

UDC 327

<https://doi.org/10.48371/ISMO.2024.57.3.001>

IRSTI 11.07.21

THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF ECONOMIC DIPLOMACY IN INTERNATIONAL RELATIONS

*Shaimordanova Z.D.¹, Nygmetova B.M.²

*¹ Doctor of Historical Sciences, professor, Kazakh Ablai Khan University of International Relations and World Languages, Almaty, Kazakhstan

e-mail: shaimordanova.z@ablaikhan.kz

² PhD student, Kazakh Ablai Khan University of International Relations and World Languages, Almaty, Kazakhstan

e-mail: bnygmetova@inbox.ru

Abstract. Economic diplomacy serves as a key tool of foreign policy aimed at promoting and protecting a state's economic interests. In the context of globalization and an open economy, states strive to utilize economic diplomacy to foster sustainable development, create jobs, and attract foreign investment. Modern geopolitical and geo-economic challenges require a reevaluation of traditional approaches to economic diplomacy, including strengthening the role of the state and regional organizations.

The article presents classic theories of international relations, regional studies, and political science used to study economic diplomacy: realism, neorealism, liberalism, neoliberalism, and constructivism, as well as political elites. It demonstrates that realism, which focuses on the role of the state as the primary actor in international relations, is actively employed in the study of economic diplomacy. Neorealism expands the understanding of state power and acknowledges the importance of international organizations. Liberalism emphasizes interstate cooperation and institutional mechanisms. The inclusion of business representatives in official visits supports neoliberal theory. Constructivism, in continuation of neoliberalism's tenets, analyzes international and regional relations through the lens of identity and the perception of actors towards one another.

The main conclusions of the article underscore the necessity of an integrative and interdisciplinary approach to the study of economic diplomacy, as well as the importance of revisiting and diversifying approaches and concepts in light of contemporary global transformations.

Keywords: economic diplomacy, foreign policy, globalization, realism, neorealism, liberalism, neoliberalism, constructivism

This research is funded by the Science Committee of the Ministry of Science and Higher Education of the Republic of Kazakhstan. No. AP23490344 Tendency of economization of international relations and economic diplomacy of New Kazakhstan.

Basic provisions

Economic diplomacy is becoming increasingly significant from the perspective of foreign policy. Economic diplomacy can alleviate the intense international competition that characterizes modern global politics and economics. Economic diplomacy is influenced by various aspects of globalization, such as the sharp increase in international trade in both tangible and intangible goods, the need for new rules to regulate this trade, and the transformation of our global society into an information society with planetary means of communication and expression. These

developments are prompting new ways of functioning and decision-making, including the use of artificial intelligence mechanisms. Challenges such as the rise of China and the expansion of various alliances like BRICS or the SCO are bringing significant adjustments to the economic diplomacy of countries worldwide. The complex geopolitical and geoeconomic situation has strengthened the trend toward the return of statism, i.e., considering the state as the primary actor in global politics and international relations.

Various groups of semi-governmental organizations and institutions, international organizations, transnational companies, regional economic integration bodies, and individuals are transforming the landscape of economic diplomacy. Competition and the struggle for influence among these organizations intensify disagreements, often openly conflicting when negotiating with other countries.

Regional economic diplomacy in different parts of the world has become more active, with its origins traceable to entities like the European Coal and Steel Community, the Benelux Union, and the Nordic Council, leading up to the formation of the European Union, which is currently facing certain challenges. Therefore, it is important to study the degree of influence that integrative economic diplomacy has on the processes of global trade liberalization.

The term "economic diplomacy" remains somewhat undefined, a fact that necessitates further research. The scientific paradigms employed in economic diplomacy require revision. However, classical theories and concepts remain in the toolkit of researchers in economic diplomacy, aimed at strengthening and consolidating an open and competitive economy with the goals of increasing exports, attracting foreign investments, and improving the welfare of the population. These classical theories and concepts are the subject of study in this article.

