Modern Economic Diplomacy: Evidence from Developed Countries

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Nowadays, globalization has become an essential tool for cooperation in the world and it is remarkable in many aspects, characterized by economic interdependence of states. Economical diplomacy became a precious element in foreign mutual relation. This paper discusses the evidence of modern economic diplomacy within an environment of economic interdependence and how it is seen in third world countries. The paper investigates also the relation between Africa continent and the rest of the world as well. The predominant actors in this modern economic diplomacy are developed countries. As we may all expect, countries will expect that their economic diplomacy and commercial diplomacy will serve their national interest in the economic and business sphere. With the increasing complexity of international economic relation, the traditional state-to-state diplomacy is no longer accurate and has been fragmented making more complex due to the growth of non-state actors in the international economic relations. What is the role of those non-state actors in international economic and diplomatic cooperation? The participation of these non-state actors in the modern economic diplomacy will be discussed in this paper as well.

Keywords: economic diplomacy, globalization, developing countries, developed countries

Introduction

There is no doubt that economics has become the core and ultimate motivation in the international cooperation. First states strength their economic power and then use this power as a means to influence their diplomatic relations vis-à-vis of the other nations. Even though economics is not the only means to achieve diplomacy, it comes out to be a necessary condition to the achievement of inter-states relations. The success of economics allows nations to deploy military power, influence the capacity to project soft power and become attractive in investment. The United States of America has a long track record of enlightening and projecting their foreign policy, their key cultural industry, and their values (Rana, 2007). The cooperation of international economics has made possible the relation that nation hold today. Although, they have differences in many subjects, the only thing that matters is the national interest. But further, it seems like we have news agents in the sphere of international cooperation and these agents are the non-governmental organizations (NGOs) and multinational companies. The traditional bilateral relations that we knew before between states have changed and brought new agents who seem to have more power than the sovereign states. This diversification in the international cooperation has been possible thanks to globalization and the leadership of nations to keep their

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borders safe and protect their interest abroad, that is, the diplomacy. And as Baranay (2009, p. 1) said: "Economic diplomacy assumes the diplomatic official activities that are focused on increasing exports, attracting foreign investment and participating in work of the international economic organizations". In this environment of overseas economic cooperation, the developed countries take advantage over developing countries. Further, non-states actors take a proportional role in inter-states bilateral relation and directly become a third party.

Economic Diplomacy: View from Developed Countries

Nowadays, if we look at the international cooperation environment we will certainly notice that the only or most present actors in the field are the developed countries. They have mastered their interaction with the external world to the point where they actively make investment, building business partnership, off-shore banking and a whole range of services and that through their multinational companies. The presence of developed countries is more remarkable within an environment of economic interdependence, trade with the creation of World Trade Organization (WTO). Even the military cooperation became an important tool in diplomacy particularly in the Middle East because of their security instability. In the periphery, we have the developing states who either confront severe scarcity of resource, or are frequently in the internal conflict and weak governance, which let them without any issue and the only thing for them to do is to be woefully dependent on foreign aid (Rana, 2007). Thus, they want to influence the least developed countries (LDC) in all aspects of cooperation. France, England and the other countries colonizers carry on a huge influence over their former colony.

Economic diplomacy is the way through which independent states cooperate to tackle the outside world with the aim of maximizing their national interest in all domains of cooperation such as trade and investment and all sorts of economic gains and protect their sovereignty (Rana, 2007). It is a means to stimulate the openness of companies to international level. When we look widely, it seems like the modern economic diplomacy is nothing else than the commercial diplomacy. In that sense, the diplomacy can be a foreign policy design to ensure the economic cooperation of the country. The US has a long record of strategies that have effectively brought together economic, strategic and soft power in the face of key challenges regardless of their other competitors in the international cooperation sphere (Parkinson, 2015). The most evident example of the US economic diplomacy as part of a clear agenda may be the Marshall plan and that is just in Europe. Washington almost defines the destiny of the world, the internal and external policy of many countries through the World Bank and other international organizations where they have a huge influence. In this economic interdependence environment, developed countries strength their influence over the international economic standard-settings like WTO, International Labor Organization (ILO), the World Bank, and the International Monetary Fund (IMF) as they are large contributors to these organizations, by expecting these organizations to serve their national interest in the economic and business sphere.

Besides the US, there is also France who strengthens his position in Africa especially in the francophone countries because of the colonial history which connects them since 1960. The influence of France over its former is still ongoing. If today France is developed, Africa is the cause. Their diplomacy in Africa is purely guided by self-interest like other developed nations. Through political, security, economic and cultural connections, France has attempted to maintain a hegemonic foothold in Francophone Africa, both to serve its

interests and maintain a last bastion of prestige associated with a legacy of past mastery (Benneyworth, 2011). All the big companies intervening in those France former possessions are owned by French people. British which also had former possession in Africa and Asia exerted the same influence over those countries through his economic, cultural and political diplomacy. Today if we look globally, we will certainly see that the most influential countries by level of diplomatic relations development are the United States, China, Russia, the EU countries, and BRIC countries which are mainly developed and emerging countries. China and the new emerging countries in Asia start also an offensive economic diplomacy in Africa and the other developing countries which is the case of Turkey.

