

Economic Diplomacy as a Symbiosis of Science and Politics

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ABSTRACT. The article defines the very essence of economic diplomacy as a science of international economic relations and a tool of the foreign economic policy of the state, which is a set of nonmilitary practical measures, techniques and methods (with a predominance of economic over political ones) used taking into account the specific conditions and nature of tasks. The author also considers its main elements such as objects, entities and functions, as well as the place of the economic diplomacy in the system of international relations. This makes it possible to identify the economic diplomacy as a separate area of the economic science, which is characterized by subordinate categories (derived from such concepts as economy and economic system on the one hand, and international relations and diplomacy on the other hand). The criteria of economic diplomacy is belonging to the field of international economic relations and foreign economic policy of the state; negotiations as the main tool of creation of interstate economic relations by peaceful means; availability of the institution of public servants and diplomats, who directly negotiate and perform all other functions stipulated in the Articles of Association of the diplomatic service of each state. As follows from the detailed analysis, the author comes to the conclusion that the economic diplomacy turns into a specific direction of economic knowledge and is a kind of symbiosis of the economic science and political practice.

From a practical standpoint, the economic diplomacy is not just an alternative to economic warfare. It does not end with the outbreak of such a war, because in the modern context diplomatic methods are widely used for the needs of the economic struggle (often camouflaging it, especially in the context of a “hybrid war”). The relationship between politics and economics is determined by the rule that can be called the “law of strong coffee”: the more significant economic component of politics, the stronger and more stable it is (just as the coffee beverage is stronger and thicker, the more ground coffee is in it). This is explained by the fact that economic interests are usually longer-term and transparent (that is, understandable and more credible), as well as based on mutual interests (under free competition).

The classification of types of economic diplomacy (in particular, the importance of energy, environmental and food diplomacy as separate areas of the economic diplomacy) is considered and its role in the system of modern international economic relations is analyzed. Special attention is paid to the role of economic diplomacy in the context of globalization of the modern economy, as well as to the changes caused by modern globalization processes (in particular, in the field of information exchange), such as the emergence of “network diplomacy”.

KEYWORDS. Economic diplomacy, economic policy, international relations, globalization.

Introduction

In the modern context, economic diplomacy acts as a political and economical category, which takes its due place in the general system of international economic relations and performs specific functions inherent only to it. The economic diplomacy, which emerged many centuries ago

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in the form of its original “trade” form as a symbiosis of theory and practice, has gradually turned into a separate area of social science and foreign policy. At the same time, the very subject of economic diplomacy has an interdisciplinary nature, and therefore its analysis makes use of provisions of various branches of science, at least such basic ones as economic theory, theory of international relations, international political economy and diplomatic theory² (although in practice you have to go beyond them).

Based on the generally accepted definitions of diplomacy, it can be said that *the economic diplomacy* is essentially a science of *international economic relations* and a tool of *the foreign economic policy* of a state, which is a set of nonmilitary practical measures, techniques and methods (with a predominance of economic over political ones) used taking into account the specific conditions and nature of tasks. *The effective economic diplomacy is impossible without the practical mastering of the theory of international economic relations.*

The problems of economic diplomacy are constantly in the focus of attention of researchers, especially over the last years, when the “new normal” of the globalized age significantly changes “the game” in international relations: limiting the possibilities of classical diplomacy within the Westphalian system, allowing new players TNC, NGO to the “diplomatic field” and introducing new forms of diplomatic communication (“twitter diplomacy”), etc. These innovations have resulted in particularly noticeable changes in the field of economic diplomacy, because the economic aspects of international relations became crucial after the end of the Cold War and the military confrontation between two competing socio-political systems, giving way to peaceful, but no less acute conflicts in the economic competition. In this regard, it is necessary, first of all, to recall the fundamental work of two professors of the London School of Economics (LSE) N. Bayne and S. Woolcock, which has been reissued almost every year since 2002³. By the way, N. Bayne wrote very interesting memories that also give insight into the activity of economic diplomats⁴. His colleague, S. Woolcock, in his turn, gave an equally interesting research on the economic diplomacy of the European Union⁵. A lot of information about

² Okano-Heijmans M. Conceptualizing Economic Diplomacy: The Crossroads of International Relations, Economics, IPE and Diplomatic Studies /In: Economic Diplomacy. Economic and Political Perspectives. Ed. by . Bergeijk P. A.G, Okano-Heijmans M. and Melissen J. – The Hague, 2011, pp.7-36 – 229 p.

³ Bayne N., Woolcock S. What is Economic Diplomacy? In: The new economic diplomacy: decision-making and negotiation in international economic relations / N. Bayne; S. Woolcock [eds.]. – 2nd ed. – Aldershot: 2007 – pp. 1-20

⁴ Bayne S. Economic Diplomat – Durham: The Memories Club, 2010 – 246 pp.

⁵ Woolcock S. European Union Economic Diplomacy. The Role of the EU in External Economic Relations – L.: Routledge, 2016 – 220 pp.

the economic diplomacy is also contained in the practically annual edition [re-edition] of the Oxford Handbook on Modern Diplomacy⁶. Attention to this topic is certainly paid not only in the UK: suffice it to recall a collaborative study on the economic and political prospects of economic diplomacy (carried out in the Netherlands)⁷ or on the new frontiers of economic diplomacy (the Institute of Social and Political Sciences at the University of Lisbon)⁸. Some aspects of economic diplomacy in the context of globalization were analyzed by Russian researchers L.M. Kapitsa, V.A. Gorbanov, I.R. Mavlanov and others⁹.

With regard to domestic researches in the field of economic diplomacy, the works of A.K. Flissak¹⁰ should certainly be noted among the latter. Unfortunately, we have not carried out other fundamental researches recently in this field despite its relevance for Ukraine (despite availability of the Diplomatic Academy). However, there were some scientific articles on this subject written, in particular, by N.O. Tatarenko¹¹ and N.M. Grushchynska¹².