Introduction

Economic diplomacy is one of the main instruments of the foreign policy of countries around the world, which prioritizes the protection of their economic interests to promote the achievement of sustainable development goals and the creation of jobs in an open economy. Along with these tasks, states in the field of economic diplomacy set goals for promoting the internationalization of domestic enterprises, attracting productive foreign investments for business and job development, using all available tools. Economic governance of the state and economic security are becoming key areas of foreign policy for countries around the world, as well as regional associations.

Modern geopolitical and geoeconomic processes are prompting governments around the world to reassess the effectiveness of their domestic and foreign policies. The role of the state and its involvement in the domestic economy is growing in many countries across Europe, Asia, North America, Latin America, and Africa, particularly after the financial and economic crisis of 2008, as well as due to various sanctions. Facing restrictions on the free movement of goods, governments are revising their strategy in the politico-economic direction. Apparently, this is linked not only to a rethinking of the logic of the domestic market and political structures

but also to a new emphasis on the tools of economic diplomacy to achieve foreign policy interests.

Thus, economic diplomacy is gaining increasing significance in light of current challenges and opportunities. This implies considering economic diplomacy in the broadest sense, as a component of foreign policy aimed at promoting the prosperity of the country, while also serving as a tool in the pursuit of political stability and national security. Consequently, there is a growing need to develop research on the theoretical, conceptual, and analytical foundations of economic diplomacy at various levels: national, regional, and international.

Description of materials and methods

To identify the classical theories, approaches, and concepts in the study of economic diplomacy, literature selection and systematization were first conducted as general scientific methods. Analysis was used as a general logical method to identify the key provisions of classical theories related to economic diplomacy.

System analysis was applied to reveal the specific features of each theory or approach, as well as the common lines and differences in the study of economic diplomacy.

The method of synthesis allowed for the integration of various aspects of the studied issue into a cohesive whole and the formulation of conclusions. Although defining the term "economic diplomacy" is not the primary focus of this article, given the limited research on this topic within domestic socio-political thought, it was deemed necessary to present several definitions of the term. To achieve this, literature search, selection, and systematization were also employed. Internationally recognized encyclopedias and dictionaries, monographs by well-known researchers, and scholarly articles were utilized.

Results

The term "economic diplomacy" has long appeared in official documents and academic articles. However, there is still no universally accepted definition of this term. The connection between politics and economics, and the use of economic tools for political purposes, can be observed in ancient times: the siege of Troy, Napoleon's blockade against the United Kingdom, and English abolitionists in 1790 who urged their fellow citizens not to buy sugar from the West Indies but from the East Indies instead. Medieval European commercial law, known as *Lex Mercatoria*, regulated relationships among commercial participants, representing a set of rules developed and applied over a long period. It serves as a classic example of a phenomenon where practice preceded theory. Today, we encounter boycotts of McDonald's, Starbucks, Coca-Cola, and other Western brands in Arab countries. Consumers in Egypt, Kuwait, and Jordan are rejecting American and European products, believing that the U.S. and EU support Israel's actions in the Gaza Strip.

Attempts to define the term "economic diplomacy" in internationally recognized encyclopedias and dictionaries, such as *The Encyclopedia Americana*, *Encyclopedia Britannica*, *Webster's Dictionary*, and *Oxford Dictionary*, yield related terms like "economic migrant," "gunboat diplomacy," and "shuttle diplomacy."

Many researchers do not provide a clear definition of "economic diplomacy" but instead discuss its goals, objectives, and functions.

Professor C. Chatterjee of the Institute of Global Policy writes: "The primary goal of economic diplomacy at the national level is to achieve mutually beneficial agreements that strengthen foreign policy relations between two interested states. Economic diplomacy at the international level should be aimed at developing framework regulations, whether in the form of international conventions, resolutions, declarations, and so on"[1].

