

International Fairs as a Tool of Economic Diplomacy

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Original paper
UDC 394.6:327.71
Received in June 2008

The increased capacity to process and transmit information, and the associated tradability of services, has led to the globalization of production in both goods and services. Companies are now able to locate the production of individual components and business services in geographically separated locations and to assemble a product in different places, thus taking the leverage of the location advantages each place has to offer, and creating the new borderless market.

This article analyzes the new role of the governments and diplomacy provoked by the globalisation impact on all economy sectors, especially on service and market communications industry, and emphasise the power of the international fairs as an instrument of economic and foreign policy.

Key words: Diplomacy, Economic diplomacy, Fairs.

1. Introduction

“Distance is dead” as Tom Peters claims in his *The Circle of Innovations*¹. “We are all next door neighbours. We all have heard of the global village, maybe the village is too big, try the global mall! The death of distance will probably be the single most important economic force shaping society in the first half of the next century”,² emphasizes Peters in such a metaphoric way the huge globalisation impacts on the world economy, strongly influencing market communications sector as well.

The recent changes in communication trends imply that the mass marketing operations for many products and moreover for services cede the advantage to direct marketing as one of the communications tools that is addressing directly to an individual. Being aware of its strong supporting role in the brand creating, the future of direct marketing lies in the

more efficient usage of the different media channels, such as e-mailing, and especially the Internet, which can be considered as speeded up direct marketing³. And in the fairs, as the most personal and live channel that supports and promotes overall trade, domestic and international.

While analysing the economic and international relations, many authors emphasize the fundamental role of the Government, suggesting employment of the business approach in the governance, as a starting point of all necessary changes, in order to make a solid framework for national competitiveness. They are especially highlighting the need for boosting productivity in the public sector to enable economic growth⁴. Services are at the heart of the new economic revolution, since they drive economic activities based on the new production paradigm. They provide the basis for the innovation in technology and design that is central to global competitiveness⁵.

No country can be successful in its effort to adapt new technologies to its own needs, or to link

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itself to the broader global economy, without establishing the basis for a thriving, productive, and innovative services industry. Regulatory reform and liberalization of trade in services are crucial tools for achieving this objective, because over-regulation and restrictions on entry by foreign service providers inevitably result in low quality, high cost, and outdated services⁶.

An indication of the economic benefits of regulatory reform can be seen from the U.S. experience in reducing the level of government regulation in key sectors such as telecommunications, transportation, financial services, and energy, resulting in substantial reduction of costs and prices in these sectors⁷.

But the Government cannot hope for development without business, and the business needs national administration, as well as supporting conditions to be successful on the international globalized market.

According to one of the late Roland Berger Strategy Consultants⁸ research Croatia is the only SEE country (among Poland, Czech Republic, Austria, Hungary and Romania) in which top managers see public administration, education and the legal system reform as top areas for action in order to improve and achieve successful business. This study was based on interviews with leading Croatian top managers that have proposed necessary measures for the improvement of the Croatian economy in the next 10 years. Top Croatian managers also consider that globalisation trends as well as the energy spending efficiency will have the highest impact on the world's economy in future. The expansion will have the highest priority in Croatian companies' future strategy development related to the business growth, backed up with the internationalisation of business toward the eastern and central Europe, as well as the western, but still neglecting the Asian market potentials.

At the time being, the main aspects with the strongest impact on the business in the national economy are weak financial discipline of the Government that slows the future investments in growth areas, and the fact that there are no investment initiatives to contribute to the attractiveness of Croatia on the international level.

Respecting the SE Europe as a key economic area in the CEE, where the race for the top position in many industries is still going on, this region has the third strongest economy in the CEE, but is nevertheless often neglected. Croatia has some key advantages as compared to other countries in South-eastern Europe⁹, such as a sound infrastructure and

being the interface between the two key pan-European corridors V and X, which provides an excellent basis for doing business in the entire region. Additionally, the diversity of climate, terrain and soil, allows a wide variety of agricultural products, while low pollution promotes environmental production. As one of the oldest and most beautiful tourist destinations in the Mediterranean, Croatia has been categorised as one of the tourist destinations in Europe with the fastest growth rate, which along with a favourable geographic location allow for the further development of the transportation infrastructure and transport industries as one of the important factors for the entire economic and social development of the country, thus making our country even serve as a role model for other SE European countries.

However, there are also problems that domestic and international companies must face when doing business in Croatia. These include different business culture, inane rules and regulations, bureaucracy and high taxes.

As the Republic of Croatia is included in a group of States with a small and open economy, which is to a great extent associated with other foreign markets, all tools should be used in order to help our business community and the national economy meet the required growth rate. Fairs are boosting business internationalisation, as one of the keys to a successful economy. Furthermore, the role of international fairs will be introduced as one of the powerful tools for such a purpose, especially when joined with diplomatic activities.

2. Economic Diplomacy in Interconnected World

2.1. Modern Diplomacy

The concise explanation of contemporary foreign policy and diplomacy defines diplomacy as the mechanism of representation, communication and negotiation through which states and other international actors conduct their business¹⁰.

