

## GLOBAL CORPORATIONS AND DIPLOMACY

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**Abstract:** *"Economization" of the foreign policy is a global trend. Economic diplomacy is the core of modern diplomacy. The rise of the global corporations. The triangle of the world economy. The role of corporate diplomacy. Format and mandate of the economic diplomat. The suggestions for better economic diplomacy organization in the Republic of Serbia.*

**Keywords:** *economy, global corporations, foreign policy, diplomacy, economic diplomats*

Economy never had so much significance and role in foreign policy and diplomacy as today. Foreign policy cannot be detached from the market realities. Diplomacy is much more concerned with financial and economic crisis, rather than disarmament. Diplomacy is now, in fact, economic diplomacy.

Economic diplomacy, its notion often eludes chains of conceptual definition, is raising everywhere in the world. It has become a strategic concern of every prosperous country and progressive society. The process of economic "diplomacy" and "economization" of diplomacy has grown into a truly global trend.

Today, the success of nation states diplomacy, and their diplomats appraise by how much they and their contribute to increasing the flow of needed foreign capital, acquisition and application of advanced foreign technologists, all political and business climate created in the receiving country for the performance of its export-oriented enterprises to all the more demanding world markets by its activities, in the end, what foreign income or profits, makes the economy of the country of accreditation in the economic cooperation and relations with the world i.e. in the receiving countries.

Americans said long ago "Diplomacy business is business." In the first line of American diplomacy are the interests of American corporations, in the spirit of the famous urban myth of U.S. businesses, "which is good for General Motors is good for the United States."

Particularly important form of economic diplomacy is so-called corporate diplomacy, made in the lap of global corporations to expand business worldwide, often referred to as multinational corporations, transnational corporations, multinational companies, big companies, et al.

It is estimated that at the beginning of the 21<sup>st</sup> century the world has over 65.000 global (multinational) companies and around 500,000 corporate branches located in other countries. The largest part of export business in the world is accomplished through a global corporation. The value of annual exports of only 250 most powerful global corporations reached one third of world gross product (GWP), which in 2009 amounted to about 70 trillion U.S. dollars. Global (multinational) corporations controlled over 80% of the world's financial capital (foreign direct investment and portfolio

investment). It is estimated that two thirds of world trade will be carried out by global corporations (third through intra-firm trade and the third part through inter-firm trade), and about a one third through classical forms of foreign trade.<sup>20</sup>

Income of some global (multinational) corporations is higher than the gross domestic product (GDP) of many national economies. For example, only 30 countries in the world in 2006 had a higher GDP from the income of American corporations Wall-Mart Stores, which is the biggest multinational company in the world.

Wall-Mart Stores Corporation revenue in 2006 was nearly 8 times higher than GDP of Serbia. Danish GDP in 2006 was slightly higher than revenues of Chevron U.S. corporation. Corporate income of German Siemens in 2006 was more than twice than GDP of Slovenia. Croatian GDP in 2006 was equal to the income of American Costco Wholesale Corporation, and so on.

Global (multinational) corporations have entered into all sectors of the economy and services, particularly those that are technologically and financially most propulsive, who make the most profit, such as computer technology, pharmaceuticals, oil and petrochemical industries, banking, and other services. It is estimated that approximately 60% of global corporations are engaged in the industrial sector, 37% in the service sector, and 3% in the primary sector of the economy. The largest number of multinational corporations (90%) is concentrated in *the triangle of the world economy* - the U.S., EU, and Japan.

Political and economic prestige of a country in the world is often equated with prestige, which has its global corporation in the world.

The names of many global corporations have become a trademark the country of origin itself. For example, corporations such as Coca Cola, Nike, Boeing, and McDonalds are tied to the U.S., Nokia to Finland, Sony to Japan, Nestle to Switzerland, Rolls Royce to UK, Mercedes Benz to Germany, etc.

Leaders of global corporations (CEO - chief executive officers) and their owners have become the most important part of a global "superclass" that holds the actual (though not formal) levers of power and influence around the world, in all countries, including the United States as the most powerful super power. For a description of power and influence of global corporations in the world, and their leaders, a new term "*faktokratija*" (actual rather than formal power) appeared which comprises the possession of real rather than formal authority. Therefore, for example, it is believed that in the U.S. presidential election win, as a rule, the candidate on whose side are most CEOs of American corporations, i.e. U.S. corporate elite. The leading figures of global corporations (management and owners) are among the richest people in the world.

Global corporations have become the driving force of globalization and world economy

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<sup>20</sup> Miroslav M. Raičević, *Internacionalna ekonomija sa osnovama ekonomske diplomatije*, Fakultet za internacionalni menadžment, Beograd, 2000, str. 13

in general, and economy of each country. They have become a “global companies” in the true sense of the word, spreading the awareness that “the world is one and indivisible”, that the world is a comprehensive economic area. They bring new, modern forms of economic organization and management, and offer a new global way of thinking about solving global economic problems of the world. In addition, they are more and more powerful influential, directly or indirectly, in shaping the foreign policy of many countries in the world. Wherever they have appeared so far in any country in the world, global corporation brought and bring appropriate economic revival, allowing the rapid economic growth, increased investment, job creation, raising the standard of people, etc. Only those states who observe the contemporary world through categorical terms that are narrower than global are in conflict with global companies.

Global corporations have realized they must hold in their hands the responsibility for its position in numerous markets worldwide, in the production regions and distribution channels, that themselves should do care about their capital and their economic power, that responsibility for sustainable corporation development must not shift to political actors and the current administration of given state or given countries, and to use their knowledge to widen their horizons to better understand the complexity of contemporary global agenda, economic, political, and social.

