

# **Minister Meetings - A Commercial Diplomacy Approach for Small Open States**

*How Danish Minister Meetings can Foster Business  
Opportunities in China*

Björg Ilsø Klinkby

Copenhagen Business School

Master of Science in International Business and Politics

Advisor: Yang Jiang

Second advisor: Stine Hakonsson

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## Abstract

Small open states are vulnerable to economic shifts, since these states often are depending on export. The use of bilateral minister meetings has become a common approach to boost trade relations. It is therefore urgent to explore the dynamics of minister meetings as an approach, because this method has received limited attention in academia.

Denmark struggles in times of rapid economic shifts and in search for growth Denmark has turned its eyes towards the Chinese market where growth rates are attractive. 2012 was characterized as a year with record high bilateral interaction at minister-level aimed to promote the opportunities of Danish businesses in China. This master thesis will evaluate the Danish approach to China from a business point of view. The theoretical framework of commercial diplomacy will be used as a point of reference to structure this thesis. A brief historical overview of bilateral interaction between China and Denmark will be provided, were it is argued that the commercial relations of today still benefits from the history between the two countries. An empirical analysis of the Danish-Chinese interaction in 2012 will be provided through case studies of actions by individual ministers, based on interviews with actors in Danish commercial diplomacy to China. The case studies illustrate great variety of success in the ministers' performance considering the different focus on commercial relations the minister visits had. In general, Danish business had influence on the Danish authorities' actions, but evidence suggests an unfair favoring of some business actors.

The success of the collective Danish action is measured by the criteria: access, attitude, agenda, commercial aspects, long term value, open doors, push contracts, partner care, increased visibility, timing, preparation, coordination and cooperation. The analysis of the collective action illustrates that the Danish approach have been upgraded in 2012, though the Danish commercial diplomacy to China still have some weaknesses. At the moment Danish businesses are not fully benefitting from the 'minister-meeting approach': Lack of financial resources, unfair selection process and insufficient coordination are the most influential weaknesses in the current Danish commercial diplomacy approach. Based on these findings suggestions for optimization are provided to improve Danish commercial diplomacy to China. The long term value of minister meetings can when it is performed well increasing business potential for growth, which is necessary for the companies in small open states like Denmark.

**Keywords:** *Small open state; Denmark; Commercial Diplomacy; minister visits; China; business potential; business interest; growth opportunities*

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## 1. Growth Opportunities for a Small Open State

The global economic crisis has changed the markets and national economies have become sensitive because of the markets interdependency. In particular the economies of small open states are exposed and the European market struggles to recover to its previous strengths. Katzenstein argued in 1985 that small open states are vulnerable to economic crisis in the world market. Small open states are dependent on import, since they lack capacity to be self-supplying and are challenged with reaching economies of scales (Katzenstein, 1985). To secure stability and diminish shocks from economic crises, small open states must concentrate on certain products or services for export and hereby balance the currencies to diminish vulnerability (Katzenstein, 1985). Decades after Katzenstein's ideas were published, it appears that the world economy has become even more interdependent and the argument seems more evident than ever: approaches to stimulate growth through increased trade in small open states must be found immediately.

As a small open state the Danish economy<sup>1</sup> is highly influenced by the fluctuating global demand. It is a hot topic in the Danish public debate, how Denmark can take action to adjust unemployment and competitiveness' problems. In search for growth and job creation the Danish authorities has announced that growth markets will be a strategic priority.

Growth markets are in these years attractive: Especially Brazil, Russia, India and China<sup>2</sup> (BRIC) have been highlighted as centers for growth opportunities to re-stabilize the global economy. China has been highlighted as the export market where Denmark has the highest potential to boost their economy. China is wildly contested in media, politics and business': China is old and new, different and overwhelming. China is a nightmare and a dream. China is overvalued and underestimated. It is the country of contradictions, and the mentality and political structure in China differs from Denmark's traditional trading partners.

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<sup>1</sup> Denmark is one of the countries Katzenstein labels as a small open state.

<sup>2</sup> The growth in China is expected to be the key to economic prosperity according to forecasts by e.g. International Monetary Fund, Economist Intelligence Unit and the World Bank.

Commercial diplomacy is an instrument to generate jobs and economic growth and hence can be used as a framework for testing the Danish search for growth through trade with China. Academic conceptualization of commercial diplomacy is fractional, despite that there is an increasing interest for commercial diplomacy, which can be explained by a greater focus on national competitiveness (Kostecki and Naray, 2007; Ruël and Zuidema, 2012). There are gaps in the literature on commercial diplomacy and this thesis will contribute with a study of bilateral minister-meetings as a tool for commercial diplomacy and the role of business in this aspect.

There have been a record high number of minister meetings between Denmark and China in 2012 with the highlight of President of the Peoples Republic of China's visit and the Danish Prime Minister's re-visit. Support from the highest political level is essential for Danish companies when doing business in China because of the Chinese culture and embeddedness between politics and business in China. This makes it critical to address the following research question:

*How does Denmark use commercial diplomacy towards the Peoples Republic of China and how can minister visits benefit Danish business growth opportunities?*

In order to answer this research question it is necessary to address the following sub-questions:

- How do Danish ministers practice commercial diplomacy?
- How can meetings between Danish ministers and their Chinese colleges benefit Danish companies?
- How do the Danish authorities and business cooperate on commercial diplomacy?
- How can Danish commercial diplomacy to China be improved?

Firstly this thesis will conceptualize the theoretical framework of commercial diplomacy in order to create a point of reference. The theory of commercial diplomacy will be discussed throughout this thesis in order to relate the empirical evidence to previous studies.

Secondly the method will be outlined as well as presentation of the reasoning behind the selection of case studies, respondents, research design, and the implications of this

master thesis. Thus, this part will present the evaluation criteria for measuring the success of the Danish approach in order to make the judgement tangible.

Thirdly, an assessment of the history of Danish-Chinese commercial relations will be provided, since the historic roots continues to be an advantage for furthering the relationship of today.

Fourthly, the specific minister meetings will be analysed and based on interviews with key actors, the different ministers' action will be evaluated. The analysis will explore the many ministerial meetings between Denmark and China this year - including the role of Danish businesses.

Fifthly, the collective actions by different ministers are of importance and the individual meetings should be seen as a contribution to the collective action. This part will discuss the sums of the different ministers' actions through considering different elements such as coordination and cooperation between stakeholders. It is argued that the initiatives in 2012 was a significant improvement of the Danish approach to China, though weaknesses like lack of coordination, limited resources and an unfair selection process have a negative impact on the success.

Sixthly, based on findings of weaknesses in the Danish approach, this part will suggest improvements to the current approach in order to make the Danish commercial diplomacy approach more beneficial for business.

Finally, it will be concluded that the Danish commercial diplomacy is based on close bilateral cooperation between ministers aimed at creating businesses' opportunities for increasing the trade. Nevertheless the full effects on action in 2012 are still to be seen and it is urgent to improve the Danish commercial diplomacy approach to increase likelihood of creating increased trade between China and Denmark.

## 2. Conceptualizing Commercial Diplomacy

This part will present the theoretical framework of commercial diplomacy including the overall aims and benefits. The part will discuss the practice versus academic literature on commercial diplomacy and it will be argued that minister visits, as an approach for commercial diplomacy, deserve attention in academia. The conceptualization of commercial diplomacy creates a framework for this thesis.

### 2.1. Definition of Commercial Diplomacy

Diplomatic missions<sup>3</sup> have long been used as a tool to improve relations to other states (Berridge, 2002). Commercial diplomatic activities can be dated back to the Roman Empire (Naray, 2008). Today, commercial diplomacy<sup>4</sup> activities, is a common behavior by developed countries<sup>5</sup> (see Kostecki and Naray, 2007). There is an increasing focus on commercial diplomacy, which can be related to the global economic stagnation and the decreasing growth many countries experience domestically (Justinek, 2012). In some countries, commercial diplomacy has become a core part of the overall diplomatic corps<sup>6</sup>.

A universal definition of commercial diplomacy remains absent (Stadman and Ruël, 2012). Scholars include different aspects in their definition and commercial diplomacy is often confused with other activities such as export promotion, economic diplomacy<sup>7</sup>, and trade diplomacy. Commercial diplomacy is an instrument to utilize economic goals (Kopp, 2012). Commercial diplomacy includes among others trade promotion, investment promotion, business advocacy, and tourism promotion (Kostecki and Naray, 2007). Thus Commercial diplomacy is a two-way cooperation between the government and business on the national interest and it functions best

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<sup>3</sup> Diplomacy comes in many shapes and sizes; economic diplomacy; trade diplomacy; multilateral diplomacy, cultural diplomacy; crisis diplomacy; public diplomacy etc. (Berridge, 2002). Today it is the Vienna Convention on Diplomatic Relations that creates the treaty framework on diplomatic relations as the established practice and regulation of diplomatic missions (United Nations, Vienna Convention on Diplomatic Relations, 1961).

<sup>4</sup> Commercial diplomacy is acknowledged by the United Nations Conference on Trade and Development (UNCTD) with a branch targeted to commercial diplomacy (UNCTD webpage).

<sup>5</sup> Commercial diplomacy is valuable when targeting developing countries (Bondarouk and Ruël, 2012).

<sup>6</sup> The United States prioritizes commercial diplomacy with training of Ambassadors (Kopp, 2004). Although countries do not mention commercial diplomacy it does not mean that they do not practice it.

<sup>7</sup> Commercial diplomacy has some similarity to economic diplomacy (Kostecki and Naray, 2007; 2012, Potter, 2004).

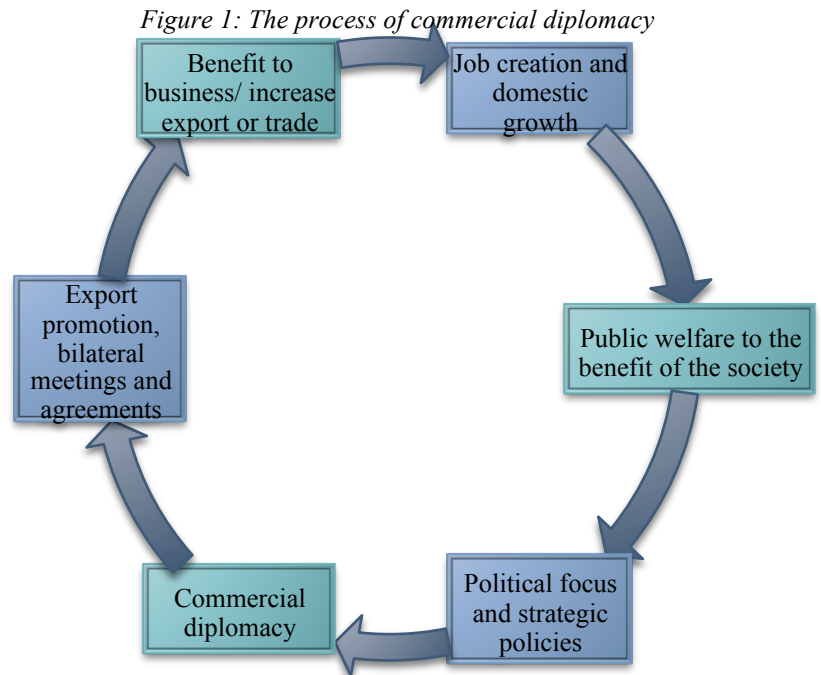


when the dialogue is ongoing and open (Kopp, 2004). The aim of commercial diplomacy is to:

“encouraging bilateral business through a series of roles that commercial diplomats perform in various activity areas, such as trade promotion, investment promotion, and cooperation on science and technology”

Naray, 2011:122

Effective successful commercial diplomacy is in national interest of states because it creates jobs and economic growth both through increased overseas trade and increased inbound investments (Kopp, 2004; Reuvers and Rüel, 2012). See figure 1, which illustrates the process of commercial diplomacy.



For the purpose of this master thesis is the following definition formulated:

*Commercial diplomacy is action performed by governments, which are conducted to facilitate increased trade.*

## 2.2. Commercial Diplomacy as an Academic Field

The framework of commercial diplomacy builds upon various academic fields such as political science, business management, marketing, international relations and political economy. Though commercial diplomacy has gained increasing prominence, the state of the art of commercial diplomacy is neglected as it is only given attention by a few scholars (see Kostecki and Naray, 2007, Potter, 2004).

A literature review of commercial diplomacy conducted by Reuvers and Rüel (2012) found that only 13 publications on commercial diplomacy had been published since 1992, but it should be recognized that other concepts cover similar themes. The starting point for research on commercial diplomacy is often interviews with stakeholders such as diplomats and business representatives (Naray, 2012; Zuidema and Ruël, 2012).

### 2.3. Actors, Drivers & Shapers

There are many actors involved in commercial diplomacy activities and interaction takes place in a network of multiple stakeholders<sup>8</sup>:

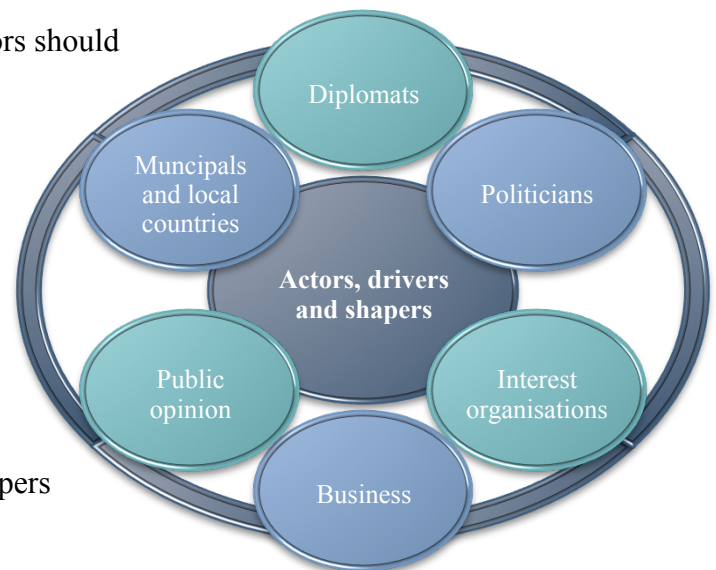
“The spectrum of actors ranges from (i) the high-policy level (head of state, prime minister, minister or a member of parliament) to (ii) ambassador and the lower level of specialized diplomatic envoy”.

Naray, 2012: 152

The studies of commercial diplomacy tend to focus on the activities of commercial diplomacy that can be carried out by staff in the diplomatic services from various levels in the organizational hierarchy (Naray, 2008; Visser and Ruël, 2012). There are a number of reasons why commercial diplomats are advantageous<sup>9</sup>: they can create visibility as it may provide greater media attention, open access to decision makers; ‘credibility’, ‘economies of scale’ for SMEs, economic sponsorship of promotion (Kostecki and Naray, 2007: 17-18).

Figure 2: Actors, shapers and drivers

Besides commercial diplomats other actors should be considered as a part of a nation’s commercial diplomatic activities, meaning actors such as trade-promotion organisations, chambers of commerce, other trade-support institutions and specialized firms (Naray, 2008; Kostecki and Naray, 2007; Kopp, 2004). See figure 2, which illustrates actors, shapers and drivers.



<sup>8</sup> In this research study actors of commercial diplomacy are expanded to cover ministers and other officials engaged with objectives of commercial diplomacy, where especially the role of the head of state, prime minister and ministers are considered.

<sup>9</sup> Commercial aspects of foreign policy are somehow considered to be of less prestige, which potentially makes it more difficult to attract talented people when also considering the competition on talent with the private sector (Naray, 2011). There is a disagreement on which talent is most favourable for commercial diplomats and which working background is most suitable (Naray, 2008; Naray, 2010). In some countries a carrier with shifts between business and diplomacy is considered positive (Kostecki and Naray, 2007). However, some studies question this statement in terms of whether carrier shifts actually provides extra competencies (Ruël and Zuidema, 2012).

## 2.4. Roles

Commercial diplomats have many roles both proactive and reactive. Proactive steps include help with potential sales, promotion in general. Reactive initiatives can be problem solving in host countries. Potter (2004)<sup>10</sup> has divided activities between:

- a) *Broader-in*, which is preparation of business outside the national border
- b) *Broader-out*, which is market development in foreign countries

Previous studies have made other distinctions, as roles of commercial diplomats can be characterized into *facilitation*, *advisory* and *representation* (Naray; 2011: 134). The first, *facilitation*, covers coordination and other services such as matching contacts. The second, *advisory*, includes intelligence analysis, supervision, internal communication, reporting and monitoring (Naray, 2011:137). The third, *representation*, focuses on external outreach including advocacy and awareness promotion (Naray 2011: 138). If companies tend to hesitate to share information then commercial diplomats can be neutral and facilitate experience of best practice of establishment in host-country (Busschers and Ruël, 2012). Though this will depend on willingness to share knowledge among companies in home country.

Together with Kostecki, Naray has categorized three types of commercial diplomats: a) *business promoter*, b) *civil servant* and c) *generalist* (2007:21). The *business promoter* is according to their definition the one who understands business and the one who is most positively characterized as pro-active, client-oriented and successful. The *civil servant* is passive and devoted to the ministry with remoteness to businesses. The *generalist* is not assigned to commercial diplomacy but may function as such when necessary as it is the case with ambassadors.

It has previously been verified that commercial diplomacy is beneficial for business (Kostecki and Naray, 2007; Ruël and Zuidema, 2012). From a business perspective commercial diplomacy ought to increase companies' revenues (Naray, 2012). It can be complex adapt to business interests since companies' demand depend on size, set-up in host-country, sector and firm-specific needs. It is interesting that business uses commercial diplomats because of the reputation that they are credible and neutral

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<sup>10</sup> This division is very similar to Naray's (2012) recent rough characteristic of either activities of promotion of home country or activities in interest of a specific firm (see p. 155).

(Naray, 2012)<sup>11</sup>. In terms of initiatives to contact, it may both be the business client who requests the assistance of the commercial diplomats or the commercial diplomat who contacts the business client (Naray, 2012).

## **2.5. Design of Commercial Diplomacy**

A nation's commercial diplomacy will vary from country to country as it is depending on characteristics of the home and the host country (Stadman and Ruël, 2012). There is no such thing as one single best practice that will suit all states. Instead states should create a design of commercial diplomacy, which fits national interest and the nature of the host country. The home country will in its strategy for commercial diplomacy focus on sectors where this match is present. Furthermore commercial diplomacy must consider the culture, business environment, the demand and other important characteristics of the host country in order to generate successful commercial diplomacy. Both informal and formal institutional settings in a country are important (Visser and Ruël, 2012). The design of commercial diplomacy can be targeted to be 'nation branding' meaning that the reputation of the nation's business competencies is promoted (Reuvers and Ruel, 2012).

Ruël and Zuidema note in their survey that the success of commercial diplomacy depends on the quality (2012). The quality is determined by variables such as the institutional environment of the host country and diplomats' embeddedness with the business environment at their foreign post (Ruël and Zuidema, 2012). In addition it was found that success of commercial diplomacy in addition depends upon the business clients' ability to act and request specific demand (Ruël and Zuidema, 2012). Kostecki and Naray call for more measurement on the effectiveness of commercial diplomacy as well as evaluation (2007). It has been debated whether the effects of commercial diplomacy are overrated<sup>12</sup>. Justinek (2012) has provided an alternative method to measure effects of commercial diplomatic activities, this method however is strictly focused on performance of foreign posts. One of the respondents of Naray's study suggests that measures of success of commercial diplomacy also can be

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<sup>11</sup> According to this study, business representative expect equal treatment by the diplomats.

<sup>12</sup> Ruël and Zuidema (2012) suggest that commercial diplomacy should concentrate on general promotion rather than on single companies, as it is this function commercial diplomats are best to perform. Please note that Ruel and Zuidma's survey (2012) is based only on Dutch commercial diplomacy and it is therefore questionable whether this applies in general for all countries.

indicated by feed-back from clients, reputation and how many companies there use the services, as well as the revenue<sup>13</sup> generated by performing commercial diplomacy (Naray, 2012: 157). This means that if an embassy has been able to attract an increasing number of clients or get an increasing number of tasks by clients, it indicates satisfaction by clients and successful performance.

