotion, tourism and cooperation in science and technology and the needs of entrepreneurs.**

While making new implementing instruments that relate to the key elements of commercial diplomacy, measures and activities related to commercial diplomacy should be associated with those terms (e.g. measures that support entrepreneurs to appear on new markets should identify commercial diplomacy as they relate to foreign markets and are not project-specific).

3. A number of institutions (the Office of the President, the Government, MFEA, the Ministry of Economy, the Ministry of Entrepreneurship and Crafts) are involved in the development and implementation of the objectives of commercial diplomacy. The activities of the institutions that are related to commercial diplomacy are not coordinated, thus they overlap, and the division of the responsibilities and the tasks is unclear. A systematic approach is lacking. The **model of commercial diplomacy** in Croatia is **competition**. Compared with other models, this model is probably the least effective. MFEA had begun the process of establishing a systemic commercial diplomacy and wanted to position itself as a

coordinator. The change of the Government and the structure of the ministries had suspended the intended process. MFEA's strategic plan does not provide the establishment of a more systematic commercial diplomacy. An appropriate framework for cooperation, coordination and management was never established.

Recommendations:

- **Establishing a systematic approach to the development of commercial diplomacy and a framework for cooperation, coordination and management.**
- **Changing the implementation model.**

Based on the current status and the strategic documents, the authors recommend the establishment of a third agency model, where the State Office for Trade should take over trade-related jobs, and their representatives should act in the diplomatic missions to open new markets for entrepreneurs in Croatia. In fact, the Strategic Plan of MFEA does not suggest a proactive role of MFEA in that sense, although it does not leave economy-related issue completely out.

4. There are two directions of the development of commercial diplomacy. One towards the major investment markets in which Croatia promotes specific investment projects and attracts FDIs, and another towards the emerging markets in which commercial diplomacy would be the main task of the diplomatic and consular missions.

The third agency model allows the implementation of activities on both levels:

- On the level of the state and international organisations;
- On the level of projects. The activities on project basis

allow the inclusion of multiple stakeholders (regional, local, interest groups and other non-governmental organisations, development agencies) to become partners in the implementation of pre-defined projects.

Recommendations:

- **Comprehensively designing, organising and implementing the reform of commercial diplomacy in order to achieve its primary objectives of promoting exports and attracting FDIs.**
- **Systematically guiding the development of commercial diplomacy at the level of states and international organisations and at the level of projects.**

Systematic development at the country level includes the selection of countries and international organisations in which the activities of commercial diplomacy will be carried out. The selection should be based on the goals and adjusted depending on the results.

5. The **goals and measuring success** of commercial diplomacy are determined using appropriate measures of the Government policy and legislation in competitiveness (trade policy, competition policy, subsidies, and support to SMEs) in accordance with the needs of users. The users' needs could vary depending on their size.

Recommendations:

- **Identifying the needs of users.**
- **Identifying the criteria for success and goals achievements based on the policy objectives.**

Specific activities of commercial diplomacy are taking place

abroad. The **selection of countries** in which commercial diplomats operate may be crucial to the success. The countries in which the activities of commercial diplomacy are conducted should be selected on the basis of the analysis. One approach is to set them up in the countries that have traditionally been partners, therefore commercial diplomacy follows and reviews their economy. Another approach involves the use of commercial diplomacy to facilitate access to the developing new markets. Although the major trading and investment partners of Croatia already implement the measures of commercial diplomacy, there is a discrepancy between the Government's Programme and the Strategic Plan of MFEA. The Government believes that foreign policy should be one of the important channels in the function of economic relations, and that the implementation of foreign policy should lead to the creation of economic interests, rather than following them, which is MFEA's approach.

- **Selecting a unique approach and criteria for determining in which countries the activities of commercial diplomacy will be conducted.**
 - **Defining a way to support the economy in both traditional markets and potential new markets.**
6. Advocating for the business sector is a growing activity in the commercial diplomacy and it is sometimes difficult to determine the difference between the commercial diplomacy (which should help in achieving the interests of the state and the business community) and lobbying (which is primarily focused on one interest group). While business advocacy is very popular and well developed in the developed countries, in less developed countries, business advocacy is often associated with corruption. Users consider that the most

fruitful activities that are related to the **advocacy** of business interests are conducted by non-governmental bodies (e.g. chambers of commerce, development agencies, and other interest groups such as farmers' association). However, the possibilities of using commercial diplomacy are not well known yet, and the existence of bodies is not known (e.g. the Office of Croatian Regions in Brussels).