Though the economic or commercial activities have always been one of the components of the diplomatic service, their role, methods and goals were determined by the actual moment in history. As nowadays globalisation has transformed the organisation of the international economic relationships around the world, affecting both political and economic spheres, the traditional state-to-state diplomacy is being fragmented. In competition for the foreign direct investments and trying to improve the competitiveness of the national economy, many countries expect diplomats to serve their national inter-

ests in the economic and business spheres more effectively. This new attitude requires that diplomats specialise in economic diplomacy, even in commercial diplomacy¹¹ as highly oriented to the specific trade activities.

2.2. Economic and Commercial Diplomacy

In today's globalized world, characterized by economic interdependency of different countries, economy has become the decisive element in international relations. It is the "measurable" component in determining the level of relationships among countries, and it dictates direction, content and intensity of political relationships among countries. Therefore, economy has gained the central role in diplomatic activities, the borders between traditional political and economic diplomatic activities are becoming ever thinner and their synergic operation more pronounced, while the term "economic diplomacy" expands beyond the conventional limits of its scope and field of activity¹².

Modern diplomacy is becoming an integrated discipline which needs to understand the dynamics of international relations in the political and economic areas as well as mutual interaction and interdependence of both. Functional limits of integrated diplomacy are polyvalent, whereas each specific diplomatic activity on the political or economic levels affects the other. This approach emerges in bilateral as well as in multilateral relationships¹³.

The new roles delegated to post-modern diplomacy require new skills and knowledge. As Saner and Yiu see¹⁴, divergent diplomatic roles can be divided in state and non-state actors. State actors are economic diplomats and commercial diplomats. Non-state actors are corporate diplomats, business diplomats, and national and transnational NGO diplomats.

The term economic diplomacy refers to the diplomatic service activities focused on the increasing of export, attracting foreign investments and participating in the work of international economic organisations, i.e., the activities generally focused on the affirmation of economic interests of a country on the international level¹⁵. It is concerned with economic policy issues. Economic diplomacy is sometimes called "economic statecraft"¹⁶.

Economic diplomacy is an active and interconnected factor in integrated diplomacy, where the lines of division between functional areas are blurred, and each sector influences the other¹⁷. Economic diplomats monitor and report on economic policies in foreign countries and give the home government advice on how to best influence them.

Though the economic component is included

in the fundamental guidelines of the State foreign policy, the true role of economic diplomacy in international relations, its range, work methods, multifunctional aspects and the effects achieved depend on the perception of modern diplomacy in general; the potentials that a country has to develop refer to the necessary infrastructural network, and also to the direction of economic and social development a country wishes to pursue in the context of globalization. A clear standpoint on these issues dictates the appropriate positioning of economic diplomacy and its activities in the structure of public administration as well.

Government can sometimes sustain the national economic development by providing support to their own enterprises in form of advisory or legal assistance and export incentives. In order to help and support home country's business and finance sectors in their pursuit of economic success and country's general objective of the national development, well developed and export oriented economies are establishing the international networks of commercial diplomatic missions¹⁸.

Commercial diplomacy is diplomacy with a commercial twist¹⁹ — diplomacy designed to influence foreign government policy and regulatory decisions that affect global trade and investment. In the past commercial diplomacy concerned itself largely with negotiations on tariffs and quotas on imports. In today's more interdependent world, trade negotiations cover a far wider range of government regulations and actions affecting international commerce — including standards in health, safety, environment, and consumer protection; regulations in banking, telecommunications and accounting; competition policy and laws concerning bribery and corruption; agricultural support programs, and industrial subsidies. Commercial diplomacy encompasses the whole analysis, advocacy, coalition-building and negotiation chain that leads to international agreements on these trade-related issues²⁰.

Commercial diplomacy implies the work of a diplomatic mission involved in supplying of information about export and investment opportunities and organising and helping to act as hosts to trade missions from home, including the promotion of inward and outward investment as well as trade. Being aware of the international trade and FDI importance to national economic development, the government thus step up the efforts in strengthening their commercial representation in a major trading partner country.

Commercial diplomacy includes all the activities related to analyzing, developing, negotiating and implementing trade agreements. Professionals with

the unique set of skills associated with commercial diplomacy are in demand not only in trade ministries, but also in many other government departments, in private corporations, in industry associations, in other non-governmental organizations and in international economic institutions. The shortage of well-trained professionals is particularly acute in developing countries and transition economies, which face a severe shortage of experienced professionals in the field and lack the institutional capacity to train them. Training professionals in the skills of commercial diplomacy is thus a new challenge for the global trading system that needs to be addressed.

The commercial diplomats must give a margin to the various Chambers of Commerce and Business Associations present, but must also be prepared to assist visiting businesspersons to find their way around, to reply to specific queries and generally provide background information that will enable them to assess the local market and contact the right people. They must also be able to provide up-to-date knowledge of markets, how they are structured and who operates them; keep a close watch on the calling for tenders as well as a keen eye for promotional opportunities. Trade diplomats must understand the host government's legislation and attitude to commercial relations. So, while concentrating on their own country's interests, which is their prime concern, diplomats will also deal with enquiries in the opposite sense from local businessmen, and these they will do their best to satisfy in the interests of good bilateral relations²¹.