The purpose of this article is to identify the main components of economic diplomacy as a separate area of the economic science, which is characterized by subordinate categories (derived from such concepts as economy and economic system on the one hand, and international relations and diplomacy on the other hand). In particular, the author's task is to clarify the very essence of economic diplomacy, its functions, as well as the place of economic diplomacy in the system of international relations.

⁶ The Oxford Handbook of Modern Diplomacy. Ed. by Cooper A.F., Heine J., Thakur R. – Oxford: OUP Oxford, 2015 – 990 pp.

⁷ Economic Diplomacy: Economic and Political Perspectives. Ed. by Bergeijk P.A.G., von; Okano-Heijmans M., Melissen J. — Leiden: Martinus Hijhoff Publishers, 2011 — 229 pp

⁸ New Frontiers for Economic Diplomacy. Ed. by Costa C.G. — Lisboa: Instituto Superior de Ciências Sociais e Políticas, 2009 — 72 pp

⁹ Ekonomicheskaya diplomatiya v usloviyakh globalizatsii/ pod obshchey redaktsiyey L.M. Kapitsy [The Economic Diplomacy in Globalization Circumstances. Ed. By L.M. Kapitsa] -Moskva: MGIMO Universitet, 2010, – 623 c. [in Russian]

¹⁰ Flissak K.A. Ekonomichna dyplomatiya v systemi zabezpechenya natsionalnykh interesiv Ukrayiny [The Economic Diplomacy in the Ukraine's National Interest Implementation System] – Ternopil: Novyy Kolir, 2016 – 812 pp. [in Ukrainian]

¹¹ Tatarenko N.O. Ekonomichna dyplomatiya: svitivyy dosvid ta ukrayinski zdobutky (polityko-ekonomichnyy aspekt) [The Economic Diplomacy: World Experience and Ukrainian Achievements (Political and Economic Aspects) – *Naukovyyi visnyk Dyplomatychnoyi akademiyi Ukrayiny, seriya "Ekonomichni nauky"* – Annual Journal of the Diplomatic Academy of Ukraine, 2015, No.2 (22), pp.4-9 [in Ukrainian]

¹² Grushchynska N.M. Ekonomichna dyplomatiya yak potuzhnyy instrument podolannya konfliktogenosti krayn [The Economic Diplomacy as an Power Tool to Overcome Countries' Conflictology] – *Ekonomichnyy nobelivskiy visnyk – Nobel Economic Herald* 2016, No.1, pp.85–90 [in Ukrainian]

System Essence and Functions of the Economic Diplomacy

From our point of view, the academician O.G. Bilorus quite rightly noted that the current situation requires the formation of a new global diplomacy and diplomacy as a science¹³, and therefore we can talk about the gradual development of the relevant categorical apparatus of such science. In this context, in our opinion, attention should be paid to the transformation of certain types of diplomacy (economic diplomacy in our case) into a politico-economical (but not political and economical) category, which can be considered as an intermediate link in the formation of “diplomacy as a science”.

In our opinion, the criteria for economic diplomacy are the following:

- belonging to the field of international economic relations and foreign economic policy of the state;
- negotiations as the main tool of creation of interstate economic relations by peaceful means;
- availability of the institution of public servants and diplomats, who directly negotiate and perform all other functions stipulated in the Articles of Association of the diplomatic service of each state.

A praxeological theory of international relations (based on the recognition of effective activity as the basis of such relations) is based on the fact that “the system of social activity consists of three subsystems (...): cooperation, struggle and competition. Cooperation and struggle belong to the so-called real field, but competition – to the field of regulation. The latter is the main subject of interest relating to the theory of international relations.”¹⁴ These three subsystems are characterized by a certain set of theoretical and pragmatic elements (see Table 1) that determine their difference and relations.

Accordingly, international economic relations have similar forms of economic interaction between states. As may be understood, the field of economic diplomacy can be all three forms of international economic relations in a ratio that will depend on the goals and objectives of foreign economic policy, and determine the choice of methods and tools.

The main purpose of economic diplomacy is to create favorable conditions for access and promotion of domestic goods and services to foreign markets, protect the national strategic and economic interests of the state abroad, as well as to promote the social and economic

¹³ Bilorus O.G. Imperatyvy ekonomichnoyi dyplomatiyi v umovakh globalnoyi neokonvergentsyyi [Economic Diplomacy's Imperatives in the Global Neo-Convergence Circumstances] – *Naukovyyi visnyk Dyplomatychnoyi akademiyi Ukrainy, seriya "Ekonomichmi nauky"* – *Annual Journal of the Diplomatic Academy of Ukraine, Economic Studies series*, 23, 2016, pp.124-130 [in Ukrainian]

¹⁴ Sułek M. Prakseologiczna teoria stosunków międzynarodowych [Praxeologic Theory of International Relations] – *Przegląd Strategiczny – Strategic review*, 2012, No.1, pp. 35-49 [in Polish]

development of the country by means and methods of this diplomacy, ensuring its national and economic security.

Table 1 **THREE SYSTEMS OF ACTIVITY (THREE FORMS OF INTERNATIONAL RELATIONS)¹⁵**

Cooperation	Struggle	Competition
Cooperation theory	Struggle theory	Regulation theory
Economy	Military art	Political science (theory of international relations)
Cooperation logic	Struggle logic	Competition logic
Positive-sum game	Negative-sum game	Zero-sum game
Truth	Lie	Pretense (hypocrisy)
Information	Misinformation	Propaganda
Cooperation ethics (economic ethics)	Struggle ethics (military ethics)	Competition ethics (political ethics)
Cooperation aesthetics (economic aesthetics)	Struggle aesthetics (military aesthetics)	Competition aesthetics (political aesthetics)
No polarization	Polarization 1-pole	Polarization 2-pole

Based on that, the *prevalence of economic diplomacy in the relations of competition* seems logical. After all, the “ideal cooperation” of economic entities will not require just the state participation (on the understanding that the state must ensure the conditions for such cooperation and stay alert with it in order to prevent possible obstacles for it). On the other hand, the open economic struggle (in particular, in the form of “trade” or “currency” wars, economic sanctions or embargo) narrows the field of diplomatic interaction. If we look at this situation from the perspective of “game theory”, it can be noted that the “cooperation” creates conditions for an economic game with a positive amount, but “struggle” – with a negative amount, while “competition” is based on a zero-sum game. However, these are only the basic, initial conditions and the issue of economic diplomacy is to “transfer” real relations to a higher positive level, that is, to move from a negative amount (mutual losses) to the “zero game”, that is, attempts to limit the losses or provide benefits at least to the winner (of course to your own side), but in theory the goal should be to achieve mutual benefits.

