

# 5. INTERNATIONAL MEDITERRANEAN CONGRESS

## January 13-14, 2024

### Mersin -Türkiye

#### ECONOMIC DIPLOMACY IN THE ERA OF GLOBALIZATION<sup>1</sup>

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#### ABSTRACT

Combining diplomatic skills with financial instruments to further a nation's political, economic, and strategic objectives is known as economic diplomacy. The role of economic diplomacy, in addition to establishing political ties with other nations, protecting national security and forming a positive image of the country abroad, is also attracting foreign investments, creating a favorable business environment and developing commercial relations between states and corporations. In order to foster new ventures and deepen trade integration, economic diplomacy provides the groundwork for today's worldwide economic ties between nations (or groups of nations), and corporations. It can be said that economic diplomacy enables the state to promote its business on a global level.

However, globalization has brought with it many changes (such as unique changes in communication, mobility, trade, migration or international security), including changes in the sphere of economic diplomacy, as well. Globalization represents the increasing interdependence of world economies, populations and cultures, as a result of cross-border trade in goods and services, investments, technology, people and information flows. Given the multitude of players involved in this process, it is believed that the phenomena further undermined the state's position and function in international politics. Unfortunately, developed countries and multinational corporations are increasingly influencing national and international politics in order to maximize economic profit, which has a direct negative impact on all those who lack such authority, such as developing countries. In such an unfair battle, governments must remain focused on promoting their economic interests on a global scale, and reorganize their economic diplomacy to develop better trade partnerships.

**Keywords:** Economic diplomacy, Globalization, International politics

#### INTRODUCTION

The evolution of economic diplomacy is one indication of geoeconomics' growing function and relevance (Thirlwell, 2010). The description of economic diplomacy is based on its content and the numerous economic issues it tackles, and it is closely linked to global economic decision-making (Bayne & Woolcock, 2007). The concept involves a qualitative shift in the face of traditional diplomacy, to which no stereotypes apply, by highlighting the connections between the political and economic dimensions, the relationship between the domestic and international dimensions of the process, and the growing significance of non-sovereign actors and their interactions with countries.

A number of scholarly disciplines, including economics, international relations, international political economy, and diplomacy studies, are mentioned as contexts for understanding the broad idea of economic diplomacy. It should not be limited to either the economy or diplomacy (Okano-Heijmans, 2011). It is a process focused on maximizing comparative advantages and responding to outside challenges. The process by which nations engage with the outside world in order to optimize their national benefit in all domains of endeavor, such as commerce, investment, and other types of mutually advantageous exchanges wherein they possess a comparative edge. It has three significant dimensions: regional, bilateral, and multilateral (Rana, 2007).

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In order to increase prosperity, economic diplomacy was the top objective for governments in the majority of the world's regions. However, with the ending of the Cold War, various novel factors and players entered the scene. As a result, economic diplomacy began to take on its current form. One such element - globalization, paid a significant role among the others (Saner & Yiu, 2003). Globalization, powered by the economic liberalization and technological eruption, broke down borders and opened systems to increased interdependence (Campbell, 2015). On the other hand, non-state actors now have increased influence over some parts of economic diplomacy due to globalization, which has severely weakened the state's position in the field.

#### ECONOMIC DIPLOMACY'S MODERN-DAY CHALLENGES

Economic diplomacy is the use of a state's political power to further its business objectives on global markets. Rather from taking the role of traditional political diplomacy, it has evolved into an essential element of it. Negotiating freedom to export and invest internationally is the task of economic diplomacy (Morillas, 2000). All activities pertaining to the processes and practices utilized in international decision-making concerning economic cross-border activity in the real world are included in the field of economic diplomacy (Pireva, 2014). Also, it can be characterized as diplomatic activity to help a country's business and financial sectors via the application of economic resources, such as penalties or rewards, to achieve a certain foreign policy goal. The fundamental premise is that the state and public structures play the sole role, which ignores the new aspect of the actions of non-state actors. Economic diplomacy's fundamentals, on the other hand, would be the application of both positive and negative economic tools, for political goals (Berridge & James, 2001). Collecting reliable and easily obtainable information about the interests and priorities of the country should be the aim of trade and economic missions, the level of unbiased interest in investments, and the reciprocal advantages (even if this means making concessions) that outweigh the costs of the assignment (Фліссак, 2009). An effective system of economic diplomacy can raise bilateral trade by six to ten percent (Lysak, 2005).

