

TRANSFORMATION OF UKRAINE'S COMMERCIAL DIPLOMACY: RESHAPING THE MODEL

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Abstract. The article examines past and present changes in the system of commercial diplomacy of Ukraine in the context of external and internal, old and new challenges. *The aim* of the study is to propose recommendations for the improvement of existing model and to identify lessons learned from Ukrainian experience that could be useful for developing countries. The relevancy of the study is conditioned by the need to enhance the effectiveness of Ukraine's commercial diplomacy in the face of existing challenges. The applied *methodology* is a combination of methods used for theoretical and empirical research (observation, comparison, analysis and synthesis, system and structural analysis). We found that present distorted organizational set-up of Ukraine's commercial diplomacy is the result of the uncompleted process of integration of management of international economic relations to the Ministry of Foreign Affairs. We argue that the introduction of a unified model is untimely but can be considered as promising in a more distant future. Ukraine's experience shows that without necessary prerequisites (a certain level of economic development and role in international relations, which require clear strategic vision and effective coordination of traditional and commercial diplomacies) and proper implementation, the introduction of the unified model is unlikely to lead to the desired outcome. *Results* of the analysis also indicate that the promotion of export and investment needs further impetus. Suggested recommendations address both organizational and practical aspects of Ukraine's commercial diplomacy. Their implementation would have a positive impact on the style and effectiveness of Ukraine's commercial diplomacy and, therefore, competitiveness of the national business.

Key words: commercial diplomacy, economic diplomacy, export promotion, investment promotion, international trade, trade globalization, trade policy, trade missions, Ukraine.

JEL Classification: F19, F14, F13, F21, O52

1. Introduction

In the context of trade globalization and growing turbulence of economic development, diplomatic support for trade and investment is gaining in importance. A significant reduction of tariff barriers due to trade liberalization both at multinational and regional levels has not only increased competition but also expanded business opportunities for entering markets abroad. Commercial diplomacy has become an integral part of government policy, contributing to the implementation of objectives aimed at supporting/stimulating national business and improving its competitiveness.

There are ongoing discussions on the theoretical framework of commercial diplomacy with major works belonging to G.R. Berridge, H. Kopp, N. Kostecki, O. Narey, E. Potter, K. Rana, H. Ruel. For the purpose of this article, we use a wider definition of commercial diplomacy (Kopp, 2004) which suggests that commercial diplomacy is practiced at both micro- or transactional level (assisting business in export

and investment promotion through the provision of market information, facilitation of business contacts, organization of seminars, trade missions, trade fairs, lobbying and advocacy efforts) and macro-level (supporting business promotion through setting rules and regulations for trade and investment flows, negotiating regional trade agreements, relevant activity in the WTO etc.). Commercial diplomacy is focused on commercial gains. It is seen as economic diplomacy when political, geopolitical, and security issues come into its focus or are used as leverage for economic gains (Okano-Heijmans, 2011). Nonetheless, the concept of economic diplomacy is wider and includes, among others, financial and development diplomacies.

Organizational and institutional arrangements of commercial diplomacy of different countries have their own specifics, and successful experience can often be used as an example to follow by others. However, the current body of literature lacks a discourse on how to choose an organizational model, as well as on possible

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constraints and complications that may arise in the course of its implementation. In 2010, Ukraine started a transition to the unified model, in which functions of diplomatic support for trade and investment are carried out by the Ministry of Foreign Affairs (MFA). We will look at the predicaments of this transition in an attempt to identify lessons learned from Ukraine's experience.

The article also examines specifics of the country's historical experience, existing global, regional and internal challenges affecting the issues and agenda of Ukraine's commercial diplomacy. A particular attention is paid not only to the organizational and institutional provision of commercial diplomacy but also to the activities of commercial diplomats. The relevance of the study is conditioned by the need to re-activate Ukraine's commercial diplomacy and enhance its effectiveness in the face of existing challenges. If based on consistency and strategic vision of Ukraine's development prospects, the proposed efforts would have a positive impact on the country's export promotion and FDI attraction.

2. The organizational and institutional arrangement of commercial diplomacy

Existing typologies of organisational design for the export and investment promotion primarily relate to transactional level (agencies providing services for business) and mainly to export promotion, which might be due to the fact that FDI attraction in a number of countries falls under the competence of local authorities.