¹⁵ Sułek M. Prakseologiczna teoria stosunków międzynarodowych [Praxeologic Theory of International Relations] – *Przegląd Strategiczny – Strategic review*, 2012, No.1, pp. 35-49 [in Polish]

As far back as in the XIX century, a French economist Frederic Bastiat reasonably remarked: “When goods do not cross borders, soldiers will” (*“Quand les marchandises ne traversent pas les frontiures, les armées le font”*), making it clear that it is economic relations between countries that act as an alternative to military conflicts, and protectionism and attempts to cripple economies of other countries (which later became known as the policy of “economic nationalism” and the principle of “*beggar the neighbor*”) are a direct way to “*overblow*” enmity and war.

But economic diplomacy is not just an alternative to economic warfare. It does not end with the *outbreak* of such a war, because in the modern *context* diplomatic methods are widely used for the needs of the economic struggle (often camouflaging it, especially in the context of a “hybrid war”). It is no coincidence that some tools of economic diplomacy (such as business analysis or competitive intelligence) are quite close to nonmilitary, but also non-diplomatic measures, such as economic or industrial espionage. It is also necessary to clearly understand and take into account in the work of the diplomatic department, starting from conceptual and strategic developments to the implementation of specific steps by individual diplomats, the fact that the economic interests of even union states can and constantly contradict, reflecting hot competition on the world market. The former Minister of Foreign Trade of Belgium P. Chevalier, speaking at the annual Diplomatic Conference in Brussels in 1999, said: “Don’t forget: trade is war. (...) In world trade everything is being used to conquer or maintain market shares.”¹⁶

The role of economic diplomacy in their completion and the establishment of a new economic “status quo” is even greater (compared to the economic warfare), because new conditions for international or bilateral economic relations should be formulated in such a way that the foundations of new stable relations are laid and that, at the same time, the other party does not consider itself offended (because this would mean a high probability of new conflicts). It is necessary to adjust the national interests of other countries in such a way that they feel that they are guarding their own interests, while in reality they will do what you recommend them to do. At the same time, it should not seem that they have capitulated to a foreign state or are led by it. In other words, “diplomacy is the art of forcing others to play your game by your rules.”¹⁷

Balancing political and economic interests is particularly difficult because the political and economic diplomacy are not always easily combined. Although, “according to all indications, there is no longer any

¹⁶ Coolsaet R. Historical Patterns in Economic Diplomacy. From Protectionism to Globalisation. The case of Belgium – ISA 2001, Chicago – 10 pp.

¹⁷ Freeman Ch. Diplomatīya – utrachenoe iskusstvo? [The Diplomacy – Lost Art?] – *Rossiya v globalnoy politike* – Russia in Global Affairs, 2015, No.5, pp. 63 -76 [in Russian]

diplomacy without economy (...), the fact that active economic diplomacy will produce the expected results in the political arena is as difficult to believe as in the economic dividends of friendship at the diplomatic arena.”¹⁸ The unity of politics and economics should not necessarily lead to the harmony of the components that create this tandem. At the same time, the economic component acts as an object rather than an entity. This is evidenced by the following structural changes¹⁹:

1. With regard to the nature of diplomatic activity – the growth of the internationalization of the economy increases the importance of the role and place of economic problems.

2. With regard to the mechanism of activity – the role of the coordinator still remains with the Foreign Service (MFA).

3. With regard to the management technology – the solution of economic problems often requires traditional “diplomatic technologies” (negotiations, agreements, unions or consultations).

4. With regard to the order of priorities – for politicians “economic” diplomacy is only one of the types of “diplomacy” (which is traditionally an important tool for them), and for economists it is important that there is a separate “economic” diplomacy.

The relationship between politics and economics is determined by the rule that can be called the “*law of strong coffee*”: the more significant economic component of politics, the stronger and more stable it is (just as the coffee beverage is stronger and thicker, the more ground coffee is in it). This is explained by the fact that economic interests are usually longer-term and transparent (that is, understandable and more credible), as well as based on mutual interests (under free competition). At the same time, all other conditions being equal, purely trade relations contain more potential for competition and even struggle; this is due to the opposing interests of a buyer and a seller, while investment relations have more potential for cooperation, because the interests of the partners in investment projects have more “common points” and common interests. Of course, the balance of interests may be different in each specific case and there is always a need to reach compromises. Thus, the relationship between politics and economics may differ in time and space (from country to country, from period to period), but a decrease in its economic orientation results in a weakening not just an economic, but eventually a political position as well.

Of course, this does not exclude the fact that other priorities may be established with regard to certain countries or groups of countries

¹⁸ Carron de La Carrière G. La diplomatie économique. Le diplomate et le marché [The Economic Diplomacy. The Diplomat and the Market] – Paris: *Economica*, 1998 – 224 pp. [in French]

¹⁹ Shchitinin V.D. Ekonomicheskaya diplomatiya [The Economic Diplomacy] – Moskva: *Mezhdunarodnye otnosheniya – International relations*, 2001, – 280 pp. [in Russian]

(integration, unions): maintenance of primarily political or cultural relations. But this should be carried out consciously and with an understanding of the permissible level, after which you can forget about the “economization” at all.

When developing a foreign economic strategy, the economic approach must necessarily include relations with international financial and economic organizations and integration associations, as well as the position of the country in matters that are considered by their governing bodies.