Globalization and the Economic Diplomacy

From the mid-20th century, globalization has transformed the international economic relations around the globe by impacting the economic, social and political sphere. It is a natural phenomenon in process and seems to be unstoppable. It is remarkable by the interconnection of each other within different aspects of cooperation and trade with a growing number of actors willing to influence and shape their competitors and have a significant influence on the outcome of their cooperation (Saner & Yiu, 2003). The interdependence between states is the core of international economic relations and it makes possible the competition among states in order to have an influence over the other competitors. The advent of globalization is seen by many actors as a chance for a better economic and cultural integration in the world. It allowed the diplomacy to be inclusive and effective. It foresees the domination of economic interdependence among nations. If today economic diplomacy is becoming successful it is because of the globalization maturity.

As according to Friedman (2000, p. 7):

Globalization is not a phenomenon. It is not just some passing trend. Today it is an overarching international system shaping the domestic politics and foreign relations to virtually every country, and we need to understand it as such.

Globalization is not only a question of trade, it is also involving interrelationship in culture, politics, finance, national security and transferring of technologies. It embraces all aspects of cooperation which may result in mutual gains to a point where countries became interdependent. According to Kanishchenko and Mamalyga (2015), globalization directs economic diplomacy to move in line with the changing structure of the world international economic relations that means to responde effectively, adequately and rapidly to the transformation of geopolitical, economic situations to encounter the new age of international cooperation that is manifesting. And Parkinson (2015) said that interdependence, as a result of globalization of trade, capital and labour markets, not only brings with it great benefits for the global economy but also creates new complexities for countries in the pursuit of their national interests. To integrate the world economy, states are constrained to interconnect with the new market brought by the globalization; as the international partnership became a *sine qua non* condition to benefit from the trade in the contemporary world.

Furthermore, globalization brought new challenges to the economical diplomacy caused by the complexity and the important numbers of actors in the international economic cooperation at the same time it turns out to be an opportunity to other states to interconnect with other states in the global market. For instance, through globalization, the new developing countries can easily integrate the market dominated by developed countries. Economic diplomacy stands to be a means to solve global political and economic problems. With globalization, north-south cooperation became effective in the world of global trade.

Non-States Actors in the Arena of Economic Diplomacy

If the international economic cooperation has become complex today, it is because of the new actors in the arena of economic diplomacy like the NGOs and multinational corporation firms. The rules in terms of economic and social cooperation in the world have been widely eroded by the rise of private actors but that does not mean in any way that the traditional actors (states) will disappear. According to Saner and Yiu (2003), enterprise and government need to find ways to interact effectively with the non-states adversaries, faced with growing economics and interdependencies of markets and states. By introducing non-state actors into the international cooperation framework through, for example, the concept of “catalytic diplomacy”, some scholars of economic diplomacy have been able to bring to our attention the contests between competing social forces at the domestic and systemic levels (see for example, Hocking, 1999; 2004; Lee & Smith, 2008; Pigman, 1998). And for Saner and Yiu (2003), to say again that these increasing competent and networked non-state actors like NGO group supervise and evaluate the performance of governments and enterprises and demand greater accountability and fairness of their actions. Besides their role of supervisor in the government actions, they should be impartial without taking sides. In this environment of international economic cooperation dominated with economic and leadership competition, the non-state actors have a tremendous influence over the sovereign states. For instance, within the context of international organizations like IMF, WTO and the World Bank, the NGOs and civil society are adding their voice in different policies undertaken by these organizations. They are present in almost all countries and intervening in different sectors.

Since the economic globalization became evident and dominant - it was just a simple trade of goods in exchange of commodities between two parties without pursuing extra interest - states almost disappear on the behalf of multinationals and international cooperation became multilateral and embrace all economic and socio-cultural sectors. However, states remain important actors and even multinational enterprises retain a strong anchorage with their territory of origin in structuring areas (Chavagneux, 1999). Thus, Denemark and Gil-Egui (2010, p. 6) said that “diplomacy is not confined to inter-state relations in an international system, but also involves the social, economic, cultural and political relations among networks of political actors in formal and informal domestic and systemic environments”. Cross-border trade and competition has been intensified since then both for the firms and governments. Stopford, Strange, and Henley (1991) showed the relationship between government and firms. This relationship is shown in Figure 1 where we have cooperation among governments, cooperation between governments and firms and then cooperation among firms. The relationship challenge between governments and firms is the competitiveness of territories and the monitoring of firms’ activities. While states when to benefit from the labor mobility create by globalization, multinational firms try to handle their production process.

Figure 1. Triads of relationships. Source: Stopford et al. (1991).