Loosely, export promotion systems may be attributed to three types: government-based, private sector-based, and a mixture of both (hybrid) (Seringshaus & Botschen, 1991). In government-based systems, public institutions (mainly ministries) play a leading role (Canada, France, USA). Business support in private-based systems (Austria, Germany) is provided by a network of chambers of commerce and industry abroad with minimal government intervention. Therefore, diplomats serving abroad focus primarily on advocacy and lobbying, if needed. In hybrid systems, the participation of private and public sector in export promotion is roughly equal (Netherlands, Sweden).

More refined typology was suggested later to distinguish five models of organizational set-up for diplomatic support of export and investment promotion (Rana, 2002). (1) Unified model – foreign policy and foreign economic issues are handled by MFA (Australia, Brazil, Canada). In Brazil, for example, MFA is authorized to negotiate on trade with third countries and represent the country in the WTO. Some countries have export promotion agencies at the national level, but others don't. (2) Partially unified model – MFA and the Ministry of Trade or Economy jointly establish a special unit (body) to support trade and investment (United Kingdom), though diplomatic service abroad is unified. (3) The model of the third agency – MFA

mainly does not relate to trade issues, which fall under the responsibility of an independent public or non-public institution(s). Diplomats serving abroad cooperate with the representatives of this institution but their tasks never overlap (Singapore, Germany, Austria). (4) Competition model – MFA and other ministries have overlapping tasks and responsibilities without a clear division not only on issues of international trade and investment but also on meetings with foreign agencies and international organizations (India). (5) Renunciation model – functions are fully separated. The Ministry of Trade or Economy handles trade and investment promotion issues, while MFA does not play an active role in that (China).

The organizational arrangement to some extent influences the institutional culture and, therefore, the style of commercial diplomacy performance. Following the grouping of commercial diplomats for business promoters, civil servants, and generalists (Kostecki & Naray, 2007), one may distinguish proactive, reactive, and passive commercial diplomacy. Proactive commercial diplomacy is client-oriented, i.e. business-oriented (USA, United Kingdom, Japan, Ireland). The main task of diplomats is to provide the right level of information and consulting services for companies, often on a fee basis. In this style of diplomacy, commercial diplomats have high professional training. Reactive commercial diplomacy is typical for countries where the Ministry of Trade or Economy plays the leading role in export and investment promotion system. Such diplomacy is less client-oriented, more responsive to government orders than to business needs. Diplomats see commercial issues as an integral part of international economic relations (France, Poland, China). Passive commercial diplomacy is performed by career diplomats who serve business needs only occasionally or in addition to other diplomatic duties. They have less professional and technical training to support foreign economic activities. This kind of diplomatic style may be attributed mainly to developing countries that do not have a comprehensive export and investment support system, as well as proper funding to provide for the appropriate staff of diplomatic missions.

3. Evolution of Ukraine's model of commercial diplomacy

Under the Soviet Union, because of the state monopoly on trade, all competences related to foreign trade policy and commercial diplomacy belonged to the central government in Moscow. After gaining independence, in 1991–1994, Ukraine started working on the establishment of the national system of management of foreign economic activity and creation of the necessary regulatory framework for foreign trade and investment. In 1991, the Ministry of Foreign Economic Relations of Ukraine was established followed in 1993 by the trade

missions (subordinated to and financed by the ministry) within the diplomatic embassies of Ukraine.

The next five years (1994–2000) were characterized by changes inherent to the further development of already established institutions. At the level of central executive authorities, the powers and functions of the bodies and units responsible for the foreign economic policy were separated; the system of implementation of a concerted state foreign trade policy was developed. In 1994, trade missions were transformed into trade and economic missions (TEMs) within the diplomatic missions of Ukraine abroad. Their operational management remained under the Ministry of Foreign Economic Relations, but funding was channelled through the MFA. In total, 55 TEMs were established within Ukraine's embassies abroad, based on the significance of trade and economic cooperation. In 1995, the Ministry of Foreign Economic Relations was transformed into the Ministry of Foreign Economic Relations and Trade with expanded functions which, among others, included the protection of domestic producers from anti-dumping measures abroad. Its regional bodies, the structural units on trade issues, were established in regional state administrations.