Commercial diplomats offer both services in this important sphere of diplomacy. This new breed of diplomats combines the role of diplomat with the role of economic manager. They are specially trained diplomats or representatives of chambers of commerce of trading associations seconded to national embassies located in important foreign markets. The excellent example of joined commercial and diplomatic activities in Croatia provides the Austrian Foreign Trade Office, one of 108 around the world that is a part of Austrian Chamber of Commerce Network²².

The practice of commercial diplomacy requires the following set of professional skills²³: knowledge of foreign languages and cultures, cross-cultural negotiation and consensus-building, legislative strategy and advocacy, media strategy and public relations, development of integrated negotiating strategies and investigation of issues and research into new areas of knowledge.

Small economies such as Croatia could not afford to support and service such a deep specialisation in roles of its diplomatic activities, despite the

ongoing empowerment in our economic counsellors network, so all our diplomatic representatives are forced to adopt the necessary knowledge in delegated matters as soon as possible and to cover the lack of specialization with more effort and efficacy in order to accomplish and achieve the required goals and tasks.

The international trade and other areas of international economic relations are increasing in importance, and are one of the driving forces for the economic development. Looking at the business internationalization as a key to success especially to small and medium size economies, it is important to highlight the outlook to the fairs and exhibitions, as the oldest trade and communications instruments known in business. Due to their international character, fairs bring together domestic and foreign business partners and contribute to a better understanding among nations. Many fairs have a high percentage of foreign exhibitors and visitors, thus serving as an instrument of export promotions, enabling various opportunities for initiating and often concluding export transactions. Besides, fairs offer politics the opportunity to create a strong image internally and also serve to focus on new initiatives in foreign policy. This chance is often exploited on the occasion of fair's opening ceremonies.

Though the fairs are more closely related to commercial diplomacy and its activity, their capacity will be further examined as within the scope of wider economic diplomacy activities.

3. Commerce – A Bond between Fairs and Diplomacy

3.1. Fairs Overview

According to a group of authors²⁴, the fair is defined as a place of concentrated supply and demand of a particular industry or a segment of industry, as well as a venue of the most direct personal contact and business communication, innovations, presentation and information. The basic elements of the fair are the presence of suppliers/exhibitors of previously defined products and services/exhibits and buyers/visitors at a defined space within a determined time interval. Fairs have all the features of projects: they are unique, time determined and goal-oriented tasks with precisely defined procedures, resources and components.

The categorization of fairs is based on several fundamental includes the following types²⁵:

1. According to the area of influence the fairs are divided into: international – if they have min.

10% of foreign exhibitors and 5% of foreign visitors (a); national – if they do not have international participation (b); local/regional – mostly consumer goods fairs (c).

2. According to the extent of the exhibition program the fairs are divided into: general – displaying both consumer and capital goods and services out of a wide range of industries sectors (a); specialized – displaying a particular range of products and services out of a specified industry sector for two kinds of visitors: trade shows are for professionals and public shows are for consumers (b); conventions – fairs that integrate congresses, conferences, workshops, events attracting the interest of professionals and general public (c); virtual fairs – appeared in late nineties, as a prolonged version of the fair displaying on-line fair catalogues and links to exhibitors companies (d); EXPO – world expositions with countries participating as exhibitors (e); Trade marts – trade centres with permanent exhibition program for professionals, as a modified fair form (f).

The unique feature of the fairs and exhibitions, their substantial advantage, the core competence related to all other marketing tools and communication channels lies in the interaction of all five senses at once: sight, hearing, taste, touch and smell. Such a combination creates an inimitable experience of products and services. As for the human permanent need for information, live contact and communication, the TF&E²⁶ industry successfully meets the challenges of new technologies and communication achievements.

Since fairs and exhibitions actually overlap in many areas, the UFI has advocated the basic terminological distinction²⁷: trade fairs are market events of a specific duration, held at intervals during which a large number of companies present the main product range of one or more industry sectors and mainly sell it on the basis of samples. Trade fairs predominantly attract trade and business visitors. Exhibitions are market events of a specific duration, held at intervals during which a large number of companies present a representative product range of one or more industry sectors and sell it or provide information about it for the purposes of sales promotion. Exhibitions predominantly attract the general public.

Fairs or exhibitions, events, roadshows, showrooms and presentations, they all belong to the live communication instruments family, based on communicating the message via direct dialogue with the customer²⁸. Authentic worlds of experience, where people and brands meet, serve as a vehicle to put across the values of products or companies convinc-

ingly and, for the individual, to bring the brand image to life in a tangible way. Live communication facilitates personal interaction with customers and non-customers, enabling communication to be individualized to a very large extent.

The reason to increase the importance of live communication in a world dominated more than ever by electronic media one can find in the trend of individualization, product homogeneity, emotions, and maybe overall high-touch over high-tech communication.

3.2 Zagreb Fair's Impact on Croatian Diplomatic History

Looking back at the fairs history the first fair sites organized in Champagne region in the 12th century, triggered a development that continues to the present day and have contributed decisively to the development of European trade and industry over several centuries²⁹. From that time on fairs have the same particular feature: the concentration of trade at one main site that attract merchants and dealers, thus enabling international trade commerce to evolve.

