



# **Shared Commercial Diplomacy:**

## **SME Internationalization, Collaborative Ecosystems and the Future of Trade Governance**

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### **Introduction**

The internationalization of small and medium-sized enterprises (SMEs) has become a central challenge in contemporary trade governance. While SMEs represent the overwhelming majority of firms in most economies and generate substantial employment and innovation, many remain domestically oriented and face considerable difficulties when attempting to access foreign markets. Traditional approaches to trade promotion and commercial diplomacy have often focused on tariff reductions, trade negotiations, and support for large exporting firms. Yet the realities of globalization, digitalization, fragmented value chains, and increasingly complex regulatory systems suggest that such approaches are no longer sufficient to explain how SMEs successfully internationalize.

### **From Classical Commercial Diplomacy to SME Ecosystems**

Recent experiences from several countries indicate that SME export success increasingly depends not only on firm-level competitiveness but also on the existence of broader collaborative institutional ecosystems. These ecosystems include chambers of commerce, export promotion agencies, intermediary

organizations, universities, cluster associations, municipalities, digital trade-support systems, and diplomatic-economic networks. Together, these actors help reduce the informational, financial, technological, and organizational asymmetries that often prevent SMEs from entering international markets (World Bank, 2018; OECD, 2023).

### **Shared Commercial Diplomacy**

This emerging reality points toward the development of what may be termed “shared commercial diplomacy.” Rather than viewing commercial diplomacy solely as the activity of embassies and state representatives promoting national commercial interests abroad, shared commercial diplomacy emphasizes the collaborative internationalization of SMEs through coordinated regional and institutional ecosystems. In this perspective, export capacity is not simply an attribute of individual firms but is increasingly embedded within networks of cooperation, support services, and institutional coordination.

### **SMEs and the Importance of Collaborative Internationalization**

The roots of this phenomenon can be traced to the industrial districts of Northern Italy, particularly in regions such as Emilia-Romagna, Lombardy, Veneto, and Tuscany. Research by Alfred Marshall, later developed by Giacomo Becattini, demonstrated that geographically concentrated SME systems could generate substantial competitive advantages through localized knowledge sharing, supplier specialization, social trust, and collaborative export strategies (Becattini, 1990). Piore and Sabel (1984), in their influential work *The Second Industrial Divide*, further showed how systems of “flexible specialization” allowed smaller firms to remain internationally competitive through cooperation and specialization rather than mass production.

Michael Porter’s cluster theory subsequently reinforced these observations by arguing that geographically concentrated interconnected firms and institutions generate productivity and innovation advantages through shared infrastructures, knowledge spillovers, and supplier specialization (Porter, 1990). Similarly, Schmitz (1995) introduced the concept of “share efficiency,” emphasizing how SME clusters can share and achieve capabilities that would be impossible for isolated firms operating independently.

Italian SMEs frequently organized export consortia, joint participation in international trade fairs, collaborative branding initiatives, and shared international representation. Although firms continued to compete with one another, they

simultaneously cooperated in ways that strengthened their shared international competitiveness. This phenomenon became associated with concepts such as “share efficiency,” “flexible specialization,” business diplomacy (Saner & Saner-Yiu, 2014) and later “coopetition.”

### **Shared SME cooperation**

Importantly, the Italian experience suggests that SMEs often internationalize as a group rather than individually. Their success depended not solely on entrepreneurial initiative but also on dense territorial ecosystems composed of local authorities, vocational training systems, cooperative banks, chambers of commerce, and intermediary support institutions. The resulting forms of shared entrepreneurship allowed relatively small firms to achieve export capabilities comparable to those of much larger corporations.

Comparable developments can also be observed in other national contexts. Switzerland, for example, has developed a highly networked export-support system involving Switzerland Global Enterprise (S-GE), SECO, Swiss Business Hubs, embassies, chambers of commerce, and cantonal institutions. Evaluations conducted by SECO on export promotion and SME support systems highlight the importance of intermediary institutions and coordinated governance structures in facilitating SME internationalization (Swiss SECO evaluations on export promotion and SME support systems).

Similarly, Singapore has constructed a coordinated state-business ecosystem integrating export promotion, innovation policy, digital trade governance, and international business development. In both Switzerland and Singapore, SME internationalization is supported through collaborative institutional arrangements rather than isolated firm-level initiatives.

