

# Economic diplomacy



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**Economic Diplomacy becomes a Foreign Policy tool of Coercion.**

‘Economic diplomacy’ assumes under itself the diplomatic official actions, concentrated on an increase in the export, the attraction of foreign investments and participation in the work of foreign economic organizations, that is, the actions, focused during the confirmation of the economic interests of the country at the international level. To what extent does information on the true role of economic diplomacy on international interrelations, its working methods, ways, means, the final analysis, and the effects, achieved by the mobilization of its possibilities? The answer to this question depends mainly on the perception of contemporary diplomacy. Generally, the role of the economic relationships of business, trade, finances and information technology, in relation to the context of globalization (exchange, production, markets, financial flows), in this ever more interconnected world, and by the formulation of the basic problems before the diplomatic services, – rapidly and adequately react to the changes in the world community. The realization of its position in this question dictates the appropriate development of economic diplomacy and its role in the structure of state administration within the country.

The concept ‘Economic diplomacy’ is very broad in today life. Because of what this scientific direction is deprived features of inherent in it, boundaries become washed away, that pass into the object of economic, political, diplomatic, strategic or other disciplines of international relations and foreign policy. Attempts at the determination of economic diplomacy were undertaken recently by many foreign researchers. Some of them see it the scientific direction, which studies the complexities of commercial, economic

relations and diplomacy while also interacting between themselves and having an effect on the foreign economic policy states.

‘ Brief Foreign Economic Dictionary’ defined economic diplomacy as: “ the specific region of contemporary diplomatic activity, connected with the use of economic problems as object and means of combating and collaborating the international relations. Economic diplomacy, as diplomacy is, generally, the component part of foreign policy, international activity of states; specifically, foreign policy determines purposes and tasks of economic diplomacy, which is the totality of measures, forms, means and methods, utilized for realizing of foreign policy”. In many dictionaries is mentioned only a number of the related with the economic diplomacy concepts, for example “ dollar diplomacy”, “ textile diplomacy” (Краткий внешнеэкономический словарь. 1984).

Commercial activity has always been an area of importance in diplomatic servicing, while its means, methods and purposes determined the actual moment of history. Several decades ago, commercial activity estimated as the actions of the so-called political diplomacy. Professional diplomats, who work in the sphere of strictly political intergovernmental interrelations, had higher level and perfect reputation in comparison with the commercial of attaché (Bayen, N. and Woolcock, S. 2003). To examine the origin of diplomacy generally, then it will reveal that the trade was a fundamental stimulus for crossing the national boundaries in those days and development of interaction between the nations. Historical examples confirm that the intensive trade, adjusted by commercial agreements was inherent in the civilizations of antique Egypt and West Asia. Trade between the old and new

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light, is flourished due to the European colonization of Asia and the finding of rich South American seashore. In other words, trade was an occasion for establishment the first intergovernmental interrelations and agreements, therefore it is possible to boldly say: ' national flag followed the trade'.

The clear example of economic diplomacy in the individual country has its effect on the development of global world economy and realization of its political interests. It is possible to trace based on the example of the USA, that Washington DC determines the fates of peace, the domestic and external policy of many tens of countries by means of the International Monetary Fund, the World Bank, and other number of organizations, and also determines the programs of financial aid. The economic diplomacy of the USA had a significant effect on the creation of the American transatlantic association and global economy. The realization of the economic diplomacy in the USA contributes the financial and economic power in the country and creates within the Washington DC, global economic system the special role of the American currency.

All basic achievements of American foreign policy rest on the durable economic foundation. Europe dispatches political relations in front of the economic relationships, and it created foundation for the advancement of economic interests. For the USA it was on the contrary, within the characteristic of anticipating economic expansion and its result were attached in the form of corresponding political and juridical relations. Therefore, for the USA precisely, economic diplomacy (use of economic levers for achievement of foreign policy goals) is priority. Its realization is not connected with the significant expenses, caused by the open military

intervention, but influence and effectiveness proves to be steadier and more reliable, than political and military intervention. Some analysts note that “ external economic aid is the convenient tool, with the aid of which the state – donor renders straight influence on the countries, its assuming”. This is the universal mechanism used in the involvement of the countries, by which it is allowed to directly depend on “ donor”. The strategic purposes in the economic diplomacy of the USA, beginning from Marshall’s plan have been constant in essence, since they are directed mainly towards reaching and maintaining the American leadership. This is the primary task of foreign policy in Washington. In this connection economic diplomacy is one of the creations of the new system of international relations (Organization for economic Co-Operation and Development. 2009).