In 2000–2010, as a result of administrative reform, the main role in the management of foreign economic policy and its implementation passed to the Ministry of Economy. It became the successor of the Ministry of Foreign Economic Relations and Trade and some other bodies, including the National Agency of Ukraine for Development and European Integration, responsible for FDI attraction. TEMs started reporting to the Ministry of Economy.

Establishment of TEMs in 1994 with dual subordination to MFA (financing) and the Ministry of Foreign Economic Relations (operational management) gave rise to a permanent interagency fighting about the rationale for TEMs, which persisted after the Ministry of Economy acquired the function of foreign economic relations management in 2001. The reproaches concerning TEMs' futility have not always been ungrounded. Lack of Ukraine's experience in the development of international economic relations resulted in an insufficient professional level of TEMs' staff neglecting business needs. The Accounting Chamber of Ukraine concluded from the relevant audit in 2007 that TEMs performed their functions without meaningful objectives, strategic and program documents. It also pointed to overlaps in functions of TEMs and embassies' economic counsellors, as well as to formality of internal evaluation process, which was based on TEMs' reporting. The business also reproved TEMs for the lack of tangible support from diplomats.

Therefore, in 2010, with a view of conducting concerted foreign policy and in line with the next administrative reform, TEMs were closed down and the Ministry of Economy was reorganized into the Ministry

of Economic Development and Trade (MEDT). As TEMs' proxies, MFA created economic units at the embassies. However, this has not led to a more effective representation of Ukraine's economic interests and export promotion and FDI attraction. One of the reasons is that the logical (for such a model) transfer of the relevant departments of the Ministry of Economy with their functions to MFA has never happened. Consequently, the organizational model of commercial diplomacy became even more distorted when MEDT responsible for the development and implementation of the foreign economic policy was deprived of the mechanism for implementing this policy abroad. It still featured a partial overlap in functions and not well-adjusted mechanism of coordination between the two major actors – MEDT and MFA. Also, the MFA staff elicited much more reproach from business for the lack of proficiency and client-orientation as economic diplomats had to combine assistance to trade and investment promotion with other responsibilities, especially in the case of embassy's work overload. Ukraine's reactive commercial diplomacy turned into passive. The significance that MFA attaches to commercial diplomacy is indirectly evidenced by non-major status of the division of economic cooperation.

Currently, the main actors of Ukraine's commercial diplomacy include MEDT with the State Information and Analytical Centre for Monitoring of Foreign Commodity Markets under its umbrella; MFA with the network of economic counsellors at the embassies; local authorities; consultative, and advisory bodies, including temporary ones, like Export Promotion Office at MEDT and Investment Promotion Office under the Cabinet of Ministers of Ukraine, established with the help of international and bilateral donors; other ministries; non-government organizations including business associations (for example, the Chamber of Commerce and Industry, the Union of Industrialists and Entrepreneurs) as well business entities.

4. Global and regional challenges

Today's global trade is characterized by a number of trends that are challenging for many countries. First, the slowdown in global trade precipitated at 1.3% in 2016 (WTO, 2017a) under the influence of the significant slowdown in the economic growth after the global financial crisis of 2008. Meanwhile, in the post-crisis period, trade in goods and services have opposite trends – trade in services proved to be more sustainable, maintaining positive dynamics. Secondly, the number of protective measures taken by countries has been increasing. In particular, between mid-October 2015 and mid-May 2016, WTO members introduced 154 new trade-restrictive measures versus 132 trade facilitation measures (WTO, 2017b).

Thirdly, the structure of trade is changing – today the share of developing countries in global trade in goods is 44% against 20% in 1990. In the last decade, the volumes of FDI have almost doubled as compared to the late 1990s (Meléndez-Ortiz & Samans, 2016). However, capital flows after 2008 became very volatile.