The United Kingdom presents a particularly interesting case for examining the emergence of shared commercial diplomacy within a liberal market economy. Although the British model differs significantly from the socially embedded industrial districts of Northern Italy, several UK regions have developed collaborative SME ecosystems linked to regional industrial policy, cluster development, and innovation governance. The North East Process Industry Cluster (NEPIC), for example, has organized joint trade missions, cluster-to-cluster international cooperation, shared export support services, and collaborative international branding for SMEs (NEPIC cluster documentation and UK regional cluster studies). Similar dynamics can be observed in Scotland, Greater Manchester, Sheffield, and other regions where intermediary institutions, regional

partnerships, and local development strategies have sought to strengthen SME internationalization.

### **Regional Political Economies and Institutional Cultures**

Recent policy initiatives linked to cooperative development and regional governance in the United Kingdom also point toward growing recognition of collaborative economic models. The *Co-operative Growth Strategy* developed by Co-operatives UK (2025) emphasizes the importance of local ecosystems, institutional partnerships, and regional cooperation in fostering sustainable economic development and SME resilience.

These developments suggest that SME export success may depend partly on what regional development scholars describe as “institutional thickness,” namely the density of collaborative organizations and intermediary support systems within a region. Such institutional ecosystems may include chambers of commerce, universities, cluster organizations, vocational training systems, local authorities, innovation agencies, and export-support institutions. Regions characterized by stronger traditions of collaborative governance and institutional coordination may therefore be better positioned to support SME internationalization and shared export capacity.

### **WTO, MSMEs, and Future Research Directions**

This perspective also intersects increasingly with contemporary debates at the World Trade Organization (WTO), the International Trade Centre (ITC), the OECD, and other international institutions. The WTO’s growing focus on MSMEs reflects an important shift in trade governance away from a narrow concentration on tariff reduction toward broader concerns regarding trade facilitation, digital trade, information asymmetries, and inclusion. The WTO’s *World Trade Report 2016: Levelling the Trading Field for SMEs* explicitly recognizes that SMEs face disproportionately high trade costs and require enabling ecosystems in order to participate effectively in international trade (WTO, 2016).

### **Commercial Diplomacy as Multi-level Governance**

Similarly, the World Bank’s study *The Anatomy and Impact of Export Promotion Agencies* emphasizes the importance of institutional coordination, export promotion agencies, and intermediary support systems in facilitating SME participation in international trade (World Bank, 2018). The OECD’s *SME and Entrepreneurship Outlook* likewise highlights the growing importance of

coordinated innovation systems, digital infrastructures, and collaborative institutional frameworks in supporting SME competitiveness and internationalization (OECD, 2023).

The International Trade Centre (ITC), through its *SME Competitiveness Outlook*, further demonstrates that SME export performance increasingly depends on access to trade information, standards compliance, digital services, logistics systems, and institutional support mechanisms (ITC, *SME Competitiveness Outlook*).

### **Services as the New Foundation of SME Internationalization**

The growing importance of services further reinforces this transformation. SME internationalization increasingly depends on access to logistics services, digital trade platforms, standards certification, trade finance, legal advisory services, cybersecurity, AI-enabled trade tools, and market intelligence systems. As a result, services are no longer peripheral to trade governance but are becoming central enabling infrastructures for SME participation in global markets. This has important implications for future WTO debates, particularly in relation to services trade, digital governance, and SME support systems.

The concept of shared commercial diplomacy therefore offers a potentially useful framework for understanding these evolving dynamics. It allows trade governance to be analyzed not simply in terms of national trade policy but also through multi-level systems involving firms, intermediary organizations, regional ecosystems, national institutions, and global governance structures. Such an approach may be particularly relevant in an era characterized by digital transformation, geopolitical fragmentation, sustainability pressures, and increasing demands for resilient local economic systems.

Future research could further explore comparative cases of shared commercial diplomacy across different institutional contexts, including Italy, the United Kingdom, Switzerland, Singapore, Korea, and Nordic economies. Comparative analysis could examine how regional institutional cultures, intermediary organizations, cluster systems, and collaborative governance structures shape SME internationalization capacities. Additional research could also investigate how AI, digital trade platforms, and emerging services ecosystems are transforming the future of SME commercial diplomacy.

### **Conclusion**

Ultimately, the growing importance of collaborative export ecosystems suggests that the future of SME internationalization may depend less on isolated firm-level competitiveness alone and more on the shared capacity of regions and institutions to construct enabling environments for international economic participation. In this sense, shared commercial diplomacy may represent an emerging form of governance suited to the increasingly interconnected, service-oriented, and digitally mediated realities of twenty-first century trade.

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