Researchers from Erasmus University Rotterdam, P. van Bergeijk and S. Moons, define economic diplomacy as "a set of activities (methods and processes for making international decisions) related to cross-border activities (exports, imports, investments, aid, migration, lending) carried out by state and non-state actors in the real world." In their view, it consists of three elements:

- the use of political influence and connections to promote and/or influence international trade and investments, and to improve the functioning of markets,
- the use of economic assets and connections to increase the costs of conflict and strengthen the mutual benefits of cooperation and politically stable relations,
- the creation of a favorable political climate and international political-economic environment to facilitate the achievement of these goals[2].

According to American researcher P. Sharp, current diplomacy is "characterized by increasing institutionalized multilateralism, aimed at strengthening the international order either by improving cooperation between states or by overcoming the need for such cooperation"[3].

In our view, his statement on strengthening the international order is particularly important in the face of modern threats and challenges, but unfortunately, it is not being realized.

The participants in economic diplomacy include state actors: all government institutions involved in international economic operations, as well as non-state actors such as non-governmental organizations (NGOs) engaged in international economic activities. Business structures, enterprises, and investors are also participants in the processes of economic diplomacy, especially when contacts between them and governments are initiated or facilitated by diplomats.

The expansion of regional integration is driven by several factors, such as the global financial crisis of 2008 and the issue of international terrorism. The multiplicity of factors necessitates countering threats and challenges, ensuring national and regional security, economic development, and so on. Regional integration organizations, using their consolidating power, direct the full range of tools and mechanisms of foreign economic, financial, and investment policy to successfully implement economic diplomacy. Regional economic diplomacy and its development in the European Union are considered successes of economic diplomacy. APEC (Asia-Pacific Economic Cooperation) is referred to as a conductor of economic diplomacy in the region. The EAEU (Eurasian Economic Union) addresses the creation and active use of economic diplomacy tools. Africa understands and embraces the benefits of economic diplomacy, and the Union of South American Nations (UNASUR) employs its instruments.

Thus, economic diplomacy represents a foreign policy function that links foreign policy steps with the economic well-being of citizens and utilizes the full arsenal of foreign policy tools to advance the economic interests of entrepreneurs and the state. In modern geopolitical and geo-economic conditions, economic diplomacy takes on a new dimension, requiring new approaches alongside classical theories, concepts, and approaches.

Discussion

The theoretical foundations of economic diplomacy are interdisciplinary in nature, intersecting with disciplines such as international relations, international economic relations, regional studies, political economy, political science, international law, and sociology. This means that the study of economic diplomacy requires an integrative and interdisciplinary approach.

In this article, we will consider classical theories of international relations: realism/neorealism, liberalism/neoliberalism, and constructivism.

The realist approach, first developed by K. Waltz in "Theory of International Politics," studies reality as it is, analyzing not the course of events but their causes. This principle is a distinctive feature of the realist approach in the study of economic diplomacy [4].

H. Morgenthau, highlighting six principles of realism, emphasizes the key role of the state in the international relations system, underestimating other players and factors such as international organizations and economic relations. In his view, the state's key role lies in defending national interests from a power perspective. Focusing their analysis on the state, realists consider international society to be anarchic by nature and governed by the single law of conflict. When the national interests of states collide, they seek to ensure their security, where power plays a dominant role. The main instrument of security is force or the threat of its use.

Since power at the state level is represented by the political elite that performs governance functions, this power also makes decisions in various areas, including economic diplomacy. The theory of political elites, in the context of its characteristic qualities, such as the balance of power among actors and the search for tactical ways to balance power, helps to predetermine the outcome of the negotiation process [5].

Neorealism, or structural realism, often referred to as "modern realism," challenges the traditional realist approach to state power solely in terms of military force. Instead, it incorporates the concept of state power as a combination of capabilities in various spheres (social, cultural, economic, political). Neorealism partially acknowledges that international organizations, such as the IMF and the World Bank, are actors in the international relations system [6].