Croatia has contributed to the world's TF&E industry to a great deal, thanks to the Zagreb Fair, a hundred-year-old fair organizer that operates continuously since 1909, established under the name of the Zagreb Trade Exhibition. Continuing Zagreb's long mercantile tradition that goes back to 1242³⁰, when Golden Bull issued by King Bella IV pronounced Zagreb a free royal city, giving it the right to hold fairs. Ever since, fairs have become the part of Zagreb's tradition, linking people and economies. 20 leading European international trade fairs, namely: Bordeaux, Brussels, Budapest, Cologne, Danzig, Frankfurt/Main, Leipzig, Ljubljana, Lvov, Lyon, Milan, Nizhny Novgorod, Padua, Paris, Prague, Reichenberg, Utrecht, Valencia, Vienna and Zagreb, on April 15, 1925 founded Union des Foires Interantionales (UFI). UFI is the head association of the world's leading tradeshow organisers and fair-ground owners, as well as the major national and international associations of the exhibition industry, and its partners.

Zagreb Fair's international trade fairs and exhibitions have been the first point of introduction for many products and services, both domestic and foreign. As a neutral marketplace in which many countries have successfully re-established even ruined relations, Zagreb Fair with its activities links Croatian companies with the business worldwide, promoting the national economy in close cooperation with national and international institutions. With its successful organization of the Croatian exhibi-

tors participation at international fairs abroad and the organization of trade missions throughout the world, as well as the events organized at the Zagreb Fair ground, Zagreb Fair has justly earned the name of the biggest Croatian business embassy, thus confirming its important role in the Croatian economic framework for sustained development.

However, looking back to the history of diplomacy, the origins show that commerce was the fundamental stimulus for crossing the national borders and developing interaction among nations. Historical sources confirm the existence of intensive commerce regulated by trade agreements among the civilizations of ancient Egypt and West Asia as early as in the 14th century³¹. Trade between the Old World and the New World flourished due to the European colonisation of Asia and the discovery of rich South-American coasts. The Dubrovnik diplomacy, protecting its territorial, but also commercial, interests, used carefully designed diplomatic mechanisms. In other words, commerce was the cause for establishing the first inter-state relationships and agreements. Therefore, commerce is constantly connecting fairs and diplomacy.

3.3 Economic Diplomacy Activities

Today, the improving of commercial and economic relations is in the very centre of diplomatic activities. The basic causes behind this return of diplomacy to its historical sources can be found in the following facts³²: in the majority of developed countries, the share of foreign trade and investment in the GDP, especially after the Second World War, is constantly growing in comparison with domestic production (a); the implementation of economic reforms in the processes of market-oriented economies of the developing countries, as well as development strategies based on strengthening export, contributed to a faster integration of a large number of countries into the global economic trends (b); the globalization of commerce and business – relocation of production and services, created the need to activate multilateral regulatory and coordinative mechanisms (c); the expansion of regional trade agreements with the aim of eliminating barriers to international commerce and investment processes – EU, CEFTA, Mercosur, NAFTA, FTAA and others – modified their original role and scope significantly (d).

Activities of modern economic diplomacy focus on achieving specific economic goals of a country on the international level, whereas the fields of activities are interdependent and their borders very fluid and rather difficult to define, especially with the concept of integrated diplomacy. Economic di-

plomacy activities can be divided into the following basic areas of work³³:

1. Promoting export;
2. Promoting investment;
3. Transfer of technologies;
4. Management of technical support /development collaboration – which is significant from the standpoint of the countries receiving support as well as from the standpoint of the countries and international organizations providing it;
5. Promotion of the country – which is the basis for all the above mentioned areas, and includes the creation of a positive image of the country, branding, tourism promotion, etc.

Including the political influence and relationship, economic diplomacy wider perspective encompasses: promotion of the international trade and investments, improvement in the functioning of markets, reducing of the costs and risks of cross-border transactions, achievement of the internationally accepted standards, securing the private property rights, developing the international telecommunications, energy and transport networks³⁴.

Respecting the fundamental principle of public administration, the main function of economic activities of diplomatic missions in the export promotion is to provide help and to encourage domestic companies to overcome obstacles arising from the ignorance or an inadequate knowledge of foreign markets. The exporting companies should be prepared and ready for export, having a developed product distribution strategy for the specific market, worked-out marketing activities and the export capacity, while the role of economic diplomacy is not to be a substitute for direct organization of export activities of a company on a foreign market or business talks between trade partners.

All the countries of the world, underdeveloped, developing or well developed, competing at the global market, are racing to attract foreign direct investments. Though in a large number of countries, the activity of promoting foreign investments is within the competence of national agencies for investment promotion, promoting investment is especially emphasized in diplomatic missions' activities as very important, because of their extensive knowledge about the recipient country and a developed network of contacts.

Almost no aspects of international relationships: bilateral, regional or global exist without being linked to the image of a country. The way in which a country is perceived in the world significantly influences its inter-state relationships on all levels. The creation of a suitable perception of the country is

the very essence of the tasks of diplomatic missions, foreign affairs ministries and professional diplomats in general.

The importance of all synergic effects of the diplomatic missions' activities scope is reflected in the application of integrated diplomacy system. Particularly, the coordination of political and economic activities, cultural promotion, consular work, relations with the media, relationships with the emigration and other areas of work of diplomatic representation offices, in the function of a wide-ranging promotion of a country and creation of its positive image in the recipient country, are bases of an integrated diplomacy.