Recently, an improvement in the commercial and economic interrelationship of states is located in the very center of diplomatic actions. The basic reasons for the interest of diplomacy in its historical economic roots are based on the following:

- In the majority of the developed countries, the portion of international trade and investments, continually grows in comparison with the local production;
- The realization of economic reforms on the processes of orientation in the market economy of developing countries is based on strengthening of export, contributes to the more rapid integration of state into the world global economy;

- The globalization of trade and business – increases the production and the broadens the sphere of rendering services thereby creating the need for activating the polygonal regular connections between the countries;
- The expansion of developing commercial agreements for the purpose of eliminating barriers for international trade and investment processes – the European Union, CEFTA, ASEAN, NAFTA, FTAA, etc – plays a new model of approach in diplomatic activity to the better protection.

Globalization of peace is characterized by economic interdependence of states within one other, which is an important element in the international interrelations that became economic diplomacy. It is a measuring tool which aids in determines the level of interrelations between the countries. The economy has acquired central role in diplomatic relations and the boundaries between traditional, political and economic diplomatic actions have become thinner and “ economic diplomacy” has increasingly take more root within field of application in classical diplomacy (Bayen, N. and Woolcock, S. 2003).

Today, economic diplomacy has become the discipline, which unites understanding the dynamics of international interactions in the political and economic sphere; it determines the development of their interrelations and interdependence from each other. The functional possibilities of the united diplomacy are multi-equivalent, because each specific diplomatic activity at the political or economic level is connected with each other. This approach appears in the double – sided and polygonal interrelations of states. A recent example to this is the “ Gas crisis” between Russia and Ukraine.

Many concrete factors that have contributed to the growth in the role of economic diplomacy are the contemporary system of international economic relations:

1. The processes of internationalization and strengthening the interdependence of the world economic system, goes into two planes – in the global and regional integration.
2. Swift expansion of the zone market economy, the liberalization of the national economies and their interaction by means of trade and the international investments. The increasing number of subjects of the world economy – transnational corporations, banks, investment groups – renders serious influence on the world's policy within international relations. The scale and increased dependency of the economies of the new independent states form the world markets, investments, and technologies which forces them to correct their positions on the political and military problems of international life.
3. Globalization in the world economy raises this role to the new quantitative and qualitative level, combining the process of deepening internationalization of product forces and simultaneously the tendency of transnational corporations to subordinate this process to their purposes of strengthening dominant position on the world market. It elevates the role of economic diplomacy, since it contributes to the development of internationalization in the interests of all countries and at the same time the advantages of globalization counteracts the tendencies.

4. The involvement with implementation of progressive methods of control, energy efficiency and new technologies goes foreign investments ensure the development of collaboration between countries and international organizations. This decreases tendency toward the closed nature and autarchy (self-provision) of the economic countries its external openness becomes standard.

5. The advance of innovations into the economy of state and the creation of the positive image of the country this entails attraction into the country of foreign tourism, what is also the decisive factor of economic growth and the attraction of foreign investments (Bayen, N. and Woolcock, S. 2003).

The processes of are accompanied by strengthening international competition and imperatively, it requires the active participation of state in advance and protection of national interests on the world market. State support in various forms today serves as important factor in the successful activity of domestic companies and the country as a whole, in the world market. The discussion does not deal with the substitution of market principles of management, but with an increase in the competitive ability of national producers, who work in the rigid competitive market medium. Strengthening national competitive ability assumes the complex of the interconnection and mutually complementing measures both in the sphere of domestic economy (assistance to technological development, of innovation activity) and in the region foreign economy (advance of export, an improvement in the conditions of access to the outside markets, the attraction of international investments and technology) policy (Hocking, B. 2000.). Therefore in this situation the economic diplomacy, which forms



favorable environment for the practical solution of the problems of increasing the competitive ability, occupies special position.

