

Gulnaz Erkomaishvili

E. mail: gulnazi.erkomaishvili@tsu.ge

Associate Professor, Ivane Javakhishvili

Tbilisi State University

Tbilisi, Georgia

orcid.org/0000-0001-8202-5655

ECONOMIC DIPLOMACY – AN INSTRUMENT FOR STRENGTHENING A COUNTRY’S ECONOMIC SECURITY

Abstract: *In the context of globalization, economic diplomacy plays an important role in world trade, investment, and research activities. Its main goal is to improve business opportunities for national companies, minimize barriers, and increase the competitiveness and development of the national economy. Economic diplomacy is a primary instrument for implementing state foreign economic policy in the areas of trade and investment.*

Economic security is crucial for the protection and enforcement of economic interests, as without appropriate economic security, the requirements of economic security (national interests, improving human well-being) cannot be met. Economic security requires a variety of means: modern equipment, technologies, information and telecommunications, etc. Economic security is closely linked to social and environmental security, as social instability jeopardizes economic development, and the lack of anticipation of environmental threats undermines the prospects for sustainable development.

The paper discusses the importance of economic diplomacy as a tool for strengthening a country's economic security. It emphasizes that economic diplomacy and economic security are closely linked and play an important role in the country's stability and development. Properly and wisely implemented economic diplomacy contributes to the country's economic security, growth, and international competitiveness. It aims to protect and strengthen long-term economic interests, strengthen the country's economic position in international relations, and protect the domestic economy. Economic diplomacy is an important tool for adapting the national economy to modern challenges.

The aim of the document is to assess Georgia's economic diplomacy as a tool for promoting stable economic security and to develop recommendations for its effective use.

Keywords: *Economic diplomacy, Economic security, National security, International competitiveness, International trade.*

JEL classification: *Z1, O1*

გულნაზ ერქომაიშვილი

[E. mail: gulnazi.erkomaishvili@tsu.ge](mailto:gulnazi.erkomaishvili@tsu.ge)

ასოცირებული პროფესორი, ივანე ჯავახიშვილის სახელობის

თბილისის სახელმწიფო უნივერსიტეტი

თბილისი, საქართველო

orcid.org/0000-0001-8202-5655

ეკონომიკური დიპლომატია - ქვეყნის ეკონომიკური უსაფრთხოების გაძლიერების ინსტრუმენტი

აბსტრაქტი: გლობალიზაციის პირობებში ეკონომიკური დიპლომატია მნიშვნელოვან როლს ასრულებს მსოფლიო ვაჭრობაში, საინვესტიციო აქტივობასა და კვლევით საქმიანობაში. მისი ძირითადი მიზანია ეროვნული კომპანიების ბიზნეს-შესაძლებლობების ამაღლება, ბარიერების მინიმუმამდე დაყვანა, ეროვნული ეკონომიკის კონკურენტუნარიანობის ზრდა და განვითარება. ეკონომიკური დიპლომატია ვაჭრობისა და ინვესტიციების სფეროში სახელმწიფოს საგარეო-ეკონომიკური პოლიტიკის განხორციელების პრიორიტეტული ინსტრუმენტია. რეალურ ვითარებაში სა ქართველოს გააჩნია ექსპორტის მხარდამჭერი მექანიზმები და ინსტიტუტები, მაგრამ მათ ნაკლებად ეფექტიანად შეუძლიათ შეცვალონ სახელმწიფოს როლი ექსპორტის მხარდაჭერის საქმეში.

