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ACTUAL PROBLEMS OF ECONOMICS

Modern Economic Diplomacy

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The issues on the history and the modern impression of economic diplomacy, its significance in countries activities, the practical objectives and goals of diplomatic representatives are covered in this article by summarizing examples and experience. Understanding the dynamics of the international interactions in political and economic spheres helps to define the development of mutual relations and interdependence between the countries.

The phrase „Economic Diplomacy“ assumes the diplomatic official activities that are focused on increasing exports, attracting foreign investment and participating in work of the international economic organisations, i.e., the activities concentrated on the acknowledgement of economic interests of the country at the international level. How much are we informed in a true role of economic diplomacy in the international mutual relations, its working methods, ways, means and, finally, in the effects reached by mobilisation of its possibilities? The answer to this question mainly depends on perception of modern diplomacy in general, roles of economic relations of business, trade, the finance and an information technology, that the country puts in a globalisation context (the exchange, the manufacture, the markets, the financial streams), in this more and more interconnected world, and statement of the primary goals before diplomatic services - quickly and adequately to react to changes in the world community. Comprehension of the position in this issue dictates corresponding development of economic diplomacy and its significance in administrative structure of the country.

As it is mentioned in the scientific publication „Economic Diplomacy at the beginning of the 21st century: Challenges and Trend of Development” (journal „Kazakhstan in Global Processes”, 2008) written by Dr. Ibrahim R.Mavlanov: „the concept «Economic Diplomacy» is now interpreted very widely. Because of this fact the scientific direction loses its distinctive features; its borders become more and more fuzzy, passing in a subject of economic, political, diplomatic, strategic or other disciplines of the international relations and foreign policy. Attempts to define the economic diplomacy were undertaken recently by many foreign researchers. Some of them suggests that the economic diplomacy has the scientific direction studying examined a complex of trade a economic relations and diplomacy, co-operating and influencing the external economic policy of the country.

According to the article written by Dr. Ibrahim R.Mavlanov, the definition of economic diplomacy that we can find in „The Short External Economic Dictionary» is following: «the specific area of modern diplomatic activity, connected with the use of economic problems as object and means of struggle and cooperation in the international relations. Economic diplomacy, as well as diplomacy, in general, is a component of foreign policy, the international activity of the country; the foreign policy defines the objectives and purposes of economic diplomacy which represents the whole set of activities, forms, means and the methods used for realisation of foreign policy». There are mentioned only a number of related concepts with economic diplomacy in many dictionaries, for example, «dollar diplomacy», «textile diplomacy». «The Diplomatic Dictionary» is a specialized dictionary, but the concept of economic diplomacy is not mentioned in any release, although there are provided enough facts and terms connected with it.

ECONOMIC DIPLOMACY - THE REASON OR THE CONSEQUENCE?

Commercial activity was always the important area of diplomatic service while its means, methods and the purposes were defined by the actual moment of history.

Several decades ago, particularly after the Second World War, commercial activity was considered as actions of so-called political diplomacy. The career diplomats which were working in the sphere of strictly political intergovernmental mutual relations, had higher status and professional reputation in comparison with commercial attaches. However, if we examine a diplomacy origin in general, we will discover that trade was fundamental stimulus for the crossing of the national borders of those times and development of the interaction between the nations. Historical examples confirm that the intensive trade, regulated by the trading contracts, was inherent in civilisations of ancient Egypt and the Western Asia. Trade between the Old World and a New World prospered owing to the European colonization of Asia and discoveries of the gorgeous coasts of South America.

In other words, trade gave rise to an establishment of the first intergovernmental mutual relations and agreements. Therefore, it is possible to tell safely: *the national flags followed trade*.

As one of the most vivid examples of the way economic diplomacy of one separate country impacts on development of global economy and realisation of the political interests is possible to track on an example of the USA. Washington defines destinies of the world, internal and external policy of many tens countries via the International Currency Fund, the World Bank and other organisations, as well as due to programs of the financial support. Economic diplomacy of the USA had considerable influence on creation of The American Transatlantic Community and The Global Economy. According to the assessment of «Washington Post», its realisation is supported by 59 % of the Americans convinced that it brings real dividends to economy of the USA and to themselves. Realisation of economic diplomacy of the USA is promoted by financial and economic power of the country and the global economic system created with a special function of the American currency by Washington.