In addition, a significant part of the world trade takes place in global value chains when the product crosses the borders moving from one stage of production to another, which leads to further enhancement of specialization and interconnection of economies. More than 70% of global trade today is the trade in intermediate goods and services and in investment goods; and the revenue generated in global value chains has, on average, doubled over the past 15 years (OECD, WTO & World Bank Group, 2014). Another modern feature is the intensification of trade regionalization through various regional trade agreements (RTAs). On the positive side, RTAs may open up access to another market and often settle issues that are not yet or partially regulated on the multilateral level. On the other hand, potential challenges of RTAs are the discrimination of the trade partners which are not RTA members, and the increase in transaction costs for companies built in global value chains at the intersection of different RTAs.

Thus, the slowdown in global trade entails an increase in competition for markets, and the growing share of developing countries in global trade means the growing competition among exporters in developing countries. Small and medium enterprises that make up the largest group of participants in global value chains face a significant number of barriers. One of them is information barrier when enterprises do not know how to find a partner built in a global value chain. Trade regionalization poses a number of challenges, which require correct assessment of the rationale and effectiveness of the country's participation in a potential or already existing RTA, as well as the provision of a synergy among different RTAs. Increased international capital flows made capital cheaper, but due to the growing volatility, it is not always translated into new FDI important for developing countries.

At the regional level, Ukraine has several challenges, which affect not only the macro level but also have an impact on potential and existing exporters. They, in particular, include trade wars initiated by Russia and the conclusion of an Association Agreement, which provides for the establishment of the deep and comprehensive free trade area with the EU. The first factor has been forcing exporters to look for new markets. The second one is promising in terms of future access to the EU market, FDI, and other economic opportunities. However, to take advantage of this potential, business needs assistance in identifying and adjusting to the needs of the new market in order to remain competitive.

5. Ukraine's policy challenges and structural problems

For years, one of the internal challenges has been the lack of a strategic vision of foreign economic policy in terms of promoting exports and investments, which is also partly a reflection of the lack of Ukraine's experience in development of international economic relations. Ukraine still does not have a strategy of economic or commercial diplomacy and/or foreign trade strategy. The development of the latter has been ongoing for the last two years; a draft strategy named "Roadmap of Ukraine's Strategic Trade Development for 2017–2021" was presented in April 2017 for further public discussion and approval. However, it did not contain any provisions for diplomatic support of export promotion.

Lack of proper funding is another chronic issue. It limits the number of diplomats abroad, restricts the range of tools for export and investment promotion, as well as the mobility of diplomats. Export promotion agency is absent. There are attempts to address the issue by means of cooperation with international donors – the Export Promotion Office was established in MEDT. However, such efforts are of a temporary nature – international practice of technical assistance shows that similar initiatives fully funded by international donors are unsustainable in medium- and long-term perspective if the government of the beneficiary country does not start undertaking funding commitments.

Meanwhile, Ukrainian exports need a substantial support. This is evidenced by resumption of the trend of growing trade deficit in 2016, as well as by the reduction of the overall value of exports of goods (Figure 1), which began in 2013 under the influence of the GDP slowdown in the previous year, the decline in world prices for traditional export goods, and the trade war, initiated by Russia. Later, these factors were followed by the annexation of Crimea by Russia; war actions in Donbas region, which led to the loss of some production capacities, including those that produced export goods; and the restriction of the transit of Ukrainian goods to Kazakhstan and Kyrgyzstan by Russia.

The issue of export diversification has long been on the Ukraine's agenda, and commercial diplomacy is expected to facilitate product and geographical diversification. However, indicators of the extensive margin of Ukraine's exports of goods give little reason for optimism. In five years, from 2010 to 2015, geographic concentration tended to decrease; the share of the top three markets in exports has declined significantly, reflecting the decrease in the share of exports to Russia in recent years. At present, the geographic concentration is almost commensurate

