

Business Diplomacy in Practice: Advancing Interests in Crisis Situations

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Summary

This practitioner's perspective focuses on how to combine the efforts of a company, home and supportive governments, and key stakeholders to address, and hopefully to overcome, an issue caused by the harmful actions of a host government against a company. It begins with a suggested definition for what constitutes business diplomacy based on the author's experience of working with companies that have used this approach in the Balkans, Central Asia, West Africa, and sub-Saharan Africa, as well as commenting on how the practice of business diplomacy should be viewed as distinct from other forms of high-level advocacy that a company may wish to undertake in addressing issues in a foreign country. It then looks at the importance of aligning a company's private interests with the national interests of a home and supportive government and, ideally, with essential allies. This section also looks at the reasons why a company would want to turn to diplomacy for assistance, the issues at stake when a supportive government agrees to take on the company's cause, and the importance of maintaining that alignment throughout the business diplomacy effort. The article then looks at the elements that need to be understood in order to advance those aligned interests towards a common objective and a measurable result. Finally, the article concludes with some practical recommendations, both for companies operating in foreign countries and their home governments.

Keywords

business diplomacy – national interests – political risk – commercial interests

Nations have no permanent friends or allies; they only have permanent interests.

LORD PALMERSTON, *ENGLISH STATESMAN, 1784-1865*



Introduction

In March 2006, I was asked by the CEO of a Canadian mining company to help resolve a dispute that had arisen between it and a Balkan government. The Minister of the Environment for the country in question had refused to issue a permit in accordance with the country's prevailing laws governing an environmental impact assessment (EIA). The Canadian company's efforts to convince the Balkan government to issue the EIA permit in accordance with its laws, and the laws of the European Union, had not been successful. It had tried for months to get a straight answer from the Minister as to why there was a delay in issuing the permit. All the company received in return was silence.

Numerous attempts by the company to meet with the Minister and other senior government officials in the Balkan country were rebuffed. The company had invested US\$ 250 million in the country to upgrade an existing mine and increase its efficiency. It wanted to spend an equal amount for plant improvements, expanding production and making additional investments in environmental protection. In order for it to fulfil its plans, it needed a decision on the EIA permit. Without one, the company would have to curtail its activities in the country, including the possibility of shutting down altogether. The company needed an answer from the Balkan country's government. Silence on the status of the EIA permit was turning out to be more damaging to the company's business than an outright rejection. It was this silence that the company needed help to overcome.

My initial role was to arrange a series of meetings with officials in Canada's Department of Foreign Affairs and International Trade (DFAIT). The mining company had its executive headquarters and head office in Canada and was listed on the Toronto Stock Exchange (TMX) in Toronto, Canada. The purpose of these meetings with DFAIT (now the Department of Foreign Affairs, Trade and Development) was to secure diplomatic support from Canada to help address the issue directly with the Balkan government. Canada's local ambassador had been very supportive of the company. However, she was unable to do much more without clear instructions from Ottawa. She needed to know the degree

of importance that Canada placed on the matter and what efforts could be expended to get the Balkan government to end the silence.

The meeting with DFAIT did produce the necessary results. The company secured DFAIT's support and willingness to intervene actively on the company's behalf with the Balkan government on this issue. Formal instructions were issued by Ottawa to the ambassador to do what she could, and the company's issue became a formal agenda item in the ongoing dialogue between Canada and the Balkan government.

What started as a simple assignment to secure diplomatic support for a Canadian company that was having problems in another country introduced me to business diplomacy. This effort played out in Ottawa, Brussels, London, New York, Vienna, Istanbul and across the Balkans. It involved high-level lobbying at the European Union (EU); securing the support of international financial institutions; contributing to articles in the *Financial Times* and the *European Wall Street Journal*; raising awareness of the issue at the United Nations (UN), North Atlantic Treaty Organization (NATO), *l'Organisation internationale de la Francophonie*, the European Bank for Reconstruction and Development (EBRD), and the Organization for Security and Cooperation in Europe (OSCE); criss-crossing the Atlantic and shuttling between European capitals; and, eventually, proactive engagement with the key political actors in the Balkan country itself. After eighteen months of relentless activity and ever-growing pressure on the Balkan government, the combined efforts of the company, the Canadian government, the EU, key stakeholders and others finally paid off. In February 2008, the company sat down with the Balkan government and negotiated a commercial deal that produced the long-sought result: the EIA permit was issued in accordance with the law, and the company's business plans could proceed unhindered.