The main tasks of economic diplomacy include providing the leadership of the state with timely reliable information about the economic situation abroad, foreign economic policy of foreign countries, the activities of international organizations, as well as creating favorable conditions for the successful integration of its own state into the global economy. These objectives are achieved through a variety of methods and tools, including negotiations, agreements, informal agreements, recommendations, relations with officials, business circles, members of the public, etc. At the same time, it is important to understand the need to formulate and coordinate objectives and priorities (values) between the government and the business environment of the country (business), which is, in most cases, the main beneficiary of economic diplomacy (Figure 1).

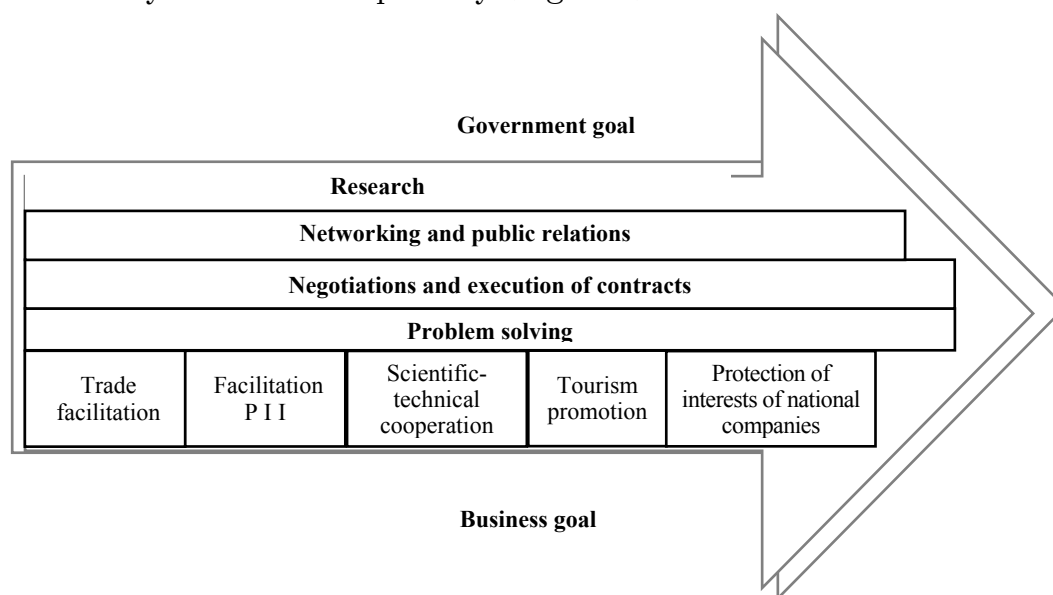


Fig.1. The Chain of Values of Commercial Diplomacy²⁰

²⁰ Made by the author by Kostecki M., Naray O. Commercial Diplomacy and International Business // Netherlands Institute of International Relations “Clingendael”.- Discussion Papers in Diplomacy, April 2007 – 41 pp.

Considering that, the main functions of modern economic diplomacy include the following:

- *executive* – implementation of the foreign policy of the state (in its economic part);
- *analytical* – collection and analysis of information concerning bilateral and multilateral foreign economic relations of the state;
- *security* – measures taken to ensure national economic security;
- *mediation* – preparation and conduct of negotiations on various issues of foreign economic policy and upholding of economic interests of the state, as well as individual entities of foreign economic activity;
- *protective* – promotion of national economic interests, including contribution to the entry of domestic producers and investors into foreign markets, and provision of advantageous conditions for participation of the national economy in the global division of labor (the global economy);
- *intervention* – implementation of legal diplomatic influence on international organizations, foreign governments, business and public structures in order to ensure national economic interests;
- *paternalistic* – provision of the state assistance for participation of domestic producers and investors in the international economy;
- *image* – measures taken to create and maintain a positive image of the state in international economic relations.

Diplomats know the expression of a British lord G. J. T. Palmerston, who declared in the Parliament that there were neither eternal allies, nor eternal enemies in England. “Only our interests are constant and eternal,” – he added, – “and our duty is to observe them.”²¹ Already in the XX century, a French diplomat Zh. Kambon argued that the task of foreign policy was to “conform to random facts with permanent laws that govern the fate of nations. (...) Interests of peoples do not change,” – he argued. “They are determined by the nature, geographic location and character of peoples.”²² All these requirements are directly related to the economic diplomacy. However, the problem is to correctly identify national interests and the laws that govern political and economic processes. The fact is that in reality they are rather long-term than “eternal”, because they are largely determined by the interests of the domestic economy (thus the divergent interests of individual classes, strata and groups) and the laws of development, which are not only objective, but also subjective (depending on the national mentality, the level of general culture, the ratio of economic forces of society, etc.).

²¹ March 1, 1848, Treaty of Adrianople — Charges against Viscount Palmerston. In: Hansard's Official Report of debates in Parliament, vol.97, p.122 — URL: <http://hansard.millbanksystems.com/commons/1848/mar/01/treatyof-adrianople-charges-against>

²² Cambon J. Le Diplomate [The Diplomat]– Paris:Hachette,1926 – 121 pp. [in French]

So, the correct definition of national economic interests is one of the key conditions for the success of economic diplomacy.

Thus, *the economic diplomacy is a complex system in the process of continuous development, the elements of which are in a relationship of correlation and interdependence.*

Modern Varieties of the Economic Diplomacy

The economic diplomacy can be classified according to various criteria. The most common is the classification of economic diplomacy *in terms of its industrial responsibility*, that is, in accordance with areas of economic activity that it serves.

Historically and logically, the most important is *trade (commercial) diplomacy*, the first type of economic diplomacy. Actually, trade agreements became the first purely economic object of diplomacy (after such military-economic objects as tribute agreements, reparations and contributions), the value growth of which gradually resulted in the emergence of a separate area (type) of economic diplomacy.