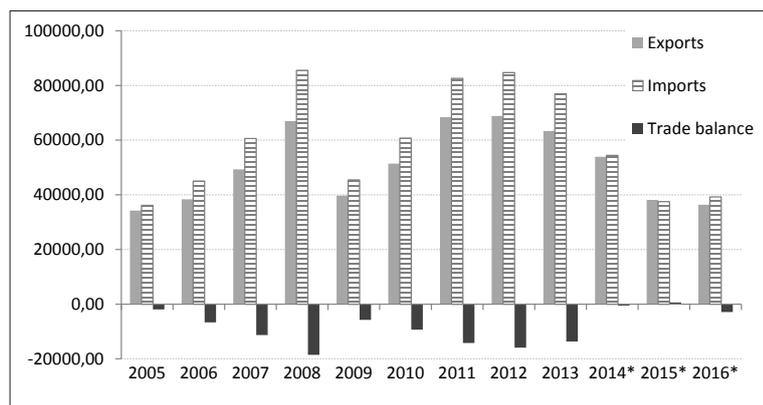


Fig. 1. Ukraine's foreign trade in goods, in million USD

* Without data on temporary occupied territory of Crimea and a part of the antiterrorist operation zone

Source: Ukraine's State Statistics Service

with the German one¹ – the share of top three and top five markets in exports of goods totals to 26.2% and 36.9% respectively². However, product concentration has increased: the share of top three and top five products in exports grew from 21% and 29.9% to 22.4% and 33.7% respectively. The share of top three products in Ukraine's exports of goods in 2015 was commensurate with the relevant indicator of Germany but the share of the top five products exceeded German indicator by 6.4 percentage points. Moreover, there was a reduction of active export lines (product subheadings) on HS 4-digit and even more on the 6-digit level: the total number of active export lines decreased to 3701 in 2015 which was lower than

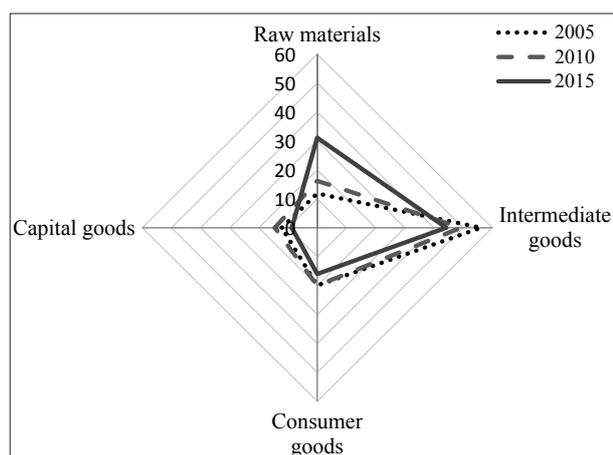


Fig. 2. Structure of Ukraine's exports of goods (by stage of processing), in percents

Source: WITS of the World Bank

in 2010 (3924 lines) almost by 6% and even in 2005 (3724 lines).

Ukraine's exports also suffer from another structural problem – the prevalence of products of the lower stages of processing. They kept on dominating in 2015: 2/3 of Ukrainian exports were intermediate goods (44%) and raw materials (31%); the share of latter has almost doubled in the last five years (Figure 2). Although commercial diplomacy does not have a critical impact on quality upgrading or technological complexity of exports, it is capable to enhance other efforts, especially if it becomes niche diplomacy or has niche programmes aimed at promoting products with higher added value.

Over the last three years, MEDT has enhanced its efforts to promote exports. For the first time, trade missions are organized consistently and led by the Trade Representative of Ukraine; the Council of Exporters in MEDT has started carrying out regional meetings. The activity of bilateral commissions was revived. However, analysis of extensive margin of trade shows that this work needs an additional impetus.

6. Prospects for further transformation of the organizational model

Until recently, the integration of management of foreign economic relations with MFA was seen as an optimal model for commercial diplomacy in the national discourse. And the current distorted organizational arrangement is essentially the result of an incomplete process of such integration. However, MFA's failure to improve the performance of economic diplomats questioned the rationale for MFA's operational management and control of diplomatic support for the export promotion and FDI attraction. Starting from 2012, there was a growing consent to re-establish trade missions (representative offices) abroad. Despite criticism in the past, they tended to handle more practical aspects of trade and their staffs were more proficient than economic counsellors at the embassies. In 2014, the role of Trade Representative of Ukraine was introduced to advance Ukraine's economic interests in foreign markets. Though trade missions have not been established yet, the Trade Representative's functions include coordination of trade missions' operation abroad. However, the process evolves very slowly, not least because of the lack of unity in understanding the concept of prospective trade missions between the MEDT and the MFA, as well as the lack of financial resources.

