

## INSTITUTIONAL FOUNDATIONS OF ARMENIA'S ECONOMIC DIPLOMACY

**Tatoul MANASSERIAN**

Ph.D., Doctor of Science, Professor

Key words: economic diplomacy, institutions, church, verbal and written principles, laws

**Introduction.** Each country has its own way and traditions of economic diplomacy. In the case of Armenia, all the peculiarities that were typical for the various stages of the centuries-old history of the evolution of the Armenian statehood are highlighted. Over time, the goals of economic diplomacy have undergone certain changes. For example, in the pre-Christian period, one can highlight the construction of a strong state, the expansion of its borders, the establishment of adequate relations with neighboring states, the formation of an army capable of combating invaders, the determination of the most tolerable level of tax extraction with others, the preservation of national identity, the negotiation with opponents for the development of the state. The goals also included formation of a flexible structure, an effective system of state management, getting the maximum benefit from the geopolitical position and conditions, the expansion of new spheres of influence with the spread of Christianity, etc.

**Methodology.** In our opinion, one of the basic issues of methodology related to economic diplomacy is that among the variety of goals, the strategic issues have not been clarified. Moreover, the major problems and priorities, which could ensure the necessary political, economic and military security and sovereignty, have not been formulated. As a result, the Armenian state was disintegrated, and only as a result of clerical diplomacy and the balanced policy of the Armenian Apostolic Holy Church, the national, existential problem was solved, which allowed the re-establishment of statehood later. Therefore, it is important to take into account the traditions, principles and values of the economic diplomacy of historical Armenia in order to learn from them and form stable institutional foundations for the establishment and development of the future nation state. At the same time, it is essential to study the experience of states that profess ancient civilizational values and are effectively positioned in the modern world and the expediency of localizing its individual components based on the peculiarities of our country.

**Literature review.** A unified approach to the institutions of economic diplomacy has not yet been formed. Some interpret this term by the activities of various structures and their problems [Chohan, 2021], and others by laws and legal acts [Saner & Yiu, 2006]. Some of the experts believe that the institutes of economic diplomacy are the two main diplomatic formats, bilateral and multilateral, which are used in interstate, in particular, economic relations. In our opinion, the main methodological gap in this issue is manifest-

ted in the fact that the perception of economic diplomacy as a lever and factor aimed at solving not only external but also internal problems is not yet widespread.

Some researchers treat the institution of diplomacy as a set of means of peaceful influence at the state's disposal, while others, on the contrary, understand diplomacy as the establishment of official communication between states for dialogue or negotiations. Diplomacy also refers to the technique of implementing foreign political or economic, financial tasks. In this case, emphasis is placed on the process of diplomatic implementation of its function. For example, in many international organizations (in particular, the UN) there is a process of accreditation, participation in the work of bodies, decision-making, obligations and implementation of decisions, etc. The concept of diplomacy as a political tool and institution is related to the art of negotiating to prevent or settle conflicts, search for compromises and mutually acceptable solutions, expand and deepen bilateral or multilateral cooperation. Often, the institution of diplomacy is also identified with the art of negotiation, i.e. skillful use of a combination of tactical methods and techniques, as well as knowledge of the subject of negotiations aimed at the implementation of specific goals that are a link in the implementation of strategic goals (in this case, foreign political and economic goals). Accordingly, it is important to consider that foreign policy, including economic policy, is the activity of the state beyond its political and administrative borders, or the entire complex of decisions and actions of the state, which is related to the external sphere of its activity. The state has at its disposal the institutions, tools and methods by which it realizes its foreign policy goals. In turn, the tools and methods of foreign policy implementation are interconnected and represent static and dynamic aspects of one reality. For example, the RA Ministry of Foreign Affairs and the Ministry of Defense (bodies) are the instruments of the state's foreign policy. They may have the same problem in the field of foreign policy. However, if the function of the RA Foreign Ministry is to establish contacts in order to solve the problem through dialogue, then the function of the RA Ministry of Defense is to solve the foreign political, conflict problem through the use of weapons or the threat of using weapons. Especially in the case of Armenia, it is quite obvious that the activities of these ministries are different in terms of content in the performance of their functions. However, in such a way, the activities of the two ministries will represent a complex of processes subject to certain but different rules.