ეკონომიკური ინტერესის დაცვისა და განხორციელებისათვის უდიდესი მნიშვნელობა აქვს ეკონომიკურ უსაფრთხოებას, ვინაიდან შესაბამისი ეკონომიკური უზრუნველყოფის გარეშე ეკონომიკური უსაფრთხოების მოთხოვნები (ეროვნული ინტერესები, ადამიანთა კეთილდღეობის ამაღლება) ვერ შესრულდება. ეკონომიკური უსაფრთხოებისათვის აუცილებელია მრავალფეროვანი საშუალებები: თანამედროვე ტექნიკა, ტექნოლოგიები, საინფორმაციო ტელესაკომუნიკაციო საშუალებები და ა. შ. ეკონომიკური უსაფრთხოება ორგანულადაა დაკავშირებული სოციალურ და ეკოლოგიურ უსაფრთხოებასთან, ვინაიდან სოციალური არასტაბილურობა საფრთხეს უქმნის ეკონომიკის განვითარებას, ხოლო ეკოლოგიური საფრთხეების გაუთვალისწინებლობა - მდგრადი განვითარების პერსპექტივას. ნაშრომში განხილულია ეკონომიკური დიპლომატიის, როგორც ქვეყნის ეკონომიკური უსაფრთხოების გაძლიერების ინსტრუმენტის მნიშვნელობა. აღნიშნულია, რომ ეკონომიკური დიპლომატია და ეკონომიკური უსაფრთხოება ერთმანეთთან მჭიდროდ დაკავშირებული ცნებებია და მნიშვნელოვან როლს ასრულებენ ქვეყნის სტაბილურობასა და განვითარებაში. სწორად და გონივრულად გამოყენებული ეკონომიკური დიპლომატია ხელს უწყობს ქვეყნის ეკონომიკურ უსაფრთხოებას, ზრდას და საერთაშორისო კონკურენტუნარიანობას. იგი მიმართულია გრძელვადიანი ეკონომიკური ინტერესების დაცვასა და გაძლიერებაზე, საერთაშორისო ურთიერთობებში ქვეყნის ეკონომიკური პოზიციების გაძლიერებასა და შიდა ეკონომიკის დაცვაზე. ეკონომიკური დიპლომატია მნიშვნელოვანი ინსტრუმენტია ეროვნული ეკონომიკის თანამედროვე გამოწვევებთან ადაპტაციისთვის.

ნაშრომის მიზანია საქართველოს ეკონომიკური დიპლომატიის, როგორც სტაბილური ეკონომიკური უსაფრთხოების ხელშემწყობი ინსტრუმენტის შეფასება და მისი ეფექტიანი გამოყენების რეკომენდაციების შემუშავება.

საკვანძო სიტყვები: ეკონომიკური დიპლომატია, ეკონომიკური უსაფრთხოება, ეროვნული უსაფრთხოება, საერთაშორისო კონკურენტუნარიანობა, საერთაშორისო ვაჭრობა.

JEL კლასიფიკაცია: Z1, O1

Introduction

In the modern system of international relations, dynamic and rapidly changing processes, globalization, and the development of information technologies have created new threats and challenges. Therefore, the issues of economic security and economic diplomacy of the country have come to the fore.

Economic diplomacy enables the resolution of economic conflicts and disputes with partners through negotiations, arbitration, sanctions, and other peaceful means. This prevents an escalation of tensions and ensures stability. Therefore, economic diplomacy, as a tool of public administration, is an important factor in increasing the efficiency of the national economy, adapting to modern challenges, and so on.

Economic diplomacy is an effective tool for protecting a country's national security and economic growth. As a public administration mechanism, economic diplomacy contributes to increasing the country's competitiveness.

Economic diplomacy as an instrument for strengthening economic security has its strengths and weaknesses.

The benefits of economic diplomacy include:

- First, it contributes to improving the country's economic situation by expanding trade opportunities and attracting foreign investment, technology, and innovation;
- Secondly, it enables countries to participate in the regulation of the world economy through participation in regional and global organizations, to protect their national interests in the context of globalization and to standardize their products outside the country;
- Third, it helps prevent economic conflicts and disputes with partners or achieve a peaceful resolution through negotiations, arbitration, sanctions, and other means to ensure stability and security.
- Fourth, it allows for strengthening the country's authority and reputation internationally and promoting its national brand, culture, and values.