American researcher M. Olson, in "The Theory of Collective Action," a neorealist paradigm, defines actions undertaken jointly by a group of people aimed at improving their condition and achieving a common goal. Olson explains the provision of public goods secured by collective actions: they benefit all group members, whether they participated in their production or not. For example, collective actions by NGOs or business representatives that propose the use of certain incentives, such as sanctions. Conversely, NGOs may oppose economic

sanctions. However, the latter are imposed by state structures. Olson's approach was a breakthrough: one cannot ignore the rationality and motives of certain actors, whether material or non-material.

Liberalism assumes that there is a mechanical connection between the market economy, political cooperation, and the institutionalization of international relations. Liberalism takes into account, in addition to states and international organizations, the participation of individuals. The emergence of liberal theory is linked to the end of World War I, the creation of the League of Nations, and the belief in the advantages of law. Liberal theory is therefore called normative.

Liberalism seeks to build peace through economic, and subsequently supranational, integration. Liberals fully trust the market, relying on their own strengths, gradually replacing state power and leading states to peace. For example, British liberal internationalists after World War I intended to study international politics based on a simple presentation of political facts as they exist in modern Europe.

The key approach of political realism representatives such as H. Morgenthau, R. Aron, J. Kennan, and others correlates with realists: the state is the main player in the international relations system. The state determines the main content of its international agenda, including economic diplomacy [7]. The predecessors of political realism, Thucydides, N. Machiavelli, T. Hobbes, J. Locke, viewed the activity of political leaders through a selfish lens: in those distant times, they considered man as striving for dominance over others. This reality still exists around us today, making it difficult to argue with political realism [8].

After the end of the Cold War, when the ideas of political realism and neorealism prevailed, neoliberalism began to develop. Various states, international governmental and non-governmental organizations, public associations, and individuals emerge as new actors in international relations for neoliberals. According to J. Rosenau, individuals become influential on the international stage [9].

The collapse of the USSR brought about a problem in which neoliberals played an important role due to the reduction of military power associated with the disappearance of the so-called enemy—ensuring national security. National, regional, and international security, according to neoliberals, can be achieved through the spread of democracy and the unification of democratic states. The spread of democracy is considered by neoliberals as the main task of world politics, with which one can hardly disagree, although the paths to its achievement may differ.

Constructivism, although more recent, is considered the third most significant theoretical approach and views international relations as any social relations. For its authors N. Onuf and A. Wendt, reality is intersubjective, meaning it depends on the meaning attributed to it by international relations actors [10]. State behavior is determined not only by the balance of power but also by perception. The national interests of a state are built on the basis of its identity, its self-perception, and the perception of the state by other states [11].

Thus, constructivists emphasize that an actor cannot know what it wants until it knows who it is. In other words, various branches of this school draw attention to

different elements of the "social reality" of international relations, such as goals, threats, culture, and identity, as social constructions of the actors. As diplomatic studies have evolved, interest in economic diplomacy has grown from this perspective, as well as from the perspective of developing reciprocity, not dependence.

Conclusion

The distinguishing feature of the realist approach lies in its detailed examination of the issues addressed within the sphere of economic diplomacy, encompassing its various types and forms. For instance, it scrutinizes the reasons behind treaty and agreement formations, the stipulated conditions, security-related matters, and the analysis of upcoming cooperation processes. Economic diplomacy inspired by realism is expected to be cautious, rational, and prudent. However, the terrorist attacks of September 11, 2001, swiftly reinstated the power and strength of the state as the sole entity capable of dismantling terrorist networks.

The neorealist paradigm, which assumes motivated and rational participation of a multitude of actors beyond the state, utilizes analytical tools such as the role of interests, the degree of organization, and power conflicts, drawing from the collective action theory of American economist M. Olson.

For liberals, economic diplomacy typically takes the form of compromise, negotiations, and agreements. The diplomacy practiced by Henry Kissinger aligns closely with the liberal direction.