**Scientific novelty.** The purpose of our study is to identify the institutional foundations of economic diplomacy that allow formulating the common interests and concerns between the parties/individuals, companies, states, international structures/ and reach the most effective solutions with acceptable tools and methods. Therefore, the institutional foundations of economic diplomacy should be considered more broadly and include the following main ones:

- traditions formed in the field,
- written and verbal principles acceptable to the parties,
- acceptable and applicable values and norms,
- rejectable phenomena, factors and methods,
- suitable and adequate state, private and public structures for solving the problem,
- foreign, regional and global structures regulating the given sector or related to it,
- strategic alliances, associations of various spheres of international commercial and economic cooperation,
- cultural, political, social, economic and other values and customs,
- the laws and by-laws of the given country and the other negotiating party or parties related to the field,
- international legal acts: agreements, contracts, declarations, etc.

**Analysis.** It should be noted that in the era of digitization and technological transformations, the institutional foundations of economic diplomacy have a tendency to develop and change. In fact, they are the "rules of the game" of society, or, more formally, human-made, constraining frameworks that organize relationships between people, reduce uncertainty, structure community life, define and limit the range of alternatives available to each person, and define the structure of stimuli in human interactions. They are formal, formal (laws, regulations, constitution) and informal but widespread (contracts and voluntary codes of conduct) constraints and coercive factors that structure relationships between people [Douglass, 1991, 98]. On the other hand, an institution is a stable way of thinking and acting that belongs to a certain group of people or even a whole nation [Hamilton, 1919]. They are complexes of traditions and customs integrated into everyday life... Private customs spread throughout society, which leads to the emergence and strengthening of institutions; and institutions nourish and strengthen private customs and transmit them to new elements of a given group [Hodgson, 2006, 22]. An institution is also defined as a collective (joint) action that controls, liberates and expands individual action [Commons, 2012, 30]. An institution, in fact, is a widespread way of thinking, which is related to certain relations between society and the individual and the individual functions performed by them, and is also a system of social life, which is composed of a set of actors in a certain development at a certain time or at any moment, psychologically it can be characterized in general terms as a prevailing spiritual position or common conception of a way of life in society. They are ordinary ways of carrying out the process of social life in relation to the material environment in which society lives [Veblen, 2012]. Institutions are dominant and highly standardized social habits [Mitchell, 1987, 65]. Institutions are forms of organization of production, distribution, exchange and consumption, as well as established traditions, customs, legal norms (a set of legal norms), mentality of economic entities, rules of conduct, interest factors and incentives, which are

reflected in the features of the institutional system. structure of economic interactions, thinking and behavior in the system of stable social groups [Yueh, 2020, 10].

The institute is a complex of "traditions and daily customs", noting "the presence of social mechanisms that ensure their functioning" [Kleiner, 2016, 9]. The institution combines four main elements: formal legal norms, informal socio-cultural norms, formal organizations that monitor compliance with norms, and non-governmental organizations that perform these same functions. Accordingly, the remark of the researcher is very important that "the publicly significant result of the activity of the institutes is manifested by the nature (quality, efficiency) of the relevant public practice" [Zaslavskaya, 1989, 58].

For economic diplomacy, it is important to distinguish several important levels of the institutional system. One level of the institutional system includes those factors that have a direct impact on the adaptation of economic entities (state institutions, private companies, individuals) to certain conditions in domestic and foreign markets. The other level of the institutions of economic diplomacy is formed by the above-mentioned entities, which, in turn, have a complex system of economic and social goals (maintaining stable solvency, increasing the profitability of the capital used, increasing the competitiveness of products, creating acceptable working conditions for employees, providing a favorable micro-environment and etc): The process of public reproduction ensures the exchange of business information between the main entities of economic activity (private companies, financial structures, state bodies). In the context of the globalization of economic relations, their actions should be coordinated by international structures, which represent the next level of the institutional environment of economic diplomacy. The production, trade, economic and financial elite also has a certain role in economic diplomacy, which represents a separate level of institutions, which, based on its interests, constantly influences the state's internal and external economic policy, economic diplomacy and occupies an influential position in a number of economic sectors. The level of institutions, which mainly includes state economic management bodies, large companies carrying out international activities, as well as international economic and financial organizations, is particularly important.