Since this first assignment, I have gone on to work with several more companies where the backing of a home or supportive government has proven essential in resolving a complex dispute with a host government. I have used this approach to achieve the following: minimize the impact of US\$ 15 million finding of state aid for another Canadian mining company; contributing to the resumption of an EIA process that had been stalled for three years; thwart an African government's efforts to extract a US\$ 75 million bribe; enable the start of commercial operations for a US\$ 6.2 billion project in sub-Saharan Africa; and help recover US\$ 1.2 billion in company's assets stolen by another African government. I have worked alongside government officials, diplomats, technical experts, bankers, lawyers, communication consultants, lobbyists and business consultants in these efforts. Whatever I have learned about business diplomacy has been acquired on the job and through this hands-on experience.

There was no road map to follow when I took on any of these tasks. It is from this perspective as a practitioner of business diplomacy that I have chosen to write this article. I hope that it will be of interest and value to those who are engaged in more extensive study about the implications and significance of this nascent sector.

Business Diplomacy Defined

Business diplomacy, for me, is what is set in motion when a company's commercial interests align with a home or supportive government's national interests in order to overcome the actions of a host government that have harmed, or will harm, the company's business in that host country. The act of business diplomacy involves relying, in whole or in part, on a home or supporting nation's diplomatic resources and relationships to advance the aligned interests of the nation and the company towards a common objective. Given this perspective, I consider business diplomacy as being defined more by how and why certain activities are undertaken in pursuit of this common objective, rather than who is responsible for achieving the ultimate result. The objective may be to resolve a difficult commercial dispute between the company and the host government. Successfully achieving that result will depend on the ability of both the company and the home or supporting country's government to align their respective interests and to act in pursuit of the common goal. Getting the company and a supportive government to align their respective interests is the first step of a successful business diplomacy effort. Only once this alignment has occurred can those interests be successfully advanced.

Based on my experience, what distinguishes business diplomacy from lobbying, public affairs and government relations undertaken by a company is the temporary alignment of the commercial interests of the company with the permanent, national interests of a home government to resolve an issue caused by the action, or inaction, of a host country government. It is this connection to a nation's interests, and being able to draw upon that connection in support of resolving a commercial dispute, that gives business diplomacy its potency. In order to distinguish business diplomacy from other forms of high-level advocacy involving home and host governments, I therefore believe that the following elements need to be present:

- First, a significant issue has arisen that has or will undermine a company's ability to continue to operate its business on commercial and economic terms in a host country;

- Second, the issue causing economic harm to the company is caused solely by the action (or inaction) of a host government, its agencies, or proxies;
- Third, efforts by the company to resolve the issue directly with the host government have failed;
- Fourth, the issue is of sufficient importance to the company that it warrants being brought to the attention of its home government to seek home country support and help;
- Fifth, the supportive home government believes that it is in its national interest to help the company resolve the issue in the host country;
- Sixth, the home government, either on its own or with the support of other governments, will rely on established diplomatic sources as the primary means to assist the company in addressing the issue of concern in the host country;
- Seventh, the ultimate goal should be to achieve a long-term, legally sound and commercially viable solution for the company, which is also in keeping with the national interests of the home government.

In an ever-increasing globalized economy, where companies from different countries are engaging in commercial activities in multiple jurisdictions, more and more companies are likely to turn to business diplomacy to help resolve disputes in the host countries where they choose to operate. The rules of business diplomacy are being written, and rewritten, every day. There is, however, one rule that is immutable: a nation's interests remain permanent. Companies seeking support from their home countries to undertake an effort in business diplomacy forget this at their peril. Yet those who are able to align their commercial interests with the permanent interests of a home government and others will succeed where others have failed. Advancing these interests in parallel, yet as part of a joint and coordinated effort, in the relentless pursuit of a successful commercial and diplomatic outcome is, for me, what business diplomacy is all about.