Commercial diplomats must enable the realisation of achieving the objectives of the government and the business customers. It is also the element that can be used to differentiate the commercial diplomacy from lobbying. Lobbyists represent the interests of individual companies, sectors and interest groups, regardless of their impact on the economy in general or other interest groups, while commercial diplomat advocates aligned interests.

Recommendations:

- **Strengthening the recognition of the activities of commercial diplomacy.**
- **Being informed about the possibilities of advocacy undertaken by other bodies and organisations (CCC, Chamber of Crafts, development agencies, etc.).**
- **Applying best practices, experiences and institutions of commercial diplomacy.**
- **Establishing a broad network of partners in the implementation, and whenever possible coordinating interests and activities.**

Bibliography

Books:

- Andrić, M. and Grčić-Polić, J., 2011. *European Diplomacy, Regional Cooperation and Diplomatic Training*. Proceedings, Zagreb, MFAEI, Diplomatic Academy Year-Book, Vol. 8/2011, No. 1.
- Andrić, M. and Pancirov, Lj., 2002. *Economic Diplomacy in Countries in Transition*. Proceedings, Zagreb, MFA, Diplomatic Academy Year-Book, Vol. 4/2002, No. 1;
- Andrić, M. and Zubčević, I., 2001. *Diplomacy in the Era of Globalisation*. Proceedings, Zagreb, MFA, Diplomatic Academy Year-Book, Vol. 3/2001, No. 1;
- Berković, S., 2006. *Diplomacija i diplomatska profesija*. Zagreb: Urban Media.
- Berridge, G.R., 2001. *Diplomacy Theory from Machiavelli to Kissinger*. London: Palgrave Macmillan
- Berridge, G.R. and James, A., 2003. *A Dictionary of Diplomacy*, 2nd ed. (New York: Palgrave Macmillan)
- Lampreia, L. F. and da Cruz A. S. Jr., 2005. "Brazil: Successfully Coping with Structural Constraints" in J. Robertson and M. A. East (eds) *Diplomacy and Developing Nations: Post-Cold War Foreign Policy-Making Structures and Processes*. Routledge: London.
- Mesić, S. i Plevnik, J., 2011. *Doba ekonomske diplomacije*. Zagreb: Plejada d.o.o.
- Rana, K. S., 2000. *Inside Diplomacy*. New Delhi: Manas
- Turčinović, P. and Pičuljan, Z., 2003. *Diplomacy and Business. Development in Countries in Transition*. Proceedings, Zagreb, MFA, Diplomatic Academy Year-Book, Vol. 5/2003, No. 1.

Articles and journals:

Frlan (2012). <http://www.novolist.hr/Vijesti/Hrvatska/Pusic-Ukidamo-HDZ-ov-sustav-trgovinskih-atasea>

Naray, O., 2010. What a Good Commercial Diplomat has to Know and be Capable of. *Exchange Magazine 2 December 2010*. International Business and Diplomatic Exchange

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

Ruëll, H. and Zuidema, L., 2012. *The Effectiveness of Commercial Diplomacy*. A Survey Among Dutch Embassies and Consulates. Discussion Paper in Diplomacy. Netherlands Institute for International Relations Clingendael.

Saner, R. and Yiu, L., n.d. *International Economic Diplomacy: Mutation in Post-modern Times*. Discussion Paper in Diplomacy. Netherlands Institute for International Relations Clingendael. [Online] available at [http://www.clingendael.nl/publications/2003/20030100_cli_paper_dip_issue84.pdf]

Van Veenstra, M-L. E.H., Yakop, M., and van Bergeijk, P. A.G., 2010. *Economic Diplomacy, the level of Development and Trade*. Discussion Paper in Diplomacy. Netherlands Institute for International Relations Clingendael.