Africa Continent in the Viewfinder of the Rest of the World

As firms try to maximize their profit, nations on the other hand accumulate wealth and maximize their national interest abroad through their diplomatic relations. We are living now in a competitive world, a globalized economy dominated by the economic interdependence and diplomatic cooperation. The economic organizations like the G8 and G20 decide the path that will take the world economy and in which sense it will converge. In this ambiance of cooperation, Africa continent which has been qualified by experts as the most dynamic and fastest-growing region came out to be the new market to conquer by the rest of the world who are engaged in an offensive economical diplomacy which has been possible thanks to the globalization. An empirical evidence to illustrate this is the creation of trade agreement with the Africa continent and organization of economic summit with the continent by the developed countries. Almost all developed and emerging economic have a yearly economic summit with the Africa continent. For instance, *African-Arab Summit*, *Africa Leader's Summit* held in USA, *India-Africa Forum Summit*, *Forum on China-Africa Cooperation*, *France-Afrique Summit* and so on. All these summits and forums have a common point which is economic and diplomacy cooperation.

Africa is a rich continent full of different natural resources but do not have necessary and sufficient materials to transform the raw materials. The natural and human resources are abundant and diverse. The developed countries through their multinational companies interfere in the natural resource management of the continent. The north-north cooperation is no longer a priority in international trade; instead, there has been the enforcement of north-south globalization in recent years. Africa is now in an impressive surge of growth. Developed countries and new emerging markets invade the continent with their companies to explore investment opportunity. Besides the multinational companies, there are also humanitarian organizations from developed countries which hide behind the idea of "help" to impose themselves to the sovereign state. In front of the developed countries, Africa lost its force because of their economic and diplomacy supremacy. Africa has never been in the position of domination when making a trade deal with their westerner partners.

New Emerging Economic Diplomacy: The Example of Turkey

In recent years, Turkey is emerging in the sphere of international cooperation and diplomacy. Turkey strengthens his position in the Middle East, Asia, the Arab world and Europe through an offensive diplomacy which has been very successful. It has ambitious foreign policies which pay off. Osman Can, a senior official focusing on the democracy issues for Justice and Development Party (AKP, Adalet ve Kalkınma Partisi), said that "for Turkey, the Middle East is very important, and it is also very important that the Middle East becomes democratic. We can establish good relationship with peoples, bot with the regime of the Middle East" (Trofimov, 2014). Although there are some explicit political and security dimensions to Turkish foreign policy in the Gulf region, the overall rationale is economic (Hürsoy, 2013). Economic factors have been an important driving force behind the expansion of Turkey's relations with the Gulf Co-operation Council (GCC) countries and the Middle East, thanks to their diplomacy in that area. The influence of Turkey in the Middle East is unprecedented and it is still ongoing. Turkey's new diplomacy approach has been primarily an enormous accomplishment for its business sector.

In his way to enlarge his influence in the world, Turkey through the leadership of the president Recep Tayyip Erdogan developed a strong economic diplomacy. Since the AKP party is in power, the economic diplomacy of Turkey has improved, the bilateral and multi-lateral relations increase beyond the traditional neighbors. The Turkish brand has been exported everywhere through their multinational companies. The Turkish airline which has recently been awarded the best airline company in Europe opened new lines everywhere with a particular concentration in Africa. The company has a total of 276 destinations in 110 countries with a total number of flights to 48 destinations in 31 African countries. Businessmen encouraged by the government are investing in many projects as much as in humanitarian help.

In Africa, Turkey-Africa relation has emerged in recent years and constitutes one of the prime orientations of Turkey foreign policy. The number of embassies newly opened in Africa by Turkey has increased considerably. In 2009, the number of Turkish embassies in African countries was just 12 with five of them in North Africa and now we count 39 Turkish embassies in African countries¹. This offensive diplomacy has made possible the economic diplomacy of Turkey in Africa. With the increasing diplomatic representatives in African countries, Turkey has opened commercial consulates in 26 African capitals. In addition, Turkish Foreign Economic Relations Council established business councils with 19 Sub-Saharan African countries (Minister of Foreign Affairs)². Since the declaration of Turkey as a strategic and privilege partner of the Continent by the African Union in January 2008, their relations have gained a substantial momentum. In the same like developed countries, Turkey also organized trade and economic cooperation summit. The first *Africa-Turkey Cooperation Summit* was held in August 19, 2008 and the second in 2014.

Conclusion

It is clear that the developed countries are the principle actors in the international economic cooperation due to their financial capacity. As we may all expect, countries will expect that their economic diplomacy and commercial diplomacy will serve their national interest in the economic and business sphere. Globalization has made everything in the trade and economic cooperation possible. It came as a chance in this world dominated by economic interdependence. The developing countries in this schema of cooperation appear like the observers without any considerable power. Besides, there are new actors who emerged as very crucial partners in the multilateral cooperation among states. The NGOs and transnational cooperation companies are interfering in the inter-government cooperation as shown by Stopford et al. (1991). Economic diplomacy has spread everywhere in the world dominated by western countries and the new emerging countries.

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