## **2.6. Market Failure and Criticism of Commercial Diplomacy**

Commercial diplomacy benefits private companies by allocating financial and human resources from the public sector (Yakop and Bergeijk, 2009). The logic behind commercial diplomacy can be questioned because the main assumption behind capitalism and liberal markets is that companies should be able to trade without government interruption (Yakop and Bergeijk, 2009). The necessity to introduce and practice commercial diplomacy can thus be characterized as a 'market failure' (Yakop and Bergeijk, 2009). It can be argued that in a globalized world, commercial diplomacy can contribute to overcome trade barriers through diplomatic relationship building between states (Reuvers and Ruel, 2012). Commercial diplomacy is typically labelled as a greater public good, which can strengthen the domestic economy.

The criticisms of commercial diplomats include lack of business understanding, lack of commercial priority, communication problems, ineffectiveness of bureaucracy and corruption (Kostecki and Naray, 2007:17). Evidence suggests that there exists a gap between practice and expectations and that there are reasons for improving the practice. A recent study by Naray (2012) supports these findings and adds that business also fear that commercial diplomats are not committed to business success and that the process is too slow and inefficient. Research has exposed that business frequent considers commercial diplomacy as dissatisfying as it lacks client-orientation (Kostecki and Naray, 2007: 27). There is a mismatch between what business desires and what commercial diplomacy provides, but on the contra diplomats have pointed out that business often have unrealistic expectations. SMEs seem to depend more on commercial diplomacy, as SMEs simply lack the resources to create extensive market research (Justinek, 2012)<sup>14</sup>.

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<sup>13</sup> Many embassies thus charge a fee for services (Naray, 2012).

<sup>14</sup> Expertise and advisory service of the diplomatic commercial corps is therefore crucial in planning the export. SMEs' budget on commercial marketing and promotion are limited (Justinek, 2012). SMEs

## **2.7. Commercial Diplomacy and Other Policies**

Commercial diplomacy can serve a national security purpose as trade stabilizes security threats because trade partners are less likely to enter war (Kopp, 2004). Despite the fact that commercial diplomacy focuses on trade relations it is important to emphasize the security agenda in utilizing commercial diplomacy, as it is largely acknowledged that trade partners avoid violent conflicts (Kopp, 2004). In addition commercial diplomacy and trade relations in general can widely contribute to create opportunities to discuss political controversial topics. Countries sometimes apply sanctions as a mean to achieve its national interest and this can also be considered as a part of commercial diplomacy (Kopp, 2004).

## **2.8. Minister Meetings as a Tool of Commercial Diplomacy**

In general the rule is that the higher ranking within the commercial diplomatic corps the better is the chance for success (Kostecki and Naray, 2007: 10). The theoretical work on commercial diplomacy tends to neglect ministers' roles and contributions to commercial diplomacy. This is striking as ministers and especially state leaders seem to play a vital role in the practice of commercial diplomacy. In addition the cooperation on commercial diplomacy is only analyzed between diplomatic corps and business, where as businesses' interaction with ministers and the use of business delegations is not analyzed or only very limited.

Evidence from research indicates that state visits have most influence on the export because state visits can upgrade and improve relations (Nitsch, 2007; Kopp, 2004). Business delegations are frequently participating in states visits and economic cooperation is often center for bilateral talks. Research has confirmed that state visit accompanying by business delegations have a positive effect on trade (Nitsch, 2007).

This part has conceptualized commercial diplomacy in order to use it as a framework for further analysis of the Danish efforts to increase trade to China. The concepts from commercial diplomacy create the foundation for choices of the methodology and the variables on which the success of Danish commercial diplomacy will be measured. The next part will present the choices of structuring the analysis.

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simply have less experience with the actual performance of activities, but it also raises an important dilemma of the selection criteria of companies (Justinek, 2012).

### 3. Research Design, Method & Case Selection

Based on inspiration of previous studies of commercial diplomacy this part will outline the research design, method and considerations behind the choices. First a justification of case selection will be provided.

#### 3.1. Case selection: Denmark vs. China

The reasoning behind choosing *Denmark*, as a represent of a small open economy is much influenced by my own nationality, and thereby my knowledge on the current debate and the national structure. Furthermore Denmark is as special case, since the country with a population around 5.5 million is a rather small actor in the global economy. Denmark is, together with its Scandinavian neighbours, recognized for its unique level of welfare services and its high GDP per capita makes its population one of the most wealthiest in the EU and worldwide. Competitiveness has decreased during the last years (OECD, 2012). Thus, Denmark is dependent on export, which accounts for around 50 percent of GDP. Denmark has lost more than 200.000 production jobs in the last years and this means that there exists a national search for generating growth and employment through new means. According to Katzenstein (1985) a small state's ability to adjust to economic changes will determine its success to remain competitive in order to survive in the world market. Through tuning policies to the rapid changes at the world markets small states could secure stability domestically (Katzenstein, 1985). These factors together make it interesting to choose Denmark as the case country.

Furthermore Denmark's actions towards *China* have been chosen, since the Danish government, as mentioned in the introduction, has labelled China the most prosperous export destination. Denmark uses many resources to reach its goal of increasing trade with China – both time, and financial and human resources. In addition China is a special case, as China differs from Denmark's normal trading partners in terms of political system and culture.

The choice of focusing on the actions in 2012 is founded in a paradigm shift in the Danish action towards China. The Danish behavior radically changed to take



proactive initiatives<sup>15</sup>. First of all, a new Danish government was elected in 2011, which means that new ministers are interacting with Chinese counter partners. Second, the Danish government has launched a new strategy towards China and this makes it relevant to evaluate the action, changes, effects and success. Third, the year 2012 marks a historic high level of bilateral interactions between the countries and with the visit by the Chinese President in 2012 it is interesting to consider whether Denmark took advantage of this opportunity. To look narrowly on 2012 has some limitations since the efforts of 2012 do not stand alone, but rather build on previous efforts. At the same time one year of proactive initiatives does not change the relationship unless it is continued in the years to come. To look strictly at 2012 also limits the number of possible case studies and neglects the bigger picture of development of the diplomatic relations.

### **3.2. Intentions and Perspective**

The intention of this master thesis is to explore the current reality of Danish commercial diplomacy to China, taking an inductive approach. The intention is not to make predictions of further development, although scenarios for adjusting the actions will be made. From the beginning the assumption was that the actions by Denmark would have a positive effect on trade with China and at the same time that there would be points of criticism in the current approach. As a student of both international business and politics I am biased. First of all, I consider economic interest as a logical high priority in states interactions. Thus, national policies should consider the interest of business, as this will benefit the national interest of generating growth and employment. Though it is important to balance the economic interest with other interests. To discuss politics should be a top priority in the Danish relationship with China, but I have chosen to focus on the commercial and economic relations since this field tends to be neglected. I have chosen to focus on Danish perspectives on the relations to China since it would be too comprehensive to include the Chinese interest.

### **3.3. Research Design**

The research design is structured as an explorative study in order to build and conduct a theoretical understanding (Yin, 2003). Rather than simply describing the

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<sup>15</sup> According to Justinek (2012) increased focus on commercial diplomacy activities can be explained by a pressure on the domestic market, as it is the case in Denmark.



pattern, the desire is to explore new meanings. The inductive approach meant that the research design was changed during the research process. *See figure 3* for an overview of the research design.

A historic overview of the development of the relationship will be presented as the long term historic roots still are important for the degree of closeness in the current relationship. In addition EU-China relations will be presented as it has great importance for Denmark's relations to China.

This will be followed by comprehensive analysis of meetings between Danish and Chinese ministers. Since, the function of the Danish officials in China also is to contribution to the interaction. Thus, this will lead to a discussion and evaluation of the collective activities.

Suggestions to improvement to the current approach will be provided including scenarios for impact of the suggested actions and discussion of implications for implementation.

Finally, it will be concluded that the Danish commercial diplomacy has influenced Danish business opportunities for increasing trade with China but at the same time, the Danish commercial diplomacy has weaknesses, which needs to be discussed urgently by the stakeholders.

*Figure 3: Overview of research design*



### **3.4. Applied Resources**

Multiple research sources are applied including articles in the press, official statements and documents, statistic evidence from official institutions' data-sets. This data is naturally not produced for the purpose of this study, however in the case of official statements in the media it is very useful to consider how for instance Chinese national media covers the Danish-Chinese relations. Much of the data covered in this research comes from topics and news, which I had come across previously. Research searches were mainly to cover the latest development from a business perspective through searches at various databases to find relevant information on exact meetings.

In addition reviews of the ministers' agenda for visits to China has been an important source as well as unofficial information from various actors.

### 3.5. Case Studies and Interviews

The empirical research of this master thesis is mainly based upon multiple case studies of the Danish activities<sup>16</sup> where qualitative interviews were conducted with various stakeholders. In total ten case studies are provided, which are listed in the *table 1*.

The interviews were in-dept semi-structured interviews with stakeholders both face-to-face and telephone interviews as many previous research studies on commercial diplomacy also have applied. Face-to-face interviews were preferred, but since a number of the respondents were based in China it was only applicable to make telephone interviews. In addition were telephone interviews most feasible in a number of cases where the respondents were based in Denmark, because of the respondents' busy schedule. Although face-to-face was preferred the experience in reality was that the respondents were still open to provide information over the phone. The semi-structured interviews gave the possibility to focus on the interviewee's perspective and experience (Saunders et al., 2007). The semi-structured interview made it feasible to explore the most interesting parts of the respondents' responses for further explanation. It allowed open questions and complexity, where it was possible to construct the interview around the themes and elements of which the respondent had most experience. The questions departed in relevant events where the respondent had participated. The semi-structured interview made an exploratory study possible, where the focus was on the interviewee's experience and opinion. Using interviews or more precisely qualitative research can generate new knowledge in a structured process (Kvale, 1998). As the interviewer it was important to take on a neutral role and use intuition to direct the interviewee to reflect on relevant matters.

**Table 1: Case studies**

1. Danish Officials in China
2. President Hu Jintao's visit to Denmark
3. Meetings by Prime Minister Helle Thorning-Schmidt
4. Visit by former Minister of Business and Growth, Ole Sohn
5. Meetings by Minister of Trade and Investment, Pia Olsen Dyhr
6. Meetings by the Minister for Environment, Ida Auken
7. Meetings by the Minister for Food, Agriculture and Fisheries, Mette Gjerskov
8. Royal visit by the Crown Prince and the Crown Princess
9. Meetings by the Minister for Climate, Energy and Building, Martin Lidegaard
10. Meetings by the Minister of Foreign Affairs Villy Søvndal

<sup>16</sup> The Royal visit by the Crown Prince and the Crown Princess is included because this visit also was an official visit by the Danish state and since visits by the royal family has same character as minister visits with a great focus on commercial relations.

Before each interview was a small briefing about the project provided to the interviewee. The questions were framed openly in order to make the interviewee reflect on relevant issues. In preparation for the interviews the work of Kvale (1998) were used for inspiration and as a checklist for reflection on the design. The interview guide has been gradually adjusted after experience with interviews (*see the interview guide in appendix 1*). The interview guide took consideration of different engagement and questions were in practice asked as open as possible in order to make the interviewees reply with what they found most relevant. Comprehensive preparation before each interview was conducted to understand the interviewee's organization's operation in China and involvement in the meetings of 2012. The interviews were conducted in the period November 2012 to February 2013.

### **3.6. Selection of Respondents**

A basic criterion was that the respondent had been involved in some of the interaction in 2012 and throughout a screening process a number of actors from business and the government were selected. It was necessary to select companies with knowledge on the events despite that this might make the 'picture' of the Danish commercial diplomacy seem more positive and inclusive. A variation of degree of involvement was therefore prioritized in order to include cases of exclusion from events. Many of the chosen companies are in Danish key competitive industries and these are being central in the Danish promotion of business to China and to export markets in general. Nevertheless the choice of these companies makes it questionable whether generalization can be made based on the qualitative data as the perspectives of these large companies perspective have varieties compared to SMEs<sup>17</sup>. Giving voice to the business interest organizations helped overcome this limitation as they represent a larger sample of companies and thus have participated in many of the events in 2012.

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<sup>17</sup> SMEs face different challenges compared to larger companies since they often has fewer resources both in terms of employees and capital, and SMEs might have less experience with export. It must therefore be assumed that SMEs and large companies to some extent will have different interests.

Respondents	Table 2: Respondents
<i>State actors</i>	
Danish Ministry of Foreign Affairs	The Export Council under the Ministry of Foreign Affairs serves the Danish Minister of Trade and Investment
Embassy of Denmark in China	The Embassy's work are related to trade and support to companies.
Embassy of the People's Republic of China in Denmark	The Economic department facilitates trade related issues and has a clear focus on bilateral commercial relations.
<i>Business</i>	
Grundfos	Turnover in 2011 on 2,841 mill. €, a leading world manufacture of pumps (Grundfos webpage). China as a second home market.
Foss	Turnover 214 mill. € in 2011 (FOSS webpage). Provides analytical solutions to e.g. milk production. Focus in China on food security.
Novozymes	Biotech company with focus on enzyme production. Turnover DKK 11,234 mill. in 2012 (Novozymes webpage). Strong presents in China.
Maersk Group	Revenue on \$ 60.2 bill. in 2011 (Maersk Group webpage). Consists of many companies within the oil and gas and the shipping industry.
Vestas	Turnover in 2011 on € 5,836 mill., one of the leading companies in the windmill industry (Vestas webpage). Chinese market is very important.
Rockwool	A global leading isolation company with a turnover DKK 13,748 mill. in 2011 (Rockwool webpage). The Chinese market is a strategic focus.
Flügger	Turnover 1,760 mill. DKK 2011/2012. Flügger sells decorative painting and related products (Flügger webpage). China is an important market.
Danfoss	Turnover in 2011 € 4,550 mill. (Danfoss webpage). Portfolio: e.g. refrigeration and air conditioning. China as a second home market.
House of Amber	Has managed to expand rapidly in China, by benefiting from the Chinese customers interest in amber and the increasing wealth.
<i>Interest organizations</i>	
Confederation of Danish Industry (DI)	With more than 10,000 member companies is DI a major interest organization in Denmark.
Danish Chamber of Commerce (Dansk Erhverv)	Focus is on commerce, advisory, knowledge, experience, welfare and transport industries and the organization has 17,000 member companies.
Danish-Chinese Business Forum	Focus specific on business between Denmark and China, and the organization has more than 160 member companies.
Danish Chamber of Commerce China	DCCC has branches located in Beijing, Shanghai and South China.
Danish Agriculture and Food Council	Focus on farming and agriculture industry. More than 160 member companies, as well as a number of organizations and associations.

The aim was to interview senior people from organizations because it was expected that these would be willing to reflect on the government's role when the interviews were not disclosed. The choice of senior people as interviewee ensured that interviewee had first-hand experience.

### 3.7. Reliability & Validity of Interviews

The choice of non-disclosure was based on the fact that themes in the interview did not cover sensitive information and business secrets. Nevertheless it may have limited the openness of their responses but because of the relevance of the research topic, non-disclosure was prioritized. Many of the respondents expressed a great caution for citations and references and despite the trust building during the interviews it must be assumed that the respondents to some extent have modified their statements. The concern was statements that could offend business partners or influence business

opportunities negatively. The respondents were however interested in contributing to more knowledge on scope of this and many of them expressed an interest in the results and it must therefore also be assumed that it is in their interest to contribute to a realistic picture. Nevertheless the respondents must be assumed to have their own interest to protect such as being on good terms with the Danish authorities in order to be selected to future visits. Although most of the respondents were realistic about the fact that the authorities needed to balance different interests, the respondents' natural desire was to benefit as much as possible from supportive initiatives. Similar the official representatives were interested in creating a positive image and illustrate their own success. A clear limitation was the time amount to conduct the interviews as more time for each interview would have been desirable but because of the busy schedule of the respondents it would have been impossible to organize longer interviews. It was the experience that the respondents were aware of their opinion and it was therefore possible to talk about the most relevant aspects within the time frame.

### **3.8. Evaluation Criteria of Success**

Although the success of commercial diplomacy is difficult to measure, this thesis will evaluate the commercial diplomacy of Denmark based on a number of variables. The full effects of the Danish approach will first be possible to observe in the years to come because it takes time to negotiate contracts with Chinese partners. However, this study will evaluate the success of the Danish commercial diplomacy from a business perspective.

The variables are based on a literature review of commercial diplomacy, but also considering that the interviewees characterized as important. For the individual case studies of ministers' performance is both a number of explanatory variables and dependent variables applied (see table 3).

Both explanatory and dependent variables will be used as well as additional explanatory variables in the evaluation of the collective action by ministers will (see table 3). The additional explanatory variables were difficult to include in the individual case studies because of scarcity of information or that the variable was related to the collective action and not individual cases. This thesis will not include a regression analysis because of the limited number of cases though the causality

between explanatory and dependent variables will be briefly included. Table 3 outline the criteria used to measure success of the Danish commercial diplomacy (*see also appendix 2*).

Table 3: Criteria of success of the government's initiative	
Explanatory variables of individual cases	
<b>Access</b>	The choice of access to meetings and visits How open are the authorities to include business? Are companies allowed to participate in the visit? And what kind of companies is invited? Is it for many or for a few there are chosen to participate?
<b>Attitude</b>	The attitude by the Danish represent towards China is important for the success and the ability to establish good relations: How does the minister in general act towards China? Are there good personal relations to the Chinese minister? Is the relation respectful?
<b>Agenda</b>	The agenda must be relevant in order for business to be valuable. Shortly, do the companies find the agenda relevant and meaningful? Is the agenda broad branding or targeted at specific projects and themes? Do the minister meet with the right people?
<b>Commercial aspects</b>	The degree of commercial aspects influence successful: Does the meeting include commercial aspects? Is a business delegation participating or are companies included otherwise? Is the minister willing to focus on commercial aspects?
Dependent variables of individual cases	
<b>Long-term value</b>	The success can be short-term wins, or it can be long term value creating: does companies find the activities meaningful and can they see a long term value. Will it generate revenue?
<b>Open doors</b>	Some visits open new doors: does the visit help with door opening and have the companies a possibility to meet new network contacts. Is the visit/meeting organized so that proper matchmaking between relevant Chinese partners and Danish partners is possible?
<b>Push orders/ contracts</b>	Some visits include signing of contracts and the role of the minister is important to consider: does the visit contribute to the finalization of contacts?
<b>Partner care</b>	The companies favour value-adding activities for their partners: can the companies use visits to maintain good relations? Can the companies' partners participate in events?
Explanatory variables of collective action	
<b>Increased visibility</b>	Media attention is also a variable: can the companies brand themselves? Does the visit attract media attention and is the companies benefitting from this?
<b>Timing</b>	The timing of visits is of importance: is the timing useful for the companies? Is the notification sufficient?
<b>Preparation</b>	The preparedness of visits is of importance: are the companies perusing the meeting as well prepared? Is the minister sufficiently prepared for the visit?
<b>Coordination</b>	Overall coordination can secure a coherent action plan, so that the companies have a chance to make value from visits: is the visits thought of as single visits or a part of a collective action? How does the overall coordination of the meetings pace fit with this meeting?
<b>Cooperation</b>	The cooperation between Danish authorities, companies and interest organisation is essential: how is cooperation functioning? Is the minister and ministries including business?

For the individual case evaluation each of the first variables will be ranked by limited, medium or great, based on the findings in interviews and research since the ranking was intended to be as neutral as possible. However it will still be biased to some extent as the respondents and the applied resources will be biased. Ranking through only three categories gives limited varieties but it illustrates a pattern. The entire criteria-set will be applied in an assessment of the effects of interactions.

### 3.9. Implications

This master thesis contributes to a better understanding of the practice of commercial diplomacy of a small open state, the potential benefit for business and the economy in the long term. It contributes to an understanding of which factors there are of importance and how commercial diplomacy can be successful to realise the aim for increased trade. It contributes to the current debate and search in Denmark for future growth with concrete recommendations to how Denmark's commercial diplomacy can be improved. Furthermore this thesis will contribute to new academic knowledge of the impact of ministers' action in commercial diplomacy and how business is involved in minister meetings, which of the importance of minister meetings as an approach in practice. In addition it contributes to an understanding of how one country can practice commercial diplomacy with another country, very different from the traditional trading partners, and which implications these differences have for the business. Though it is only possible to a limited extent to generalise since commercial diplomacy is based on special characteristics of the home and host country.