Aligning Interests

Rude Awakenings

Companies operating internationally are, in my experience, highly confident that they can deal effectively with the challenges and risks of doing business in foreign countries primarily on their own. If they were not so confident, they would clearly not be doing so in the first place. Executives at these companies take calculated risks that are designed to enhance shareholder value. These risks include choosing to establish operations in countries where the

opportunity is greatest but where the business conditions, governance and values are markedly different than their home country. When embarking on a new venture in a country, or expanding an existing one, a company will conduct extensive due diligence investigations on the commercial prospects in the host country, the taxation and regulatory regime affecting the company's business and sector, the host country's administrative capacity, and the role played by the host country's government, if any, in the economy. Of particular importance is the strength of a host country's legislation and its ability to be enforced to the company's benefit. Only after all this due diligence is complete will a company decide to invest, in the hopes of realizing on the commercial opportunities that are present in this market.

Investments made in furtherance of this detailed enquiry are often billed as a 'win-win' partnership between the host country and the company, and are touted as laying the foundation for an enduring relationship. It comes as a tremendous shock when a company's investment plans are laid to waste by an arbitrary and unexpected action by the host country's government. A long-promised permit is denied. Agreements are reviewed and new demands are made for greater compensation. Licenses are revoked. Tax and environmental audits are started. Whether called a Black Swan Event,¹ a Fat Tail,² or the manifestation of a latent political risk, the result is the same. A company that has prided itself on its ability to manage the risks and challenges in the host country is now scrambling to find out what has just happened to its business plans and what can be done to get matters back on track.

The first action that a company in this situation usually takes is to redouble its efforts to try and bring matters to a speedy resolution. Active lobbying takes place, requests for meetings with senior ministers are made, and past supporters of the company in the host country are enlisted to help make the case to the host government. The point stressed with these key decision-makers is that the government's actions are unwarranted and unduly harmful to the company's interests in the country. Senior executives will often fly in believing that their mere presence will push the issue forward to a resolution.

Meetings are then held, but often with the same government officials who, prior to the abrupt change in policy direction, were strong supporters of the company. Now, however, the same officials are reluctant to explain their actions, or to be moved by the company's pleas to restore a sense of balance to the situation. The company will argue that the harm caused to its business will

1 Nassim Nicholas Taleb, *The Black Swan: The Impact of the Highly Improbable* (London: Penguin: 2010).

2 Ian Bremmer and Preston Keat, *The Fat Tail: The Power of Political Knowledge for Strategic Investing* (New York: Oxford University Press: 2009).

have negative implications for the country's reputation, and on the local economy, and that it wants to return to the status quo as soon as possible. All this, however, seems to fall on deaf ears.

Desperate to try and move matters forward, the company will often be prepared to renegotiate certain aspects of its arrangement with the host government to help return things to normal. But despite the company's fervent wish for this state of normalcy to resume, it is not likely to occur. Rejecting the company's desire to negotiate a solution is perhaps the rudest shock of all to a company that is used to doing business on the international stage. This is especially painful when the host country refuses to negotiate because it believes that it is entitled to what it wants as a matter of right. Subjected to this type of treatment, some host countries will demand things from the company that the company is unable or unwilling to provide. Often, both official and unofficial requests are made in order to resume negotiations.

Officially, the host government could demand a piece of, or an enhanced position in, the company's operations. The host government may also require investment in certain industries or infrastructure projects considered important to the country. The host government could demand increases in royalties, taxes or other direct payments to the government, as well as seek additional contributions to social and community development schemes.

Unofficially, the company could be asked to make contributions to specific political campaigns and candidates, told to purchase only from select suppliers and hire certain contractors, or deposit percentages of contracts and investments in certain offshore banks. In some cases, all or some of these demands are made just to enter into negotiations, and with no certainty that this will produce the desired return to normalcy.

Faced with having to accept either the official or unofficial option, or both, a company is left with few avenues open to it to engage proactively with the host government, and to try and resolve the issues preventing a negotiated solution. The company is now in a precarious political, legal and financial situation, caused by the host government, which in turn occupies the unique position of being able to solve the problem that it has created. Almost overnight, the true nature of the asymmetric relationship between the host country and the company comes to light. Whereas the company may have believed before that the relationship between the company and the host country government was one of equals, or at least not antagonistic, the host government's actions against the company's interests force the company to consider alternatives that were not foreseen, and are certainly not welcome.