Economic diplomacy stands for the idea of three crucial components: establishing particular political ties with other nations, protecting national security by engaging in a number of international organizations, and forming the state's reputation abroad (Rymarczyk, 2010). Regarding reputation building, it is noteworthy that diplomatic representatives now consider the digital sphere to be crucial for communicating with the public both domestically and abroad, expressing political opinions, responding to crises, and exchanging ideas with colleagues (Baltezarević, 2021). Through social media and Internet technology, digital diplomacy has made it possible for diplomats to engage in a variety of activities that not only enhance their own reputations but also the reputation of the countries they serve. The key benefit of the country's positive reputation is the attraction of foreign investments; therefore, it can be said that building a positive image of the country is one of the main issues for diplomatic missions.

Ensuring that states have favorable conditions for international economic cooperation has a positive impact on the standard and quality of life of the populace. Nowadays, the Ministry of Foreign Affairs is the primary hub for synchronization and decision-making, making it the most popular organizational model for economic diplomacy. Different approaches are used in practice, though, when it comes to organizing diplomatic activity abroad. These consist of focusing this effort at the economic adviser's office, constructing the embassy's structural units that are both economic and trade-related and have double subordination, setting up sale offices that report to the ministries of foreign trade and economy, and creating independent economic structures like chambers of commerce (Фліссак, 2009). The post-Cold War acceleration of globalization has resulted in a variety of delicate and diffuse effects that have profound structural implications for sovereign countries. These effects have weakened the countries asymmetrically, decreasing their respective degrees of flexibility in an increasingly complex and risky international system (Strange, 1996).

Interconnectedness in all areas of life is increased by globalization. Global technology has advanced, making it easier to understand and facilitate quick, efficient communication as well as the consumption of information. Additionally, it links and brings cultures, economics, and international ties closer together on several levels. (Naim, 2009). Economic diplomacy has seen significant changes as a result of globalization, which are evident in its expanded scope and the emergence of new subjects of interest. Additionally, it deeply impacted domestic politics, including a larger number of players both inside and

outside of the government of a country. Many developing countries are now a part of the global system, and governments' resources and power have decreased (Bayne & Woolcock, 2017). Globalization has affected social and political spheres of society by changing the global economic relationship structure. There are multiple actors impacting the results of the created linkages, giving it a complex interconnectedness. As a result of globalization, companies increasingly influence national and international politics in their favor as they expand through mergers and acquisitions. Nations are likewise involved in heated battle for economic gain in order to sway regulatory institutions in their favor (Hadjikoumis, 2021). The globalization of the international economy has boosted efficiency and competitiveness, but it has also increased the risk of creating economic-financial crises. Nothing can reverse the path of events, whether we support or oppose globalization (Mionel, 2010).

## CONCLUSION

Economic diplomacy, without a doubt, is a complicated interstate process that is becoming increasingly essential in international relations and world politics, which has been demonstrated in the evolution of world diplomacy and economy. Economic diplomacy decisions cover practically all areas of diplomacy, including economic, political, legal, and socio-cultural issues.

Globalization brought with it many changes, it erased the borders between countries, facilitated business, accelerated communication, but also changed the ways of conducting diplomatic activities. Many non-state actors have emerged on the national and international diplomacy arena as a result of globalization. Today, non-governmental groups, multinational corporations, and other actors have tremendous power in this field.

The need for improved multilateral regular communication between nations has arisen from the expansion of services and the growth of production (resulting from the globalization of trade and business). Globalization has provided the path for major corporations, but also for more developed countries, to battle for their interests without mercy, oppressing less developed and less prominent actors. It is therefore critical that countries suffering from such an impact re-establish strong connections with the support of economic diplomacy in order to strengthen their position in promoting the interests of the nation. Functionality, added value, efficacy, growth impulses, investments, and jobs should be the main focus of economic diplomacy in years to come. Economic diplomacy would have to strengthen the multilateral system based on rules, yet, the key challenge is the engagement of major powers, without which widespread adoption of global policies and standards is impossible.

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