This means that the master thesis is highly relevant for Danish companies and government, for small open states in general, commercial diplomacy as an academic field, and for countries in general who are interacting with countries, which are very different from normal trading partners.

#### Table 4: Contributions

- Academic knowledge on minister meetings as a part of commercial diplomacy
- Small open state's commercial diplomacy
- Different characteristics of home and host country and the impact on commercial diplomacy
- The Danish approach to China
- Interaction between business and government and participation in delegation

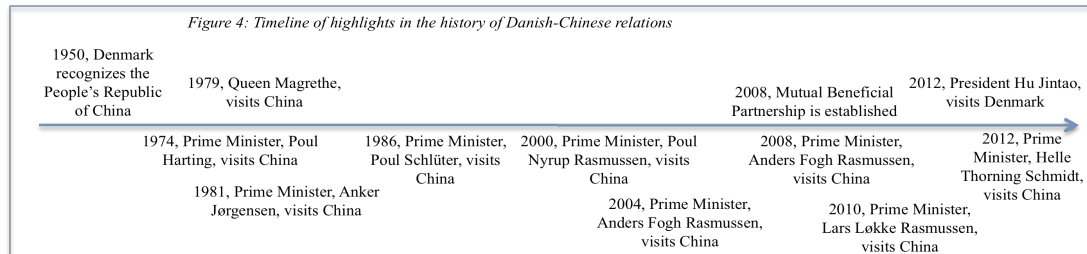


## 4. The History of Commercial Diplomatic Relations

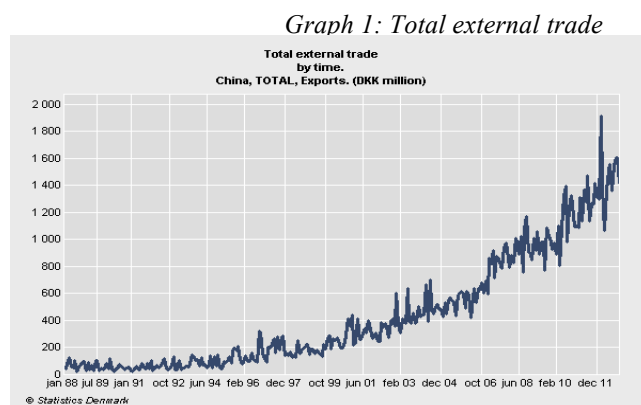
This paragraph presents the history of Danish-Chinese commercial relations in order to understand dynamics, balance and interests. The EU's relation to China will be presented because of its influence on the Danish relations to China.

### 4.1. Interactions & Developing Relations

The history of trade relations between Denmark and China dates back to the 17. Century<sup>18</sup>(Brødsgaard, 2010; Østergaard, 2011). Denmark was among the first western countries to recognize the People's Republic of China after its establishment, which has resulted in a favorable Chinese attitude towards Denmark (Brødsgaard, 2010; Shambaugh et al., 2008). The Danish Prime Minister Poul Hartling visited China in 1974 and became one of the first political leaders to meet Chairman Mao (Brødsgaard et al., 2000). Since have Danish ministers and the Royal Family visited China, including the Danish Queen in 1979 (Denmark in China, 2012a). The good relationship to Denmark benefitted China when contact with Europe was initiated the same year (Brødsgaard, 2010; Østergaard, 2011). See figure 4 for an overview of highlights.



Commercial relations have been center for many of the bilateral meetings between Danish and Chinese ministers<sup>19</sup> (Thøgersen, 2012). Graph 1 shows the export since 1988.



<sup>18</sup> The flows of trade were one-way, with Chinese products sold in Denmark. Denmark sent diplomatic missions to China during the 19. Century (Brødsgaard et al., 2000). Chinese products were more sophisticated than European and China had no interest in European products (Shambaugh et al., 2008).

<sup>19</sup> For instance, Minister of Foreign Affairs, Uffe Elleman visited in 1985 with a large business delegation (Brødsgaard et al., 2000).



## 4.2. Normative Dilemmas in the Relationship

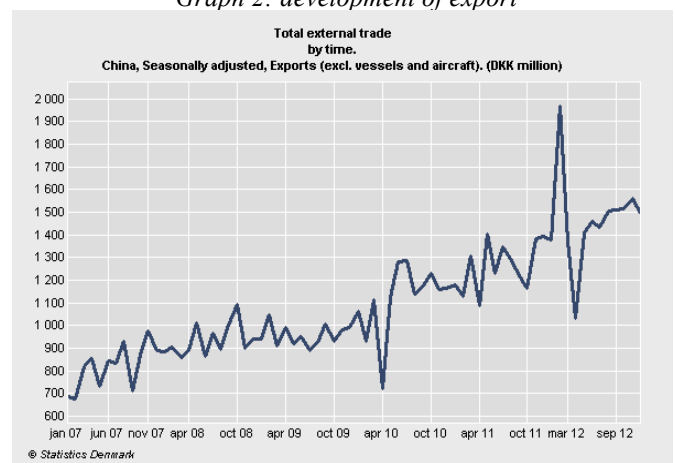
The Danish public opinion on China has influenced the authorities' attitude towards China (Østergaard, 2011), and the Danish-Chinese relationship has been challenged a number of times. Denmark froze the relationship after the violations on Tiananmen Square in 1989 and it took years to ease the tension (Brødsgaard, 2010; Østergaard, 2011). Danish criticism of China's human rights records in a UN committee in 1997 resulted in China cancelling of cabinet ministers' visits (Østergaard, 2011; Brødsgaard, 2010). The Danish Prime Minister Lars Løkke Rasmussen's 'private' meeting with Dalai Lama at Prime Minister's official residence made the Chinese cancel meetings, which damaged Danish business<sup>20</sup> (Brødsgaard, 2010; Østergaard, 2011). The government has to balance between a Danish public pressure to discuss human rights and then the high economic risk of offending China (Østergaard, 2011).

## 4.3. Strategic Partnership

Danish-Chinese relations were upgraded under the Danish Prime Minister Anders Fogh Rasmussen with the establishment of a mutual beneficial partnership in 2008. Premier to the State Council Wen Jibao signed from the Chinese side and both sides expressed a wish of a strengthened relationship (Joint Statement, 2008). Commercial cooperation is part of the focus in the mutual beneficial partnership agreement besides enhancing political dialogue and a number of other focus areas (Ministry of Foreign Affairs Denmark, 2008).

Denmark is only one of few countries in Europe with such an agreement. The *graph 2* shows the development in the Danish export<sup>21</sup> to China.

Graph 2: development of export



## 4.4. The Europe-China Relations

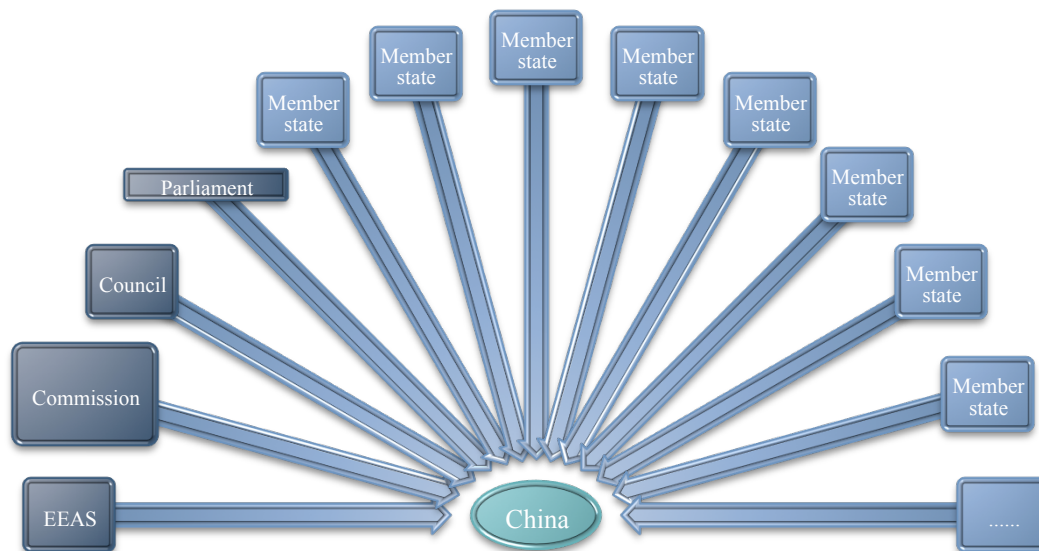
The bilateral relationship between Denmark and China is dependent on EU-China relations. Milestones in EU-China relations were the bilateral agreement established in 1978 between the European Community and China, and the Trade and Economic

<sup>20</sup> Previous Prime ministers had met with Dalai Lama without a big diplomatic crisis.

<sup>21</sup> The decrease in 2010 indicates the crisis after the Prime Minister's meeting with Dalai Lama.

Cooperation Agreement established in 1985 (Strange et al., 1998; Shambaugh et al., 2008). Since China's membership in of the World Trade Organization in 2001, trade between the EU and China has expanded rapidly<sup>22</sup>. The EU and China have since 2006<sup>23</sup> negotiated about a Partnership and Cooperation Agreement (PCA). The EU-China comprehensive strategic partnership was initiated in 2003 and a new strategic partnership negotiation was launched in 2007 (EU-China Summit, Factsheet, 2012). Multiplied parallel tracks of interaction with China are observable; representatives from EU institutions including representatives from the European External Action Services (EEAS) and cabinet officials from the Commission, and similar have the 27-member states interaction. *Figure 5* illustrates the dilemma:

*Figure 5: Illustration of the complexity of actors on the EU side*



It is striking that the member states consider their unilateral action as efficient since they will be a smaller player than China in negotiations. Denmark has been encouraging a more united EU position (Thorning: Europa skal holde sammen mod Kina, 2012).

<sup>22</sup> China ranks the EU as its most greatest import partner, the second largest export partner, and in total the second largest trading partner - EU27 is China's second largest import partner, the largest export partner, and in total the most important trading partner (EC Webpage, China, Statistics).

<sup>23</sup> China pressures for the EU to recognize China as a 'market economy' (China seeks high-tech weapons, 'respect' on EU visit, 2012). China and EU have complained about the other part's protectionist barriers (China accuses EU of political games on trade, 2011). The economic turbulence in Europe has had a negative effect on China (China central banker: EU is our biggest uncertainty, 2012). China is involved in the EU's debt crisis by buying bail-out bonds and investing massively in European markets (EU sees dramatic surge in investment from China, 2012). EU and China have since 2008 had a High Level Economic and Trade Dialogue (HED) (EC Webpage, Trade, China).

#### 4.5. Denmark versus China – Equal friends?

To sum up, Denmark was among the first movers in developing relations with China and has clearly benefitted from this. This has provided an opportunity to establish a strategic partnership and to create important commercial relations. Denmark is only a small partner to China and partnership seems to become even more unequal as China rise and the importance of the relationship to Denmark disappear:

Before 1972 we were important for economic (technological) and status reasons.

Before 1982 we were important for strategic reasons and as an access point to the European Community. Before 1989 our importance was mainly economic. After 1992 we were of still less political interest, being somewhat peripheral to the EU, and with the widening of the EU in 2004 we were just one of 24 small and medium powers in European politics

Østergaard, 2011: 53

Despite efforts to develop good relations and build a sound framework for increasing trade through the strategic partnership agreement, Denmark has a slack compared to the amounts that some of its neighbours export to China. The table 5 shows the Danish export compared to neighbour countries in mill. € (Eurostat statistic, 2012).

<i>Table 5: Danish export compared to competitors</i>	Jan-Oct 2010	Jan-Oct 2011	Jan-Oct YoY	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun YoY
Belgium	4.535	6.042	33 %	3.449	3.880	12%
Germany	43.447	53.340	23 %	31.536	34.235	9%
Netherlands	4.478	5.512	23 %	3.252	3.907	20%
Sweden	2.995	3.661	22 %	2.196	2.221	1%
United Kingdom	6.696	7.863	17 %	4.437	5.620	27%
<b>Denmark</b>	<b>1.475</b>	<b>1.649</b>	<b>12 %</b>	<b>968</b>	<b>1.085</b>	<b>12%</b>
Finland	2.193	2.219	1 %	1.318	1.349	2%
<b>EU27</b>	<b>91.956</b>	<b>111.615</b>	<b>21 %</b>	<b>755.813</b>	<b>828.060</b>	<b>9%</b>

Most interesting to note is that Finland has a higher export to China than Denmark and similar Sweden, despite these countries have no strategic partnership agreement. Belgium has the privilege that the authorities often meet with Chinese colleges in relation to Chinese ministers visit to the EU. Top-politicians in United Kingdom and Germany are known as frequent travellers to China. The neighbours' trade volume to China indicated that Denmark has not been able to take advantage of the beneficial partnership agreement.

## 5. Evaluation of the Danish Commercial Diplomacy to China

This part will evaluate the Danish China initiatives in 2012 based on the interviews and research. Criteria for evaluation of each visit are access, agenda, commercial aspects, long-term value, open doors, push contacts, and partnership care. The success of visits is fluctuating and that coordination seems to be the greatest weakness in the Danish strategy. First the growth market strategy for China will be analyzed.

### 5.1. Growth Market Strategy for China

In the Spring 2012 was a Growth Market Strategy published by the Danish government with separate country strategies including a China strategy (Ministry of Foreign Affairs Denmark, Ministry of Business and Growth, 2012a). The government stressed Denmark's dependency on trade where the new initiatives were designed to grasp the opportunities for growth (Ny satsning på BRIK-landene, 2012).

The Growth Market Strategy for China highlights a number of strategic sectors (see table 6), which are identified as Danish key competencies matching the Chinese demand and therefore with the greatest potential for increasing trade. Key elements in strategy are that the export to China should double during the coming years and investments in Denmark should be doubled. The strategy included an action plan with initiatives, timeline and responsible authority.

Table 6: Strategic sectors

- Food products and agriculture
- Climate and energy
- Water and environmental technology
- Maritime transport and infrastructure
- Health, medicine, and welfare technology
- Research, innovation and education
- Urbanization

Source: Ministry of Foreign Affairs Denmark and Ministry of Business and Growth. 2012b

The dialogue with stakeholders in the creation process of the strategy was tricky since it involved many actors: different ministries, companies and interest organization were involved. The involvement of companies in the strategies was an important part of the process as it contributed to ensure consideration of businesses' interest. The Ministry of Foreign Affairs and the Ministry Business and Growth were the key drivers and both engaged with other stakeholders. Basis for the strategy was also

analyses made by the ministries and so, the strategy is based on lessons learned, visions and observations of best practice among other countries.

A number of official sessions have been organized where companies and interest organizations have been invited to give input, it were the ministries, who selected participants. There was a great difference among the respondents on how much they had been in dialogue with the authorities in the preparation of the China strategy. Many of the respondents had taken the opportunity to come with feedback, although one respondent told that the authorities were already very determined on the content of the strategy as the creation process was in its finalization stage when business was asked for inputs. A number of the respondents had been able to come with input informally, which they thought the authorities had taken into consideration<sup>24</sup>. One had even provided the government with its own proposal for a China strategy. Many of the respondents from companies had used interest organizations to provide their inputs. The Confederation of Danish Industry and Danish Chamber of Commerce reacted very positively to the launch of the new growth strategies and called it ambitious, timely and comprehensive (Dansk Industri roser ny Ole Sohn-plan, 2012). Although interviews with both organizations indicated that the opinion about the final result of the strategies were more blurred and both organizations expressed disappointment at lack of ambition. Though there exists a broad consensus that more focus on China is appreciated, a number of the respondents argued that there was little news in the strategy, that the ambitions were too low and that focus on the service industry was too small<sup>25</sup>.

In the day-to-day work the Danish Embassy in Beijing and the Consulates facilitate a number of activities targeted for business and the Danish officials in China are deeply involved in the realization of the aims of the strategy. It is therefore important to consider these efforts, which will be discussed in the next section.

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<sup>24</sup> It is difficult to measure businesses' impact on the strategy. Businesses want to illustrate their power to impact the strategy and likewise the authorities wants to illustrate that they prioritize inclusiveness.

<sup>25</sup> Based on the choice of strategic sectors, it seems, that the service industries are low prioritized.

## 5.2. Danish Officials in China

Besides the Danish Royal Embassy in Beijing there are a number of other locations for Danish officials in China (*see table 7*). In total, China is now one of the locations abroad where Denmark has most officials, which indicates a high prioritization of relationship building with China. The size of the Danish presence has grown increasingly over the last years and by employing a mix of competent Danish officials from different ministries and local Chinese, the officials are able to offer a high service and assistance to Danish companies. The Danish companies in China and the officials interacted and cooperated rapidly and it is important that these actors are embedded to create successful commercial diplomacy (Ruël and Zuidema, 2012).

Danish Royal Embassy in Beijing
Royal Danish Consulate General in Chongqing
Royal Danish Consulate General in Guangzhou
Royal Danish Consulate General in Hong Kong
Royal Danish Consulate General in Shanghai
Innovation Centre Shanghai; Innovation Centre Hong Kong
Trade Council of Denmark in Taipei

The work of the Danish officials in China consists of:

- a) Fact-finding and advisory
- b) Export promotion events and special delegation trips
- c) Meetings with Chinese authorities and match-making
- d) Networking events and projects with Danish companies

These tasks are very similar to the tasks of the Netherlands' commercial diplomats as described by Ruël and Zuidema (2012). Other neighbours also have similar tasks though focus in services have varieties from country to country. E.g. Swedish, Polish and Austrian commercial diplomats uses 50 percent of their time on business intelligence and partner search whereas German commercial diplomat uses 65 percent of the time on government relations to host-country (Naray and Kostecki, 2007). The Danish officials also provide assistance, expertise and insights to the ministers in Denmark, ministries and other authorities. The Danish officials in China aim to create a combination of political discussions and commercial activities, based on dialogue with Danish companies in China. The Danish Embassy usually recommends that a business delegation<sup>26</sup> participate in minister visits, which is beneficial according to Nitsch (2007), who has found that a high level visit with a business delegation has a

positive influence on bilateral trade. This suggests that the Danish approach with bringing business delegations along the minister is beneficial. It is important to note that according to the Danish Embassy in China, they internally prioritize to discuss best practice of promoting commercial aspects and that the activities in China is a front-runner on best practicing. This suggests that the Danish officials in China recognize the possibilities of applying diplomacy to support commercial interests. Most of the respondents<sup>27</sup> found the work of the officials in China very valuable<sup>28</sup> though the fact-finding and advisory was most valuable when entering China. Some of the respondents found the fees of services too expensive, though respondents identified clear strengths in using the officials in network building with Chinese. Another aspect highlighted was that officials could solve challenges or difficulties ad hoc e.g. with customs barriers. Challenge solving were of importance for the companies as some of them from time to time still experienced difficulties as a foreign company operating in China, it could be with violation of IPR.

Table 8 illustrates the success, based on the variables explained in table 3 (see also appendix 2). To sum up, the respondents were in general satisfied with the support from the Danish officials in China. A number of the criteria are evaluated with 'medium' since it naturally does not have the same prestige to make events with the Ambassador compared to a minister. An observation from the interviews were that good and regular interactions with the officials increased access to minister visits as it seems that the officials favor companies for meetings with ministers, who already are 'customers' at their services. To must be emphasized that companies' perspectives on the performance of the Danish officials are very diverge.

Table 8: Performance by the Danish officials

Limited: -

Medium: Access, Long term value, Open doors, Push contracts, Partner care

Great: Attitude, Agenda, Commercial aspects

<sup>27</sup> A few of the respondents avoided use of services based on negative experience where the behavior of officials had been unprofessional to Chinese partners and had misused contacts, which suggests a lack of cultural understanding of *Guanxi*, which is an important notion in China. *Guanxi* means that the individual is embedded in personal networks (Porter, 2011; Ambler et al., 2009). In China one do business with the individual and not the organisation (Langenberg, 2007; Brødsgaard, 2006).

<sup>28</sup> Many of the respondents highlighted the initiative State of Green, which is a collaboration to promote Danish green solutions between Danish stakeholders (State of Green webpage). State of Green is not only targeting China though State of Green partners ensemble in China. State of Green has a Chinese version where e.g. companies and other stakeholders have profiles.