The company has to decide how best to protect its shareholders' interests in the face of a now hostile host government. Walking away from the country may

not be feasible; nor is filing an international lawsuit. The relationship may indeed be salvaged and a degree of normalcy may yet return. However, achieving this outcome is unlikely unless the asymmetric relationship between the company and the host government is altered in the company's favour. When the company finally realizes that it cannot correct this imbalance on its own, it turns to others for help. The first place that these companies often turn is the diplomatic services of their home country government.

Securing Support

Companies that have encountered problems with their host country usually do not have a lot of experience in how best to get the most beneficial form of help from their home governments when they run into problems. Similarly, these home governments are not usually involved in providing direct support and assistance to a company that encounters such difficulties. When a company enters a country to do business, the home country government typically takes a hands-off approach when it comes to commercial matters. Companies are more or less happy for this to be the case. Companies usually want to be left alone to do their business in the most effective and responsible way possible. Governments of any type are often seen as a necessary evil with which to contend, one that is best avoided and only contacted when necessary. Yet now that it has become necessary to work together, often both the company and the home government have little direct experience about how best to proceed.

It is at this juncture where business diplomacy offers a path forward for both the company and the home country government that is called upon to help. The first step in a business diplomacy effort is the need to reconcile a company's desire for help in another country with the national interests of the home country. The company's home government is under no obligation to assist it in such a matter. A company is not automatically entitled to the equivalent of consular protection that is offered to a nation's citizens when they run into legal or political trouble in another country. Governments expect their companies to be aware of the risks of doing business abroad and to have measures in place to protect themselves as best as they can.

If things do take an unforeseen turn, there may often be initial scepticism within a home government that perhaps the company was a contributing factor in the very matter about which it is now complaining. Overcoming this scepticism early on, and highlighting the conduct of the host government as the true cause of the issue at hand, are the first hurdles that a company must cross. The home government will make its own enquiries into the issues, the company's conduct in the foreign country, the company's reputation in other countries and its profile at home. Only once it is satisfied on these

reputational issues will the government look to see if the issue and assisting the company are in its national interest. Not surprisingly, if the company or the issue could cause reputational damage to the home government domestically or abroad, there is little chance that the company's dispute can ever be reconciled with national interests.

A Nation's Interests are Paramount

A government's diplomatic service advances and promotes a country's national interests abroad. These interests are set by the government in the capital and the diplomats fulfil those interests. In large part, the diplomat's job is to reconcile the demands of the home country's national interests with those of the foreign country where he/she is serving. Public diplomacy therefore requires certain skills to ensure that the relationship between the host and home countries is kept intact and, preferably, enhanced. This is especially important in the event of a conflict between the interests of the two countries. The diplomat's typical response is to ensure that a matter does not escalate in intensity, while keeping dialogue open to ensure prompt resolution of the matter so that the pre-existing relationship can continue as it was before.

Diplomacy can also be seen as an exercise in conflict avoidance by and between countries. Asking a diplomat to assist with resolving a commercial dispute involving the host country may result in the diplomat recommending that the company consider abandoning the country altogether to preserve the status quo of the two countries' relationship. The diplomat may also recognize that — given the nature of the relationship between the two countries — there is very little that a diplomat can contribute to helping address the issue directly.

To overcome that initial bias, and to be able to have a home government's diplomatic service advance the private interests of a commercial concern, the interests of the business and the country must align. For this to happen, the company needs to go beyond the front-line diplomats and enlist the support of the senior officials tasked with identifying what is in the national interest and what is not. These officials are in the home country's capital and it is there that the company should make its initial enquiries for assistance.

Making the Connection

For the company's issues to align with a nation's interests there has to be a legitimate connection between the two. A nation's interests may be permanent, but they are often difficult to discern at any given moment. The company's conduct, the nature of the issue, the country in which the issue occurs, the manner in which the company has dealt so far with the matter and the degree

to which the issue will resonate back in the home country are all factors that a home government may consider when deciding whether it is in its national interest to assist the company making the request. The reality is that the company will not know whether its issue is in the national interest and worthy of governmental support until it is told clearly that it is. Once the government has decided that it is in its national interest to support the company, the business diplomacy efforts can be pursued with the necessary backing and intensity.