¹ Germany is widely considered as a benchmark country with regard to export diversification.

² Because of relatively frequent revisions of the Harmonized Commodity Description and Coding System (HS) of the tariff nomenclature and different time lags of countries' transition to a new HS edition as well as to ensure the comparability of data, these and most of other indicators were calculated based on UN Comtrade data mainly on 4-digit (1241 headings) and 6-digit (5311 sub-headings) levels of the HS 1996 edition in the World Bank database (WITS, 2017).

Although the transition to the unified model has not been completed, most experts recognize that this type of organizational arrangement of commercial diplomacy is unlikely to be implemented at this stage in Ukraine in the presence of the institutional weakness of the existing central agencies which are not ready to manage large bodies, logistical problems, and difference in institutional cultures. However, they do not exclude the possibility of integration of foreign policy and foreign economic policy in one agency in the medium term. While it is difficult not to agree with the notion that integration of functions is untimely but the possibility of implementing such a model in a medium-term perspective is arguable. It is rather a matter of a long-term perspective being conditional on not only institutional capacity but other fundamentals as well.

The unified model is mainly used by small countries with limited human and financial resources and relatively narrow export product variety or by wealthy countries (Canada, Australia, and the Scandinavian countries), to which successful performance proponents of the model often refer.

However, it should be noted that Australia, Canada, Scandinavian countries belong to the upper tier of middle powers³. They are placed in the second rank after the superpowers and are typically characterized by large populations, high level of wealth, and significant armed forces (Berridge, 2014). These countries are donors of technical assistance to development and are considered or claim to be regional leaders. They have an extensive diplomatic network as their interests lie in various parts of the world. They lack sufficient authority to aggressively advance their agenda like superpowers, but their weight, resources, and reputation are enough to be mediators in solving many global issues, especially on the multilateral level.

The integration of trade policy and foreign policy under the umbrella of MFA was a natural, though not always a simple process for these states. Having reached a significant level of economic development, they found themselves capable of taking on greater responsibility and playing a bigger role in the international arena. Accordingly, the new role and the need for the effective implementation of strategic objectives required a better coordination of the efforts of traditional diplomacy and commercial diplomacy, which transformed into economic diplomacy with consideration for development diplomacy and growing intertwine with foreign policy objectives inherent to such states. The commercial component of diplomacy of these countries, unlike Ukraine, is institutionally and organizationally developed and well-established.

Today, Ukraine cannot be attributed to upper middle powers, neither by the level of welfare (a lower

middle income country, a recipient of international donors' assistance to development) nor by the role in international relations. The implementation of economic diplomacy involves interweaving of goals, objectives, and tools of foreign and economic policy; and clearly defined strategy and priorities. Instead, Ukraine's trade strategy is still emerging; and lack of consistency, strategy, and priorities were named as major challenges of Ukraine's foreign policy by national and international experts (IWP, 2016). Given that the organizational structure needs to be transformed for a more effective implementation of strategies, tasks, and functions, it is obvious that an attempt to do the opposite – to change the organizational structure in hope that it will add strategic nature to foreign policy and foreign economic policy – is unlikely to lead to the desired outcome.

7. Shaping a new model

The most relevant task of Ukrainian commercial diplomacy is to develop a client-oriented commercial diplomatic service reporting to and financed by MEDT. At the initial stage, considering existing financial constraints, it is expedient to establish several trade missions abroad that will play the role of regional hubs and have sufficient funding for business trips of commercial diplomats to other countries of the region, if needed. They should interact with embassies since the status of any trade representative is incomparable with the status of the ambassador who can reach high-level decision-makers in the government of a host country to promote certain agenda and/or to address persisting challenges Ukrainian businesses face.

In addition to trade missions in some countries, it is proposed to establish an official representative office of Ukraine in the WTO. Currently, Ukraine is represented there by the Permanent Mission to the UNO branch and other international organizations in Geneva; and because of lack of proper funding, representatives of ministries and departments cannot take an active part in the work of some committees. Establishment of the official representative office in the WTO will improve the information and analytical support of trade policy development, contribute to Ukraine's ability to defend and advance national trade-related interests, and activate work in bodies of different levels of the organization.