The next purely economic type of diplomacy was *financial or investment diplomacy*, the object of which are external financial (debt, investment or tax) relations. Investment relations in the modern economy characterized by the liberalization of international capital flows are increasingly beginning to play an independent role. However, at the previous stages of the world market development (even for some countries in modern conditions) debt relations played no less important role. For the member countries of international regional associations (in particular, the European Union), the problems of the total budget are quite important, and hence tax relations, which also become the object of diplomatic relations.

In addition to these two main types of economic diplomacy, there are other types, where the economic component plays a crucial role, while an important role is also given to technological and humanitarian elements. In particular, this concerns *energy (oil) diplomacy* used to coordinate international problems of production, transportation and use of energy resources. *Environmental diplomacy* is closely related to this issue, which deals with issues on environmental protection on international and global scale, global climate change and minimization of its negative consequences. Climate change and environmental conditions have a direct impact on crop yields, which, along with a number of other factors that affect the country's food security, are the focus of *food diplomacy*.

Depending on the aggravation and internationalization of other problems of social and economic life, there are other areas of economic diplomacy, which can turn into its separate types. In particular, some

experts even in bilateral relations distinguish subtypes of economic diplomacy as aviation, arctic, atomic (including helium), military, humanitarian, space, marine, food, agricultural, trade or commercial, transport, tourism, financial (including investment, credit, investment and credit, debt), environmental, energy (including oil, gas, oil and gas or energy source)²³.

Depending on the organizational form, each of the industrial types of economic diplomacy can be divided into *political and normative* work (processing of international and multilateral rules regulating economic relations), *information and analytical* support (analysis and forecasting of the situation on the foreign and world markets, identifying advantages and losses from participation in international economic cooperation, international regional grouping or specific projects), *technical and advisory* support (provision of technical assistance and assistance in implementation of foreign economic operations and projects) and *financial and credit* support (carrying out specific operations for the conclusion and implementation of international financial transactions)²⁴.

In terms of *institutional affiliation*, it is commonly supposed to distinguish the following:

– *official* diplomacy – the diplomacy that is carried out by government agencies, first of all, by the diplomatic department of the state. Although, this variety can also include *departmental* diplomacy that is carried out by other government agencies (mainly the Ministries of Economy, Finance and the Central Bank of the country), which, however, implies the need for clear coordination and consistency of actions and objectives of various institutions;

– *corporate* diplomacy, when the issue of responsibility of economic diplomacy is solved systematically, orderly and for a long time by large corporations (usually transnational companies) independently or through relevant business organizations (associations, unions, etc.). When it comes to interaction between corporations on the one hand, and non-entrepreneurial institutions (ministries or international organizations) on the other hand, some researchers use the term of “*business diplomacy*”;

– *interregional diplomacy* or *paradiplomacy* – international (external, transnational or cross-border) relations of sub-national (non-central, regional or local) authorities, which are carried out in parallel and in addition to similar actions of the Central authority (official diplomacy);

²³ Savoyskiy A.G. Ekonomicheskaya diplomatiya sovremennoy Rossii v otnoshenii S.Sh.A. na mezhdunarodnoy arene [The Economic Diplomacy of Modern Russia Regarding the USA on the International Arena] – Moskva-Pyatigorsk: RIA-KMV, 2011– 368 pp. [in Russian]

²⁴ Ekonomicheskaya diplomatiya v usloviyakh globalizatsii/ pod obshchey redaktsiey L.M. Kapitsy [The Economic Diplomacy in Globalization Circumstances. Ed. By L.M. Kapitsa] -Moskva: MGIMO Universitet, 2010, – 623 c. [in Russian]

– *public* diplomacy carried out by representatives of civil society (in particular, non-governmental organizations).

Of course, these types refer to economic diplomacy in case when the relevant economic problems are among the problems they solve. In other cases, they can be considered as a kind of cultural diplomacy, humanitarian diplomacy, etc.

Finally, in terms of *the scale and level of problems* solved by diplomatic means, there are *macroeconomic* and *microeconomic* diplomacy, understanding the fact that the first type focuses on global and interstate economic relations, while the second one practically deals with the foreign economic activity of individual industries or economic entities (corporations). Thus, it can be stated that the area of responsibility of macroeconomic diplomacy is public and collective interests, while microeconomic diplomacy focuses on serving group and individual interests. Since the areas of responsibility of these two types of economic diplomacy are very closely related in practice, sometimes they also talk about a “transit level” or *meso-economic* diplomacy that can be understood as a comprehensive approach to solving problematic issues at all levels of interaction, both at interstate and interregional or business-to-business level.

Object and Subject Characteristics of the Economic Diplomacy

The objects of economic diplomacy, that is, that part of social activity, which knowledge and influence are focused on, are the international economic order and international regional grouping, foreign (international) markets of goods and services, foreign investments (capital flows), international migration processes, tax system (including mechanisms for its “optimization” through the use of foreign (“offshore”) jurisdictions, etc. The list can be changed (mainly replenished) due to the objects inherent to the new specific subtypes of economic diplomacy (energy, environmental, etc.).

However, the main objects in all areas for economic diplomacy are international trade, international investment and taxation, which are reflected in the “fundamental three” of the contractual and legal framework of foreign economic relations: the economic and technical cooperation agreement, the agreement on mutual assistance and protection of investments and the agreement (convention) on the avoidance of double taxation.

If the definition of objects of economic diplomacy does not cause a noticeable disagreement of views of researchers, the situation is somewhat more complicated with the definition of entities (especially with the hierarchy of entities of different levels), so we consider it necessary to pay a little more attention to the issue of their classification and appropriate arguments. The fact is that it has become traditional to distinguish

performers represented by actors and agents from the category of entities of diplomacy. But at the same time, different authors carry out such distribution at their discretion without giving sufficient arguments as for the principle of distribution. In this regard, we will proceed from the fact that the entities will be society and public institutions; the actors – the appropriate organizational structures (state, commercial and public institutions), and individuals will act as agents (who represent the actors).