Online articles:

Naray, P., 2005. *Business Advocacy in Trade Policy: Representing Asia-Pacific Interesting Multilateral Negotiations*. [http://www.unescap.org/tid/projects/gbdialogue_s9naray.pdf]

Croatian Ministry of Tourism, 2011. *Croatia's 2011 tourism revenues up 6%*. [<http://www.mint.hr/default.aspx?id=8248>]

Websites:

Eurostat, 2012. *Your Key to European Statistic*. [<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>]

German-Croatian Industry and Trade Chamber, 2012. [<http://kroatien.ahk.de/hr/>]

Hrvatska gospodarska diplomacija, n. d. [<http://hgd.mvpei.hr/>]

Hrvatska gospodarska komora, n. d. [<http://www.hgk.hr>]

Hrvatska narodna banka, <http://hgd.mvpei.hr/>

Speech, thesis:

Barun, I., 2012. *Društvena važnost ekonomske diplomacije: slučaj Republike Hrvatske(Diplomski rad)*. Zagreb: Sveučilište u zagrebu. Mentor: dr. sc. Mirko Bilandžić, doc.

Berković, S., 2012.

Official documents:

Zakon o ustrojstvu i djelokrugu ministarstava i drugih središnjih tijela državne uprave („Narodne novine 150/2011)

Vlada, 2011. Program Vlade Republike Hrvatske za mandat 2011. – 2015.

MVEP, 2012. Strateški plana Ministarstva vanjskih i europskih poslova za razdoblje 2013.-2015., Zagreb

Uredba o nazivima radnih mjesta i koeficijentima složenosti poslova u državnoj službi, NN 60/2012.

Uredba o unutarnjem ustrojstvu Državnog ureda za trgovinsku politiku, NN 22/2012.

ANNEX. QUESTIONNAIRE ON COMMERCIAL DIPLOMACY

Survey of Opinions

Commercial Diplomacy 2012

Institute for International Relations

RESPONDENT'S NAME AND SURNAME: _____

COMPANY/INSTITUTION'S NAME: _____

POSITION: _____

PHONE NUMBER : _____

ADDRESS : _____

CITY/TOWN: _____

POSTAL CODE: _____

FAXNUMBER: _____

BUSINESS SECTOR: _____

CONFIDENTIAL INFORMATION

The answers to the survey questions are confidential and the identity of the respondent or the institution will not be revealed.

What is the research on commercial diplomacy about?

This survey is part of research on commercial diplomacy conducted by the Institute for International Relations.

The aim of the survey is to determine the needs of the businesses of commercial diplomacy (the kind of support needed, the forms, methods, procedures, policies, etc.)

This survey of opinion of the entrepreneurs is an important part of the research, because it allows an insight into the situation, thus the necessary actions for the development of commercial diplomacy.

It shall take 10 to 15 minutes to fill out this questionnaire.

CONFIDENTIALITY: We are aware that some questions require sensitive information. All responses are treated in complete confidence.

In response to the questions in this poll, it will be enough to put a checkmark in the checkbox (using the mark "X") or to circle the number that corresponds to your opinion.

Example of the questions:

3.14 Employers' Association (Chamber of Crafts and Chamber of Commerce) conduct the promotion of your business interests abroad								
Slightly and unsatisfactory	1	2	3	4	5	6	7	Excellently with strong results

If you circle:

1: it means that YOU FULLY AGREE with the response on the left side

2: it means that YOU MOSTLY AGREE with the response on the left side

3: it means that YOU PARTIALLY AGREE with the response on the left side

4: it means that your opinion is NEUTRAL between the two responses

5: it means that YOU PARTIALLY AGREE with the response on the right side

6: it means that YOU MOSTLY AGREE with the response on the right side

7: it means that YOU FULLY AGREE with the response on the right side

INSTRUCTIONS: Please circle only one answer for each question!

1. The needs for commercial diplomacy

1.01 Do you think that Croatian economy needs commercial diplomacy?								
Not at all	1	2	3	4	5	6	7	Yes, very much.
1.02. Do you think that commercial diplomacy could be useful for your company?								
Not at all	1	2	3	4	5	6	7	Yes, its activities are extremely important and useful.
1.03 Have you had the real benefits of commercial diplomacy for your company in terms of achieving business contacts, increasing trade or investment?								
Absolutely not	1	2	3	4	5	6	7	Very large concrete benefits
1.04 Please name the institution(s) that would, in your opinion, be best suited to promote the economic interests of your company.								

2. The Office of the President and the Government of the Republic of Croatia

1.01 Are you familiar commercial diplomacy activities conducted by the Office of the President and the Government of the Republic of Croatia?								
I am not aware that such activities are conducted	1	2	3	4	5	6	7	They are completely familiar
1.02. Do you think that these bodies perform their functions properly for the concrete benefits of the Croatian economy?								
No, very badly, no concrete benefits for Croatian economy	1	2	3	4	5	6	7	Yes, their actions are extremely important and useful for the Croatian economy
1.03 Have you enjoyed concrete benefits for your company in terms of achieving business contacts, increasing trade and investment based on the activities of these bodies?								
Absolutely not	1	2	3	4	5	6	7	A lot of concrete benefits
1.04 Do you have (descriptive) suggestions that could improve the commercial diplomacy activities of these bodies?								