There is a need for information and consultation support not only abroad but also in Ukraine. It may be provided through an export agency (financed on a cost-sharing basis by the state budget, international/bilateral donors' assistance, and proceeds from fees for rendered services) or a structural subdivision of MEDT, which would administer government export promotion

³ The theory of international relations distinguishes superpowers, middle powers, small powers, and sometimes micro-states.

programs. Given the predominance of raw materials and intermediate products in Ukraine's exports of goods, it would be advisable to introduce programs focused on the promotion of goods with higher added value.

One of the most important measures is the development of information and consultation portal. In 2008, the portal "State support of Ukrainian exports" (ukrexport.gov.ua) was launched. It contains information on procurement, trade fairs, and other business opportunities abroad, as well as trade statistics, terms of export to other countries. However, the information on it is incomplete and mostly outdated. The Export Promotion Office is actively represented in social networks and has its own website, though information on it is far from being comprehensive. The web-page of the Council of Exporters and Investors in MFA provides overlapping information with other sources. The development of a single information platform would allow saving time business spends on searching for information on existing export opportunities, measures, and legislation and practical advice on how to start and develop export activities.

With regard to the operation of prospective trade missions, it should be noted that the tasks of commercial diplomats and economic counsellors at the embassies who collect macroeconomic information are different. It entails the need for different information and networks of contacts. In particular, lack of knowledge or ignorance of specifics of doing business or making a trade in different countries and regions may result in losses for the exporter. In general, trade missions should provide a standard (approved by MEDT) set of services. The limited number of trade missions, at least initially, requires, on one hand, the higher mobility of commercial diplomats, and on the other hand, the possibility of rendering non-specialized services by economic counsellors or other embassy's diplomats in cooperation with the MEDT in other countries. The lack of skilled personnel in MFA and MEDT calls for the development of necessary competences through trainings, as well as for possible engagement of businesspeople to the diplomatic service to overcome the passive attitude to business needs pertained to previous practice.

Given the dynamic changes in global economy, the approach to geographic allocation of trade missions and its personnel should not be static. The prioritization of markets today is largely determined by actual trends. Instead, it is proposed to determine it on the basis of a regular and comprehensive analysis of market information with a view of Ukraine's comparative advantages in the specific export market, the volume of specific export market and forecasts of market growth for the next 3-5 years. That is, an attention should be paid to traditional markets, as well as to mass markets and emerging markets. The number of trade missions' staff should be reviewed accordingly. This approach requires

an enhancement of the analytical function of MEDT. At the initial stage, it is proposed to establish a small unit/sector, which would also provide assessments of implications of various trade policy measures, including assessment of an effect of potential RTAs on Ukraine's economy.

Commercial diplomacy performance should be based on transparency, efficiency, and accountability principles. To ensure this, the work of commercial diplomats should be evaluated against the number of criteria including promptness and meaningfulness of response to business inquiries; overall number of companies and organizations served; number of events actively engaged in (as a participant, organizer, facilitator) in case of lobbying, advocacy, and coalition building activities and facilitation of business participation in trade exhibitions, fairs, etc.). At the very least, the random revision of reports with random interviews with companies served is imperative; and a summary of the consolidated report should be made public.

At multilateral/global level, commercial diplomacy should be focused on advocacy tools to defend the interests of Ukrainian producers, as well as on active work on various platforms in the WTO to identify potential opportunities for the advancement of Ukrainian interests; monitoring the implementation of the Association Agreement with the EU for further improvement of export terms for Ukrainian exporters. At the bilateral level, commercial diplomacy is suggested to pay specific attention to minimizing trade barriers faced by Ukrainian exporters with a view to facilitating access to markets. Initiatives on potential RTAs require careful approach as there is a need to analyse the impact of already signed agreements. At subnational level, it is proposed to introduce regular on-site or on-line consultations for representatives of local authorities. It would lead to a better coordination and communication, identification of synergies in promoting trade and investment.