Based on this principle, we can say that the main and most active of *the entities* of economic diplomacy is traditionally the state. The development of market relations and democracy has contributed to the emergence of new entities like entrepreneurship (business) and civil society. However, it is clear that these entities as such cannot enter into external relations and carry out diplomatic activities. If under the conditions of absolute monarchy the state is personified in the person of the monarch (by the known principle – “The state is me”), more democratic regimes provide that the state is represented by certain institutions – the President, the Government (Ministries, local authorities) and the Parliament (political parties). Accordingly, entrepreneurship is represented by both specialized unions and associations, as well as by individual economic entities (in particular, transnational banks and companies), and civil society – by nongovernmental organizations, trade unions and citizen groups. Such *acting entities* are called *actors* of the economic diplomacy. Researchers of the issue usually classify actors (acting entities) as national state (governments, political parties, local authorities), non-state (corporations, business associations, trade unions, etc.) and transnational (TNCs, international organizations), or just as state or non-state actors. However, in our opinion, it is more appropriate to combine these two methodological approaches (see Table 2).

Table 2 ACTORS OF THE ECONOMIC DIPLOMACY²⁵

	State	Non-state
National	State authorities, political parties	Large national companies that carry out foreign economic activities, national TNCs, nongovernmental organizations, trade unions
Supranational	Bodies of associations and coalitions of states, Regional economic groupings, international economic organizations	Nongovernmental organizations engaged in cross-border activities

²⁵ made by the author based on Reinhard R. Aktoty i agenty ekonomicheskoy diplomatiyi [Actors and Agents of the Economic Diplomacy] – *Pravo i upravlenie. XXI vek – Law and Management, XXI Century*, 2016, No.2, pp.111-115 [in Russian]

On the part of the state, the most active actors in economic diplomacy are the specialized ministries – the Ministry of Foreign Affairs and the Ministry of (Foreign) Economics, as well as the structural units abroad – embassies and trade missions.

The organizer and coordinator of the work of economic diplomacy are logically the foreign ministries of individual states. However, the intersection of the relevant activities of foreign economic agencies inevitably raises the question of their interaction and the ratio of their powers. The parallel development of the activities of the Ministries of Foreign Affairs and the Ministries of Economy/Foreign Trade was natural, which coordinated and adjusted their actions in the course of work. Some ministries responsible for certain policies at the central government level are increasingly engaged in a dialogue with their foreign partners. Taking into account the increase in the number of international specialized conferences, such Ministries unwittingly compete in the Ministry of Foreign Affairs for the position of the lead Agency that makes decisions on certain issues. Thus, there is a gradual erosion of the monopoly of the Ministry of Foreign Affairs on international economic issues.

Having felt such a surge of diplomatic activity of other agencies, the Ministries of Foreign Affairs either try to block their access to the international arena, or have to gradually agree with their new (“second”) place at international meetings, acquiring the role of consultant, coordinator of inter-agency foreign economic policy. However, officials from specialized agencies, participating in the development of a country’s position in international negotiations, often do not even have their initial skills, do not take into account national traditions, corporate culture or personal qualities of their partners; they also do not know foreign languages, which negatively affect the outcome of negotiations in general.

A number of countries (primarily Australia and Canada, as well as Sweden, Mozambique and some other developing countries) have chosen the model of a joint Ministry of Foreign Affairs and Trade, which should ensure prompt decision-making and rational use of human resources according to supporters of this approach. However, taking into account the importance of the foreign economic direction and its certain autonomy and specificity, that model assumes availability of two equal leaders in the ministerial rank (there are even three leaders in the ministerial rank in the Swedish Ministry of Foreign Affairs), which largely negates the potential benefits of this approach. Economic diplomats from countries using this model often point at the incompetence of Central officials in matters of the domestic economy and the complexity of their contacts with other economic institutions and the business communities of the country. Besides, in practice there

is bureaucratic red tape connected with dual subordination of separate divisions, etc.

The most common model for the organization of economic diplomacy remains the priority option of the Ministry of Foreign Affairs as a center for the adoption and coordination of actions in this area. However, with regard to the organization of diplomatic operation directly abroad, there are different approaches: the concentration of such work in the office (department) of the economic adviser; economic/trade structural units of embassies with dual subordination; trade missions subordinated to the Ministries of Economy/Foreign Trade; economic structures representing independent economic institutions (Chamber of Commerce and Industry, etc.).

It should be noted that in practice not all economic (commercial) diplomats are concentrated “under the cover” of the national embassy. Quite common is the practice of establishing foreign missions and economic agencies, including Central Banks and investment promotion agencies. For example, representative offices of many Central Banks are located in the leading financial centers of the world. Moreover, it is subject to the Central Banks of both industrialized countries (Germany, Austria, Italy, Norway and Japan) and developing countries (China, Indonesia, Thailand, Hungary, etc.). According to the UNCTAD, most national investment promotion agencies have foreign agencies. At the same time, the practice of countries such as Canada, Israel and some others provides for the establishment of appropriate missions at embassies and consulates.

It is necessary to pay attention to the fact that in practice there is still no clearly established procedure for naming agents of economic diplomacy. In our opinion, in all cases when the entity is the state, and the actors are general universal authorities (the President, the Government – the Ministry of Foreign Affairs, the Parliament), we can say that its agents (directly acting persons) are “*economic diplomats*”, meaning that the interests of the state, in principle, cover the entire range of objects of economic diplomacy and a wide range of its issues. Agents representing the Ministry of Foreign Affairs (official or formally recognized diplomats) usually pay more attention to macroeconomic diplomacy. But this is only a general principle; in practice it is often violated due not only to the combination of functions, but also due to the relations of macro- and microeconomic activities. This is largely due to the general approach to the performance of official duties by economic diplomats adopted in different countries (Table 3).

At the same time, the agents of the Ministry of Economy or other specialized economic institutions are mainly focused on microeconomic problems and support of commercial activities, that is, solution of foreign economic problems of national economic entities, therefore, it is more logical to call them “commercial diplomats”. In their activities,

they communicate more with commercial partners (existing or potential) of domestic companies. Although in practice they can deal with macroeconomic problems, in particular, coordination of interstate or international agreements with economic diplomats.