All the basic achievements of the American foreign policy are based on the stable economic foundation. As regards to Europe, political relations were in advance of economic relations, and created the base to advancement of economic interests. As for the USA, on the contrary, it is typical for them to maintain the leading economic expansion. Consequently, its results were consolidated in the form of corresponding political and legal relations later on. Therefore, economic diplomacy is privileged as the main economic key factor there for achievement of the foreign policy purposes. Besides, its accomplishment is unrelated to the considerable expenses provoked by the military intervention, while influence and efficiency proved to be relatively more stable and reliable than both political and especially military intervention. Some analysts emphasize that «the external economic relief is the convenient tool that enable government-donor to have a direct impact on the countries, its receptors». Furthermore, it is the universal mechanism of involving the countries in direct dependence on "donor". So, noted international scientist S.Rogov says that «the economic aid has also political consequences». In a fact, it was accurately realised by the American leaders. As far back as March, 13th, 1943 Harriman noticed that «dollars are one of the most effective tools in our disposal for influence on the European political events». He also pinpoints that «the policy of rendering economic help is one of the most effective tool that allows to escape expansion of sphere of influence of the USSR in the Eastern Europe and on the Balkans». Strategic targets of economic diplomacy of the USA are invariable beginning with the plan of Marshall, on balance, they are predominantly directed on achievement and maintenance of the American leadership that is the main task of foreign policy of Washington. In this connection economic diplomacy is one of the basic tools used by the American foreign policy to create a new system of the international relations.

Never before has improvement of commercial and economic mutual relations between the countries been in the very centre of diplomatic actions as recently. The principal causes of interest of diplomacy to its historical economic background are based on the following elements:

- In the most of developed countries, the share of foreign trade and investments in GROSS DOMESTIC PRODUCT is constantly growing in comparison with local manufacture;
- Implementation of economic reforms in processes of orientation to market economy of the developed countries, as well as the strategy of development which is based on strengthening of export, promotes faster integration of the country into the global economy;
- Globalization of trade and business means production escalating and services sector expansion, also creates necessity to activate multilateral regular communications between the countries;
- Expansion of regional trade agreements for elimination of barriers for international trade and investment processes – EU, CEFTA, Mercosur, NAFTA, FTAA and others – define their leading part to a considerable extent.

Nowadays globalization is present in many aspects, characterised by economical interdependence of countries from each other, economical diplomacy became a very important element in international mutual relations. In other words due to this “measuring instrument” the level of mutual relations is defined between the countries. Therefore, economy acquired the central role in diplomatic relations, borders become thinner between traditional political and economical diplomatic actions, likewise, “economical diplomacy” becomes embedded in the scopes of classical diplomacy.

In the first instance, today economical diplomacy is growing into the discipline, uniting understanding of dynamics of the international interactions in political and economical spheres, it determines development of their mutual relations and interdependence from each other.

The functionality of united diplomacy are multi-equivalent, as each specific diplomatic activity on political or economic level is connected with each other. This approach emerges in bilateral and multilateral mutual relations of the countries. For instance, recent “gas crisis” between Russia and Ukraine is a vivid example.

THE AREA OF ECONOMIC ACTIVITY OF DIPLOMACY

Increase of the role of economic diplomacy in modern system of the international economical attitudes is promoted by many concrete factors¹:

¹ Points 1,2 and 3 in accordance with the publication of I.R.Mavlanov, Economic Diplomacy at the beginning of the 21st century. *Kazakhstan in Global Processes, 2008.*

1. Internationalization processes and reinforcement of interdependence of the world economic system moving in two planes - global and regional integration.

2. Swift expansion of market economy area, liberalisation of national economies and their interaction via trade and international investments.

The increasing number of global economy entities, i.e. transnational corporations, banks, investment groups, have a serious influence on world politics, international relations. Large-scale and expanding dependence of economies of new independent countries on world markets, investments, technologies forces them to correct its positions on political and military problems of international life.

