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## To the question of perspectives and challenges in contemporary international trade diplomacy

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### ABSTRACT

New trends in modern world market relations require a completely up-to-date approach to settle problems concerning transnational corporations and other key actors within the frameworks of multilateral diplomacy. Commercial diplomacy's involvement in this issue is very crucial and globally important due to contemporary political changes on the world arena. Transnational corporations are vulnerable to those changes as well and have to be strongly protected by modified international law regulations clearly fixed in proper multilateral legal agreements. Since the legal status of foreign business companies, transnational corporations and other participants in the global trade arena is pretty much blurred the world countries and international business entities are dramatically concerned in this question. This article discovers the problems most of transnational corporations face at present on the example of McDonalds and offers a number of applicable suggestions how to find the way out from difficulties, which occur due to conflicts and confrontation between nation states nowadays. It also proposes some dissent recommendations for the settlement of international trade conflicts in order to prevent them in the future.

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## 1. Introduction

Today the world diplomacy starts focusing on promoting national interests through the activities of transnational corporations worldwide. The latter is of a growing importance as a participant due to the

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complex influx of global changes, opportunities, and challenges the world community faces at present. As Walter Roberts mentions, the political orientations of classic diplomacy typical to pre-globalization period, needs to be transformed today into a new mechanism to settle both legal and economic problems that many transnational corporations face because of a changing political atmosphere on international arena (Roberts, 1991). For example, the central question of traditional diplomacy was always about politics, - that is power, which lacked the other aspects of foreign relations both in the frameworks of bilateral and multilateral agreements. Today the economic aspect is having an increasing importance in the world politics, and thus, needs to be reflected in the all diplomatic procedures, moving forward commercial diplomacy for benefits of all sides of the world trade market. This article is aimed at brief highlighting some current challenges multinationals experience as subjects of global politics, which, in its turn, stresses the importance of states and blocks of states guaranteeing economic and legal security of trade companies overseas.

## **2. Statement of research objectives**

Nowadays commercial diplomacy is largely involved both in exportation of goods and licensing contracts for producing goods in foreign states. The more company may interfere in management contracts that designed for operating foreign companies. Furthermore, joint venture with a company in the home country is completely a different form of business relations. As a final point, transnational corporations may found entirely owned subsidiaries or branches with production facilities in the home country. Therefore, in developing a global policy an international company has many options and challenges as well as for the settlement of which commercial diplomacy is specifically designed.

## **2. Analysis of recent research**

Many attributes may cause conflicts between the more company and the home country. Nationalistic self-interest may darken the profitability gained through mutual aid. In the same way, social and cultural differences may also lead to collapse in cooperation and consequent disagreements. A large transnational corporation may also have such uncontrollable economic effects on a small country that the home country feels pretty beleaguered. For example, some transnational corporations have been charged with making too much profit, hiring the best local people away from local companies and operating contrary to social customs. To minimize such negative experience, and increase the economic viability and security of international companies functioning abroad, contemporary diplomacy is to develop a scope of certain economic approaches.

Looking back at the commercial diplomacy phenomenon appearance and development, one should trace that commencing from the interwar period (1918-1939) the world major countries have expanded the spheres of their activity beyond the regional frames into a global economic diplomacy. Stephen Woolcock,

an associate research fellow at the comparative regional integration studies programme of the United Nations University, proposed a definition of economic diplomacy for the period from the end of the Second World War and the Cold War as economic and diplomatic relations between countries that are represented by officials (Woolcock, 2014).

In that regard, it has to be noted that the origin of the so-called commercial diplomacy was firstly suggested by the former Prime Minister of Italy Silvio Berlusconi in 1994. He reapplied to this diplomacy again and again in 2001-2006, performing quite successfully in some directions. In 2009 in particular while having working visits in the frameworks of so-called commercial diplomacy to the Gulf States he traveled to Saudi Arabia and Qatar Emirate (Bannerman, 2009). These visits were both of political and economic importance. The concept of commercial diplomacy was indeed a Copernican revolution in the philosophy of the Italian foreign policy. Diplomacy was traditionally representational with a strong political approach. Usually diplomats paid little attention to the real economy and the interests of Italian companies that wanted to work abroad. For decades small and medium-sized companies were forced to look for ways to enter new markets themselves mostly due to the personal managerial skills of owners or their representatives. In the end, Berlusconi played the role of the representative of Italian business' interest. Saudi Arabia is a largest in area and is the biggest oil-producing country. Moreover, Saudi Arabia has a special political influence which was manifested in many conflicts that occurred in the region. It is a country with a moderate traditionalist religion and politics. Its relationship with the West remained unchanged from 1991 (the Gulf war). Since then, Saudi Arabia has become a major political ally of the US and Europe. Qatar is very different from Saudi Arabia, but it is no less interesting. Being a small country with no large energy potential as Saudi Arabia, it nevertheless has a dynamic and fast-growing economy. Berlusconi led active diplomatic talks with the countries that could help Italian companies to find the way out of the crisis that dropped them on their own markets. He has tirelessly made contacts in all directions, thereby increasing international influence and prestige of his country.

### **3. Discussion**

The listed above example does not always serve as a permanent framework neither for commercial diplomacy efficiency, nor for the state leaders conscious visions. In fact, the status quo realms often demonstrate an opposite character of the transnational business conduct. The latter becomes a subject of political and geo-political configurations and, thus, allowing states, governments, and alliances to ambitiously manipulate the international companies.

In this context the recent bright example of insecure vulnerability of transnational corporations that are called to conduct trade operations abroad is the case with McDonalds Company in Russian Federation at the end of August 2014. Even though the presence of McDonalds in Russia was a success story of the company, within more than twenty years being the biggest branch and serving around 950,000 customers a day (Matlack, 2014), have failed to perform its activity anymore in this country due to confrontation between

Russia and the West on the matter of the Crimea issue.

The “domino” principle as a basis of the latest trends of political and economic technologies is being constantly used by the main actors of global politics. As a tool of impact for states and their potential alliances to maneuver and manipulate their interests, companies suffer a time of conflicts which eventually bring great losses. Developing rapidly in Russia’s food market with forty five branches through the country, McDonalds had to experience a crisis in 2014. Right after the sanctions were imposed against Russia by the West, there were organized regular check-ups of the restaurants, followed soon by moratorium. Undoubtedly the reasons behind the stoppage of the McDonalds’ activity in Russia are not declared as directly linked with sanctions Russia experiences. However, one may definitely assume the evident link between the two phenomena, which, in its turn, openly sets the agenda for necessity of commercial diplomacy to be enacted interfering the process.

#### **4. Conclusion**

Being in the middle of nation-states and international organizations by status, the transnational corporations have unclear legal position to be entirely secured in case of conflicts. As of unclear legal definition, the transnationals thus, are somewhat of a perception as “satellites” of certain states and political and economic blocks. Assuming in case of McDonalds that Russia considers this corporation as an “agent” or representative of the West policies, it would be worthwhile to raise the question of whether and why transnational corporations have to be responsible for the foreign political actions of their home countries.

To prevent this concern, firstly, the legal status and immunities of TNCs have to be clearly defined by the Geneva Conventions, which could be used thereafter by commercial diplomacy worldwide. The latter leads to logical reasoning on why the population of sides involved into the confrontation has to suffer from boycotting policies imposed by governments. Moreover, the governments would not be able to use the TNCs as marionettes in their hands to peruse their own political ambitions. Apparently, as long as the legal status and immunities are not clarified for TNCs, the leaders of their home countries have to be aware at least of their personal responsibility for possible financial losses of TNCs in case of foreign relations break up.

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