Table 3 **GENERAL APPROACHES TO THE PERFORMANCE OF OFFICIAL DUTIES BY ECONOMIC DIPLOMATS²⁶**

Type of economic diplomat	Assistant of businessmen	State official	Universal type
Approach	Commercial issues are considered mainly as business problems	Commercial issues are considered as an integral part of international relations	Commercial issues are understood in a broad politically diplomatic context
Main task	Attention on satisfying a businessman	Attention on satisfying the Ministry of Economy	Attention on satisfying the Ministry of Foreign Affairs
Country rating	Ireland Canada The USA Sweden Finland New Zealand Austria Portugal The Great Britain Switzerland Japan Korea Hungary	Germany Poland France China Cuba	Brazil Salvador Venezuela

With regard to the agents representing actors who directly represent institutions of production, finance and trade (“business”) as an entity of economic diplomacy, they are commonly called “*corporate diplomats*”.

Finally, the agents of the civil society can be considered as just “*nongovernmental diplomats*” who can be divided into national and transnational agents depending on the affiliation of the actors concerned.

Thus, a system of entities, actors and agents of economic diplomacy is established with clearly separated basic functions and a flexible mechanism of interaction and complementarity.

²⁶ Kostecki M., Naray O. Commercial Diplomacy and International Business // Netherlands Institute of International Relations “Clingendael”.- Discussion Papers in Diplomacy, April 2007 – 41 pp.

Historical Nature and Prospects of the Economic Diplomacy

Diplomacy (including the economic one) is a historical science not only due to the fact that the history of diplomatic relations is an integral part of it and acts as a source of practice, the traditions, norms and rules of diplomacy. *Historicism* of the economic diplomacy is also due to the fact that it becomes an independent category only at certain stages of development of both economic relations of individual countries and the world economy in whole. The onset of the relevant stage, in its turn, is determined by the degree of involvement of a country in international economic relations, the development of functions and institutional structure of the state apparatus (and, in particular, its diplomatic service), as well as the direction of the foreign policy. The development of economic diplomacy also globally involves, in addition to its development in the leading economic countries, the creation and active operation of various international economic associations and organizations, the management of which is based on the diplomatic cooperation of the member countries.

In 1919, the publication of “Economic Consequences of the War”, the work by J.M. Keynes, had a significant impact on the development of economic diplomacy. In his work he first put forward economic issues as the key problem of international relations, and, in particular, the payment of war military debts and reparations, which was, in fact, the reverse moment of the development of economic diplomacy, which was strengthened in the future by international monetary and credit problems (1950-1960), the oil and gas and energy crisis (1970s) and the need to create a new economy order (which is unresolved up to date).

The novelty of modern economic diplomacy is also explained by the general withdrawal from the old so-called “Westphalian” system according to which governments and states were recognized as the entities of diplomatic relations (that is, “sovereigns”). Now, in addition to national states and *international organizations (whose role is extremely important in the established international economic order)*, sub-national (for example, the federal states of Germany), supranational (for example, the EU, NAFTA) and non-state actors (for example, public organizations and private enterprises) are also at the forefront of world diplomacy, which participate in the development of international relations. That’s why, today, the management of international economic relations no longer belongs just to the state, but rather to civil and commercial affairs. The main actors of these new interest groups are often business managers, members of civil society and representatives of nongovernmental organizations. An active participant in foreign economic relations is a businessman, a journalist, a scientist (and sometimes a politician) of cosmopolitan views (a “*cosmocrat*”), whom a

famous political scientist S. Huntington considers as “Dead Souls” and at the same time calls them “*Davos Man*”, who “has little need for national loyalty, sees national borders as obstacles that fortunately disappear and considers national governments only remnants of the past, the only useful function of which is to simplify the global operations of the elite”²⁷.

Certain aspects of economic diplomacy additionally require the development of transnational corporations, local government and civil society institutions. This is due to the fact that economic diplomacy is divided into certain constituent parts (types) that initially arise as areas of general diplomacy, but due to the gradual growth of their importance and the involvement of other non-economic issues in their circle of responsibility, they can turn (or have already turned in some cases) into separate directions of diplomatic activity in general. Through the interaction of state and non-state actors, a special complex of relations called “*catalytic diplomacy*” is formed between them. A significant expansion of the range of actors and agents of economic diplomacy allows it to master not only traditional forms of political diplomacy, such as regional, lateral and multilateral, but also actively use the opportunities of “network diplomacy” (*net-diplomacy* that is sometimes also called *web-diplomacy* or *e-diplomacy*), which provides the coordination of ideas and goals of various actors in international relations using electronic means of communication, in particular, the Internet and social networks. As a rule, it is opposed to the traditional “club” forms of communication (Table 4). This may seem paradoxical, but despite the growing role of institutions, the influence of individuals is not decreased and *the effectiveness of economic diplomacy more than ever depends on the individual abilities of diplomatic agents and their level of professional training.*

Table 4 CLUB AND NETWORK DIPLOMACY²⁸

	Number of agents	Structure	Communication form	Transparency	Main goals
Club diplomacy	limited	Hierarchical	Mainly written	Poor	Signing agreements
Network diplomacy	unlimited	Friendly	Written and oral	High	Increase in the mutual information flow

²⁷ Huntington S.P. *Dead Souls: The Denationalization of the American Elite//The National Interest*, Spring 2004 — p.8

²⁸ Heine J. *On the Manner of Practising the New Diplomacy// The Centre for International Governance Innovation, Working Paper No.11, October 2006 – 25 pp.*

The emergence of the conditions above, as well as the gradual “involvement” of individual countries into international economic relations, the deepening of their integration into the global economy and the aggravation of international competition, put a demand for governments to *economize foreign policy: establishing such goals and tasks as priorities in the field of foreign policy, which can contribute to the improvement of the country’s participation in the global division of labor by expanding markets for domestic products, attracting the necessary funds (loans and investments) from the world market for the economic turnover of the country, rational integration of the country’s economy into regional economic associations, as well as taking into account and adaptation to the needs of the domestic market of globalization processes*. In principle, such a task should be included into the state foreign policy doctrine, and not just included, but to serve as a “touchstone” in making every decision in this area, including not just economic issues, but also political, military, humanitarian and other issues.