Liberals emphasize the interdependence between states, underscoring the decisive role of international norms, cooperation, and institutions. Such cooperation is expected to contribute to the pacification of international relations, whether peace is founded on free trade or the spread of the liberal democracy model.

Neoliberalism, borrowing the focus on human rights from liberals, seems to dissolve state sovereignty by creating a concept of liberal democracy and human rights as the foundation of any state's policy and its assessment.

Constructivism, in the research of economic diplomacy conducted by scholars adhering to the tradition of diplomatic studies, pays special attention to procedural rather than structural aspects of economic diplomacy.

The economic diplomacy of regional unions or integration-focused economic diplomacy aims at modernizing economies, improving the investment climate, ensuring security, and, more broadly, achieving sustainable development goals.

REFERENCES

[1] Chatterjee Ch. Economic Diplomacy and Foreign Policy-making. - Palgrave Macmillan, 2020.

[2] Van Bergeijk, Peter A.G., Moons S. New frontiers for economic diplomacy // Economic Diplomacy and Economic Security. - 2009. - July 20. - P. p. 37-54. <https://ssrn.com/abstract=1436584>

[3] Sharp P. Making Sense of Citizen Diplomats: The People of Duluth, Minnesota, as International Actors // International Studies Perspectives. - 2001. - № 2 (2). - P. 131-150.

[4] Waltz K. Theory of International Relations. - N.Y., 1979. - P. 27, 36-38.

- [5] Pareto V. The Mind and Society. - New York: Harcourt, Brace and Company, 1935. - P. 1563.
- [6] Lamy S. Contemporary mainstream approaches: neo-realism and neo-liberalism / In: The Globalisation of World Politics. By Smith, Baylis and Owens. - Oxford University Press, 2001. - P. 127-128.
- [7] Morgenthau Hans J. Politics Among Nations. The Struggle for Power and Peace. Second Edition. - New York: Alfred A. Knopf, 1955.
- [8] Gaddis J. Lewis, Kennan George F. An American Life. - Penguin Press, 2011. - 784 p.
- [9] Rosenau James N. Public Opinion and Foreign Policy: An Operational Formulation. - New York: Random House, 1961.
- [10] Wendt A. Social Theory of International Politics. - Cambridge, 1999.
- [11] Jackson Robert H., Sørensen G. Introduction to international relations: theories and approaches. 4th ed. - New York: Oxford University Press, 2010. - 337 p.

ХАЛЫҚАРАЛЫҚ ҚАТЫНАСТАРДАҒЫ ЭКОНОМИКАЛЫҚ ДИПЛОМАТИЯНЫҢ ТЕОРИЯЛЫҚ-ӘДІСТЕМЕЛІК НЕГІЗДЕРІ

*Шайморданова З.Д.¹, Нығметова Б.М.²

*¹ Тарих ғылымдарының докторы, профессор, Абылай хан атындағы Қазақ халықаралық қатынастар және әлем тілдері университеті, Алматы, Қазақстан
e-mail: shaimordanova.z@ablaikhan.kz

² PhD докторант, Абылай хан атындағы Қазақ халықаралық қатынастар және әлем тілдері университеті, Алматы, Қазақстан
e-mail: bnygmetova@inbox.ru

Аңдатпа. Экономикалық дипломатия мемлекеттің экономикалық мүдделерін ілгерілетуге және қорғауға бағытталған сыртқы саясаттың негізгі құралы ретінде қызмет етеді. Жаһандану және ашық экономика жағдайында мемлекеттер тұрақты дамуды қамтамасыз ету, жұмыс орындарын құру және шетелдік инвестицияларды тарту үшін экономикалық дипломатияны пайдалануға тырысады. Қазіргі заманғы геосаяси және геоэкономикалық сын-қатерлер экономикалық дипломатияның дәстүрлі тәсілдерін қайта бағалауды, оның ішінде мемлекет пен аймақтық ұйымдардың рөлін күшейтуді талап етеді.