What is in the national interest can also evolve as the situation develops and additional issues are raised through the exercise of business diplomacy. However, throughout the entire exercise, the company should never take for granted that its issue will always remain a priority for the home government. Support that has been freely given can just as easily be taken away, especially if the company has not been forthcoming with its home government, or matters turn out not to be as originally depicted. In those cases, the home government is justified in withdrawing its support and leaving the company to try and resolve the issue without its assistance. Doing so, however, would be a death blow to the company's chances of solving the issue. Not only would the company still be up against a hostile government in a foreign country, but its own country would have turned its back on it. When it comes to interests, even between a company and its own government, the government's duty is to the longer-term interests of the nation, and not the specific interests of a company. It is only when a nation's interests align with the needs of a company, and backing is made clear to others, that an effort in business diplomacy is possible.

Advancing Interests

Avoiding the Expediency Trap

Once the company and its home government have aligned their respective interests, it becomes possible to advance those interests through the various diplomatic channels that are now at the disposal of the joint effort. Diplomacy is about building and sustaining relationships by and between governments. Its primary goal is to advance and protect the broadly defined interests of one country through sustained and proactive interaction with another government. For political issues that have flared up between countries, expediency is a plus for diplomats. However, for issues affecting a company's interests, the tendency towards expediency can be seen as a threat to business diplomacy efforts. Having sought the help of a government to help resolve an issue through diplomatic means, a company must also be on guard against the prospects of

undue diplomatic expediency. This concern about expediency is the cost of enlisting governmental support. It can be managed, however, provided that the company remains committed to the effort, and is mindful of the needs of the government that it enlisted to help resolve its issue.

The use of diplomacy can also be a frustrating and time-consuming exercise. Results are not immediate, and the need to allow an approach and process to work is often difficult for a company to accept and continue to support. Satisfying commercial demands and pressure from shareholders and financial sponsors to achieve a result can be difficult. There is often a strong desire within the company to try and achieve a quick solution to the issue before the diplomatic efforts have begun to bear fruit. There is nothing to prevent a company from doing so. However, in choosing to pursue its own commercial interests ahead of those of a supportive home government could cause irreparable damage to the business diplomacy efforts, not to mention undermining any subsequent support that the company may require from the home government in the future. For this reason, commercial expediency can undermine business diplomacy efforts just as much as diplomatic expediency. As such, both the company and the government need to be on guard against this tendency in order not to undermine their pursuit of a common cause.

Know the Fight You are In

Like it or not, the company is engaged in an undesired fight with the host government of a foreign country. If the issue caused by the host government warrants a diplomatic intervention, the fight is political and must be approached as such. If the company enlists the support of its own government to try and achieve a result, both the company and its supportive home government are pitting their combined resources against the host government. To succeed in such a fight, both the company and the host government need to have a better understanding of the fight in which they find themselves, how best to wage that fight against the host government, who else can be enlisted to support their effort, the objective to be achieved, and what tactics need to be used. Some of these efforts can be undertaken by the company, others by the host government, and additional ones by key stakeholders and third countries. Taken together, and applied in a coordinated fashion, the pressure exerted on the host government can be considerable. Only once this pressure is high enough will the prospects for a solution through business diplomacy begin to emerge.

It is therefore important for the company and the governments involved in the business diplomacy efforts to try and come to terms with the underlying political drivers behind the dispute. Understanding politically motivated

decision-making is very difficult to come to terms with and ultimately to overcome. Local political considerations are influenced by the presence of any legal matters that have a bearing on the issues at the centre of the dispute, allegations of environmental problems, the presence of any outstanding labour grievances and any local community concerns. If there is a historic, nationalistic, ethnic, tribal, or indigenous dimension to the issue, or the potential for one to manifest, this also has to be taken into consideration. The better understanding that one has of the different justifications offered by a host government for its conduct, the more likely it is that a solution will be found.