Particular attention should be paid to establishing effective and consistent communication and coordination between major actors of commercial diplomacy. In terms of coordination on the level of central agencies, the main vector of efforts should be directed at overcoming and preventing interagency competition, especially between MFA and MEDT. The latest initiative – to establish the International Trade Council, a consultative and advisory body, headed by the First Vice-Prime Minister, is a step in the right direction. The similar councils at MFA and MEDT will be liquidated. Thus, the centre of coordination of export and investment promotion will move to the Cabinet of Ministers mitigating possible impulses for the competition. A special emphasis should be placed on further development of a dialogue with business community with a prospect of development of private-public partnership not only in Ukraine but also abroad.

8. Conclusion

Ukraine faces a number of global, regional, and domestic challenges. They increase competition and expand business opportunities in international and national markets and raise awareness of the need in active support of export promotion and FDI attraction, as well as in the thorough assessment of the rationale and effectiveness of the country's participation in potential or already existing RTAs. Though Ukraine's government has enhanced its efforts in this area recently, the results of the study indicate that the undertaken measures are insufficient and the work needs further impetus.

We suggest a number of changes. Recommendations involve the initial establishment of several trade missions, which would play the role of regional hubs, and Ukraine's official representative office in the WTO, all reporting to and financed by MEDT. Ukrainian commercial diplomacy should operate on principles of transparency, efficiency, accountability, and adaptability; strengthen client (business) orientation, enhance analytical work; develop necessary competences of personnel and introduce proper evaluation procedures, as well as improve coordination among major actors of commercial diplomacy. Proposed efforts are aimed at activating commercial diplomacy which, in turn, would

lead to the increase in the volume and variety of exports and FDI.

On the other hand, Ukraine's commercial diplomacy currently shows some inertia not only in promoting exports and investments but also in its own transformation. We found that the present distorted organizational design is the result of the uncompleted process of integration of the management of international economic relations to the Ministry of Foreign Affairs. Nevertheless, the process will not be completed, and Ukraine returns mainly to the previous organizational arrangement with some adjustments. Ukraine's experience of transition to the unified model of organisational design shows that without necessary prerequisites (a certain level of economic development and role in international relations, which require clear strategic vision and effective coordination of traditional and commercial diplomacies) and proper implementation, the desired effect is unlikely to be seen. A unified model is not considered appropriate for Ukraine, at least in a short and medium run, but can be considered as promising in a more distant future.

Perspective studies may focus on identifying priority markets, products for advancement through niche diplomacy, and on analysis of existing approaches to the assessment of commercial diplomats' work performance.

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Татьяна ЦЫГАНКОВА, Ирина БЕЗВЕРХАЯ**ТРАНСФОРМАЦИЯ КОММЕРЧЕСКОЙ ДИПЛОМАТИИ УКРАИНЫ: КОНТУРЫ НОВОЙ МОДЕЛИ**

Аннотация. В статье рассматриваются прошлые и нынешние изменения в системе коммерческой дипломатии Украины в контексте внешних и внутренних, старых и новых вызовов. *Цель исследования* – предложить рекомендации по совершенствованию существующей модели и сделать выводы из опыта Украины, которые могут быть полезны для развивающихся стран. *Актуальность исследования* обусловлена потребностью в повышении эффективности коммерческой дипломатии Украины в условиях существующих вызовов. *Методология* представляет собой комбинацию методов, используемых для теоретических и эмпирических исследований (наблюдение, сравнение, анализ и синтез, системный и структурный анализ). Мы выявили, что искаженная организационная система коммерческой дипломатии Украины является результатом незавершенного процесса передачи управления внешнеэкономической деятельностью в ведение Министерства иностранных дел. Мы аргументируем, что переход к унифицированной модели является несвоевременным, но может быть перспективным в отдаленном будущем. Украинский опыт показывает, что при отсутствии необходимых предпосылок (определенного уровня экономического развития и роли в международных отношениях, которая требует четкого стратегического видения и эффективной координации традиционной и коммерческой дипломатии) и надлежащей имплементации переход к унифицированной модели вряд ли приведет к желаемым результатам. *Результаты* проведенного анализа также свидетельствуют о том, что продвижению экспорта и инвестиций необходимо придать дополнительный импульс. Предложенные рекомендации касаются организационных и практических аспектов работы украинской коммерческой дипломатии. Их имплементация может оказать позитивное влияние на стиль и эффективность коммерческой дипломатии Украины и таким образом на конкурентоспособность национального бизнеса.