### 5.3. President Hu Jintao’s visit to Denmark

The official visit by Chinese President Hu Jintao (14<sup>th</sup>-16<sup>th</sup> June, 2012) was the first visit by a Chinese President to Denmark. Few small European countries have had a visit by the Chinese President. Tom Jensen, Secretary General at Danish-Chinese Business Forum, explains:

“It is very important to receive a visit from the Chinese President and it is not all countries in the world who get that chance. It shows that China has noticed Denmark and that our relations now are so important that a Chinese President thinks it is relevant to visit Denmark. The Presidential visit was a fantastic chance for Denmark”

The president’s choice of visiting Denmark has been intensely discussed in the media and unofficially: the President wanted to see the Little Mermaid and the home-land of H.C. Andersen; the diplomatic relations has a long history; that Denmark and China have a Strategic Partnership; the President thought it was time to visit Northern Europe; China has interest in the Arctic resources; the Danish key competencies match the Chinese demand perfectly; Denmark hold the EU Presidency<sup>29</sup>; the President wanted to show coming leaders a welfare state with social security.

The presidential visit included a few possibilities for Danish businesses to participate (*see table 9*).

Event	How and what
Chinese-Danish Conference on Business and Trade	Besides signing partners were representatives from business invited as well as Danish and Chinese media. Top ministers represented the Chinese part though the president himself did not participate.
Royal Dinner	Representatives from Danish business were invited to participate.
Prime Minister’s lunch	A number of business representatives were invited to participate
Various bilateral meetings	A number of ministers had meetings with Chinese colleges included participation of business representatives.

The Danish Ministry of Foreign Affairs organized the signing ceremony in cooperation with the Chinese Embassy in Denmark and selected interest organizations. This means that the number of participants was a matter of practicalities and a compromise between the organizing partners. Besides the presence of companies’ representatives, top politicians and officials, and media, the Chinese Vice Premier Wang Qishan, Danish Crown Prince Frederick and Danish Deputy Prime Minister Margrethe Vestager were present. The highlight of the ceremony was

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<sup>29</sup> The President’s visit was in the end of the Danish EU presidency in the first half year of 2012.



the signing of contracts between Danish and Chinese partners. The Danish Minister of Trade and Investment, Pia Olsen Dyhr, announced that agreements signed amounted DKK 18 bill. Though after the visit the Danish media discovered that the Chinese were the real winners as estimations suggest Danish investment in China counted around 10 bill., whereas the Chinese investment only counted a few million (... og resultatet blev: 10 milliarder til Kina og 155 arbejdspladser til Danmark, 2012). This suggests that Denmark did not manage to take advantage of the visit in the short term. In comparison the value of signed agreements between France and China in 2010 is estimated to be 20 billion dollars during the Chinese President's visit, and during another visit to the United States in 2011 the value were 45 billion dollars (Kinas præsident til Danmark, 2012). See table 10 illustrating signing companies.

*Table 10: Danish companies signing contracts*  
A.P. Møller-Mærsk  
APM Terminals  
Aller Aqua  
Arla  
Bestseller  
Carlsberg  
Danfoss  
Danish Crown  
Grundfos  
Frederiksdal Kirsebærvin  
Haldor Topsøe  
Novozymes

The majority of the signing Danish companies<sup>30</sup> are well known Danish companies, who are already active internationally. The working process to finalize the contracts had been going on for long time. For some companies it was possible to accelerate the process of finalizing the contracts, as it was both in the Chinese and Danish partners interest to push forward to be able to participate in the signing ceremony. Jens Eskelund, Senior Director at Maersk China Ltd. explains:

“For many Danish companies in a negotiation process it [a minister visit] can be useful as it creates a deadline. If a major event is being planned with high level bilateral participation a deadline can facilitate progress, as some companies experienced in connection with the state visit”

It was of great prestige for the involved companies to be able to sign the contracts during a presidential visit since the companies can benefit from referring to the event besides the media coverage. For the companies who were able to make a contract at the Ceremony when the President visited were an opportunity to create awareness and long term value. According the ceremony and the contact made Chinese notice the signing companies. The President's visit and the visit of the Prime Minister had a symbolic value as it contributed to the common Danish-Chinese history. Companies

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<sup>30</sup> The biggest surprise in this group of signing companies was Frederiksdal Kirsebærvin – a rather small Danish company (Jeg får gåsehud når jeg fortæller om det, 2012).

expect that this will be beneficial – even if they did not participate themselves. Han Xiao dong, Commercial councillor at Chinese Embassy in Denmark stresses, “after the state visit, Denmark is getting popular among the Chinese and in the business community”.

The bilateral agreements is known as Memorandum of Understanding (MoU) and this is important because MoUs can ease doing business with and in China and create a platform for new contracts in China. *See table 11*, which elaborates on some of MoUs relevant for business<sup>31</sup>.

<i>Table 11: MoUs relevant for business</i>	
Ministry of Climate, Energy and Building	a) With the Ministry of Housing and Urban-Rural Development (MOHURD) on energy efficiency buildings through seminars where Danish companies will participate; b) with MOHURD on energy efficiency and smart grid including companies and universities; c) with the National Energy Administration to strengthen cooperation on China National Renewable Energy Centre and promoting bilateral partnerships with companies and universities.
Ministry of Food, Agriculture and Fisheries	a) With the Chinese Ministry of Agriculture on food and agriculture to update an existing MoU; b) with the Ministry of Agriculture on Milk technology related the Danish dairy company Arla’s China operations; c) with the Chinese General Administration of Quality Supervision, Inspection and Quarantine on certification, which will improve the Danish meat producers’ approval for trading to China; d) a number of agreements signed with the Chinese General Administration of Quality Supervision, Inspection and Quarantine; e) on ecological products.
Danish Ministry of Taxation	MoU with the Chinese State Administration of Taxation, which is expected to benefit the Danish and Chinese companies, as employees will avoid double taxation.
Danish export council	MoU with the Ministry of Commerce of the Peoples Republic of China on establishing a working group on energy, environment and urbanization. Companies will be participating in this working group. Furthermore was a MoU between the Danish Export Council and China Chamber of Commerce for Import & Export of medicine and health products in order to promote trade and investment.

The signing ceremony was of great value to many of the participants since they can refer to their company’s participation to present and future Chinese partners. For the companies who were able to sign contacts, it meant media coverage, it was especially important for them to be mentioned in the Chinese press. It increased awareness about Danish companies by Chinese public and private representatives. For the signing companies it also meant deepening the relations to existing partners. The networking related to the ceremony was nevertheless problematic. Firstly, because matchmaking in the seating, did not support networking with relevant new contacts. Many

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<sup>31</sup> The Ministry of Science, Innovation and Higher Education and the Ministry of Culture, also signed MoUs during the presidential visit. These may contribute to developing the Danish-Chinese relations, but these MoUs did not directly benefit business.

participants felt that they were seated next to people who they either knew before or whom they had nothing in common with. Secondly, the lack of common language was a barrier for building relations and with a limited number of translators it was some times impossible to have a conversation. Some of the respondents also regretted the number of Danish participants invited, as it from their point of view would have impressed the Chinese delegation to see more many interested potential business partners from Denmark. It should however be noticed that some respondents found opportunities to network with the Chinese delegation during the visit but this was because of previous contact.

At the Royal Dinner were a larger amount of representatives from business invited. Nevertheless the lack of matchmaking and language barrier again was problematic. Most of the respondents considered the event of only being important to refer after. The event itself was of limited value from a commercial perspective. The same point view were repeated at the Prime Minister's lunch, where most of the respondents considered it as a possibility to network with existing Danish contacts instead of making new valuable contacts with the Chinese. The physical space was also a weakness as the participants were seated in different rooms. On the official agenda for the meeting between the Prime Minister and the Chinese President it was only stated that they would discuss relevant political issues, which basically could be anything.

The visit received public attention and it was a difficult balance between public pressure for critical discussions on human rights and then economic interests. Ministers were under public pressure for promising that human rights would be discussed with the Chinese counter partners. Before the arrival of the Chinese President, the Prime Minister had said that Denmark would discuss human rights with China (Thorning: Vi vil tale menneskeret med Kina, 2012). The Prime Minister furthermore planned to discuss Tibet, though the key focus on the meetings would be further development of the strategic partnership. The Prime Minister also highlighted the economic benefits as of importance to Danish growth and employment. Though, the Prime Minister was pressured by the opposition and the political left, and she also stressed that the Chinese knew the Danish opinion on human rights and that the critic of the Chinese human rights record should not overshadow economic interests (Thorning gav Kina-kritik med måde, 2012). The Prime Minister also repeated to the

media that it was better to be in a dialogue with China, if Denmark wanted to influence the Chinese human rights. The Prime Minister's office had before the visit indicated that the media would be able to ask critical questions to the Chinese during the state visit but the Chinese refused this.

In regards, to the bilateral meetings it was important that the Danish ministers build relations to their Chinese counter-part. Many of the respondents have commented that these early exchange of thoughts have played a significant role at later minister meetings between Denmark and China. At the bilateral meeting between the Danish Minister for Trade and Investment, Pia Olsen Dyhr, and the Chinese Minister for Commerce, Chen Deming, a number of Danish and Chinese companies were invited; only five Danish companies and one interest organisation were allowed to participate. The participating companies were Kopenhagen Fur, NKT, KMC, Carlsberg and Rockwool, and then the interest organization Danish-Chinese Business Forum. These companies seem very different and it is therefore difficult to see a pattern of why exactly these companies were asked to participate. It is quite blurred what the concrete purpose of the meeting was. The Danish minister has explained that the companies were asked to present their future plans in China, to the Chinese minister (Ministry of Foreign Affairs, 2012c). Besides, the Danish minister wanted to discuss how Danish business' solution can solve Chinese challenges and the, actual trade policies. According to Kopenhagen Fur was the meeting about better conditions for Danish companies in China, and the meeting was a success because the time frame was extended (Kopenhagen Fur webpage, 2012). Another story has been that the meeting started late and that that the dialogue therefore was very short. Although the time was very limited, a door was opened to future interaction and dialogue, according to one of the participating companies. Accordingly, the theme for the meeting was supposed to be Danish sustainable technologies. The meeting itself did not have significance but accordingly it will have a future value for the participating partners, and again it contributes to good relations between the ministers.

Overall many of the respondents were claiming that commercial aspects of the visit were too limited and those events with a commercial agenda were too ceremonial (*see table 12*). Though it is important to note that the companies appreciated that the commercial events took place. The visit was rather successful but from a commercial

perspective it is regrettable that Denmark did not organize it better. The ranking illustrates that despite low score at a number of the explanatory factors, the dependent variables still scores high. It must be emphasised that to attract the Chinese President in itself is a success.

Table 12: Performance during the presidential visit

Limited: Access, Commercial aspects

Medium: Attitude, Agenda, Open doors

Great: Long term value, Push contracts, Partner care

#### 5.4. Meetings by Prime Minister Helle Thorning-Schmidt

Among business representatives there are a positive attitude towards the Prime Minister's efforts to re-visit China shortly after the President's visit. Scholars have emphasized the importance of visits at the highest level (Nitsch, 2007; Kopp, 2004), and the respondents confirmed that it was especially important that the Danish Prime Minister visits China, because her status ensures a higher attention from the Chinese. Already the 10<sup>th</sup>-13<sup>th</sup> September 2012 she was in China together with a prominent business delegation (*see table 13*). All participants were Danish CEOs from big Danish companies, who had been in China for years and involved in contracts during the Chinese President's visit. According to Tom Jensen, Secretary General in Danish-Chinese Business Forum, the size of the delegation was too small because at least it should have been equal in size to the Chinese delegation during the President's visit. A bigger delegation would have been a good signal to the Chinese. More big Danish companies had been invited but these companies were prohibited to participate. Other companies were denied access with the explanation by authorities with to little time to prepare. Morten Dyrholm, Director, Policy Advisor, Group Government Relations at Vestas, explains their motivation to participate:

Table 13: Participants

A.P Møller Terminals  
Bestseller  
Carlsberg  
Danfoss  
Danish Crown  
Vestas  
Dansk Erhverv  
DI  
Danish Agriculture  
and Food Council

“We [Vestas] like to participate on trips like this [the Prime Ministers visit]. It is a way to make it visible that Vestas takes the cooperation with China serious, and it [visit] also open doors, which normally is not open when the Prime Minister is visiting”

The Danish Prime Minister had a meeting with Premier Wen Jiabao to discuss strengthening of the relationship where the Chinese Premier expressed a wish for closer cooperation on trade, agriculture, environmental protection, tourism, maritime and culture (Denmark in China, 2012b). The Danish Prime Minister met the Chinese Party Secretary at CPC Tianjin Municipality Committee, Zhang Gaoli and Vice

Premier Wang Qisha to discuss further development of bilateral relations. In addition the Prime Minister had a meeting with Chinese investors with the aim of attracting more Chinese investments to Denmark, here she met with representatives from the big Chinese companies.

The agenda also included participation at the World Economic Forum (WEF) where the Prime Minister gave speeches and participated in panel discussions<sup>32</sup>. Opening of new contacts in China was in general not possible and the participation in the WEF had a international focus, rather than a Chinese focus, and CEOs from all over the world participated. The Prime Minister participated in the Danish company Carlsberg's celebration of 150 years in China where a number of government representatives participated (Denmark in China, 2012c). The Prime Minister and her delegation also participated in the Sino-Danish Marine event in Shanghai, which was organized by Danish Maritime, Danish Export Association and Ministry of Foreign Affairs Denmark and a number of high-level Chinese partners participated (Denmark in China, 2012d).

The agenda did not include much time for deepening relations with Chinese business partners but a few of the Danish participants were able to benefit and manage partner relations. Danfoss organized that Prime Minister meet some of Danfoss own partners, and this means that Danfoss were able to give show Chinese stakeholders that Danfoss is an important and prominent company because of the Prime Minister's visit. The CEO in Danfoss, Niels Bjørn Christiansen, said to the Danish newspaper Børsen that he did not get orders from participating in the delegation, but that he had had the opportunity to meet high-level Chinese (Thorning immun over for erhvervs kritik, 2012). According to Jens Eskelund, Senior Director at Maersk China Ltd., it is meaningful to use such a visit to discuss the importance of China:

“It [participation in the delegation] also gave a possibility to brief the Prime Minister about the very central importance China has for us [Maersk] and in general for the transport and logistic industries. It is essential for us [Maersk] that the level of knowledge of the importance of China is enhanced. It is important that Danish decision makers are informed about how relevant it is to make the right decisions about China”

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<sup>32</sup> The Prime Minister stressed that natural resources in Greenland was not part of the political agenda. The case of Greenland has been a controversial topic in Denmark.

Some of the participants regretted that the agenda was not enough aimed at commercial issues, and that the agenda and the visit merely served the purpose of dialogue between the Prime Minister and the Danish participants. The Danish Prime Minister Helle Thorning-Schmidt has promised that Danish ministers will visit China every year and she has ambitions of visiting China regularly<sup>33</sup> (Thorning sender ministre til Kina hvert år, 2012). In the fall 2012 the Prime Minister called for joint EU efforts towards China to her European colleges when she stressed that the EU would have more bargaining power if they worked together and that it would be in all members' interest to strengthen the EU-China relations (Thorning: Europa skal holde sammen mod Kina, 2012e). It should be noted that this call by the Danish Prime Minister was in the second half of 2012 – just after the Danish EU Presidency, and after the Chinese President's visit and her own visit to China. This suggests that she had discussed the EU-China relationship with the Chinese and to some extent knew the Chinese interest. Denmark had played a role when the Europe-China was upgraded back in the 1970s and it is possible that China hopes for the support from Denmark again; the Premier of the State Wen Jiabao in September called for initiating a feasibility study of creating a China-EU Free Trade agreement (Zhe, 2011).

On one hand from an overall perspective the visit was not a success since the visit did bring much value to business or promoted Danish commercial interests (see table 14). It seems as the Prime Minister was well aware of the commercial interest in going to China, but lacked the efforts to organize the visit to bring new value. On the other hand all respondents including those who did not participate, find it significant that the Prime Minister prioritized China and they all responded very positive that the Prime Minister aimed at yearly re-visits. Despite the rather negative evaluation there exists a great appreciation of the Prime Minister's efforts. The ranking suggests that it is possible to have a high score on long term value despite low scores on many of the

Table 14: Performance by the Prime Minister

Limited: Access, Agenda, Commercial aspects, Push contracts

Medium: Attitude, Open doors, Partner care

Great: Long term value

<sup>33</sup> It is a well-known fact that the German Chancellor Merkel visits China frequent and at least once a year where large business delegation often participates (China Daily, 2012). Her predecessor also travelled yearly to China. In addition China and Germany have had meetings with the political leaders and a number of ministers.



explanatory variables. However, the low score at the explanatory variables might have had a negative influence on the dependent variables.

### 5.5. Visit by former Minister of Business and Growth, Ole Sohn

The Danish Minister of Business and Growth visited China the 26<sup>th</sup>–30<sup>th</sup> August 2012<sup>34</sup>, where he visited Beijing and Shanghai. The focus was on maritime issues, patents and tourism<sup>35</sup>. The minister participated in a seminar on collaboration on tourism between Danish and Chinese partners and he also held a meeting with the Chinese National Tourism Administration (Denmark in China, 2012e). The Danish minister also met with the Vice Minister Gao Hongfeng from the Chinese Ministry of Transport, with the focus on discussing maritime policies. Ole Sohn advocated for the use of Denmark as a hub, when China upgrades its maritime operation in Europe. Jens Eskelund, Senior Director at Maersk China Ltd. found the minister's visit beneficial:

“It was important for us, that he [Ole Sohn] was in China and that he had a possibility to meet with Chinese seniors with the same portfolio... Our experience was that he had a big interest in our situation here [China] and he was interested in commercial aspects”

The minister visited a number of companies. Among these was a visit to the Danish diabetes company Novo Nordisk in Tianjin Economic Development Area (Denmark in China, 2012f). The highlight at the Minister of Business and Growth's visit was the new patent agreement called Patent Protection Highway. The agreement is similar to agreements, which China has with other European countries and it secures that companies will have an easier process to get a patent. The minister met with the Chinese State Intellectual Property Office.

The overall assessment of the visit illustrates that the trip was focused on specific value creating activities (*see table 15*). The patent agreement is the reason behind the long-term value score so high, as it is expected that this will benefit a large number of Danish industries. Review of articles also illustrated that the minister showed respect for his Chinese colleagues and that the visit was focused on commercial aspects. The relationship between

*Table 15: Performance by Minister of Business and Growth*

Limited: Open doors, Push contracts

Medium: Access

Great: Attitude, Agenda, Commercial aspects, Long term value, Partner care

<sup>34</sup> The Minister of Business and Growth has since resigned. The new minister has not visited China.

<sup>35</sup> The minister suggested after his visit, that Danish investors should create a H.C. Andersen World, in order to attract more Chinese tourists to Denmark. The story has not been followed up in the media.



explanatory and dependent variables shows that the high ranking on almost all the explanatory variables did not had a positive influence on some of the dependent variables. The explanation might be that these variables were not the scope of the visit.

## 5.6. Meetings by Minister of Trade and Investment, Pia Olsen Dyhr

The Minister of Trade and Investment had met her Chinese colleague on many occasions. It was quite significant that respondents overestimated the number of times this minister had met her Chinese colleague, which suggests that she was doing a very good job. As her title suggests she must be considered as one of the Danish ministers, who is most involved in the Danish-Chinese commercial relations. Her visits will here be evaluated from an overall impact, but especially her efforts in regards to the Joint Committee will be considered (*see table 16*).

*Table 16: Joint Committee*

The Joint Committee on Economy and Trade was established in 1980. Though the meetings are to take place at a yearly basis – the meeting in Beijing in September was only the 20<sup>th</sup>. The Committee has been inactive in some years but has been improved in during the Minister of Trade and Investment's governance and it is now chaired at minister level. Besides the ministers of both countries are business representatives, officials and interest organizations also participating. A number of working groups have also been established. These includes cooperation on Energy and Environment; Health and Welfare; IPR; Investment; Sustainable cooperation.