Tricks of the Trade

One trick used by host governments to apply pressure on a company is to use legal disputes to mask political agendas. A company's loss in a court case or a reversal at an administrative tribunal can be cited as grounds to review either the company's licence to operate in the host country, or to amend the terms of an existing agreement. Using a legal dispute to justify a political agenda often occurs when the license or agreement in question was conferred on the company by a previous administration. The legal issues in dispute may have nothing whatsoever to do with the licences and agreements. Nevertheless, under the guise of enforcing the law to protect the country's citizens or environment, a host government will say and do whatever it wants to increase its leverage over the company.

Administrative reviews, unlike legal disputes, will often arise when there is a change of circumstances — either political or economic — that warrants the review of entire economic sectors. Administrative reviews are typically started when there is no legal dispute readily available that can be used as leverage by the host government against the company. The host government will often begin by subjecting an entire sector to scrutiny, only to narrow its review to one or two companies in particular, normally to foreign-controlled and -owned companies. The findings of the administrative review will then be used as the basis for an effort to renegotiate the commercial terms of an agreement, review a licence, revoke a tender, or some other measure so that it heavily favours the host government's political interests. Once again, if the specific review focuses solely on foreign companies, all the better.

For the most part, steps are taken against the company because certain government officials see a domestic political advantage in doing so. It is also quite possible that these same officials are trying to achieve a level of personal enrichment. Corruption is often a factor in these types of efforts, although it is very difficult to prove. Alleging that certain officials are corrupt will make it even more difficult to achieve a resolution of the issue under dispute.

Certain government officials may very well be corrupt, and the motivation for their actions could clearly be designed to enrich themselves and their key supporters. However, no matter how corrupt these officials may be, they are also likely to be the same officials who occupy the positions of authority necessary to solve the problem that they were instrumental in creating.

Corruption should not distract from the business diplomacy efforts that are intended to apply pressure on the host country's political leadership. Both the company and the supporting home government need to be realistic and pragmatic in dealing with certain host country officials. Catering to corruption is a short-term solution and is inconsistent with the purpose of business diplomacy. Providing these officials with political rather than financial benefits will preserve the integrity of the business diplomacy efforts, and lead to a far more lasting result.

Opening Moves

The first formal exchange between the supportive home government and the host government on the company's issue is the opening move in the business diplomacy effort. By involving a supportive government directly in the issue, the company is showing that it is prepared to raise the stakes. Governments understand diplomacy more than they understand business. When a host government undermines a company's interests for fundamentally domestic political considerations, it feels relatively secure in its ability to do what it wants within its own borders. Introducing a supportive home government to the debate makes the host government realize that it cannot act in a completely autonomous way. The issue moves rapidly from being of a purely commercial nature driven by domestic political considerations to becoming a diplomatic dispute between two governments.

Challenged in this way, the host government that triggered the dispute is unlikely to change its tune automatically, apologize and accept willingly the home government's request to treat the company fairly. The depth and significance of the relationship between the two governments will dictate the initial response. The stronger the relationship, the less likely it is that the host government will dismiss the home government's concerns out of hand. If the relationship is weaker, or appears to be one of equals, the host government will be much more politic in its response, yet far from being truly helpful. Those involved in business diplomacy have to realize that there are limits to what diplomatic intervention can hope to achieve, and that the host government will test those limits.

It is particularly frustrating for a company to hear the host government make biased arguments, repeat unfounded allegations and provide misinformation

to justify its actions. However, a lot can be learned in the first formal response to an intervention by the home government. The response can show the degree to which the host government is sticking to its position, while confirming the extent of the challenge that confronts the company and its supportive home government in trying to resolve the issue. This initial exchange is not just an opening move, but an early indicator of the type, nature and duration of the fight and how best to use business diplomacy to move things forward.

Moving Forward

The results of the initial engagement help to define the way forward. It remains unclear at this early stage what will compel the host government to rethink its position and move the issue forward to a resolution. If the home government's initial engagement is not sufficient to move the issue towards resolution, other steps need to be taken to try and make this happen.

The next best step is to limit the host government's ability to cause further harm to the company's interests both inside and outside the host country. To do this, the company needs to build support for its position among key stakeholders and to draw attention to the host government's conduct. This will be seen as a direct challenge to the host government's belief that it can act as a completely autonomous actor, free from the opinions of others on the conduct of its internal affairs. It is therefore important to draw attention to the host government and the issue that it has caused in as many multilateral forums as possible.