Such a proactive approach to diplomacy requires giving special attention to the creation of the desired image of their country, since positive perceptions of national identity are certainly a basis for a more dynamic and easier development of economic relations. Fairs are more than a suitable tool to fulfil the task with their interactive feature and representation and communication ability.

Meeting and matching to all five main roles of the economic diplomacy, the fairs provide opportunity not only for promoting, but for launching, assessing, researching, learning and interacting with and within business community, accelerating the selling process and generating new sales and relations, enabling the opportunities for establishing new alliances and joint ventures. Moreover, fairs are like privileged forums, offering the opportunity to meet business and political community members, as well as the media representatives, all gathered at a fair venue at the same time, for the purpose of exchanging the information and communicating.

The diplomatic work related to the economy could be organized in a range of fully active engagement of the ministry of foreign affairs³⁵:

1. in the unified model, the MOFA³⁶ is the major protagonist and creator in the pursuit of the economic interests of a country on the international level;

2. in the partial unification model the ministry of foreign affairs operates through institutionalized cooperation with the institutions competent for economic strategy development, promotion of export or attracting investments, such as economic development committees or agencies for the promotion of export and import, and has a coordinative function in the process;

3. in the passive monitoring model the role of the MOFA can be only monitoring of the situation and providing logistics and political support by dip-

lomatic missions, while the agencies for the promotion of export and investment working abroad through their branch offices are in charge of operational tasks in promotion of export and investment;

4. in the competition model MOFA and departmental institutions – department ministries, export agencies, professional associations and alike – have overlapping areas of competence in the export, attracting investment, organizing negotiating platforms or representing and leading negotiations in international organizations. Such a system often creates misunderstandings regarding the definition of competencies in specific cases, and fragmentation of activities on the international level.

The model used in a specific country is a reflection of the governing structure's perception of modern diplomacy and, consequently, of the positioning of economic diplomacy and its implementation within the structure of public administration. The interference of many protagonists often disables the existing diplomatic structure to fully contribute to the affirmation of the economic goals of a country. But any of the models implied should not neglect the faculty of the international fairs, though their scopes incite, support and match the economic diplomacy activities so conveniently.

4. The Power of International Fairs

4.1. Fair Functions

The basic function of every fair or exhibition is to join supply and demand, provide information and show technical trends and developments. Though being highly multifunctional, the fairs³⁷ have their main business and economic roles:

1. they are used as a means for realizing many objectives, such as strategic (a) or communicational ones (b). The strategic goals could be conquering the new markets, benchmarking of self competitiveness, shearing of information, defining possibilities of co-operations and alliances. The communication goals could be: establishing of personal contacts, finding of new potential customers, launching of a new product or service, creating of a sales network, tending of existing contacts, assessment of possible price alterations, introducing innovated products or prototypes and testing of their acceptability;

2. the fairs are promoting development of industries or stimulating some segments of industries by using the synergy created through the concentration of economy, science, branch, authorities, con-

sumers and the media at one spot during the run of the fair;

3. the third role of fairs is the ability to create multiplying effects for destination;

4. with their special ability fairs can participate in branding of the states and their economy and help create and improve the national image;

5. finally, fairs have an inevitable role in supporting exports, being the direct marketspot where national economic community meets international demand.

Fairs are also an indicator of economic and market trends, because they reflect market procedures, types and scopes of market changes, as well as directions and speed of future developments.

Despite the emergence of high-speed electronic communications methods during the 20th century, fairs today continue to rank as one of the most dynamic and effective sales and marketing tools in existence. In the context of today's modern economy, fairs continue to unite all market partners providing a unique opportunity for personal contact. This is truly the only marketing communications medium allowing full exploitation of all five senses in an environment of face-to-face interaction. The force of the fair and exhibition industry in connecting markets and companies is very strong, but often underestimated.

Fairs³⁸ are the right place to achieve fundamental trade objectives, as they give opportunity to: win new customers, cherish existing and loyal customers, renew contacts with past customers, launch new products or services, show and promote a full range of products or services, generate sales, build and increase company and brand image, consolidate public relations and generate media interest.

Apart from doing business, fairs enable to: learn more about the clients' and prospect expectations, get immediate feedback on product range and corporate image, build and enlarge prospects database, research the market and competition, assess market potentials, keep up-to-date with innovations and new technologies, maintain a presence in the marketplace, locate possible agents or distributors and initiate cooperation.

Consequently, the outcome of the fair possibilities is providing outstanding marketing, branding, research, financial, sales and other fulfilments of aims and objectives.

In terms of ROI, the fairs and investments in fair participation is much more efficient than other communication channels. In this respect, Brno fair conducted a research³⁹ in 2006 for all CEFA members, confronting the efficiency of fairs with other

communication tools. The results reveal that the time one businessperson spends at a fairground is 5 times longer than the time spent on reading the papers and 55 times longer than the time spent on reading printed advertisements. Another research of ROI conducted by the American MPI⁴⁰ (Meeting Professionals International) in 2005, comprised ROI in externally organized events for Europe. It has shown the following: ROI for presentation in markets and drugstores is 1%, for guerrilla marketing 1%, for sponsoring sports events and competitions 2%, for mobile marketing 12%, for conventions and seminars 31% and for fairs 34%, the highest. An EEAA (Exhibition and Event Association of Australia) survey showed that an average expenditure of 9% of companies' marketing budgets in trade fair resulted in a return of 23% of business.