In 2012 the Minister of Trade and Investment, Pia Olsen Dyhr visited China 22<sup>nd</sup>–25<sup>th</sup> February and 7<sup>th</sup>–11<sup>th</sup> September. Besides she has had the opportunity to meet her Chinese colleague at a number of other events as mentioned before. New visits by the Minister of Trade and Investment are scheduled in 2013 after the transition of the Chinese leadership in March 2013. Her meetings normally have a rather specific agenda according to the respondents, e.g. in September 2012 she promoted Chinese investment in Denmark. Although the Minister of Trade and Investment did not had a business delegation with her, a number of Danish companies were participating in meetings with Chinese partners<sup>36</sup>.

The Minister of Trade and Investment has been able to push the meetings in the Joint Committee up to minister-level, which is appreciated by Danish business; the prioritization of bilateral cooperation has been improved; and it is unique that China

<sup>36</sup> The Minister visited companies during her visit and opened the smaller Danish company optic Fley's shop (Minister of Foreign Affairs, 08.09.12). This happened at the China International Optics Fair. The Minister gave a speech at the fair (Denmark in China, 2012d). The minister visited the Danish company LINDBERG, another Danish optic company. The visit in September included a keynote speech at the China International Fair for Investment and Trade in Xiamen and a visit to the Danish shoe company ECCO (Denmark in China, 2012g).

prioritize yearly minister Joint Committee meetings with such a small country. Companies and organizations stress that this means regular meetings with concrete cases and that this is a way to really push forward business<sup>37</sup>. The invitation to participate in the Joint Committee was open to all relevant Danish companies<sup>38</sup>. At the Joint Committee meeting in September the Danish minister and the Chinese minister were co-chairing the meeting. Around 20-30 Danish cases were handled over to the Chinese part<sup>39</sup>. One point of critic is that the feedbacks of the meetings to companies have been limited and little assessment of the results has been clear to companies. Based on lack of feedback, some companies doubt whether it is worth the effort to use it. Though, the impression is that Denmark has been handling the Joint Committee professionally with an understanding of the Chinese mindset. To use the Joint Committee as a platform for case solving normally means that it works faster and that the cases get attention.

Humphrey Lau, CEO Grundfos China and Chairman Danish Chamber of Commerce China explains the qualities of the minister: “She [Pia Olsen Dyhr] is very business-oriented, very result-oriented. When she [Pia Olsen Dyhr] sits in the chair, it is for trade, it is for Denmark”. Humphrey Lau, adds that the minister is always well prepared and listens to business representatives, even though the minister might not agree. The minister is also complimented for her efforts to push contracts before the President’s visit and the minister is in general very supportive. Nis Høyrup Christensen, Consultant at Confederation of Danish Industry, explains that the Minister of Trade and Investment through numerous visits was able to build up good relations to the (now former) Chinese Minister of Commerce, Chen Deming. The

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<sup>37</sup> Even though some companies do not make use of the possibility to bring cases and challenges up in the Joint Committee, most of the respondents find it very useful and it is security to know that the option exists. However, it should also be emphasized that it is possible to take cases up ad hoc through various Danish ministers and the Danish officials in China. Some of the respondents explained that they had not used the Joint Committee yet, as they had been able to solve cases them self and that their government relations in China made them able to solve challenges themselves.

<sup>38</sup> Companies are encouraged to participate in the Joint Committee meetings in order to get feedback and response immediately, if a company does not participate the Danish officials will bring it up and handle the case over to the Chinese part. Because of good timing, CEO at Confederation of Danish Industry, Karsten Dybvad, and CEO at the Agriculture and Food Council, Søren Gade, were already in China with the Prime Minister, and they were able to participate also in the Joint Committee and speak on behalf of the members in their respective organizations.

<sup>39</sup> An example is certificates to trade food products in China, which was pushed to fast-track procedure during the recent meeting. Besides participation of Danish companies was a number of Chinese companies present, Danish interest organizations, and Chinese authorities from different ministries.

good relationship means that it is easy to get to the important aspects of the dialogue and that it ensures constructive results. It is important to note that the Minister of Trade and Investment plays a significant role in promoting more export to China. Pia Olsen Dyhr calls for more Danish companies exporting to China. It is not the impression that respondents see her as a door opener, but rather as a problem solver. Nevertheless the fact that her contribution to deepening the bilateral commercial relations might be that she indirectly pushes for more awareness of Denmark, meaning that Chinese partners are willing to ‘open the doors’.

The score of the Minister of Trade and Investment’s overall performance in visits and meetings is really good (see table 17). This can be explained by the fact that the minister has the possibility to focus on China in her work besides her other focus areas such as other emerging market economies and high growth markets. The ranking of the explanatory variables (access, attitude, agenda and commercial aspects) is high similar to the dependent variables long term value and push contracts, though open doors and partner care are a bit lower, which suggests that other non-considered factors also have influenced the dependent variables.

Table 17: Performance by Minister of Trade and Investment

Limited: -

Medium: Open Doors, Partner care

Great: Access, Attitude, Agenda, Commercial aspects, Long term value, Push contracts

### 5.7. Meetings by the Minister for Environment, Ida Auken

The Minister for Environment had also met her Chinese colleagues on many occasions in 2012. Already during the Danish EU Presidency, the Minister for Environment was able to focus on cooperation with China when she together with the Chinese Minister of Water Resources Chen Lei signed an agreement on EU China Water cooperation in March 2012. During the President’s visit the Minister for Environment meet with Chinese partners and the minister was able to focus on Danish competencies in finding green solutions. The minister visited China 22<sup>nd</sup>-27<sup>th</sup> September 2012 and continued her dialogue with China. The minister had in good time invited business openly and this means that the visit included a large business delegation. During the visit the Minister met with three Chinese ministers<sup>40</sup> were the aim of political

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<sup>40</sup> The Danish minister met with the Chinese Minister for Water Resources, Mr. Chen Lei; Minister of Environmental Protection, Mr. Zhou Shengxian; the Ministry of Housing and Rural Development and had a meeting with the Chinese National Development and Reform Commission.

discussions was to further Danish and European collaboration with China especially on water. The Danish minister was able to suggest concrete solution through her comprehensive knowledge on Danish business- competencies on water solutions<sup>41</sup>.

The key focus on the visit was to promote Danish companies with water technology solutions and the visit included numerous events relevant for business<sup>42</sup>. The visit included participation in Chongqing-Denmark Water Days where the minister met with the Vice Mayor of Chongqing, Ling Yueming. The Danish company COWI signed a strategic agreement with Chinese partner CISDI and Chongqing Hualian Environmental Engineering and accordingly the contact had been established under the last Chongqing-Denmark Water Days (Denmark in China, 2012h). Lastly the visit also included a visit to the students of the new Water and Environment program at Sino-Danish Center. Similar the smaller Danish companies Envidan and Envitherm had established a promising contact to the investor China Sanjiangyuan Water Operation this year (Dansk offensiv i Kinas vilde vesten, 2012). The participants had the possibility to meet potential partners and furthermore some of them were able to take care of relations to existing partners. Fleming Voetmann, Director, Head of Public Affairs & Media Relations at Novozymes explains:

“When ministers go out to the provinces and meet with high level people, it brings value to Novozymes. If ministers talk to the absolute top of politicians or officials on specifics, such as water technologies, then the visit could contribute to open new doors”

The efforts of the ministry through out 2012 is expected to continue to add value for companies since some of the signed agreements will still have to be implemented. The success of Minister for Environment’s efforts had been high and a key explanation can be that this is an area where Danish companies have a large potential to increase export to China (*see table 18*). The high score on most of the dependent variables suggest a positive correlation with the explanatory variables, which also have high scores.

*Table 18: Performance by Minister of Environment*

Limited: -

Medium: Push contracts

Great: Access, Attitude, Agenda, Commercial aspects, Long term value, Open doors, Partner care

<sup>41</sup> The Danish Minister of Environment has proclaimed that water will be the ‘new wind’, hence that Danish companies with water solutions can have a huge potential in China, like the Danish wind energy companies have experienced.

<sup>42</sup> It is important to note that the visit also focused on selected provinces, which accordingly was in the interest of the participating companies.

## 5.8. Meetings by the Minister for Food, Agriculture and Fisheries, Mette Gjerskov

The Minister for Food, Agriculture and Fisheries has had the chance to meet her Chinese colleagues on many occasions. Besides during the visit of the President and his delegation, the Chinese Minister of Agriculture, Han Changfu visited Denmark in August, where the focus was targeted on pork and milk. The 24<sup>th</sup>-27<sup>th</sup> November 2012 the Danish Minister for Food, Agriculture and Fisheries, visited China and the minister was followed by a large business delegation (*see table 19*).

*Table 19: Participants*  
Danish Agriculture and Food Council  
Danish Bacon and Meat Council  
Livestock and Meat Board  
Arla Foods  
Danish Crown  
Foss  
Lantmännen Danpo  
Rose Poultry  
Tican Fresh Meat  
Tulip Food Company  
(Denmark in China, 27.11.12)

The time in Beijing was focused on politics and the time in Shanghai was focused on creating new contacts for companies with little China operation. The focus was also on promotion of food safety and Danish ecological food<sup>43</sup>. The Danish minister had meetings with the Chinese Minister, Zhi Shuping from Administration of Quality Supervision, Inspection and Quarantine and the Minister of Agriculture, Han Changfu, whom she had met before. Accordingly, the Danish minister has good personal relations to her Chinese colleagues, which is important for extending the commercial relations (Denmark in China, 2012i). Jan Lausten, Director Trade & Market Relations at Danish Agriculture and Food, explains:

“If the ministers have good relations it will increase the business opportunities and it will create an understanding of participating companies [in the delegation] could be good partners”

According to Jan Lausten, Director Trade & Market Relations at Danish Agriculture and Food, it is an advantage that China knows that Denmark has excellent competencies in food and agriculture sector, which automatically creates an interest for cooperation. It is important for the Danish companies that the cooperation includes

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<sup>43</sup> The minister opened the China-Denmark Milk Technology and Cooperation Centre, spoke at a Workshop on Dairy Registration and had bilateral conversations during this visit. The trip included a signing ceremony and seminar activities on ‘Organic Food and Sustainable Production’ where Chinese participants also were present.

dialogue on market access as the Danish companies still experience barriers. The MoUs signed this year has also been beneficial to extend the business opportunities.

The overall success of this visit and the meetings has been rather good (see table 20). Nevertheless, especially the visit in November is of importance for companies, since such a large amount of companies were included. Accordingly the Minister will travel to China soon again to follow up on the initiatives. The ranking illustrates that the minister performed high on most of the variables, which suggest that the good score in the explanatory variables had a positive effect on the dependent variables.

*Table 20: Performance by Minister for Food, Agriculture and Fisheries*

Limited: -  
Medium: Access, Agenda, Push contracts  
Great: Attitude, Commercial aspects, Long term value, Open doors, Partner care

### 5.9. Royal visit

The Royal couple often has visits on behalf of Denmark and cultural cooperation and business promotion are permanent themes and this visit to China was no exception<sup>44</sup>. His Royal Highness Crown Prince Frederik and Her Royal Highness Crown Princess Mary, officially visited to China 6<sup>th</sup>-8<sup>th</sup> December. Crown Prince Frederik and Crown Princess Mary participated in the opening of the “Business of Design Week” in Hong Kong, where also many Danish companies were present since Denmark was a partner country. Danish companies in Hong Kong had organized a gala diner in which the Royal couple participated. The time in Beijing had a big focus on cultural aspects and Crown Prince Frederik and Crown Princess Mary visited art exhibitions. The visit also included promotion of Lindberg, House of Amber and Kopenhagen Fur, which all are Danish luxury brands. It included a fashion show and exhibition, where also the Chinese media participated. House of Amber expressed a great satisfaction with the event (Denmark in China, 2012j). Furthermore the royal couple was involved in promotion of Arla and LEGO (Denmark in China, 2012k).

The Minister for Gender Equality and Ecclesiastical Affairs, Manu Sareen also participated (Denmark in China, 2012k). There has been little exposure of this participation in the Danish media. The Danish tennis player Peter Gade, who is well

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<sup>44</sup> It is a common practice among the European monarchies to play a role in the bilateral relations with China. The royal families in Sweden, Portugal, United Kingdom and Belgium have contributed to developing relations. In Denmark the Queen has not visited China since the 1970s but the Princess have been there on many occasions.

known in China also participated in the visit. Peter Gade promoted a new project called “My Danish Footprint in China”, which promotes Danish companies’ CSR agenda (Denmark in China, 2012l).

The success was average but it should be acknowledged that cultural aspects are a necessary element in the royal family’s visits (*see table 21*). It is impossible for the royals to fulfill certain tasks such as promoting contracts. It seemed that the royal couple had a great focus on commerce with a broad range of sectors included. The rankings shows a mixed picture, which may be explained by the fact that the ranking is structure to match minister visits and not visits by the royal family.

*Table 21: Performance during the Royal visit*

Limited: Access, Open doors, Push contracts

Medium: Agenda, Partner care

Great: Attitude, Commercial aspects, Long term value

### **5.10. Meetings by the Danish Minister for Climate, Energy and Building, Martin Lidegaard**

Minister for Climate, Energy and Building visited China 17<sup>th</sup>-19<sup>th</sup> December 2012<sup>45</sup>. The main focus of his visit was political meetings and discussion of politics and the Danish minister managed to have political discussions with a number of Chinese partners<sup>46</sup>. The visit included a Danish-Chinese Seminar on Energy Efficiency in the Building Sector, where the Danish Minister spoke as well as his Chinese colleague, Minister of Housing and Rural-Urban Development, Jiang Weixin. The visit did include a few possibilities for companies to participate, but the commercial scope of the visit must be considered rather disappointing. The overall impression is that this visit did not prioritize commercial aspects but merely political dialogue with Chinese partners. The minister repeated that China should invest more in alternative energy sources. The Danish minister also visited the China National Renewable Energy Centre during his visit. During the visit where a strategic partnership agreement signed in the presence of the Danish minister between the High Tech Zone in Nanjing municipality in Jiangsu province and the Danish companies COWI, AVK, Danfoss,

<sup>45</sup> Please note that the interviews with respondents took place before this meeting. However, the respondents knew plans and commented on events and agreements already established.

<sup>46</sup> The Danish minister met with Wan Gang, Minister of Science of Technology, Liu Tienan, director of the National Energy Administration, Jiang Weixin, Minister of Housing and Urban-Rural Development, Xie Zhenhua, Vice Chairman of the Chinese National Development and Reform Commission, Liu Qi, Deputy Administrator of National Energy Administration and Executive Vice President of the State Grid Corporation of China, Mr. Shuai Junqing (Denmark in China, 2012m).



Grundfos, NNE Pharmaplan, Velux and Rockwool. Such signing ceremonies should be considered as important for companies when a minister can participate at the event.

The performance of the ministry in 2012 has however managed to create MoUs and the potential of implementing these sufficiently are great. These efforts have been highlighted by many of the respondents and the companies identify the MoUs from this ministry to be very beneficial for their business in China. After the Minister's visit he has told the media that China and Denmark are working on a new agreement where Danish companies should help China to become greener and that an official from the Ministry will be transferred to join the Danish officials in China (Danmark forhandler aftale om klimaeffektivitet med Kina, 2013). In other words, the minister plans to strengthen the bilateral commercial cooperation through providing the Chinese market with technology.

The overall picture of the Minister for Energy, Climate and Building's performance is rather limited (see table 22).

Though he has managed to establish important MoUs for Danish business, his visit was rather disappointing. This could be explained by a high prioritization of discussing policies but an unwillingness to promote Danish business directly. The rating illustrates that despite medium focus on commercial aspects etc. the minister did not contribute to opening doors, pushing contracts or partner care – which is all valued by the companies.

*Table 22: Performance by Minister for Energy, Climate and Building*

Limited: Access, Attitude, Open doors, Push contracts, Partner care

Medium: Agenda, Commercial aspects, Long term value

Great: -

### **5.11. Meetings by Minister of Foreign Affairs, Villy Søvndal**

The Minister of Foreign Affairs, Villy Søvndal, visited China 11<sup>th</sup>-13<sup>th</sup> December 2012. The aim of the visit was to have political discussion and the Danish minister met with his Chinese colleague, Mr. Yang Jiechi, Minister for Foreign Affairs, where agreements on furthering the bilateral relations were made. It was the third time in 2012 that they met. Besides this meetings the minister had discussions with Vice Minister of the International Department of the CPC, Ai Ping, and Mr. Li Jianguo, Vice-chairman and Secretary-General of the National People's Congress in China. The visit included a visit to Peking University where the minister met with academics

and students, as well as representatives from the civil society. The Danish minister came with the following statement:

“...It’s important that Denmark and Danish competencies at the highest level are visible in China. It makes a difference in a country like China, and it is helping to pave the way for an increasingly comprehensive cooperation”

Denmark in China, 19<sup>th</sup> December 2012

There seems to have been a very limited focus on commercial interest though the minister participated in an opening event on Energy and Environment at the Danish Embassy where also business representatives were present. In the Danish press, the minister had stressed that he wanted to discuss human right issues with his Chinese colleagues (Søvndal i ny kinesisk linedans, 2012)<sup>47</sup>.

The visit of the Minister of Foreign Affairs and his activities in general in relation to China has had a minimum commercial focus (*see table 23*). Taken economic and business interests into account the action of the Minister of Foreign Affairs was very disappointing. It is significant to note that even though the performance of the minister of foreign affairs was weak – it is still expected that the fact that he visited China will have a positive influence in the long term value.

*Table 23: Performance by Minister of Foreign Affairs*

Limited: Access, Attitude, Agenda, Commercial aspects, Open doors, Push contracts, Partner care

Medium: Long term value

Great: -

## 5.12. Other visits in 2012

A number of other ministers also visited China in 2012 and although these visits did not focus on commerce they may still play a role as they contribute to develop the relations<sup>48</sup>. The former Minister of Culture, Uffe Elbæk, visited China to promote cultural cooperation in the Spring 2012<sup>49</sup>. Minister of Development, Christian Friis Bach, has visited China in order to discuss China’s engagement in Africa. The

<sup>47</sup> The Danish Minister of Foreign Affairs has criticized the Chinese leadership a number of times in relation to human rights and the issue of Tibet. As mentioned before, the Chinese are often very sensitive with public critic of their human rights record, and it could possibly affect the relationship that the Danish Minister of Foreign Affairs has talked to his Chinese counter partners in a negative way. Again, at his visit in December the Danish Minister of Foreign Affairs told that Tibet and human rights had been discussed and that the Danish efforts has had a positive impact on progress on human rights in China (Ministry of Foreign Affairs webpage, 2012e).

<sup>48</sup> Similar China has had a number of delegation visits to Greenland and the Danish Embassy is also responsible for servicing the ministers from Greenland.

<sup>49</sup> The Minister of Culture was supposed to visit China together with the Royal couple in December 2012 and at this visit he was supposed to promote Danish design and fashion, but he resigned before.

Minister for European Affairs, Nicolai Wammen visited China 29<sup>th</sup> October to 3<sup>rd</sup> November 2012, in order to strengthen EU-China relationship (Ministry of Foreign Affairs, 2012f)<sup>50</sup>.

### 5.13. Comparative Analysis of Ministers' Performance

Although the variables have been discussed in each case study a few more comments here will be presented. The spread of rankings across the different variables was high and even if a minister has a low ranking on a number of variables; other variables are could be ranked high. This can be explained by important additional factors such as degree of activity and the status of the minister. Low scores on explanatory variables are problematic because this indicates that the minister has not contributed as much as possible. Some variables indicated that interest of companies are contradicting, e.g. companies wanted a targeted agenda and to gain access, but this may be impossible since targeted agenda would mean that some industries and companies competencies are prioritized, which will make it irrelevant for some companies to participate.

*Table 24: Summary of ranking*

Variable	Limited	Medium	Great	Indicators
Access	5	3	2	The low score on access implies that the selection criteria are narrow. Only some companies can access activities, which naturally excludes others.
Attitude	2	2	6	Most of the actors have a rather good attitude, which suggest an interest in developing positive relation with the Chinese partner.
Agenda	2	4	4	Most of the agendas were ranked by medium or great, which suggest that the companies' interest and the schedule matches.
Commercial aspects	3	1	6	Most of the ministers were willing to promote Danish business through a prioritization of commercial aspects.
Long term value	-	3	7	The high score on long term value, suggest that it is important to have a high pace of activities, and that activeness has a crucial impact on the performance.
Open doors	4	4	2	In general was opening new doors not the top priority moreover did the ministers contributed to relation development with existing partners.
Push contracts	5	3	2	Ministers rarely contribute to finalization of contracts and it is questionable whether it is desirable at all.
Partner care	2	4	4	Ministers often support companies' activities in taking care of relations to existing partners in China.