In practice, the economization of foreign policy is implemented through *the economization of foreign relations, the use of political, diplomatic, economic, military, cultural and other means of influence on the entities of international relations in order to achieve the goals of foreign policy, which are determined by the degree of its economization*. Under the conditions of economization of foreign policy, all these means should be considered, although not exclusively, but first of all, as such, which are intended to ensure the achievement of the following economic goals: trade facilitation (with a primary, but not exclusive attention to export), attraction of the required investments and transfer of domestic capital abroad, search for efficient technologies, as well as the receipt/provision of economic assistance and concessional loans.

The economization of foreign policy acts as a significant element of the strategy and implementation of the tactics of foreign policy of the state. It is clear that under the conditions of global competition and a unidirectional world political system, it is realistic to develop and implement a “grand strategy”, that is, a global development and security strategy that takes into account the possibility of influencing the solution of global (universal) problems or countering global threats by the superpowers (or humanity, united at least in the UN, the effectiveness of which still leaves much to be desired). For this purpose, other states have to create international political and economic groups (such as the European Union), which could “perform the duties” of a superpower (which still does not look very effective) or be limited to the use of a national strategy aimed at solving the specific problems of

the country (including economic ones), implementing in fact in relation to global challenges only sub-strategies focused on approaches that are implemented by superpowers or relevant international associations.

Conclusion

The economic diplomacy is noticeably activated under the modern conditions, which is facilitated by the following factors:

- general growth of the world economy and globalization of the modern economy (that is, liberalization of the conditions for carrying out economic transactions and strengthening their cross-border and supranational character);
- aggravation of global problems (food security, climate change, environmental protection, global epidemics, international terrorism, etc.), the solution of which requires significant material resources, which accumulation and use require international cooperation;
- emergence of new active sub-national actors (primarily transnational corporations and public organizations) in the world economy;
- development of regional economic integration associations;
- the increasing role and political influence of national capital in countries, the “new leaders”, which try to play a prominent role in the world political and economic system.

It is clear that, although the economic diplomacy is not something entirely new, but right now, at the stage of globalization, it acquires a fundamentally new meaning, because even with the definitions you can see a very close relationship between globalization and economic diplomacy.

The driving force for both globalization and economic diplomacy (at least until recently) was the United States. The economization of the US foreign policy began to noticeably increase, after a certain period of its “militarization” at the end of the “cold war”. A significant role in that was played by the initiative of the then US Under Secretary of State L. Igelberger (known as “Igelberger” Bill of Rights)²⁹, which was published in 1990. The essence of that initiative was to recognize the support of the country’s economy as a primary national interest of the United States.

Around that time, an American populist politician P. Buchanan actively called for the policy of America’s superiority in everything (which slogan of “*America – first*” is now trying to be used by the President D. Trump), intending, among other things, undoubted state

²⁹ Department «Get Down to Business” by Assisting U.S. Firms, Promoting American Exports// Department of State Dispatch, April 29,1991, pp.306-309

support of American exporters. B. Obama's presidency was noted, in particular, by preparation of projects of mega-regional associations like Transpacific and Transatlantic. And despite the pause caused by the revisionist approach of the President D. Trump on the participation of the United States in globalization processes, the role and importance of economic diplomacy is not reduced, because the solution of economic problems through bilateral agreements may require even more time and efforts.

The countries of the European Union, China, Russia and many other countries demonstrate an equally clear focus on the economization of foreign policy with a view to achieving global strategic advantages.

It is characteristic that the growth of economic interdependence in recent decades has increasingly dissolved the differences between the domestic and foreign economies. "The globalization progress since the early 1990s has obliged the economic diplomacy to deepen its decision-making on issues of the domestic economy in order to ensure the necessary international consequences."³⁰ In the modern global economy characterized by a high content of problems, which have both external and internal significance relying on superpowers or international associations in solving *intermestic problems*, it is no longer possible to use clearly defined separate approaches that would in practice share aspects of politics (trade, political issues and military affairs), government agencies, business communities and civil society institutions. And we are talking not only about quantitative parameters (growth in the number of various multilateral agreements, international organizations, integration associations, etc.), but also about the new quality of relations: in the absence of agreed rules of the game on the world market, governments of the countries (sometimes under considerable pressure from transnational corporations) have to actively create legal and institutional frameworks for the functioning of globalized economy.

In such circumstances, governments do not become less important, but they have to change their role. In particular, we are talking about a gradual transition to a new world order ("World Order 2.0")³¹, which provides the replacement of the Westphalian principle of "responsible sovereignty" with the principle of "sovereign responsibility" or even "sovereign obligations", according to which sovereign states have not only rights, but also obligations to other countries. Taking into account

³⁰ Bayne N., Woolcock S. What is Economic Diplomacy? In: The new economic diplomacy: decision-making and negotiation in international economic relations / N. Bayne; S. Woolcock [eds.]. – 2nd ed. – Aldershot: 2007 – pp. 1-20

³¹ Haas R. World Order 2.0 // *Foreign Affairs*, Jan/Feb 2017, p. 2-9

their own interests, national governments have incentives to act towards solving many economic problems based on their own interests.

Despite the competing of various trends, globalization still remains the mainstream of economic development; thus, the transition to a new order, which includes the concept of sovereign obligations, is the best way to deal with global problems. Thus, the world order becomes less of a choice between “all” or “nothing”, and to a greater extent – a question of the distribution of benefits, not so much with a fixed result of a formal agreement, as a process that can be more successful and advanced in some issues than in others. However, in any case, it is really important for the future centuries, when globalization becomes a reality, whether desirable or not.

Thus, politics is economized, and the economy is politicized, where diplomacy is an active participant in this process. As a result, the economic diplomacy turns into a specific area of economic knowledge, a kind of symbiosis of economics and political practice.

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