Despite the fact that the formation of economic diplomacy previously took place elementally, it has been going on for several decades within the framework of the development of the world economy and diplomacy, as well as the growth of their institutional role in world politics and international relations. One of the most urgent problems of modern diplomacy is the rapid development of economy, business, trade, finance and information technology. With the globalization of economic relations (production, distribution, exchange, consumption markets, financial flows), the institution of the state is faced with the problem of determining their role in this new, increasingly interconnected space, and, accordingly, economic diplomacy is called to adequately respond to these chal-

lenges. Recently, the improvement of trade and economic relations between the states is in the focus of diplomatic activity. The main reasons for the interest of the institution of diplomacy in its historical economic roots are based on the following.

- in most developed countries, the share of foreign trade and investment in GDP is constantly increasing compared to local production,
- the implementation of economic reforms in the process of orientation of the market economy of developing countries, as well as the development strategy based on the strengthening of exports, contributes to the faster integration of the state into the regional and world economy,
- the globalization of trade and business leads to an increase in the volume of production and expansion of the range of services, activation of regular multilateral connections between countries.

At the same time, the demand for the institute of economic diplomacy is due to the fact that currently there are a large number of developed and developing states in the world, which inevitably implies a change in their role in the system of international relations. The current stage of socio-economic development of countries is characterized by two main trends: the implementation of transitional socio-economic transformations and the acceleration of integration into the world economy. In these conditions, the need for integration processes between these countries and their unification in regional economic groupings with the help of economic diplomacy is also increasing.

It is important to clarify that economic diplomacy and the government's foreign economic policy are not identical institutions, terms and concepts. The purpose of implementing economic diplomacy measures is to reach an agreement and a mutually acceptable solution to the problems of the development of economic relations, in other words, to develop effective interaction in which both parties are interested. The implementation of foreign economic policy goals and specific decisions of the government implies the need to adhere to the general foreign economic course of the country.

However, the effectiveness of economic diplomacy and, accordingly, the foreign economic activity of the country in general and its entrepreneurs in particular, depend on the existence of such an important institution as a clear state foreign economic strategy. It should clearly formulate the general goals, specific problems and strategic directions of the development of foreign economic activity indicate the priorities of the product and geographical structure of foreign trade, directions of investment cooperation and their respective institutions. Unlike today's well-defined principles, tools, and laws, in ancient times "diplomacy" arose as a verbal institution of interaction between communities of people. One of its components is rhetoric, for example, which assigned the most important role to rhetorical eloquence and emphasized the style and form of delivering the text, in "diplomacy" both sides of the process were important: both speaking, expressing, and

the ability to listen and understand the speech of the envoy of the other side. In other words, the emphasis was placed on the informational content of the text in oral institutes. The word "diplomacy" is derived from the Greek word *díplōma*, which was the name of the double tablets issued in ancient times, on which letters were printed. In Greece, they were given to the country's envoys as credentials confirming their powers.

The institute of diplomacy is used for the study and assessment of various phenomena and processes, as well as for solving difficulties and problems arising in various fields with its help. To some extent, this is due to the imperfection of the existing concepts in foreign and international politics, of which diplomacy is an integral part. This is manifested, for example, in the use of the term "diplomacy" as a synonym for foreign policy, or in the combination of the words "power diplomacy" or "coercive, diplomacy", the semantic content of which contradicts the understanding of the essence of the institution of diplomacy. In this regard, it is extremely important to understand the place and role of diplomacy in the arsenal of tools for implementing the state's foreign policy. In modern conditions, the institution of diplomacy is most often used in order to clarify the model of interaction between states in the field of international relations and to effectively implement its goals. It is characterized by the rejection of violent means for the realization of national interests and foreign political goals of states. Thus, diplomacy, including economic diplomacy, is opposed to another model of interaction between sovereign states, a model based on the use of violence and coercion. The model of peaceful (diplomatic) interaction between states is established through a number of institutional (formal, codified and informal) measures (international and diplomatic law, diplomatic etiquette, established diplomatic traditions, etc.), which determine and regulate: forms and methods of interaction between states. In other cases, diplomacy is used to clarify the means or method of implementing the state's foreign policy. Diplomacy as a "means of implementing foreign policy" includes a set of non-military practical measures, techniques and methods that are applied taking into account the specific conditions and the nature of the problems to be solved. The definition of diplomacy as a means of implementing the foreign policy problems of the state more accurately reflects the content of diplomacy. Among the narrower interpretations of the institute of diplomacy, one can also find the concept of diplomacy as a function, i.e. presenting a functional activity for the implementation or management of bilateral or multilateral relations. At the national level, as a rule, this function is entrusted to the ministries of foreign affairs and is carried out by professional, technocratic diplomats, working both inside the country and abroad (employees of embassies, permanent missions accredited to international organizations and special missions). Today, however, along with professional diplomats, we believe that this function can also be performed by representatives of other state and non-state organizations that have a mandate to negotiate from the country's government. At the international level, the management function is carried out by international organizations, mainly organizations that are part of the UN system or operate under its auspices. Another, perhaps more acceptable, but narrower interpretation of the institute of diplomacy is the concept of "diplomacy" as one of the peaceful tools of foreign policy. However, it should be noted that here too there are some contradictions.