It is difficult to assess which variables have the most influence, as well as their individual relationships. The *agenda* seem to have high impact on the dependent variables *opening doors*, and *partner care*, but is also be influenced by the minister's

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<sup>50</sup> The Danish Minister of European Affairs, had a meeting with the Chinese Vice Foreign Minister Zhai Jun, where they discussed the relationship between EU and China. The minister met with Danish companies in the Green China project and opened a roundtable discussion in Harbin on district energy.

*attitude* and willingness to include *commercial aspects*. *Long term value* is be influenced by the rest of the variables, but somehow long term value can score high, since the fact that the minister simply just are active can have importance. It is also likely that the higher rank a minister have, the higher influence the minister's visit have. Furthermore is the ministers' performance influenced by how much the minister is active (*see the figure 6*, illustrating intuitively the overall picture in the evaluation):



In sum, the Minister of Trade and Investment, Pia Olsen Dyhr is a top performer followed by The Minister of Environment, Ida Auken and the Minister of Food, Agriculture and Fisheries, Mette Gjerskov. Although visits can be successful individually, the collective action and results are most important. This will be discussed in the following part as well as additional explanatory variables (*see appendix 2*).

## 6. Assessment of the Collective Action

This part reflects on the overall performance and the collective action. The reflections are based the previous part as well as increased visibility, timing, preparation, coordination and cooperation. It is illustrated that the success is fluctuating. The areas of dissatisfaction on Danish commercial diplomacy found broadly match the findings by Kostecki and Naray (2007) where communicating issues and poor bureaucracy are among complains.

### 6.1. Access and Selection Process

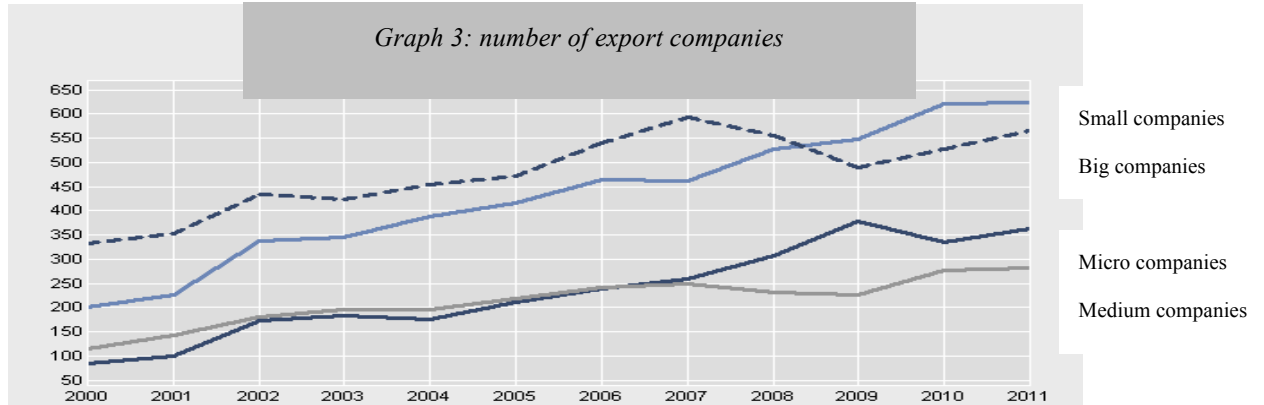
Which companies that will be allowed access for business delegations or business events, will depend on the minister visiting and the scope of the visits. From the interviews it was the impression that the authorities favour the traditional players in Danish business, and companies in the service industry receive less support. The respondents, who often participate in events with Danish ministers visiting China, acknowledge to some extent, that the authorities favour them. As mentioned before, some of the respondents had experienced to be refused when they asked to join business delegations and events. These companies wished to participate in order to improve their China business and they therefore needed support from the Danish government. It is therefore sticking that they are refused while others almost automatic have a ticket. To participate in business delegations are of value to Danish companies according to Jens Klarskov, CEO at Danish Chamber of Commerce since: “followers and thereby Danish companies can be seen, heard, photographed, and be shown together with leading Chinese. This opens doors”.

It should be emphasized that the current model for selecting companies appeared to only include the usual companies, which to some extent are able to function in China through their own set-up with big government relation departments. No matter what, there seems to be consensus that the Danish SMEs needs the support if they are to succeed at the Chinese market. A general suggestion, repeated by many of the respondents, were bigger inclusion of SMEs in order to increase Danish export to China<sup>51</sup>. Many of the scholars of commercial diplomacy highlighted the importance

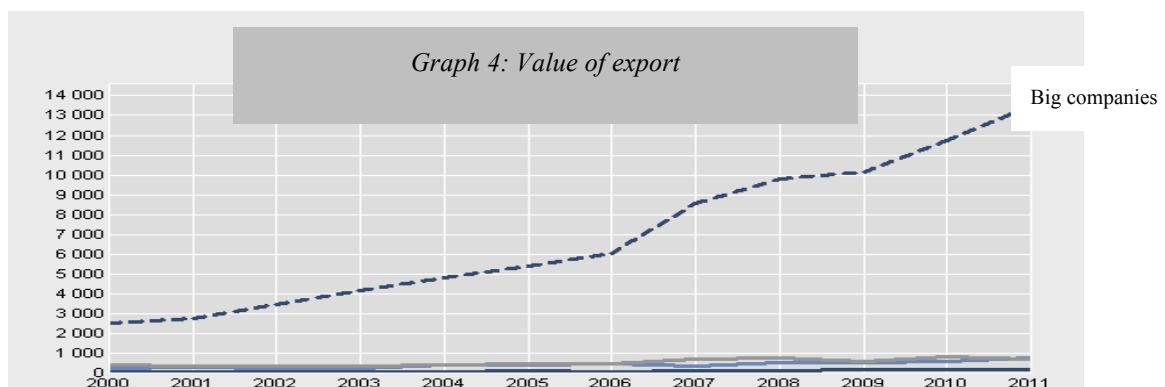
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<sup>51</sup> The structure in Danish business is characterized by a domination of SMEs and these companies’ employs 37.35 percent of the private labor force in Denmark although they only accounts for 36.25 percent of export, SMEs’ turnovers accounts for more than half (Nielsen and Jensen, 2012).

of commercial diplomacy for SMEs as these companies have a limited budget to export and self promotion abroad (see Kostecki and Naray, 2007). See *graph 3*, which shows development of the division of Danish companies in China based on size of the company (Ministry of Foreign Affairs, statistics, 2012).



The table illustrates that the number of Danish companies exporting to China has increased over the last decade. The numbers seem overrated compared to other statistics. In general it is difficult to get a precise number on how many Danish companies actually are located in China and how many are exporting. Different sources show different results. E.g. according to the Danish Embassy in China, there are 481 Danish companies in China at the time of interview, where as the same numbers some times indicates more than 600. When considering the value of the export, it is clear that the big Danish companies have succeeded the most to make a ‘break through’ as *graph 4* indicates (Ministry of Foreign Affairs, statistics, 2012):



The Danish officials in China tell that they openly invite companies to participate in relevant visits and events. If companies seem uninterested, the Embassy will engage in a dialogue to try creating value for companies. The right platform of visits is needed in order to attract the companies. Rasmus Bjørnø, Head of Section at Ministry of Foreign Affairs explains that the selection process of participating companies is

long because many different interests are to be considered and in order to make the right choice interest organizations are some time asked for advice.

The Danish business leaders who are chosen to participate in delegations and events can contribute to creating prominence and prestige. The companies who often go, is companies who the Chinese are interested in because of the companies' capital, technology and resources. It is companies already well-know by the Chinese. Søren P. Olesen, CEO at Flügger explains: "The question is whether this promotes Danish export or whether it promotes the Danish state". Søren P. Olesen adds that a balance between big well-known companies and smaller companies in order to make the Chinese partners take the delegation serious. This statement was shared by many of the respondents.

According to Jens Klarskov, CEO in Danish Chamber of Commerce, the government and authorities should pay more attention to other industries that only focus on production if Denmark is to increase trade to China. From an overview of the prioritized industries in the government's China strategy and the list of participating companies in business delegations, there is evidence suggesting that Danish Chamber of Commerce are right, that production industries are prioritized above service industries by the government.

The companies access to minister meetings might be a question of what the overall Danish interest is. It seems, as there is no parliamentary discussion of the selection of participants, which is strikingly because of the importance access might have not only to the single company's growth potential but also to the impact that minister visits can have to the Danish growth and employment. A general condition for getting access to meetings could very well be that the company contributes to growth and employment in Denmark. Or, selected companies should have use of participating. E.g. should companies where the capital fund<sup>52</sup> is placed abroad have access? Another condition could be to favor companies where maintenance of production job in Denmark has been prioritized. Or, it could be that companies were selected based on their effect on

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<sup>52</sup> Research has indicated that some capital funds contribute to job creation outside Denmark rather than in Denmark (see Kapitalfonde skaber mange job, 2010)



Danish GDP or the company's ability to create new jobs in Denmark<sup>53</sup>. Evidence has indicated that companies with establishment abroad have a positive influence of effectiveness and growth (Ministry of Economics and Business, 2011). Nevertheless, it seems to be a political choice, which companies are to be selected and the lack of discussion gives a great autonomy to the officials and to the current minister.

## **6.2. Attitude towards Chinese Colleges**

A condition for success in China is good relations, which is a part of the special characteristics of China. The modern Chinese politician or high-level official is proud and expect to be shown respect and to be met at equal conditions. To make successful commercial diplomacy it is important to adapt host and home-countries' characteristics as Stadman and Ruël, (2012) has argued. It is important that the Danish ministers meet their Chinese colleges as often as possible. The respondents largely expressed that the relationship grow over time, and that it was a clear advantage when ministers had met their Chinese colleges over time. Jan Lausten, Director Trade & Market Relations at Danish Agriculture and Food explains: "If you politically can work together and personally like each other, then you have the foundation to commercial cooperation". Relationships with Chinese are between people, not institutions and though Denmark and China enjoy good relations between the countries, the personal aspects are important.

Personal relations between Danish and Chinese politicians can be a challenge because of the differences in culture and political structure. China is a one-party system with close ties between politics and market structures. Denmark as a small European multi party democracy with a liberal market, has to find a balance between the population's expectations for critical reflections on China and the economic interest. The Prime Minister has been a front-runner to avoid negative confrontations with China as she has prioritized this concern over the public pressure. The question is whether this is the right balance, taken politicians' interest in keeping a good public profile to the voters in to consideration. According to a statement from the Minister of Trade and Investment discussion of human rights is not problematic: "I always discuss human rights with my Chinese college" and she adds that the discussion is on relevant issues

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<sup>53</sup> The Danish Minister of Trade and Investment has claimed that President Hu Jintao's visit would result in new Danish jobs.

for the minister post (Minister: Jeg diskuterer altid menneskerettigheder med Kina, 2012). As emphasized previously, the Minister of Trade and Investment enjoys a very positive relationship with her Chinese colleague. Some of the Danish ministers have indicated that they came to meetings with their Chinese colleagues in order to educate them about policies. E.g. Minister of Development, Christian Friis Bach told that he had a responsibility to make China responsible in global politics (Vi skal holde Kina fast på dets ansvar, 2012). While, the Minister of Development is well aware that China does have conditionality in its relations to e.g. Africa and that Chinese avoid interfering in sovereign states internal matters, the minister demands that China change its behavior. Hence, the minister does exactly what he knows that China dislike. Similarly the Danish Minister of Foreign Affairs, Villy Søvndal, has been critical towards China both as minister and as opposition politician. Although he has moderated his critiques and attempted to find a balance between critics and acknowledgement of the Chinese development, it seems as he is also struggling to develop good relations. As a minister and from a previously critical opposition party, he is automatically under public pressure to voice concern on China's human rights record. However, it must be assumed that he is also under pressure internally in the government to maintain and develop good diplomatic relations in accordance to the economic interests. *See table 25*, which provides some suggestions of guidelines for a cultural codex based on this analysis.

*Table 25: Guidelines for cultural codex:*

- Prioritize a balanced dialogue
- Treat Chinese colleague with respect for economic development
- Save criticism for behind-doors meetings, if necessary
- Learn and respect Chinese culture
- Exchange experience with Danish colleagues on how to handle the cultural codex
- Use the EU institutions to discuss challenges (and criticism).

### **6.3. Agenda - General Branding or Targeted?**

According to Ambassador Friis Arne Petersen, a concrete agenda should be prioritized as this is in the interest of the companies and at the same time it is also in the interest of the Chinese. This is similar to what the interviewed companies expressed. This means that a targeted agenda is most suitable in China because the country is so big that it is impossible to promote Denmark in the entire China. Therefore collaboration between Denmark and China should be as concrete as possible on selected projects. Networking events and informal meetings are not of value to companies according to the interviewed companies. The interviews

confirmed that companies are less interested in broad promotion of Danish business in China. It is also important to narrow the geographic scope of some of the visits, as it was the case with the visit by the Minister for Environment. Often companies will benefit the most if the minister goes to new provinces. It was suggested that the authorities' activities should be focused on Chinese provinces where Danish companies had the most potential to expand business. There exists from the Chinese part an interest in agenda where specific projects and technology is provided, according to many of the respondents. The Chinese are interested in details and the more concrete the minister can be, the better are the chances that the Chinese will continue to be interested after the minister has left China. In other words, success depends on the projects the minister brings in the suitcase. Germany's successful economic cooperation with China is based on exchange of technology for more market access for German companies (Kundnani and Parello-Plesner, 2012). To some extent the Danish approach includes a similar philosophy as the MoUs provide the Chinese with new advance technologies and Danish companies with market access.

What kind of agenda is the most suitable will depend on the visiting minister, the Chinese interest, what is possible and what kind of companies, which participate. Companies are interested in an agenda, which includes commercial aspects. The agenda also guides the priorities of the visit; it is priorities in the agenda, which will dictate the prioritization of variables such as commercial aspects, door opening possibilities and partner care. If the agenda prioritizes opening doors – then the open door variable might score high.

#### **6.4. Commercial Aspects of Meetings**

A general observation was that companies through the commercial aspect in the bilateral cooperation between Denmark and China should have a higher prioritization. From a business point of view, there is a satisfaction with the government because commercial aspects are higher prioritized in the relationship building with China, although the companies somewhat call for even higher prioritization. The business representative respondents stressed that it is important that Danish ministers use the opportunity to discuss commercial cooperation with their Chinese colleges on visits, that being market access, standards, certification or IPR. The companies expected the

Danish ministers to include the companies and ask for their needs before a visit, similar to the respondents expressed in recent academic studies (Naray, 2012).

According to Ambassador Friis Arne Petersen the Danish approach has developed over the years and is adapted to the business interests. This means local CEOs from Danish companies often participate in activities instead of the Danish CEOs. The trend is that business delegations are replaced with local participants in order to build direct relationships with the local management and Chinese partners and government. This tendency should be seen against the background of the strong establishment that many of the Danish companies have made in China during the last decades.

It must be emphasized that it is important to have a balance between the political and commercial aspects of the agenda since good political relations will influence the economic and commercial relations positively. Han Xiao dong, Commercial councilor at Chinese Embassy in Denmark told: “The two countries enjoy good political relations and it will benefit the economic relations”. This means that it is necessary to let politics and commerce go hand in hand to build up relations. Many respondents argued that there was too little focus on commercial interests, though they acknowledge that politicians have other interests to consider e.g. the public opinion. The commercial aspect of the visits is an important factor for all the other variables, though the symbolic importance might value higher to determine the success of an action. Hence, the Minister of Foreign Affairs did not prioritize commercial aspects, but his visit must still be considered of long term value.

### **6.5. Long term Value of Activities**

The respondents all agree on one thing: The way to success in China is a long tough road and to develop and deepen Danish-Chinese relations and increase Danish trade to China will take years to accomplish. In order for ministers visit to have value, the companies calls for long-term commitment. The overall impression is that the initiatives by the government this year will bring Denmark high up on the Chinese’s mind. Jens Klarskov, CEO at the Danish Chamber of Commerce explains:

“It is not the single visit that means something, it is the sum of our [Denmark] collected interest for the country [China]. We should go out there many times with many ministers before someone [the Chinese] will notice a country called Denmark”

Humphrey Lau CEO Grundfos China and Chairman Danish Chamber of Commerce China supports this statement: “We can say in Denmark, even though we are a small country, that we take China seriously. They [Chinese] can see all the ministers are coming”. Eventually, the sum of the visits will create long term value. It seems, as the business representatives and the Danish officials are here on the same pace. Also the Danish officials in China consider minister visits as useful on a long term basis.

Ambassador Friis Arne Mikkelsen says

“We would like that as many ministers as possible go to China, because we know that it is ministers’ collaboration on high level which creates a platform, which our business needs. We do what we can to attract business delegations”

This suggests that the Embassy has a good understanding of the business interest and that they internally in the Danish bureaucracy advocate for these interests. Thomas Koniordos, former President at Danfoss China, notes that positive results for Danfoss in China contribute to Danfoss in Denmark. The support from ministers is here beneficial and value creating also for the Danish business. Hence, the support is significant to the companies, and potentially for Denmark. Tom Jensen, Secretary General at Danish-Chinese Business Forum, stresses that China is important for the Danish companies and the Danish economy:

“China is one of the few countries now with a significant growth. If we [Denmark] trade with China - we [Denmark] will be a part of the Chinese growth, which means increased employment in Danish companies and/or in Danish companies in China but it will also creates growth in Denmark”

MoUs were repeatedly identified by respondents as a valuable tool to create long term value. Nis Høyrup Christensen, Consultant at Confederation of Danish Industry, explains: “Continuity is very important for the long tough push and it is important to make more MoUs to have something to build on”. Companies are dependent on the authorities to establish them, but after establishment the companies are often able to create value and cooperation with Chinese themselves as MoUs indirectly includes business in the cooperation. Though some of the companies regretted that the MoUs often are not sufficiently implemented and without financial resources to care them out in reality. As Fleming Voetmann, Director, Head of Public Affairs & Media Relations at Novozymes stresses: “If there is no money, then the moment the Danish ministers go home, nothing happens”.

It is interesting to notice that some companies suggested that MoUs have been easier to implement this year because of the President's visit. Accordingly the MoUs are taken very serious by both countries. Furthermore are universities also included in MoUs, which enhance the Chinese interest because it also provides technical expertise. Rasmus Bjørnø, Head of Section at Ministry of Foreign Affairs is well aware of the business' interest in MoUs: "We work continuously to develop more MoUs because it is something which is valued by both parties". It seems as MoUs are one of the most valuable tools to enhance commercial relations between Denmark and China, and MoUs should continue to be prioritized (*see table 26* for suggestions to criteria for success of MoUs).

Table 26: Criteria for successful MoUs:

- Direct/indirect involvement of business
- Involve universities
- Build on a match on common interest
- Assigned financial resources to realise pilot projects
- Follow-up activities by authorities to ensure implementation

It was surprising that the long term value could still score high at visits despite low score on other variables. This suggest that the symbolic value rates high and the long term value can be great, even though the full potential of a visit is not realized.