Furthermore, the power of the fair synergy, created by the totality of the supply, events, branch, science and educational programs, so concentrated during the fair time, is not comparable to any other separate gathering in the economy. Moreover, the intensity of such a direct and focused communication, and the availability of the competent information and professional data is incomparable to any other communication channel effects.

Finally, since the TF&E industry is considered as an extended hand of the economy, it is important to emphasize that powerful fairs have a strong and incentive impact on the particular economic sector involved in the fair exhibition program, as well as on the host destination development, endorsed consequently by introducing the so called fair city concept.

4.2. Value of Fairs for Host Destination

Fairs are very useful for the host destination in many different and not always visible ways, being without doubt, an important economic factor. Beside the expenses related to the participation in a fair itself, both exhibitors and visitors spend a large amount of money during a fair for accommodation, restaurants, transportation, entertainment and other indirect services. These expenses do not only increase the profits of the local businesses, but they also have positive effects on the local employment while increasing tax revenues. Studies⁴¹ have shown that half of the exhibitors' expenses remain in the exhibition city or its surroundings, and that a visitor spends between US\$ 200 and 350 per day in the city. It is also estimated that a fair brings six times the organizer's revenue into the city/region. This effect is called "indirect profitability".

In addition, fairs and exhibitions serve as a stimulus for the national industries and as a means for improving the technological know-how and the equipment, as well as for enhancing the import/export activities, especially for the less developed countries. The important fairs' role as a development factor of national companies' competitiveness and as a highly incentive stimulator to the sectors of the economy could be presented and explained through the German concept called *Messestadt*⁴² – The fair city. This term is used by the group of German cities that host fair ground centres in their marketing communications. In 2007 ten major fair organizers in those towns realized the income around EUR 2.65 billion. The German fair industry employs around 250,000 people, while the exhibitors and visitors spend around EUR 10 billion on fair activities yearly⁴³.

The overlapping of the fair program has been institutionally regulated in accordance with AUMA, the national association involved in approving of the annual national fair calendar, and particularly the product range of the branches to be displayed and the dates and venues for each German fair. Thus, the unnecessary internal competition between the federal states is being avoided, enabling *Messestädte* to live from their fairs and with them. The city structures follow completely the fairs' beat, aiming to provide to the exhibitors and visitors the best possible and pleasant accommodation, arrival and stay in the fair city. The transportation connections of the host town with the major European receptive centres that serve intercontinental arrivals are intensified during the fair period. An extra and mainly free transportation from airports and train stations to the fairground centre is commonly available, while the hotel guests can collect all the general fair information as well as the city entertainment program on the hotel check-in desks.

The obtained employment as well as other cumulative and especially financial effects to the city budget, induced by the running of one fair is highly significant. For Zagreb, the induced revenue for the City amounts to 11.7 units per each unit of the Zagreb Fair's total income, as shown in the study conducted by the German Infratestburke Institut in 1998⁴⁴. By stimulating travel agencies it is possible to increase the number of overnight stays at the venue, and therefore stimulate the intensity of consuming other services, such as gastronomy, translation, traffic and other services.

This concept provides and sustains huge global acceptance of the German fairs as the industry leaders, because the German economy succeeds to keep its core and strategic industry sectors dynamic

and innovative, while the high share of the international attendance at the fairs provides them with the globally leading status in the most sectors of the economy. This international component is a special trigger for dynamism and innovativeness of German companies and keeps stimulating and encouraging them to raise their performances high enough to be as much as possible globally competitive, and therefore dominate over each international fair's edition.

A very interesting example that practically explains this situation could be the German automotive industry, which prepares and launches its top innovations and solutions in prototypes or final products of cars, engines or spare parts at IAA - the Frankfurt Motor Show, one of the five major car shows in the world, exploiting and thus benefiting from the moment of the overall world car industry attention, concentrated and directed at Germany during the show time. The advantages that IAA induces to the German automotive industry have a long-term impact on the industry competitiveness.

Besides, the highly importance of a world's leading specialised fair is that it is a very convenient occasion for the national authorities to announce or pronounce some new economic measures, legislations or future changes in the related sector of industry. This is another uniqueness of the specialized fairs and since they are highly multifunctional, presenting the product or the company so widely and thoroughly through the live contact with the attendance, there is no other marketing tools alike, able to reach their scope.

The power of effects created by the international fairs for the destination is comparable only to the world championships or the Olympic Games, in terms of gaining the maximum attention of the sector displayed through the fair, and the focus of the media during the fair time. A good example to support that claim could be found in the realized indicators of the last Zagreb Auto Show⁴⁵, which registered the highest number of attendance at any fair in the past twenty years, in total 215,393 visitors, according to the authorized data provided for the Zagreb Fair by the German auditing house FKM. The attendance comes from 10 surrounding countries, while the share of visitors coming from over 50 km scope around Zagreb was almost 49%⁴⁶. So it is not surprising that the National Tourist Boards include fairs into their strategic marketing plans as intrinsic exponents of the activities at the destination.