Raising the issue in multiple international forums and with multilateral institutions, such as NATO, the Organization of American States, and the Extractive Industries Transparency Initiative (EITI), will guarantee a response from the host government. Both the home and the host government may be members of such forums and institutions, thus allowing for an opportunity to engage in dialogue between the two governments at the margins of international events. More importantly, these forums also provide the home government with the chance to put the issue on a formal agenda for discussion and deliberation by multiple parties. The host government will not want this to happen. Drawing attention to its conduct — especially if it is linked to governance, rule of law and the administration of public finances — is not the type of attention that any government wants.

If At First You Don't Succeed, Triangulate

Securing third-party support can have a profound impact on the outcome of business diplomacy efforts. By enlisting third-party support, the company and the home government are making the strongest effort possible to alter the

asymmetric power balance of the host government. This is because the third-party supporters enlisted in the cause can include: multilateral institutions such as the Commonwealth Secretariat, OECD, World Bank, the International Monetary Fund (IMF) and the Asia–Pacific Economic Forum (APEC); international financial institutions such as the International Finance Corporation (IFC), EBRD, European Investment Bank (EIB), African Development Bank, Asian Development Bank and the Paris Club; country-specific export credit agencies; third countries and governance bodies such as the EU and the G7; as well as former colonial powers such as France, Belgium, Portugal and the United Kingdom, regional powers such as Brazil and South Africa, and global powers such as the United States. The purpose of the exercise is to bring to bear the most powerful and influential third-party players with direct influence over the actions of the host government. It is one thing for a government to reject efforts by a company's government to solve the issue. It is another thing altogether to reject the requests of a host country's major lenders, development funders, trading-bloc members, or treaty partners.

Enlisting third-party support as part of business diplomacy efforts follows similar criteria to when a company secures the initial support of its government. In particular, the support has to be in the interests of the third-party supporter for it to become engaged on the company's behalf with the host government. Ideally, the third-party supporters will have an interest that is equal to, if not greater than, the home government in seeing the company's issue resolved. This interest could be financial, political, economic, or legal. If not, it will be difficult to keep the third-party supporters sufficiently motivated to expend their resources in support of the business diplomacy efforts. Since the stakes for the third-party supporters need to be as high, if not higher, than for the home government, it is best left to the home government to make the formal request for third-party involvement.

If the third-party supporter is another country, the stakes rise considerably. The third country is likely to ask first whether its involvement is in the interest of the home government. The third country is being asked to use its political, economic, financial, diplomatic and legal resources against the host country in a way that will provide a direct benefit to a company from another country. For this request to be taken seriously, the nature of the relationship between the third country and the home government must be significant enough for the request to be made, and for the third country to know that it is in its interests to agree. Moreover, if the diplomatic and institutional resources of the third country are essentially the only route that is likely to achieve a result in the host country, the request does not come without a cost.

The risks and uncertainty facing the company are also greater. Enlisting the support of a third-country government means that its interests, its desire for expediency and its concerns over reputational risk all need to be incorporated into the overall business diplomacy efforts. That being said, the third country is unlikely to do more than the bare minimum unless it is in its own national interests to do so.

Just as aligning the company with the interests of its own government was essential for launching the business diplomacy efforts, so too is aligning the company's interests with those of the third country. Indeed, properly done, engaging in multilateral business diplomacy may prove to be the most critical factor in achieving the desired result. The risks are certainly greater, and the complexity of the effort is raised to an entirely new level, but the potential reward of multilateral business diplomacy is equally great.

Forcing the Issue

The issue develops so that the supportive home government remains committed to an outcome and presses the host government at every opportunity for a solution. The international community helps to press the case for action, and the host government has few, if any, supporters for its position. Third-party supporters have made their own interventions for their own reasons, and have raised the stakes to the highest possible level. Yet despite all this pressure, the most the host government does is to plead for greater understanding of its position, and more time to achieve a resolution, or to conduct a more detailed investigation into the matter.

As positive as this development may sound, it is simply not enough. If all that comes out of the business diplomacy efforts is that the host government feels pressured to make a political commitment to do better, the whole exercise will have fallen short of its true goal. The company did not seek the support of its home government to confirm the limits of diplomacy, but to push those limits to achieve a resolution to a commercial dispute of critical importance to its business. This means that business diplomacy efforts must go beyond political stonewalling and platitudes to compel the host government to resolve the issue once and for all.