In every global corporation, and any in any greater successful company that does business with foreign countries, organizationally a special service (sector) for “foreign affairs”, international cooperation, international relations, and similar, to communicate and negotiate with foreign entities is established, no matter where they are located. Its “foreign affairs” and functions that service usually realized (1) in relation with the state, (2) in relation to other corporations and business entities, and (3) in relation with branches within the company, located in countries outside of the site management of the corporation.<sup>21</sup>

Under the auspices of a global corporation new and special kind of diplomat, called. corporate diplomats, workers of the global corporations with special knowledge and skills in the development of strong corporate identity, responsible and efficient in communicating with different communities, interest groups, activists, governments and international shareholders, who truly feel as the citizens of the corporate world, who know local conditions and the needs of the host country (receiving), know the effective use of modern forms and all available resources for the implementation of strategic communication with foreign public opinion.

Corporate diplomacy is engaged in activities and issues of greatest importance for the successful functioning and development of global corporations, such as, for example, how to create the best global business environment and global atmosphere of friendship and trust, how to effectively negotiate with the government of the country where business is located and governments of countries where its subsidiaries are located, how

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<sup>21</sup> David Đ. Dašić, *Savremena diplomatija*, Multidisciplinarni centar za podsticanje integracionih procesa i harmonizaciju prava/Privredni savetnik, Beograd, 2008, str. 375 - 278

to build relationships with business associations and chambers of commerce, associations of trade unions, NGO networks, media, and others.

None of this depends on the success of global corporations in business operations around the world. Not a single global business can survive in a hostile environment. That is why global corporations were forced to create and develop their own “diplomatic services” to have their own diplomats, their own protocol, and other mechanisms that are required for the establishment of various forms of cooperation and relations, both within the corporate world and outside it. Foreign affairs departments of some global corporations are more numerous than the diplomatic services of certain states.

Corporate diplomacy is on the rise around the world. It is practiced in the U.S. on a daily basis. Diplomatic representatives of corporations require local, state, and national legislators to adopt laws and measures that are vital for successful and efficient operations of the corporation. Diplomatic representatives of European corporations directly communicate not only with governments of the state where they are located and where they have their branches, but with the highest political bodies of the European Union also.

The success and rapid growth of global companies in China, Japan, and South Korea is directly related to the effects of global corporate diplomacy. In these social environments, diplomacy is appreciated as a separate business value, equal to ethics and morality of past civilizations and cultures and treated as an art in the truest sense of the word.

Many global corporations and the governments of many countries have established some kind of partnership. State diplomacy, as a rule, does not confront corporate diplomacy, and the purpose of most of them is achieving the strategic goals of global organizations.

Diplomatic potential of global corporations become some sort of diplomat nursery necessary to state diplomatic sector (Ministry of Foreign Affairs and other departments). Similarly, in the modern industrial world is increasingly practiced that career diplomats fluctuate from the MFA to global corporations and other large national companies that do business with foreign countries.

New time requires a new foreign policy, new diplomacy models, and new profile diplomats. If the annual income of a global corporation is bigger than GDP of a country, then some influence the foreign policy and diplomatic performance of given state towards them is unavoidable.

The future of the world is on the side of global corporations. They are the economic future of both Serbia and the entire Western Balkans region. The presence of some of the world of global corporations (U.S. Steel, Coca Cola, Fiat, etc.) in Serbia has been significant but far from necessary and possible. Their number in the near future must increase significantly. Development and stability of the Serbian economy largely depend on that.

The relation of the Serbian state to global corporations today is a real challenge to its foreign policy and diplomacy. A viable strategy for Serbia's foreign policy is not possible without adequate evaluation of the place and role of global corporations and the corporate world of economic factors in contemporary international relations. Some global corporations have big importance for Serbia, and not just for Serbia, not only in economic sense, they are more important than big number of individual nation states, not only small ones but also those of medium size.

Therefore, Serbia, as a state and society, should quickly adapt to the changes that have already taken place on the global economy and world markets, and that “set” its foreign policy and diplomatic activities according to the real power of global corporations, which became one of the indispensable pillars of modern international relations, foreign policy, and diplomacy. Global corporations are the economic future of Serbia and the entire Western Balkans region.

## RESUME

New times require new forms of organizing the diplomatic service, and a new profile of diplomat. Classic, traditional patterns of organization of diplomatic service, some inherited from the 19<sup>th</sup> century, do not fit the challenges and needs of the 21<sup>st</sup> century. In addition, instead of general profile diplomats, diplomats of emphasized specific professional orientation, such as, for example, economic diplomats, a special type of government workers in charge of promoting business cooperation with foreign countries are needed.

One of the strategic objectives of foreign policy of Republic of Serbia and the specific tasks of its foreign minister and diplomatic service is that with its performance on the world political and economic scene, particularly the market, create conditions for a large global corporations arrival in Serbia, so Serbia could become a “corporate”. Cause, more global corporations in Serbia means the faster route and its faster pace towards EU. “Corporate” Serbia is, in fact, the other side of “European” character of Serbia. In this context, two questions arise:

First, why the Republic of Serbia, in cooperation with the authorities of the receiving state, would not send their economic diplomats directly to work in the selected or selected by global corporations around the world, on the basis of received special approval from them (so-called “*agrément*”), rather than in its Embassy offices, as it is now the practice, and

Second, why in the Ministry of Foreign Affairs of the Republic of Serbia wouldn't be organized a special, unified sector (DG) of bilateral and multilateral economic diplomacy, in which, inter alia, could be a special management of corporate diplomacy, with the economic diplomats that would communicate with selected global corporations around the world, in the immediate interest of the country, its economy, and businesses.

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