Essential the role of economic diplomacy, in any country is to attract foreign investments. To achieve this; it basically means a favorable environment has to be created for exporters and potential partners, and it is clear to formulate priorities and to show all advantageous sides of the exported goods and technologies. But it is essential to underscore the importance of a detailed developed export strategy of state, which determines the basic directions of the export of goods. This must be the basic task of commercial and economic missions.

Practically everywhere is observed as strengthening institution and organizational base for increase in status of economic diplomacy in the system of governmental authorities. As the number increases, functions are enlarged, and it improves the quality of work of the commercial and economic missions of the country in the region of support to external economic activity. Lobbying the interests of domestic companies abroad, commercial – political assistance, mobilizes effective external resources on the purpose of development. Guarantee for the state of favorable conditions for the international economic collaboration, facilitates, the final analysis, to an increase in level and quality of the life of its population, it is also the priority task of economic diplomacy. Commercial and economic mission play a large role in this, which has become a governmental island in the foreign country. Accumulating extensive knowledge along the host country, have direct political and other communications because of its long-standing presence in other countries. The work must be directed toward obtaining

accessible and reliable information about the level and seriousness of interests and priorities of the host country (Pearson C. S. 2000). The degree of the objective interest in the investments, the mutual advantage, in this case is necessary to go to the concessions, and then benefit must be more than concessions themselves.

The main objective diplomacy mission is to create a positive image for the perception of its country, the fundamental task of the Ministry of Foreign Affairs and high level diplomats generally, although their current possibilities to thoroughly or temporarily influence a replace in the existing sesation of their country abroad are frequently limited. Brain Hocking, the famous contemporary theorist of diplomacy, analyzed the influence of perception on the country as a decision, taken by foreign businessmen when commencing at the beginning of their business activity. He said that to 72% of perception of the country is the basis for decision making in enclosing an investment or other forms of economic collaboration with the country (Hocking, B. 2000). It displays a positive image of the country for the attraction of foreign investments. Countries which do not have any diplomatic interrelations and burdened by serious political problems can exist with intensive economic exchange. The more double-sided interrelations, is based on positive sense of national authenticity, which is the base foundation for more dynamic and light development of commercial and economic interrelations. Initiative innovation and inventiveness is the quality of successful actions of the organization which is situated on the diplomatic mission (Wells, L. T. Jr. and Alvin, G. W. 2000). Here are important methods of conducting diplomatic activities, which includes; consular, cultured, enlightenment work, relations

with the media, the diaspora and other sphere of the work in the diplomatic missions (Pearson C. S. 2000). The basic task of which is the creation of a positive attractive image of the state in the host country.

The diplomatic mission has become a part of the basic structural unit for the presentation of the state, its information about basic principles, the structure and the trends of development of the external economy relations, the conjuncture market of goods and services. The plans, programs, current – financial status, development of foreign economic ties, market behavior for goods and services, its export and import potential of the demands in direct investments within the economy of the country if gathered through official sources, through which the mission has direct access. All this makes it possible to create potential for further economic collaboration.

Economic diplomacy, in foreign policy has always being present from its origin in time past. It is the basic mechanism of reaching fruitful commercial and economic connections at the double sided and polygonal levels. This is a key tool for the development of effective collaboration between countries and regions at global level. The priority of the economic interests, which are the result of collaboration between the countries, in spite of existing differences between them, caused several of economic development.

Effectively they overcome and they will support to the development of sturdy social, political and economical interdependence in the world. In this process the role of economic diplomacy are irreplaceable. We live during the infinite possibilities. The mastery of all these elements, plant management of small business or our own production in the developing country can become

successful on the global market, especially when we are secured by reliable support, professional and effective economic diplomacy.

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