Because exhibitors and visitors generally travel to participate in fairs and exhibitions, the economy impact on this industry is significant and results in higher engagement of gastronomic and accommodation capacities, domestic carriers and

international arrivals, cultural events attendance and the intensity of the city transport. Besides, a major fair is an important trigger for all types of marketing communication, providing so many reasons for business, authorities and diplomacy to meet and act in the same direction, while meeting international attendance as well as for all types of contacts, whether they come from the commercial or political area.

5. Croatian Economic Diplomacy, Fairs and Export Framework

5.1. Fairs and Government Perspective

Innovation and efficiency in the production of services have become crucial to economic growth. One of the most important challenges for governments in today's economy therefore is to assure that its regulations in the services sector support innovation and efficiency in the production of services. This does not imply the elimination of all regulation, but the reform of regulations that are not well targeted at clear and objective social goals, or seek to achieve such social goals in ways that hamper innovation and competition. Regulatory reform and liberalization of trade in services have thus become important policy tools for stimulating economic growth in today's economy⁴⁷.

The important thing is to be integrated into the global market, but definitely on the basis of interest and not necessarily dependent on regional groupings, but on sharing an international outlook and orientation⁴⁸.

Recognising that development of economic relations strengthens the economic position of the country, Croatian government started to place it in the centre of its diplomatic activity, emphasizing priorities of the Croatian economic policy⁴⁹: continuation of the development of a stable and strong market orientated economy; competitiveness on the world markets; maintaining and strengthening macroeconomic stability; and the continuation of structural reform in order to secure stable and sustainable economic growth, in particular relating to exports and increased employment. Special emphasis has been placed on the creation of favourable business environments, harmonised with the business environments prevailing in the European Union, further development of the institutions in the market economy, promotion of private investment, promotion of international competitiveness, as well as entrepreneurship and market freedoms.

The underlying economic aims are increasing export, implementation of quality standards, complying with environmental requirements and acquir-

ing cost efficiency. One of the current governmental commitments is the conducting of reform in its administration and public and service sector, with the aim of increasing the attractiveness of Croatia to foreign investors.

In order to accomplish these tasks, since 2002 the Investment Promotion and Export Directorate operates within the Ministry of Economy, Labour and Entrepreneurship of the Republic of Croatia, which is the competent body for the implementation of the Law of Investment Promotion, that is, for giving promotion measures, tax and customs fringe benefits, to local and foreign investors.

The main activities of the Trade and Investment Promotions Agency are aimed at proactive searching, informing, attracting and realising qualified investment projects, which include the production of goods and services with high value added for export, and those projects which generate new work places.

For a successful Croatian economy, larger GDP growth and living standards, as well as for the increased employment, it is important to direct it towards export. In this respect, the Croatian Export Boost was presented in 2007. The main goal of the strategy is to solve the key problems for increasing export, such as small capacity, fragmentation of production and poor competitiveness. Important emphasis is given to the establishment of six clusters for export: water, small shipbuilding, textile-clothing, ICT solutions, wood-furniture and mariculture-Croatian fish.

Released as a project of the Ministry of Economy, Labour and Entrepreneurship, in cooperation with the Croatian Exporters Association, Croatian Chamber of Commerce, Croatian Chamber of Trades and Crafts, Association of Croatian Employers and the Croatian Bank for Reconstruction and Development, the Croatian Export Boost bypassed the involvement of the Croatian TF&E industry or the Zagreb Fair in any of particular activities.

Regardless of the current restructuring phase of the Zagreb Fair, having the national fair ground centre and holding international fairs is like half of the trade mission already done, because many foreign countries representatives, in range of business to politics will be gathered at one regional fair with the long tradition, i.e. International Autumn Fair. Such an opportunity provides excellent possibilities for our business community members to get in touch personally with all kinds of international partners, and discover their intentions or new possibilities in a fast and focused way.

Moreover, aside of the exhibition part of the fair, trade fairs are rounded with the rich accompanying program, often with home government and foreign participation, covering the branch topics on both national and international, even on the global level, which is also a great opportunity to perform some business intelligence activities as well as the benchmarking in a quiet and unnoticeable way.

Vice versa, by stepping to a fairground all the foreign economic or diplomatic community members get the overall impressions and potentials of an industry presented on a fair, as well as about the country and its people, habits and atmosphere, as well. Nevertheless, it is not unusual that on the occasion of an international fair, some special business or political treaty or agreement is signed, while the home and foreign media representatives are operating on the fairground at the time of the fair.

Respecting those fair particularities, as well as all the previously mentioned areas of fair's influences on the economy, the national fair operator, the Zagreb Fair has to be included into the national framework for increasing the economic growth and global competitiveness of the Croatian economy, though it organises over 20 internationally recognised fairs through the year that can provide intensive live marketing communication, inevitable for a successful export strategy.

5. 2. Fairs and Economic Diplomacy Perspective

The underlined aim of Croatian economic development is to increase export and direct foreign investment. So, the Ministry of Foreign Affairs and European Integration of the Republic of Croatia promotes the economic relations between Croatia and foreign countries and affirms the Croatian interests in international economic organisations and integrations. The Croatian diplomacy attachés pay particular attention to the matters of economic interest in the international arena⁵⁰, aiming to achieve the national goals through cooperation with multilateral economic organisations and integrations, implementation of international assistance projects and development cooperation, and business research and economic promotion abroad.