## 6.6. Open Doors and Creation of Contacts

It is important that ministers actually contribute to open new doors and not target contacts where the good relation already exists. This seems to be most important to SMEs or companies, which do not yet have a large set-up in China (Justinek, 2012). Bigger companies with a long history in China often have big localized organization with competencies to develop relations themselves. Though the exception might be when the larger companies operate in markets dominated by the Chinese State-Owned Enterprises (SOEs) were it is essential for foreign companies to be associated with the home-country's authorities. According to Søren P. Olsen, CEO at Flügger:

"We need network, we need that some ministers will come in order to make the Chinese state interested and have the option to make big agreements"

It may sound simple, but the companies explain that they simply need an opportunity to exchange business cards<sup>54</sup> with the Chinese and then they can use the contact

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<sup>54</sup> The exchange of business cards is of significant importance in the Chinese culture. The rituals surrounded the exchange of business cards in China should not be underestimated.

afterwards to develop relations. Some times they do not even have to have met the Chinese, it is simply enough to refer to a meeting between Danish officials and Chinese officials. Visits can in itself be enough to establish new contacts. Lunches and meetings can be good door openers but some events are less suited for facilitating door openings, according to the respondents. E.g. at larger network sessions it can be difficult to make contact to the right people. To be a part of a delegation makes a company reliable, trustworthy and interesting in the eyes of the Chinese. It is valuable for companies to participate so that they have had a connection to the highest level of the government and thereby will coming partners identify the companies as respected. Being associated with the authorities of ones home country means creditability (Kostecki and Naray, 2007). This open doors more quickly than usual. Tom Jensen, Secretary General at Danish-Chinese Business Forum, explains:

“By participating in official delegation visits to China, Danish companies get the important blue stamp of the Danish minister and this opens up for good contract possibilities in China, good contacts to the government, the state sector as well as to the private sector”

It means that companies can use the events to refer to when they afterwards tries to build relations. Tom Jensen, Secretary General at Danish-Chinese Business Forum elaborates on the specifics for why it is so important in regards to China:

“Hierarchy is very important in China. The moment a Chinese minister comes and visits your company, you have an approval of your company and thereby the Chinese know that your company is a prominent Danish company, then they do not need to be suspicious”

The respondents shared the view that it is especially important to have minister visits in China compared to most other countries. Han Xiao Dong, Commercial councillor at Chinese Embassy in Denmark, explains “relations increases trust, confidence and interests among Chinese” and he elaborates:

“It is a strong signal to China, to the authorities, that Danish government, the ministers, are willing to enhance the cooperation. It is quite good for the Danish side because they also need the Chinese market”

It is especially in the initial phase that door opening is important for companies. When the companies China activities grow, they may be able to establish new contacts in China themselves, through existing Chinese contacts. Relationship building is important for the companies as it has a spin-off effect when relations are building at



top level and it will with time to trickle down to create more sales. Furthermore is it important that the minister contribute to open new doors, and not only concentrate on already established contacts. As one respondent noted, there is no reason to kick down a door, which is already open.

### **6.7. Push Contracts**

Ministers' visits can push signing of contracts, which is beneficial for the companies despite the fact that the hard work is done by the companies themselves. Nevertheless, it has been limited with signing commercial contracts during visits with a few exceptions. As mentioned before it may not be a realistic expectation that contracts should be signed during meetings, as it is impossible to rush contacts through with Chinese partners. Many of the respondents said that a big signing ceremony could be used to increase pressure for a new contract, but they also stressed that creating a contract on short time limit would be impossible with Chinese partners<sup>55</sup>. The work of the Minister of Trade and Investment, was considered as important, as she had personally notice the companies of the great possibility to finalize contacts during the ceremony. However, this is the only example where a minister was a credited some of the variable for finalizing contacts. The other visits have not significantly provided push for new contacts at the meeting, except the visit by the Minister of Environment. But, as this does not seem to be the expectation of companies it might not be a problem. According to companies, signing sessions are mostly of interest if the Chinese president visit, and to some extend it was desired when the Prime Minister visited China, though here it was not possible to realise.

### **6.8. Partnership care**

Often Danish companies use delegation visits to take care of their existing partners and to build this relation further. Søren P. Olesen, CEO at Flügger explains "In China you have to take care of your relations - your network is your asset". This means that Danish companies in China use resources to maintain good relations to their partners and here is the minister visits a method. Torben Ladegaard, CEO at FOSS sees minister visits as a method to take care of Chinese partners:

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<sup>55</sup> Chinese business partners care about every details and trust building is a necessity before any contacts could be build. Negotiating contracts with Chinese is considered to be time consuming.

“It is important that there is a close connection at a high-level and it is important that the ministers include business and contribute to stimulate maintenance of contacts and open new doors”

Accordingly Chinese partners find it valuable to be able to participate in events where ministers are present. It is easier for a Chinese company to be privileged to be in the company of a Chinese minister, if the Danish ministers have allowed the partner to invite them<sup>56</sup>. Michael Fredskov Christiansen, Regional President, China at Novozymes also consider using minister visits to develop the relation to partners: “It is valuable for us and the Chinese partner to be close to the ministers and at such a high level”. Michael Fredskov Christiansen, elaborates that it is a great unique possibility for having a conversation with ministers, for Novozymes’ Chinese partner, which would have been difficult back in China. The same story was told by Maersk, who identified developing relations with existing partners as one of the most important aspects of minister visits. Indeed, many of the respondents highlighted partner care as a crucial aspect in their need of support from the Danish authorities. It seems as some ministers and parts of the Danish authorities recognize the business interest in activities which support the relationship to existing partners in China and therefore the ministers accept to schedule time to contribute to the companies’ relationship management with e.g. visits to companies or events where the partners can participate.

### **6.9. Increased Visibility**

Visits increase the possibilities to get good PR, which is an important aspect in export promotion to China. Kostecki and Naray (2007) have also highlighted PR and visibility as a crucial benefit of commercial diplomacy. The Danish ministers are often in the Chinese media when they visit. This makes Denmark more visible, but the authorities are also organizing meetings with the press where the companies also get exposed to media. Rasmus Bjørnø, Head of Section at Ministry of Foreign Affairs, argues:

“The purpose [of the promotion activities] is to ensure visibility for the Danish companies to the Chinese, which they [the companies] can use in their own marketing and dialogue with the Chinese”

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<sup>56</sup> To some degree it is not much different from the Danish system, where companies also found it valuable to have access to dialogue with the authorities.

The respondents have especially highlighted the Chinese state visit as a functional tool to increase the attention on Denmark. However, the Danish Prime Minister was accordingly also very useful to increase the Danish visibility in China. It is important for Danish companies to be mentioned in the Chinese media. According to Henrik Busch Founder and Chairman House of Amber visibility is important “We need the PR because we do not have a marketing budget to put us on page three in a Chinese magazine, so we use the PR model a lot”. House of Amber also uses pictures of Danish-Chinese relations in their stores to document the good relations to customers. House of Amber has experienced more Chinese tourists in their Danish store after the huge media attention on Denmark this year. Han Xiao Dong, Commercial councillor at Chinese Embassy in Denmark confirms that the Embassy has noticed an increasing Chinese interest in Denmark after the visits. It seems as the Danish efforts this year has contributed to create Chinese media attention, based on the response from interviewed business representatives.

Visibility in the Danish media can also be of importance as the increased attention on China and the Danish companies interest in trade, can make it easier to advocate for Danish policies, which takes the Danish business interest towards China into account.

### **6.10 Timing**

Many of the respondents experienced that invitations to participate during ministers’ visits come very late, which means that it is impossible to find time to participate and that it is difficult to come with constructive inputs. Companies naturally tries to make time if they are interested and a state visit by the Chinese President are naturally too good to miss. Though sometimes the company cannot re-arrange their calendar when a Danish minister comes on late notice, because they have already schedule meetings with Chinese stakeholders that also must be prioritized. E.g. the visit of Danish Minister of Energy, Climate and Buildings was so late in December that many Danish Executives where out of country (China). Some times the request for participation has been only a few days before the actual visit. At other times the notice is seven to ten days, which still is insufficient if the companies are to participate. Accordingly, companies need minimum a month in order to prepare and benefit from participation.

Some of the respondents told that it could be difficult to get information about minister visits. It required detective work simply to be informed. It is a bit of a mystery why companies have difficulties in getting the information. One reason is, that the agenda is only finalized shortly before the meeting and that there is a lot of uncertainty on when the minister actually will come. It is also up to the Chinese authorities to decide as well as the Danish authorities. It can also be a question of security to avoid that high-ranked persons are exposed to risks. What seems to be desired by business is though a schedule of visits on the board in order to think of a long term plan. It is better to know that there might be a visit - which may be postponed or cancelled - than to be uninformed and get the information a week later.

It is questionable whether it is wise to place such extensive push with many ministerial visits just before the transition in the leadership in March 2013. In times of visiting most of the ministers would be uncertain whether their Chinese college would continue at the post, which means that developing relations may be waste of time.

### **6.11. Preparation & Analysis**

Naturally the respondents from the Danish authorities emphasised their comprehensive preparation of each meeting and argued that every decision were based on analysis. Some respondents claim that a lack of analysis by the authorities exists and that poor preparation could harm the results of visits. Besides this suggests that some of the Danish authorities also lack expertise on Chinese culture and structure, and that the authorities lack knowledge about the companies' interest. The lack of expertise can be explained by the limited scope of resources in a small state to make comprehensive analysis. The high speed of interaction in 2012 has put a high pressure on the workload of the Danish authorities. According to Nis Høyrup Christensen, Consultant at Confederation of Danish Industry, more analysis of common interests and areas for potential cooperation would improve the Danish initiatives. This means that there should be an analysis to understand the different Chinese strategic sectors, where Danish companies have a potential, and whom in China it would be valuable to meet in order to realize the potential. More comprehensive preparation before visits could potentially improve the value of visits. The significant high number of visits in the fall 2012 has created a pressure on resources for preparing activities. Another area for increasing analysis could be that

the authorities provide a comprehensive analysis of the Chinese Five-Year-Plans where potential for Danish companies are mapped. Individual companies can pay the authorities to analyze the Five-Year-Plans. Though the China strategy deals with potential for business in Chinese policies to some extent, it could be relevant to choose ministry plans or provincial Five-Year-Plans to further analysis available for companies.

Many of the respondents expressed great satisfaction with the work by the Danish officials in China to prepare ministers. In extension to this both more financial resources and man power were demanded by the interviewed companies<sup>57</sup>. Scarce resources are simply determining the level of preparation possible. It seemed that the respondents mostly involved with the Danish authorities in China, had the most positive assessment of the level of preparation and professionalism. Many of the respondent wished that more financial resourced were allocated to fulfil the strategy<sup>58</sup>. As Fleming Voetmann, Director, Head of Public Affairs & Media Relations at Novozymes said

“It is very positive that the government has increased the focus on growth markets but more financial resources or man power to the government’s work would be very welcome”

Also participants in the Prime Minister’s delegation have expressed lack of financial resources allocated in the government’s strategy as both CEO in the Confederation of Danish Industry, Karsten Dybvad and CEO in the Danish Food and Agriculture Council, Søren Gade stressed that resources were missing (Elers, 14.09.2012). Jan Lausten, Director Trade & Market Relations at Danish Agriculture and Food sums up a view that many of the respondents shared:

“It is good with a BRIC strategy but it is more problematic when you create a big strategy without money assigned. It is a challenge. It risks being old wine on new

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<sup>57</sup> The Liberal party in Denmark suggested additional 70 mio DKK assigned to export promotion in the fall 2012 but this was not agreed upon. In the spring 2013 additional 25 mio. DKK yearly in 2013 and 2014 suggested by the government as a part of new policies, but as this amount is to cover all BRIC countries it means in practice a rather limited extra resource (if it is agreed upon). It should be emphasized that the respondents argued that some of the ministries found alternative ways to secure a budget for export promotion to China.

<sup>58</sup> If one compared the financials resources supporting the Danish strategy with the Swedish it is rather low in Denmark. Sweden has a strategy (2009-2013) for developing relations to China with a yearly budget at 50 million SEK (Sweden Abroad – China webpage).

bottles. Many of the ministries have themselves tried to find resources, but it is difficult to realize the strategy”

## **6.12. Coordination between Actors**

Through different interviews it was repeated that coordination, or the lack of it, was the greatest weakness in the government’s China initiatives. Almost all the interviewed companies mentioned this weakness. It is therefore useful first to consider the coordination. The current parliamentary system in Denmark (2012) is governed by a coalition government with three parties, which is responsible for the government’s coordination. Thus, the single ministers have autonomy to act and take initiative for their area. To some extent, this system can be characterized as a decentralized open system of coordination. Some of the ministers have responsibilities according to the government’s China strategy. Thus, the China strategy indirectly coordinates activities of the government. The ministers can structure how they fulfill their responsibilities since no single person, ministry or unit have authority to dictate the timing of visits. Though there is no evidence suggesting politicians have a democratic discussions on which companies’ participation that should be prioritized. One would have expected that the Prime Ministry or the Ministry of Foreign Affairs would have been logical to make an overall coordination. However the Prime Minister’s office only consists of less than a hundred people and the Danish Ministry of Foreign Affairs has been budget-cut in the last couple of years. The Danish Embassy has been a key driver in the coordination between the different ministries. The Embassy has provided counseling on timing and scheduling of the different ministers visits in order to avoid collision and also ensure that the timing matched the Chinese counter parts possibilities.

Though an overall coordination is exactly what the companies are longing for, Morten Dyrholm, Director, Policy Advisor, Group Government Relations at Vestas, highlighted coordination as an overall missing link: “There is a need for coordination between ministries. I can see a lot of initiatives but these are rarely well-coordinated”. The claim of better coordination is a call for better planning, and an understanding of the link between the visits. A similar view is expressed by Henrik Martens, Relation Development Director at Rockwool International:

“The main challenge is all the actors: the ministers, lord majors and all good people from Denmark willing to strengthen the relations to China. It is often for the same 15-

20 companies they [the actors] do it for. This makes the main challenge to secure coordination of all these good initiatives so that it [visits] is actually contributing to implementation of our local organizations' strategy and plan”

Henrik Martens notes that the result of no coordination means that some visits lack business representatives despite invitations by the officials. An example of this was when the Lord Mayor of Copenhagen, Frank Jensen, visited Beijing in 2012. It seems as the respondents would prefer to get a preliminary calendar for minister visits e.g. for every half year. Many respondents called for more inclusion of business in coordination. Other respondents opposing told that they always were included in coordination and that the authorities were very open-minded to take companies' inputs in to consideration. This either suggests that the authorities treat companies very differently, or that some companies are eager to make positive relations to the authorities and therefore hesitates to criticize the actions of the government.

Some of the respondents called for bigger visits, a model there is seen when bigger European countries visits China and the Head of state brings a number of ministers at the same time. It is a well-known fact that the German Chancellor Merkel visits China frequent and at least once a year where a large business delegation often participates (A special relationship emerges, 2012). The European countries have in general become more aggressive in searching for growth in emerging markets where China is a popular destination for commercial diplomacy (Echague, 2012). In the last couple of years countries like Germany, Spain and United Kingdom have enhanced its focus on commercial diplomacy by increasing export promotion through bilateral agreement with emerging markets and minister visits (Echague, 2012). It may be difficult to convince the Chinese about welcoming a large Danish delegation, because of the limited size of Denmark. Morten Dyrholm, Director, Policy Advisor, Group Government Relations at Vestas, argues that

“Denmark is behind other European countries where they [the other countries] have rules such as Ministers goes to China minimum once a year and the most important ministers go many times. Denmark has not been good enough”

Nevertheless, the fact that so many states are so interested in China may make it difficult to schedule a meeting with the Chinese authorities. It also makes the competition for getting China's attention fierce. Torben Ladegaard, CEO at FOSS,



comment on the challenge “Every minister in the whole world is coming to China so you cannot turn your back for many seconds before you are forgotten”.

Though the companies stress the importance of many ministers visiting China despite the many resources the companies also use. Thomas Koniordos, former President at Danfoss China explained:

“The more often ministers comes the better. Yes, it is time consuming and not easy because the schedule is changing around but it is a very important aspect of building business relationships”

Humphrey Lau, CEO Grundfos China, and Chairman of Danish Chamber of Commerce China, shares this view “The current government has made a massive action, which we have really this fall”, and adds that there is a minister almost every week visiting China, and that the Embassy has never been so busy. Indeed this observation seems to be true, as also the Chinese have noticed the many Danish ministers’ visits in 2012. Han Xiao dong, Commercial councilor at Chinese Embassy in Denmark said “this means that Danish politician also attach importance to Chinese market”.

Many of the respondents directly referred to Germany indicating that Denmark ought to do the same. It is though questionable whether it is possible for a small open state just to do as Germany –Denmark simply lacks momentum to create the same attention from China. Nevertheless, Germany has also become increasingly dependent on trade relations not at least with China (Kundnani and Parello-Plesner, 2012). To some extent, given the power balance shifts the world economy is witnessing these years, even a country like Germany seems to become small – at least compared to China. This means that the smaller open European states experience competition on export even by the usually larger states. Thus, small open states such as Denmark then need to act more competitive in order to succeed with attracting contracts.

According to Ambassador Friis Arne Petersen Denmark has managed to send more ministers and representatives from the Royal family to China in 2011 and 2012 than competing countries such as Sweden and Finland. In comparison only 6-7 Swedish ministers visited China in 2012, which is half many as the number of Danish ministers. Denmark has been able to ensure that the Danish ministers often met with

more than one Chinese minister during the visits, which is significant as it illustrates a strong Chinese interest in building the bilateral cooperation. The Chinese interest is based on recognition of the Danish business and technology excellence in a number of sectors, which the Chinese prioritize, as well as the substance of Danish policies in areas like environment, energy and sustainability in general. Finally Denmark has had the advantage of the strategic partnership agreement from 2008. Ambassador Friis Arne Petersen expects the high political interaction between Denmark and China these years will lay a new foundation and will have a positive impact on the trade volumes in the long run.

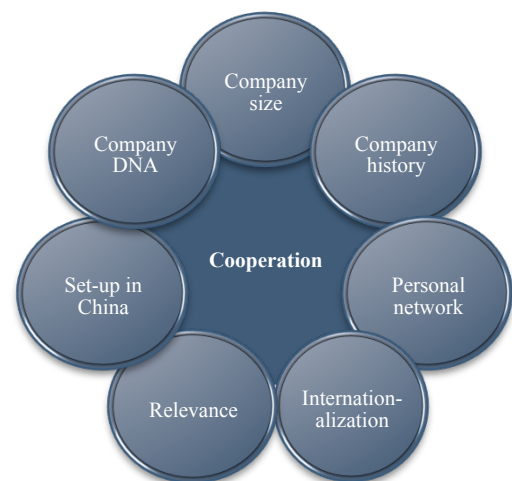
An interesting finding was that companies used the minister visits to discuss issues not related to China. The impression was that it was easier to get a dialogue with ministers when they were in China, and companies used this opportunity to take up topics that they had difficulty to get the minister's attention on in Denmark. The ministers seemed more willing to listen in China. To participate in a business delegation therefore also means exclusive time with the minister. The respondents overall said that the most important was that their business in China there benefited from the visit.

### 6.13. Cooperation between Business and Government

The cooperation between business and the Danish authorities should be considered as a variable to make the commercial diplomacy successful. The interviews indicated that the companies cooperation with Danish authorities on China initiatives depend on numerous factors (*see figure 7*).

First of all the *company's size* matter. The Danish ministers have focused on large Danish corporations. Second, the *company's history* is important. Some companies are more popular to collaborate with than others, since it seems to be an important factor whether the company is well known in Denmark. Third, the *company's network* is of significance. As mentioned before, companies

Figure 7: Cooperation



there are regularly making use of the Embassy's service and thereby have good personal relations to authorities and seem more likely to be included. Fourth, the *internationalization* stage of the company is also relevant. Most of the companies who are selected and cooperating with the Danish authorities are highly internationalized already. This should be seen as a result of the choice on large companies, who are often more internationalized. Fifth, the *relevance* of the company must be in place. It is only logical that participants in a given minister delegation must be within a relevant industry, though it is important to note that some companies maybe are 'ministry homeless'. Sixth, the *set-up in China* makes a difference. The establishment stage thus is relevant here, since the more developed local organization may become less dependent on the services and therefore prioritize cooperation with the authorities less. At last, the *company's DNA* will also influence the relevance of cooperation with the authorities, as with some sectors it is more relevant or necessary to be associated with the Danish authorities. This includes sectors with domination of Chinese SOEs or public procurement.