3. Ministry of Foreign and European Affairs and Diplomatic Missions of the Republic of Croatia

2.01 Are you familiar commercial diplomacy activities conducted by the MFEA and the Diplomatic Missions of the Republic of Croatia?								
I am not aware that such activities are conducted	1	2	3	4	5	6	7	They are completely familiar
2.02. Do you think that these bodies perform their functions properly for the concrete benefits of the Croatian economy?								
No, very badly, no concrete benefits for Croatian economy	1	2	3	4	5	6	7	Yes, their actions are extremely important and useful for the Croatian economy
2.03 Have you enjoyed concrete benefits for your company in terms of achieving business contacts, increasing trade and investment based on the activities of these bodies?								
Absolutely not	1	2	3	4	5	6	7	A lot of concrete benefits
2.04 Do you have (descriptive) suggestions that could improve the commercial diplomacy activities of these bodies?								

4. Other Ministries

3.01 Are you familiar commercial diplomacy activities conducted by the other ministries (except the MFEA) of the Republic of Croatia?								
I am not aware that such activities are conducted	1	2	3	4	5	6	7	They are completely familiar
3.02. Do you think that these bodies perform their functions properly for the concrete benefits of the Croatian economy?								
No, very badly, no concrete benefits for Croatian economy	1	2	3	4	5	6	7	Yes, their actions are extremely important and useful for the Croatian economy
3.03 Have you enjoyed concrete benefits for your company in terms of achieving business contacts, increasing trade and investment based on the activities of these bodies?								
Absolutely not	1	2	3	4	5	6	7	A lot of concrete benefits
3.04 Do you have (descriptive) suggestions that could improve the commercial diplomacy activities of these bodies?								

5. The administration of the Counties, Cities or Municipalities

4.01 Are you familiar commercial diplomacy activities conducted by the local administration of the counties, the cities or the municipalities?								
I am not aware that such activities are conducted	1	2	3	4	5	6	7	They are completely familiar
4.02. Do you think that these bodies perform their functions properly for the concrete benefits of the Croatian economy?								
No, very badly, no concrete benefits for Croatian economy	1	2	3	4	5	6	7	Yes, their actions are extremely important and useful for the Croatian economy
4.03 Have you enjoyed concrete benefits for your company in terms of achieving business contacts, increasing trade and investment based on the activities of these bodies?								
Absolutely not	1	2	3	4	5	6	7	A lot of concrete benefits
4.04 Do you have (descriptive) suggestions that could improve the commercial diplomacy activities of these bodies?								

6. Croatian Chamber of Commerce i Croatian Employers Association

5.01 Are you familiar commercial diplomacy activities conducted by the Croatian Chamber of Commerce and Croatian Employers Association?								
I am not aware that such activities are conducted	1	2	3	4	5	6	7	They are completely familiar
5.02. Do you think that these bodies perform their functions properly for the concrete benefits of the Croatian economy?								
No, very badly, no concrete benefits for Croatian economy	1	2	3	4	5	6	7	Yes, their actions are extremely important and useful for the Croatian economy
5.03 Have you enjoyed concrete benefits for your company in terms of achieving business contacts, increasing trade and investment based on the activities of these bodies?								
Absolutely not	1	2	3	4	5	6	7	A lot of concrete benefits
5.04 Do you have (descriptive) suggestions that could improve the commercial diplomacy activities of these bodies?								

7. Activities of your company in which you work

6.01 Does your company conduct the activities of commercial diplomacy?								
I am not aware that such activities are conducted	1	2	3	4	5	6	7	They are completely familiar
6.02. Do you think that the activities conducted by your company could have real benefits for Croatian economy?								
No	1	2	3	4	5	6	7	Yes, their actions are extremely important and useful for the Croatian economy
6.03 Have you enjoyed concrete benefits for your company in terms of achieving business contacts, increasing trade and investment based on the activities of these bodies?								
Absolutely not	1	2	3	4	5	6	7	A lot of concrete benefits
6.04 Do you have (descriptive) suggestions that could improve the these kind of commercial diplomacy activities?								