Beside all the mentioned areas within the scope of the Croatian economic diplomacy, the promotion and involvement in the promotion of the Croatian economy as well as the country image abroad are the bonding thread that joins economic diplomacy and trade fairs activities.

The Internet and an interactive web site could be very helpful for providing information support

and the administration of the Government program for the promotion of export, attracting investment and communicating with the national business community. But since it is not possible to have face-to-face communications with a website, the live communication surpasses all of the technology performance. So, fairs aim to and really can sustain national foreign policy as well as serve as a platform for boosting national products and services toward export, opening the unnumbered possibilities for developing the new and solving the old problematic relations.

The fact that the Croatian diplomacy has involved the economic counsellors to provide direct logistic support in the organisation of Croatian economic delegations and the presence of Croatian companies at the international fairs in the receiving State, to conduct and prepare economic presentations, seminars, bilateral economic forums and other activities meant for the economic promotion abroad, is more than positive. But there is still space available for improvement in coordinating and planning of the all parties' activities in order to act in a more synchronized and highly effective way, while promoting national or building up particular economic interest, at home or abroad.

A trade fair is always a market for information and opinions. So, the convenience of having the particular economy branch representatives in a wide range of professions, from manufactures to local and national authorities and other target groups, all available at one spot, like one large economic (and political) forum, should be exploited by economic diplomacy whenever possible as a powerful business and marketing tool.

6. Conclusion

The world of trade and international commerce is becoming more important and challenging every day. Global markets are far more integrated and less distant than ever before. Exports are the engine of economic development and the driving force behind the recovery of domestic economy. In this context, companies are encouraged to expand their multinational production networks, while governments are negotiating extensive trade agreements.

This new global economy has created demand for business executives and government officials who can manage complex international economic relations effectively. Corporations need help in negotiating joint ventures, contracts and sales agreements with foreign companies, as well as in managing the relationships with a wide range of governments around the world. Governments need educated offi-

cials who can negotiate agreements and who can help to resolve conflicts among nations in a wide range of commercial, social, environmental and other domestic issues related to trade.

Economic diplomacy as management of the mechanisms to achieve economic goals on bilateral and multilateral levels is the key instrument for developing efficient collaboration on a global level. Promoting exports, along with promoting investments is the core of economic diplomacy activity. It is necessary to underline the importance of a detailed export strategy, as a defined export portfolio of the mother country, which has the need for support on the spot.

Consequently, the awareness of the objective capabilities and needs, as well as the reality of the moment and the circumstances of the environment should be the basic step to enable a small business economy like Croatian to become successful on the globalized market. With the support of a reliable, professional and efficient economic diplomacy, the dedication of the Croatian Government to the creation of an export orientated economy and of a favourable climate for entrepreneurs, as well as the development of technology and increasing the competitiveness of domestic companies could become an achievable goal.

The basic tasks of creators of a country's economic development strategy at the international level are the identification of its actual export capacity and potentials on targeted markets, definition of a list of investment priorities and definite projects, definition of target activities in the world focused on attracting investors with a desired profile, designation of priority markets and methods of approach to these markets, developing strategies for economic promotion in the recipient countries, and defining basic obstacles to achieving the desired goals.

Based on such defined priorities the work of diplomatic missions can contribute to the affirmation of economic interest goals in the recipient countries, so it is upon the Ministry of Economy, Labour and Entrepreneurship of the Republic of Croatia, Trade and Investment Promotion Agency, and other Croatian institutions involved in the development of economic relations in the international arena, to confirm the pri-

ority markets, as well as export possibilities and investment interests, in order to direct the Croatian economic diplomacy precisely in these areas and to achieve the maximum work efficiency from our diplomatic and consular network in the world.

Having the Croatian managerial opinion in mind, as well as the current economic situation, it is on the Government to enhance the implementation of the national economic growth programme by increasing the national competitiveness through creating sustainable developed jobs, decreasing the bureaucracy and implementing and enhancing the quality of work in its departments. Focusing on active marketing, promotion and managerial knowledge will create the initiative for investments and help the economy compete better on the international markets.

Since the Internet based technologies and e-commerce revolutionize distribution of goods and services worldwide by making world markets more connected, reachable and global, the key to success in the new interconnected economy lies in innovative product design and engineering, innovative advances in production processes, innovative marketing and distribution, innovative customization, and innovative strategies, but still and more than ever in live communications. Personal communications will continue to grow in importance: while events, tradeshows and promotions are clearly on the way up, classical advertising and sponsorship have fallen behind.

Fairs and exhibitions are one of the most complex but irreplaceable communications tools, either for promoting or presenting the new products and services, as well as for maintaining or gaining relations. So, they should be used in the diplomatic activities as often as possible with the aim of promoting the national economic interests and the development of a network of business contacts abroad.

The neutrality of the fair's arena, where numerous members of business community interfere with local and state authorities, both national and foreign, should be used for developing, enhancing, promoting and sometimes repairing national economic goals achievement, and therefore are an extended hand for the national business and diplomacy.

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