3. Global economy globalization; this role is raised on new quantitative and qualitative level, combining profound process of internationalization of productive forces and aspiration of transnational corporations for subordinating this process to its purposes of strengthening of the leading position in the world market; elevated the significance of economical diplomacy, as it promotes development of internationalization in behalf of all countries and at the same time counteracts aspirations of those countries which wonder to monopolize advantages of globalization.

4. Adoption of the progressive management methods, energy-efficient and new technologies, so that foreign investments ensure development of co-operation between the countries and international organisations. It diminishes tendency to closeness and autarchy (self-sufficiency) of economies of the countries, also external openness comes to normal.

5. Advancement of innovations to economy of the country and external openness – that is what country really needs to create a positive image, therefore involves engagement of foreign tourism to the country that is a determinative of economical growth and foreign investment attraction.

TENDENCIES OF DEVELOPMENT OF ECONOMIC DIPLOMACY IN THE CONDITIONS OF GLOBALIZATION

Dr. Ibrahim R.Mavlnov's statement that „Globalization processes are accompanied by strengthening of the international competition and strongly require active participation in advancement of the country and protection of the national interests on the world market. Country support can be in various forms, nowadays it serves as the most important factor of the successful activity of domestic companies and the country in whole. What is at issue is not a substitution of market management principles, but the increase of competitiveness of the national manufacturers working in tough competitive market environment.

Consolidation of national competitiveness assumes a complex of the interrelated and

mutually complementary measures both in the area of domestic economic politics (assistance to technological development, innovative activity), and in the area of external economic politics (export promotion, improvement of terms of access to foreign markets, engagement of foreign investments, technologies). Therefore from a political and economical point of view economic diplomacy takes special place, forming a favourable environment for the practical solutions of increase of competitiveness”.

EXPORT AND INVESTMENT ADVANCEMENT

Attraction of foreign investments is an essential issue of economic diplomacy. Basically, the main facility for its realization is a favourable environment creation for the meetings of exporters and their potential partners, undoubtedly, to define and formulate priorities, as well as to show all profitable sides of exported goods and technologies. Nevertheless, it is necessary to emphasis on the importance of the minutely developed export strategy of country determining the basic directions of export of goods. On balance, it should be the primary goal of trade and economic missions.

Strengthening of the institutional and organisational base, growth of status of economical diplomacy in the system of authority is observed practically everywhere.

The functions are expanding, the quality of work is improving and the number is increasing of the trade and economic missions of the country in the field of support of overseas trade activities, lobbying of interests of domestic companies abroad, trade and political assistance, mobilisation of effective external resources on development purpose. In the final analysis, what economic diplomacy needs is to maintain the auspicious conditions of international economic cooperation that is able to promote and raise the level and quality of living of its population. To put it simply, the trade and economic mission is a small islet in strange country accumulating extensive knowledge on the host country and forming political direct contacts due to its long-term presence in other countries. Actually, their work should be directed on the collecting of the accessible and solid data about the level and gravity of priorities, objective interest in investments and mutual benefits of the host country. Even if it requires to compromise, benefit should be greater than the concession.

ADVANCEMENT OF THE COUNTRY

Building a positive image of perception of the country is the predominant issue for diplomatic missions, Ministries of Foreign Affairs and career diplomats in general, though their actual possibilities are often limited to influence changes of the existing perception of their country abroad cardinally or temporarily. Brian Hocking is a well-known theorist of modern diplomacy who analyses the influence of the country`s perception on the decisions accepted by foreign businessmen in the

beginning stage of the business activity. Hocking asserts that there are 72% of the perception of the country as a base for decision making on investment projects or other forms of economical co-operation with the particular country. According to the publication of the World Bank *"Country Marketing: advertising, as the tool for foreign investment attraction"*, where it is pointed out the key position of the positive image of the country for attraction of foreign investments. Above all, active economic exchange can take place even between countries that do not have diplomatic mutual relations or are burdened by serious political problems. Eventually bilateral mutual relations based on positive perception of national identity form the basis for more dynamical and easy development of trade and economic mutual relations. Initiative, innovation and ingenuity are the qualities of successful organisation of activities for diplomatic missions. It should be added here that all the methods of diplomatic activity management are substantially important, including consular and cultural-enlightening work, relations with mass media, diaspora and other parts of diplomatic representatives` work which is directed on creation of positive attractive image of its country in the host country.