The only way to get to this point in the business diplomacy efforts is if the host government not only feels pressure to do something, but is made aware of the consequences for failing to act. Until this point, only the company has suffered severe economic losses and costs as a consequence of the host government's actions. It is essential for the host government to feel that failure to resolve the matter amicably will result in it being exposed to equally grave

consequences. This can only be achieved if those involved in business diplomacy are ready, willing and able to ensure that the host government is made aware of a wide range of political, economic and financial consequences for failing to act.

The range of consequences depends on the level of support that the company has garnered from its home government, the multilateral partners, international financial institutions, and third-country supportive governments. These could include withholding financial aid, imposing economic sanctions, commencing an administrative action, reviewing debt-repayment requirements, or withholding support for the host government's efforts to achieve recognition or success in forums where the home government and others have influence. Consequences can also be introduced through law suits filed by the company in international courts under bilateral investment treaties, or in the company's domestic courts if such courts provide remedies that could be invoked against the host government. Ideally, all of these consequences — both public and private — can be used to pressure the host government to sit down with the company and negotiate a solution that is acceptable to both parties.

Closing the Deal

The host government comes to the negotiating table when it sees greater political benefits in sitting down with the company to negotiate a solution than continuing to be an obstacle to a resolution. The company is relieved that the issue has reached the point where a negotiated solution is in sight. Negotiating deals is what business is all about. However, the company should not lose sight of the fact that the only reason that it is at the negotiating table is because of the actions and efforts of supportive governments, third-country allies, and multilateral stakeholders. These key supporters and allies are not in the negotiating room, but watching closely for a successful conclusion to a protracted fight.

The host government may have the weight of domestic political expectations on its shoulders, but the company has the weight of external political expectations on its back and these can be just as great. The company thus has to ensure that any concluded deal satisfies both the interests of those governments and third parties that supported its business diplomacy efforts, as well as the commercial interests demanded by its shareholders and financial sponsors. Achieving this outcome will protect the deal from unravelling and ensure that any agreement with the host government is in fact implemented. A commercially sound deal that also addresses the interests of the supportive government and others is the ultimate goal of any business diplomacy effort.

Recommendations

Aligning private, commercial interests with those of a government's national interests is the goal of business diplomacy. Mobilizing these aligned interests to produce the result sought by both the company and the home and supportive governments is the task of the business diplomacy practitioner. To develop this practice area, and to assist both companies and home governments to know when to draw upon business diplomacy to solve problems in host countries, this article makes the following recommendations:

- A company needs to know which of the issues encountered call for the alignment of interests with the home government, and which are best handled in accordance with the host country's domestic laws and practices. Not all issues warrant the involvement of the home government; nor is a domestic approach the only route that a company should pursue.
- A home government needs to make it clear what it expects of companies operating in countries with a high potential for problems, and the interests of the home government *vis-à-vis* the country in question. In essence, begin aligning interests before a home government needs to be called upon to solve an issue.
- Be aware of early indications that the relationship between the host country and the company may result in a conflict that could result in the need for business diplomacy. Environmental issues, the concerns of civil society (especially indigenous peoples), unresolved historical grievances located in geographical locales, and the exclusion of local businesses from commercial opportunities are essentially the kindling that could be ignited by a host government if it suits its interests to move against a company's business.
- Wherever possible, home governments and companies should identify which supportive governments would be of most assistance in helping to address a potential conflict situation. Companies should approach these potentially supportive governments early in their engagement with a host government. This could take place with the diplomatic community within a host country. However, a more proactive approach would be to establish contacts and relations in the capitals of the potentially supportive governments. Aligning interests in advance of a crisis situation is arguably the best way to avoid a crisis from actually occurring.
- Finally, knowing when to raise the stakes to the diplomatic level, and when not to, comes from experience and a good working relationship between the company and the home government. Utilizing business diplomacy to

resolve a crisis situation can involve immense expenditure of personal, financial and political capital for both the company and the home government. The greater the awareness that the company and home government have of each other's interests, the stronger the business diplomacy effort will be when advancing those interests towards a common goal.

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