

INSTITUTIONAL FOUNDATIONS OF ARMENIA'S ECONOMIC DIPLOMACY

Tatoul MANASSERIAN

Ph.D., Doctor of science in Economics

Professor

Key words: economic diplomacy, institutional transformation, innovations, competitiveness

Introduction. One of the most important institutions of economic diplomacy is the state support of the foreign economic sector. In the modern world, almost all states use various levers to promote the entry of local companies into new markets, eliminating the obstacles on the way. This is perhaps the most important condition for the activation of the innovation process, because it is the new enterprises that are ready to take real risks and, as a rule, are more effective in this matter. Taking into account the fact that a significant part of the goods exported from Armenia are agricultural products and the products obtained from the processing of agricultural products, the state support institutions for the development of agriculture are important for foreign trade diplomacy. In particular, it is important to carry out with the support of the state the recultivation of currently unused, but suitable for agriculture lands of the republic, to promote the production and consumption of competitive products of crops, fruits and various fields of animal husbandry that are in high domestic and foreign demand. Such steps are especially important for innovative companies in agribusiness, in terms of access to credit resources for various programs of "smart agriculture" and other aspects.

Methodology. We have used the methods of scientific abstractions, as well as the method of generalizations, method of transition from the abstractions to precise, empiric examples. Particularly, mentioned methods allowed us to better present one of the goals of domestic economic diplomacy – the development of financial institutions and financial markets as a source of capital for economic growth. The latter requires increasing the reliability of financial institutions, internal and external, the emergence and development of new financial instruments that provide alternative ways of saving and more reliable protection of the rights of financial market participants.

Moreover, in order to create an efficient functioning modern market economy, it is necessary to form not only and not so much separate institutions, but a certain set of economic institutions. Therefore, the method of coordinated approach is being used while analyzing the three-decade experience of the republic's institutional reforms after the declaration of independence, it can be noticed that not the technologies, but the institutions played a more important role in the changes that took place during this period and their results. This is fully justified due to the functional role of economic institutions in the economic system. Economic institutions, as a system determining the relationships of individuals, perform certain functions. First of all, they reduce uncertainty in economic relations from an organizational point of view, allow to achieve unity and agreement of

views, help to overcome conflicts and opportunism in the behavior of partners. In addition, restrictive institutions regulate people's activities by defining a formal (law, code, rules) and informal (traditions, customs, social norms) framework, for the violation of which a system of liability institutions is provided. Next are co-ordinating institutions, in the form of legally established norms and rules of conduct based on acceptable traditions and customs, which form conditions in society to help reduce transaction costs. The other is informational institutions, which increase the awareness of the participants of transactions about the state of the market and the economy in general, and thereby reduce the costs of searching for information, making the activities of individuals more rational. Also important is the role of regulatory institutions as bearers of rules and norms to regulate legal relations in society and thereby create an atmosphere of security and confidence of a person in guaranteeing his rights and freedoms. As a result, people's material and intellectual resources are used as purposefully and efficiently as possible. As for institutions of a distributive nature, they have a direct impact on the process of distribution of economic resources and include existing market infrastructures (stock exchange, banks, tax system) not only aimed at saving resources, but also directing them to areas where they can be used with maximum efficiency. Finally, the presence of promoting institutions allows us to conclude that following laws, norms and rules in human relations is an important guarantee and incentive for improving the efficiency of activities, and also creates favorable conditions for maximizing their income.

Scientific novelty. Based on careful study and analysis of possible institutions suggested by leading experts in the area of economic diplomacy we believe there is a need to further developing the foundations in mentioned field. More specifically, we suggest the vision of nation's economic development, as well as the priorities aimed at the implementation of strategic goals might be a useful part of institutional foundations of economic diplomacy. Otherwise, economic diplomacy may serve only temporary goals related to tactical decisions.

Analysis. The study of many institutions important for foreign and domestic economic diplomacy proves that Armenia is characterized by institutional instability, with significant gaps between formal and informal institutions. Based on the features of historical development, decisive institutional transformations necessary not only for economic diplomacy, but also for general development have not yet been completed in the country. The formation of an institutional structure that ensures effective economic activity takes place at a slow pace and with great deformations, in the absence of a social market economy model and its application, as well as a vision of prospective development and a clear strategy stipulated in the Constitution of the Republic of Armenia. Thus, the overcoming of institutional obstacles and the purposeful formation of favorable institutions for economic diplomacy is a necessary condition for the development of Armenia's economy.