It was also found that companies participated in order to show the Danish government their support. Some respondents told that they did not always benefit from specific events but the motivation for participating was to give prominence to the minister's visit and signal that they appreciated the government's efforts. The participation of a business delegation can be used strategically by the government to signal that they help the national companies (Nitsche, 2007). The choice of companies in some visits suggests that government indeed prioritize companies, which could add prestige to the delegation. The companies also used the visit to improve cooperation with the government. According to Rasmus Bjørnø, Head of Section at Ministry of Foreign Affairs companies participate when they benefit them self:

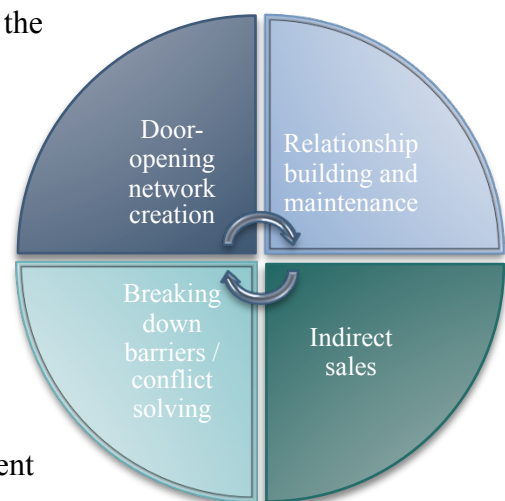
“Companies only participate if they can see a bottom line result in the short or in the long run. They do not do it for us [authorities] and it should be like this way. The purpose of these activities [minister visits] is to promote the interest of Danish companies. If this ambition is not fulfilled the strategy should be revised. The goal is to promote Danish companies interests and the activities are targeted to achieve this goal”

This indicates that there exists a mismatch between the actual motivation by companies and the government's conception of the companies' motivation. If the

government wants to make the interaction beneficial for companies the government must consider adapting the approach. It is important to emphasise that the companies appreciated the government's efforts and many of the respondents thought that the current government had improved the Danish approach to China<sup>59</sup>. Here, it is interesting that the government in Denmark in 2011 shifted to a center-left coalition<sup>60</sup> after a decade with a political right government<sup>61</sup>. Although the right-wing government established the strategic partnership agreement it is clear that the current government has prioritized minister visits higher and commercial aspect in its relations to China. This suggests that center-left politicians are more willing to promote business and cooperate with business compared to politicians from the Liberal Party and the Conservative Party. Lack of willingness might be explained by the fact that commercial diplomacy is a respond to market failure (Yakop and Bergeijk, 2009).

The role of the ministers can be characterized as *generalists* as described in the theoretical part, where their task can be characterized as *representation*. The minister provides the input for the process of commercial diplomacy as they drive political focus and strategic policies and they contribute later in the process through export promotion, bilateral meetings and agreements. Overall the role of ministers can be divided between *door opener*, *relationship builder*, *seller*, and *conflict solver* (see figure 8). It should be emphasised that the ministers can take on different roles during visits.

Figure 8: Roles



<sup>59</sup> Some of the interviewed companies also expressed that it could be value creating to cooperate through Danish regions and cities. Many of the companies highlighted this kind of promotion of Danish companies because of the narrow local focus in China. A limitation of this kind of cooperation is that the local Danish authorities have limited resources assigned to China related activities, and that their experience on the matter often is limited. Nis Høyrup Christensen, Consultant at Confederation of Danish Industry suggested that the Danish cities becomes more creative when taken advantage of agreements with Chinese cities, so that companies from a greater geographic scope in Denmark are invited and exposed to establish valuable contacts with the Chinese.

<sup>60</sup> The government taking office in October 2011 was lead by the Social Democratic Party and included the Socialist People's Party and the Social Liberal Party.

<sup>61</sup> The government 2001-2011 was lead by the Liberal Party and included the Conservative Party.

The *door opener role* consists of creating valuable new contacts to companies. The companies do not necessarily always have to be participating but can simply refer to the meeting and the established contact to new Chinese partners. Minister of Environment, Ida Auken is an example of a door-opener.

The *relationship-building role* was very popular among companies and many respondents claimed that the result of the great interaction in 2012 had had a positive indirect effect on Danish-Chinese relations. In addition the ministers can facilitate maintenance and partnership care for the companies. Hence, the government should pay attention to continue to develop relations with Chinese partners and the ministers should acknowledge the importance of this role. This year many of the ministers have prioritized relationship building tasks, e.g. the Minister of Food, Agriculture and Fisheries, Mette Gjerskov, has supported companies building of relationships.

The *role as a seller* is abstract. The companies do not expect the ministers to be responsible for direct sale but some of the respondents considered indirect sales as a part of the task of a minister. This should be understood as an expectation to the minister to conduct action, which potentially could lead to contacts. To some extent the Minister for Environment, Ida Auken can be characterized as a seller as she has provided concrete examples of Danish technology relevant to Chinese challenges.

The *conflict-solver* has a significance in discussing challenges pro-actively with the Chinese minister while maintaining good relations. This requires a good personal relationship. The Minister of Trade and Investment, Pia Olsen Dyhr, is the best example.

Based on the findings in this part, the next part will provide some suggestions for initiatives, which could improve the Danish commercial diplomacy.

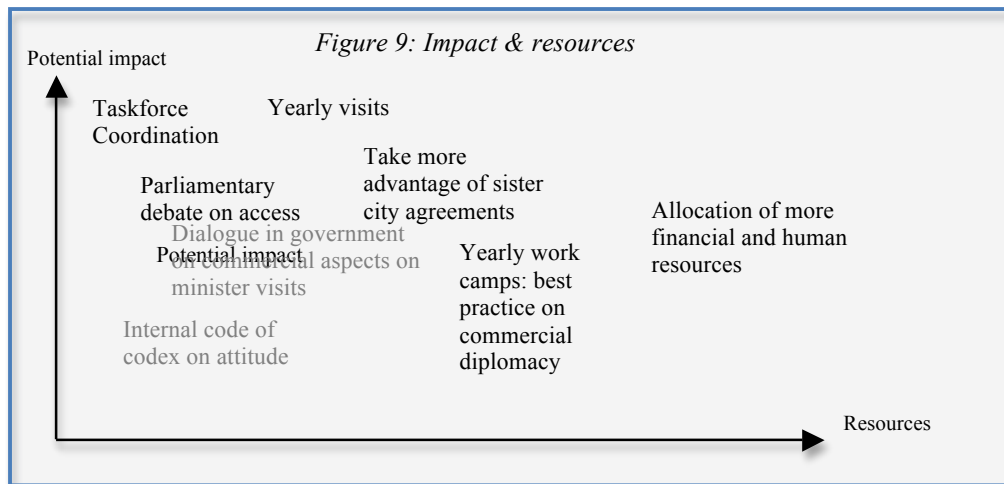
## 7. Optimization Initiatives & Future Scenarios

Through the evaluation of Danish approach of minister meetings a number of limitations were found. This part elaborates on limitations, problems, solutions and risk migration (*see table 27*).

*Table 27: Initiatives for optimizing the approach*

Limitation	Problem	Solution	Risk mitigation
Lack of human resources	The China strategy promise a lot but resources in the action plan are scare.	Allocation of sufficient human resources by reorganizing different ministries.	A small open state has scare resources to fulfil tasks especially in time of economic crisis.
Lack of financial resources	The assigned financial resources to the strategy are minimal compared to the ambitions.	Allocation of sufficient financial resources. Compared to the possible return the investment is small.	A small open state has scare resources to fulfil the task –in times of financial crisis can prioritization be a tricky exercise.
Lack of coherent coordination	There seems to be a desire among business to make better coordination.	Make a task force with politicians, officials and businesses. Preliminary half-year plans.	There might be hesitations to make more transparency as well as risk of power struggles.
Unfair selection process	Some companies have easier access. Lack of tangible criteria and recognition of access is a political choice	Make an inclusive parliamentary debate based on feedback from companies to evaluate whether the right companies have access.	This requires structural changes in the institutions, which may be difficult to implement because of bureaucracy.
Lack of best practice	There seems to be no best practice sessions to improving practice	Improve best practice of commercial diplomacy through yearly work camps for actors.	Opposition to make organisational changes can be high in the Ministry of Foreign Affairs.
Negative attitude by some ministers	Some ministers seem to have a lack of understanding of the Chinese mind-set	Ensure that all ministers understand the Chinese culture through an internal code of codex and discussions.	High differences between home and host country. Public pressure for addressing human rights issues etc.
Lack of geographic focus	Often a focus on China as one market instead many	Use city partnerships	Lack of professionalism and experience to make an impact.
Lack of promotion of commercial interests	Some of the ministers seem unwilling to promote Danish business interests in China	Ensure that all ministers include commercial aspect through dialogue internally in the government	Ministers might be unwilling because of ideological reasons and pressure from the public opinion.
Slack in previous years	Denmark has been behind its neighbour countries	Prime Minister visit China yearly, as well as all relevant ministers	The public opinion pressures for the ministers to focus on other areas.

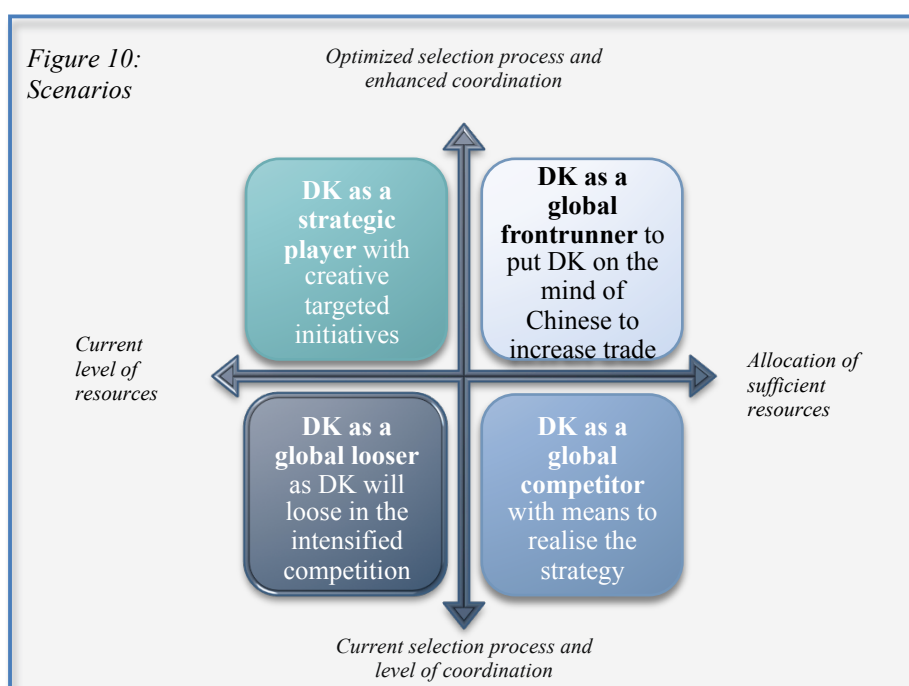
Though all suggested solutions could make a potential impact on the possibility to realize the targets of the China strategy the suggestions differ in potential impact and in the resources required to implement them (*see figure 9*).



The two grey initiatives indicate that these might be unrealistic to implement since it is likely that politicians and the public will find it controversial and taken strictly from an economic interest it is wise to avoid public criticism of China. Similar it is uncertain whether the ministers will comply with pressure for including commercial aspects. Based on the mapping of the effect versus the resources three initiatives stands out as being critical to implement:

- a) Allocation of sufficient resources because the scarce resources are the biggest threat to realize the target for increase trade to China
- b) Optimized selection process for getting access
- c) Enhanced coordination immediately

These initiatives are based on the weakness of Danish commercial diplomacy the respondents highlighted. See figure 10 illustrating scenarios:





The scenario '*Denmark as a global competitor*' is the current approach but with a bigger budget assigned. This may be enough to realize the targets of increasing export, but it is still not an ambitious strategy. However, it will mean that the China strategy is not only empty promises, but it will mean that concrete action can be followed up through sufficient resources in terms of man power and financial means.

The scenario '*Denmark as a strategic player*' considers the scarce resources available but implements relative easy instruments to adjust the initiatives. In this sense, this scenario is more realistic, as it through creative initiatives ensures that companies, who need support, will be considered and that coordination between actors takes place. It is a better application of available recourses.

The scenario '*Denmark as a global looser*' is business as usual. The launch of a China strategy was a significant step forward but it seems to be too little and too late compare to the action of competing states. As a small state, ambitious steps is required if it is to succeed. A small state like Denmark does not takes advantage of the growth potential simply by following the current road.

The best scenario '*Denmark as a Global Frontrunner*' is based on sufficient allocation of recourses as well as a optimized selection process of companies' access and an enhanced coordination, which will increase the possibility to brand key Danish business competencies. The already implemented strategy will be adjusted to actually realize the targets which will result in a strengthen approach towards China. This will not only benefit business but also Denmark as a small state, and its ability to generate growth and employment. This approach will be the optimal one to make successful commercial diplomacy. To some degree it will ensure that Denmark as minimum does as much as its competitors to capture and take advantage of the Chinese growth.

The Danish China approach in 2012 is an improvement but further initiatives are urgent to implement in order to increase competitiveness in terms of increasing export to China.

## 8. Conclusion

The existing Danish approach of commercial diplomacy is not original in its design and the strategy from the Spring 2012 is significantly inspired by best practice from countries such as Germany or Sweden. This master thesis is the first academic analysis of the Danish commercial diplomacy. In addition lessons learned from the Danish case are relevant to other small open states. This thesis explored: *How does Denmark use commercial diplomacy towards the Peoples Republic of China and how do minister visits benefit Danish business growth opportunities?*

Denmark has used minister meetings as a key tool to increase the bilateral trade with China. The paradigm shift towards a more proactive commercial diplomacy approach by the Danish government should be seen in light of the slack in the previous years causing disappointing export results compared to European competitors. The respondents seemed confident that the more frequent minister meetings would have a positive effect on export. Despite that the results in terms of turnover, growth and job creation are awaiting, it is still important to evaluate the single initiatives and constant monitor the success in order to ensure effective use of the authorities' resources. If, the Danish government means business, it is urgent that the government improves coordination and allocates more resources as well as re-consider access for business. The government should also ensure that the business partners contribute to domestic growth in order to make value for money. A surprising finding was the companies' different motivation to participate in minister meetings. This means Danish companies have to travel around the world in order to discuss domestic policies, not to mention the waste of opportunities to make meaningful actions in China to the benefit of business and the Danish economy. Especially, the motivation of supporting the Danish government was a surprise, as the government reports the reversed intention. This mismatch of motivation and intentions makes it urgent for the different stakeholders to discuss their interests in order to promote the authorities adapting to business interests.

In the case of the cooperation between business and authorities in Denmark evidence indicated unexpectedly an unfair prioritization of companies. From the companies' perspective it would be relevant to call for a more objective selection process and

more solidarity, to make sure it is not the same businesses participate repeatedly, and that participants in urgent need for government support are being considered. Most importantly commercial diplomacy must aim at supporting business - not the government.

To other small open states are a number of lessons learned from the Danish case: a) the key to the Chinese interest is to match the Chinese interest with national competitive business advantage and then communicate this, b) establish a strategic partnership agreement based on this match, c) take advantage of being a small state means that it can be easier to coordinate, and d) ensure a high prioritization in the government and among ministers, and visit the Chinese continuously. On the positive side the Danish China approach has the ability to create a story about the long history of good relations, which seems to be appealing for the special characteristics of China's culture and the embeddedness between business and politics. This makes it relevant for small open states to consider the use of story telling of the relationship, when deepening commercial relations. In order to fully apply lessons learned from Danish commercial diplomacy comparative studies of other small open states must be conducted. Though this study explored many interesting findings, it would be interesting to broaden the scope and do a comparative study between different small open states and emerging markets, in order to provide more guidelines of best practice of commercial diplomacy.

The academic field lacks comprehensive studies of minister meetings, which is problematic given its high status in diplomatic practice and its potential importance for the European search for future growth. The findings of the attitude's implication for successful cooperation are relevant for other states. Indeed many of the European countries struggle to find a balance between critique and economic interests. The consequences of critic or negative attitude are especially important for small open states to consider, as their voice may be less vocal to the Chinese. In other words, it may not be worth taking the economic risk of criticizing China, if the message is not conveyed.

The slack in the previous Danish approach to China, compared to competing countries, is by no means a stand-alone issue. Denmark has an export gap to countries

such as the other BRIC-countries, emerging markets in Africa, and Turkey, according to the Danish Minister of Trade and Investments. With the Danish government's launch of a number of growth strategies similar to the one on China, the same weakness as was found in the case of Denmark's commercial diplomacy to China might exist in other cases of Danish commercial diplomacy. Further research on the Danish approach to countries where a growth strategy has been initiated, can be conducted to confirm this hypothesis.

The paradigm change in 2012 has definitely improved the Danish commercial diplomacy. However, if Denmark wants to become a global frontrunner of commercial diplomacy, it is urgent that the current approach is strengthened in order to make the strategy for commerce. Initiatives such as increased financial resources, man power, optimized selection criteria and strengthened coordination must immediately be implemented. These initiatives could boost the Danish growth and contribute to job creation – which the Danish economy urgently needs.

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## Appendix 1: Interview guide

Focus on Ministerial meetings in 2012 and the role of the Danish government related to trade relations and actions to improve trade.

Mapping: Collaboration between business and government? Participation in business delegations? Expected outcome? Why it is important? Future scenarios

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### Involvement

Have you been involved in the CN-DK events this year...?

- BRIC strategy
- Hu Jintao
- HTS
- Other meetings/business delegations
- Joint committee
  
- Planning?
- Coordination?
- Advisory?
- Participation? Selection process?

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### Role of government

How would you characterize the role of the Danish government?

- Politicians?
- Officials? (different level)
- Expectations vs. reality
- Representation?
- Direct sales vs. door opening

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### Benefits

Does the official Sino-Danish relations 2012 influence your company's China activities?

- When and how will you benefit?
- Necessity?
- Where? → link to Danish activities/benefits for "Denmark"

What is most valuable?

- Ministerial visits.....?
- Satisfaction with activities?
- Suggestions (future)

Impact on Danish society

## Appendix 2: Variables

Criteria of success of the government's initiative	
Explanatory variables of individual cases	
<b>Access</b>	The choice of access to meetings and visits How open are the authorities to include business? Are companies allowed to participate in the visit? And what kind of companies is invited? Is it for many or for a few there are chosen to participate?
<b>Attitude</b>	The attitude by the Danish represent towards China is important for the success and the ability to establish good relations: How does the minister in general act towards China? Are there good personal relations to the Chinese minister? Is the relation respectful?
<b>Agenda</b>	The agenda must be relevant in order for business to be valuable. Shortly, do the companies find the agenda relevant and meaningful? Is the agenda broad branding or targeted at specific projects and themes? Do the minister meet with the right people?
<b>Commercial aspects</b>	The degree of commercial aspects influence successful: Does the meeting include commercial aspects? Is a business delegation participating or are companies included otherwise? Is the minister willing to focus on commercial aspects?
Dependent variables of individual cases	
<b>Long-term value</b>	The success can be short-term wins, or it can be long term value creating: does companies find the activities meaningful and can they see a long term value. Will it generate revenue?
<b>Open doors</b>	Some visits open new doors: does the visit help with door opening and have the companies a possibility to meet new network contacts. Is the visit/meeting organized so that proper matchmaking between relevant Chinese partners and Danish partners is possible?
<b>Push orders/ contracts</b>	Some visits include signing of contracts and the role of the minister is important to consider: does the visit contribute to the finalization of contacts?
<b>Partner care</b>	The companies favour value-adding activities for their partners: can the companies use visits to maintain good relations? Can the companies' partners participate in events?
Explanatory variables of collective action	
<b>Increased visibility</b>	Media attention is also a variable: can the companies brand themselves? Does the visit attract media attention and is the companies benefitting from this?
<b>Timing</b>	The timing of visits is of importance: is the timing useful for the companies? Is the notification sufficient?
<b>Preparation</b>	The preparedness of visits is of importance: are the companies perusing the meeting as well prepared? Is the minister sufficiently prepared for the visit?
<b>Coordination</b>	Overall coordination can secure a coherent action plan, so that the companies have a chance to make value from visits: is the visits thought of as single visits or a part of a collective action? How does the overall coordination of the meetings pace fit with this meeting?
<b>Cooperation</b>	The cooperation between Danish authorities, companies and interest organisation is essential: how is cooperation functioning? Is the minister and ministries including business?