**Conclusions.** Thus, diplomacy is only one (albeit the most typical) peaceful tool of the state's foreign policy. However, war is the tool and most typical force of foreign policy. At the same time, parallel to the institutions of diplomacy and war, the state can use other institutions and instruments, both peaceful and forceful. There are fundamental differences between diplomacy and other peaceful instruments of foreign policy. Diplomacy is a permanent institution of professional, specialized mediators (negotiators), diplomats, created in each state with the aim of achieving the following goals:

- establishment and maintenance of permanent ties between countries,
- informing and interpreting the official positions of their government,
- preparing and conducting negotiations in the name and on behalf of their state,
- provision of some public services to citizens of their country.

**References:**

1. Chohan, Usman, Economic Diplomacy: A Review. *Strategy & Macroeconomic Policy eJournal*. Social Science Research Network (SSRN). 7 February 2021, R. Saner, L. Yiu, *International Economic Diplomacy: Mutations in Post-modern Times*, Discussion Papers in Diplomacy, NIIR, "Clingendael", s.10. [www.transcend.org/t\\_database/pdfarticles/318.pdf](http://www.transcend.org/t_database/pdfarticles/318.pdf)
2. North, Douglass (1991). "Institutions". *Journal of Economic Perspectives*. 5 (1): 97–112.
3. Hamilton, W. "The Institutional Approach to Economic Theory." *AER* 9, 1 (1919): 309–18.
4. Hodgson, Geoffrey M. "What Are Institutions?" *JE*, 40, no. 1 (2006): 1–25. <http://www.jstor.org>.
5. J. Commonss organizational theory of institutions, March 2012, *JIE* 8, DOI:10.1017/S17441374
6. "Thorstein Veblen Farmstead". *National Historic Landmarks Program*. *National Park Service*. Archived from the original on September 1, 2012. Retrieved January 3, 2020.
7. Mitchell W., Institutions and Quantitative Methods, Malcolm Rutherford, *EEJ*, 1987, V.13, , pp. 63-73
8. Yueh L., Economic Diplomacy: Principles and Challenges, LSE, 2020, [www.lse.ac.uk](http://www.lse.ac.uk)
9. Kleiner G., Institutions: Definition, Attributes and Research Areas, September 2016, 4(3):5-11
10. A voice of Reforms. Essays By Tatiana I. Zaslavskaya, Armonk, NY, London, 1989.

**Tatoul MANASSERIAN**

**Institutional foundations of Armenia's economic diplomacy**

*Key words: economic diplomacy, institutions, church, verbal and written principles, laws*

At the current stage of change in the international economic system, under the influence of the counterbalancing processes of globalization and regionalization, complex transformations are taking place in national economies, the study of which and the systematic analysis of the internal and external institutional structure of the economy become a priority. Therefore, identifying the interactions between the institutional components of economic diplomacy and developing a prospective development strategy based on them can contribute to the effective management of the risks of the national economy in conditions of global uncertainty, ensuring a sufficient level of economic security and competitiveness. Like any other complex multi-level system, the institutions of economic diplomacy also need some classification. In this article, the views of international experts and researchers are taken into account.