MAIN METHODS OF WORK OF ECONOMIC DIPLOMACY

Diplomatic mission is the basic structural unit in representation of the information to own country on key principles, structure and tendencies of development of the host country, its plans and programs, currency and financial conditions, development of external economic links, conjuncture of markets, also its export and import potential, the enquiries of direct investments to national economy. This information is gathered using official sources that is directly accessible to the mission. In total, it allows to create potential for further economical co-operation.

CREATION OF DIRECTIVES FOR PRESENCE ON THE MARKET

One of the most major tasks of diplomatic missions is assistance to participants of external economic relations in their work of their own countries in the host country`s markets, protection and control over observance of interests of the country in the process of their activity and its co-ordination without intervention in their economic activity; representation of its own country where the financial, economic and political situation contributes to consider it as a reliable overseas trade partner, to render assistance to its participants of international trade in the realization of activities, to organise negotiations, congresses, seminars, round tables, exhibitions; to examine proposals received of the enterprises to export and import goods and services, investment inquiries and offers, to render counselling and informational services, to use local experts for the economy and market analysis, where special knowledge is required therefore the career diplomat may not have.

Teamwork - a method of work organisation of diplomatic missions. The diplomats are a "detachment of special assignment", their work requires a command game for the most significant political and economic problem solution in the host country. To achieve this goal it is necessary to involve leading experts, analysts and experts for the analysis of political and social life in the host country. The substantial basis of such teamwork is the head of diplomatic mission who has an experience and a desire to work, is open to application of the innovative diplomatic mechanisms, harmonizes the direction and the purposes of the diplomatic mission with a current situation and needs, and also performs basic tasks on positive image creation of his country, promotes the further development of bilateral political, trade and economic connections, improvement of the structure of mutual trade, realisation of new perspective directions of activities of diplomatic mission.

THE ORGANISATION OF ECONOMIC SYSTEMS OF DIPLOMACY - THE ESTABLISHED MODELS

Nowadays the Ministries of Foreign Affairs all over the world use several work models related to the trade and economic external activity.

The united model represents a complex of development of bilateral trade and economic relations under the aegis of Ministry of Foreign Affairs. The Ministry of Foreign Affairs is the main coordinator of economic interests of the country at the international level. It defines the strategy and priorities in cooperation with all governmental organisations and regional organs of executive power of the host country.

The partially-united model. The Ministry of Foreign Affairs and the Ministry of Economics jointly organise their work on the development of trade and economic relations where the trade and economic mission is allocated to the separate division of diplomatic mission, and, as a result, is in a double subordination to the Ministry of Foreign Affairs and to the Ministry of Economics. This model also implies the independence of the diplomatic mission and its budget. The head of the trade and economic mission reports to the head of diplomatic mission who supervises his work. The work priorities of the trade and economic mission are defined by the Ministry of Economics.

Task delegation on the organisation of trade and economic relations to a third party. Thus, Ministry of Foreign Affairs becomes more passive in monitoring over the trade and economic situation in the host country of diplomatic mission, uses the services of the third party only in the event if such need arises, thereto gives assignments to the agencies to promote the export and marketing researches in impartial interest in investments concluding the corresponding contracts.

THE CONCLUSION

Economic diplomacy was present from its origin in foreign policy. It is the predominant mechanism of fruitful achievement of the trade and economic relations based on the bilateral and multilateral levels. It is an instrument for development of effective cooperation between the countries and regions at the global level.

The priority of economic interests is a result of cooperation between the countries in spite of the differences existing between them, caused by various ways of economic development, effectively overcome and promote development of stronger social, economic and political mutual relations in the world. The role of economical diplomacy is irreplaceable in this process.

Our life is full of infinite opportunities. If you have necessary knowledge, computer-literacy and access to the global information infrastructure, there is almost nothing impossible. Mastery of these elements, even the small business enterprises in the developing country can become successful in the global market, especially, if you enlist the reliable support of the professional and effective economic diplomacy.

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