From an institutional point of view, economic diplomacy can be understood as a practical means of implementing the internal and external economic policy of the state and realizing the goals of that policy. Economic diplomacy is an important tool for the state and entrepreneurs, the basis of their foreign economic activity. Economic diplomacy, as an important institution, not only secures foreign contracts and inflow of foreign currency, but also attracts internal and external, direct and portfolio investments for the development of the national economy. The state collects a tangible part of the profit obtained from external and internal flexible economic activity in the form of taxes and directs it to social needs, improving the well-being of the national population. Diplomatic cooperation between Armenia and other countries is based on the institutions regulating the legal status of diplomatic agents, the main international conventions. International trade rules and international agreements regulating the procedures for the movement of goods, as well as the procedure for resolving disputes arising at the supranational level, create conditions for the effective work of various companies in the markets of partner countries. As for foreign investors, all forms of activity related to foreign markets are also regulated by relevant legal acts. In an institutional sense, such regulation is meant to ensure targeting and transparency in the interaction of local entrepreneurs with foreign partners to minimize the risks of becoming dependent on foreign markets and partners.

Priorities as an institute. Finally, the analysis of the institutional foundations of economic diplomacy will be incomplete without an important reference. Taking into account the qualitatively new perception of the role of the state in the modern world, it is necessary to realistically evaluate, and in individual cases, to review the role of correctly chosen, substantiated, argued and clear guidelines in its establishment and development.

The large and long-lasting financial and economic crisis that shook the world at the beginning of the 21st century, and later, the global pandemic caused by the Corona virus, dispelled the illusions that the state should not interfere in the economy and that the market is a self-regulating mechanism. In the same way, the principles proposed by the Keynesian school at the beginning of the last century, that the state is sometimes forced to intervene in the economy, especially in cases of crises and market imbalances, are no longer completely acceptable. In our opinion, the modern state is obliged to lead the country and society, to properly integrate the intellectual, spiritual and material values created by the people into the world economy and its individual components. The responsible role of the state defined by liberal ideology is no longer there.

If we accept that economic diplomacy cannot be an end-in-itself process and must serve certain goals (in particular, ensuring economic security and increasing economic competitiveness), then the issues arising from these goals, in turn, should predetermine the national economic agenda. In turn, the national economic agenda should consist of clear priorities and be aimed at the realization of a convincing and acceptable vision of

the country's development. Therefore, we suggest to consider the country's development *vision and priorities as fundamental institutions* of economic diplomacy.

Conclusion. Institutes of economic diplomacy, in general, should serve to ensure the best, most beneficial conditions for the participation of the national economy in the region and the world economy. Currently, to the aforementioned goal, we can also add the problems of ensuring the external economic security of our country in the global economy, especially the promotion of economic sectors based on high technologies, and the capture of new niches and effective positioning in foreign markets. The application of such an important institution as political support to the national brand, domestic production abroad in order to best realize the country's competitive advantages and increase access to new markets is also a subject of separate study. The same institution of political support is widely used by many countries today to ensure the participation of their own country in global economic problems, in particular, the achievement of sustainable development goals, the best use of resources, the development of national potential, the development of the country's human potential, and the formation of the best conditions for increasing its intellectual component in national wealth. for.

In addition to general, strategic institutions, it is important to develop strategic and implement more specific tactical institutions that will correspond to various areas of economic diplomacy: international financial and monetary relations, foreign trade, investments, labor migration, transport, communication services, airspace, food security, the fight against organized criminal economic activity, etc. Currently, one of the practical examples of the use of such specialized institutions is not only energy diplomacy, but also its sub-branches, oil and gas diplomacy and the use of their equivalent institutions.

Tatoul MANASSERIAN

Institutional foundations of Armenia's economic diplomacy

Key words: economic diplomacy, institutional transformation, innovations, competitiveness

In general, modern economic diplomacy, with a simpler description, can be presented as a targeted activity of state structures aimed at the materialization of national economic interests, ensuring security and sustainable development of the country's social market economy. It implies effective application of knowledge of modern economic, political, legal sciences and tools, methods and forms of modern diplomacy in cooperation with individuals, public and business structures. The latter, in turn, requires the use of bilateral and multilateral institutions and formats, both within the country and abroad and on various international platforms.