Conceptualizing Economic Diplomacy: The Crossroads of International Relations, Economics, IPE and Diplomatic Studies

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Summary
This article introduces both a conceptual and an analytical framework of economic diplomacy so as to contribute to sounder understanding of economic diplomacy’s activities, tools and goals. While the state is not regarded as the only player, or as a coherent entity, it is assumed that the state is the primary actor in economic diplomacy. The conceptual framework discerns five strands of economic diplomacy, which involve tools and purposes that are relatively more commercial/economic or political in character and are thereby closer to the ‘business end’ or ‘power-play end’ of economic diplomacy. The analytical framework identifies four essential dimensions of economic diplomacy within which historically contingent change may occur: the context; tools; theatres; and processes. Interaction between these dimensions takes place in multiple ways. Building on the insights provided by these frameworks, the article analyses the foci, assumptions and methodologies of the research fields that are concerned with economic diplomacy, and discusses the strategic and ideological considerations that underpin it.

Keywords
economic diplomacy, commercial diplomacy, economic statecraft, trade diplomacy, official development assistance (ODA), political culture

Introduction
The term ‘economic diplomacy’ appears regularly in scholarly papers and official documents. Even so, relatively few coherent attempts have been made to develop sounder understanding of the meaning and scope of the concept.¹ Both academics

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and practitioners are talking at cross purposes. That this may cause unwarranted confusion is illustrated by a letter to the Dutch Parliament by (former) Minister for Foreign Affairs of the Netherlands, Maxime Verhagen. In the letter, Verhagen states his intention to give economic diplomacy a more central place in Dutch foreign policy, arguing that research has shown that economic diplomacy increases prosperity by 100 to 200 million Euros a year and suggesting that economic diplomacy more broadly has a welfare-enhancing effect. These assertions are misleading, however. The definition of economic diplomacy that is used in the cost-benefit analysis to which Verhagen refers is limited to outgoing trade missions with a cabinet member — which are only one of many instruments of economic diplomacy.

Clearly, there is a need for improved understanding of economic diplomacy’s activities, tools and goals. This article contributes to this debate, and proposes a conceptual and an analytical framework of economic diplomacy. The reasons for this are threefold. First, the distinction between economic diplomacy and related concepts is imperative in order to bring order in the definitional chaos. What differentiates economic diplomacy from economic statecraft, economic security, trade diplomacy, commercial diplomacy and financial diplomacy — and how do these concepts relate? Second, a better conceptualization of economic diplomacy is useful in order to address practical questions, such as how to deal with the artificial distinction between the public and private sectors. Finally, improved understanding of both the theory and practice of economic diplomacy grows in importance because of shifting power balances. Latecomer countries — including Asian, post-colonial and transition states — are strengthening their role and influence in global politics and economics in a system that has long been dominated by Western countries. Confronted with the viscosity of global governance and international political and financial institutions, the governments of these emerging countries primarily use economic tools and commercial relations to strengthen their position in international politics.

The proposed (re)definition of economic diplomacy adds to the existing literature by spurring a meaningful reorganization of the diversity of institutional