Мақалада экономикалық дипломатияны зерттеу үшін қолданылатын халықаралық қатынастардың классикалық теориялары, аймақтану және саясаттану: реализм, неореализм, либерализм, неолиберализм және конструктивизм, сондай-ақ саяси элита ұсынылған. Экономикалық дипломатияны зерттеуде халықаралық қатынастардың негізгі субъектісі ретінде мемлекеттің рөліне назар аударатын реализм белсенді түрде қолданылғанын көрсетеді. Неореализм мемлекеттік билік туралы түсінікті кеңейтіп, халықаралық ұйымдардың маңыздылығын мойындайды. Либерализм мемлекетаралық ынтымақтастық пен институционалдық механизмдерге ерекше мән береді. Ресми сапарларға бизнес өкілдерін қосу неолибералдық теорияны қолдайды. Конструктивизм неолиберализм қағидаларын жалғастыра отырып, халықаралық және аймақтық қарым-қатынастарды тұлғалық объективтік және субъектілердің бір-біріне деген көзқарасы арқылы талдайды.

Мақаланың негізгі қорытындылары экономикалық дипломатияны зерттеуге интеграциялық және пәнаралық тәсілдің қажеттілігін, сондай-ақ қазіргі жаһандық өзгерістер аясында тәсілдер мен тұжырымдамаларды қайта қараудың және әртараптандырудың маңыздылығын көрсетеді.

Тірек сөздер: экономикалық дипломатия, сыртқы саясат, жаһандану, реализм, неореализм, либерализм, неолиберализм, конструктивизм

ХАЛЫҚАРАЛЫҚ ҚАТЫНАСТАРДАҒЫ ЭКОНОМИКАЛЫҚ ДИПЛОМАТИЯНЫҢ ТЕОРИЯЛЫҚ-ӘДІСТЕМЕЛІК НЕГІЗДЕРІ

*Шайморданова З.Д.¹, Нығметова Б.М.²

^{*1} Доктор исторических наук, профессор, Казахский университет международных отношений и мировых языков имени Абылай хана, Алматы, Казахстан

e-mail: shaimordanova.z@ablaikhan.kz

² PhD докторант, Казахский университет международных отношений и мировых языков имени Абылай хана, Алматы, Казахстан

e-mail: bnygmetova@inbox.ru

Аннотация. Экономическая дипломатия выступает ключевым инструментом внешней политики, направленным на продвижение и защиту экономических интересов государства. В условиях глобализации и открытой экономики государства стремятся использовать экономическую дипломатию для содействия устойчивому развитию, созданию рабочих мест и привлечению иностранных инвестиций. Современные геополитические и геоэкономические вызовы требуют переосмысления традиционных подходов к экономической дипломатии, в том числе усиления роли государства и региональных объединений.

Статья представляет классические теории международных отношений, регионоведческих исследований и политических наук, используемые для изучения экономической дипломатии: реализм, неореализм, либерализм, неолиберализм и конструктивизм, политические элиты. Показано, что в исследовании экономической дипломатии активно используется реализм, который фокусируется на роли государства как основного актора международных отношений. Неореализм расширяет понимание государственной мощи и признает важность международных организаций. Либерализм акцентирует внимание на межгосударственном сотрудничестве и институциональных механизмах. Включение представителей бизнеса в состав официальных визитов подкрепляет теорию неолиберализма. А конструктивизм, как бы продолжая положения неолибералов, анализирует международные и региональные отношения с точки зрения идентичности и восприятия акторов друг друга.

Основные выводы статьи подчеркивают необходимость интегративного и междисциплинарного подхода в изучении экономической дипломатии, а также актуальность пересмотра диверсификации подходов и концепций в свете современных глобальных трансформаций.

Ключевые слова: экономическая дипломатия, внешняя политика, глобализация, реализм, неореализм, либерализм, неолиберализм, конструктивизм

Статья поступила 08.09.2024 г.