It should also be noted that economic diplomacy requires highly qualified, professional, and ethical economic diplomats who must possess basic knowledge of international economic relations, law, finance, trade, investment, innovation, etc. Effective coordination and interaction between the various government departments involved in economic diplomacy is essential. It is subject to the influence of political factors that can hinder or complicate the achievement of economic objectives (e.g., political conflicts, sanctions, protectionism, non-fulfillment of international obligations, etc.). Contradictions can also arise between national interests and global challenges, requiring compromise and cooperation. Economic diplomacy requires the development of specialized communication techniques and the inclusion of emotional and aesthetic components to generate the desired meanings in the audience. This is difficult to achieve based solely on economic indicators; it is necessary to go beyond one's own borders and enter the realms of culture, politics, and law. In other words, economic diplomacy becomes a mediator of issues.

In the 1970s, “ping-pong diplomacy” helped ease tensions between China and the United States, the Marshall Plan helped rebuild Western Europe after World War II, the European Union became an example of successful economic integration, and Georgia is actively developing economic diplomacy on the basis of an Association Agreement with the EU, which provides not only for trade cooperation but also for the harmonization of standards, investment, energy, transport, agriculture, etc.

Research methodology

The research process is based on general and specific methods: analysis, synthesis, induction, deduction, scientific abstraction, comparative and statistical methods, and expert evaluations. To ensure consistency between analytical and statistical assessments, publications of the National Statistics Service of Georgia, as well as theoretical and applied studies of international organizations and economists, are used.

Literature Review

There are different opinions in the academic literature on the nature of economic diplomacy. In particular, economic diplomacy is viewed as an economic phenomenon (Sharov, 2019); as a political aspect influencing a state's competitiveness (Mamalyga, 2019); as an instrument for influencing international trade (Ashe and Varin, 2019; Chokhan, 2021); as an anti-crisis tool, a means of implementing economic and political decisions (Mamalyga, 2019; Sharov, 2019); as a national security mechanism (Schmidt and Tauber, 2015; Weiss and Brauer, 2016; Wolf, 2017). as a means of countering threats and reducing the vulnerability of the state's national security (Bergeik and Muns, 2017; Hornung and Wagner, 2016;) and as a guarantee of ensuring national security (Levchenko, N. M. & Antonova, L. V. 2018).

Georgia's foreign policy strategy for 2019–2022 states that active economic diplomacy is an important mechanism for achieving the country's foreign policy objectives and contributes to the country's prosperity and sustainable economic development (<https://mfa.gov.ge/Foreign-Policy-Strategy>).

Economic diplomacy is thus a tool for states to represent, support, and protect their economic interests in international relations.

International organizations such as the World Bank, the International Monetary Fund, and various UN organizations support a diverse form of economic diplomacy. However, there are numerous studies in the English-language literature that critically analyze the role of economic diplomacy in interstate relations.

Economic diplomacy and economic security are closely linked and play an important role in a country's stability and development. Properly and sensibly used economic diplomacy contributes to a country's economic security, growth, and international competitiveness.

Modern scholars hold different views on economic security. Specifically, economic security is another form of security that aims to cause as little damage as possible to economic values (Baldwin D.A. 1997). Economic security is the protection of the structural integrity and welfare-generating capabilities and interests of a political-economic entity in the context of various risks and threats that threaten it (Freeman, N.J., Bartels, F.L. 2004). Economic security is the state of an entity characterized by its ability to function to achieve its objectives under existing external conditions and their changes within certain limits. The economic security of economic actors creates appropriate conditions for the stability of economic activity during each cycle of production, exchange, distribution, and consumption (Ioan-Franc V., Diamescu M. 2010). Economic security is defined as the functioning of the state economy, which is relatively balanced in endogenous and exogenous terms, with the risks arising from a violation of this balance being protected within the framework of defined and approved organizational and legal standards and principles of public life (Wysokińska A., Raczkowski K. 2013). Economic security in the context of corporate governance is the ability of management to adequately respond to the threat posed by risk factors, including internal weaknesses, and to utilize unused resources for effective functioning (Artemenko L. 2016). Economic security implies a system that ensures access to resources for the healthy functioning of the economy, risk

prevention, threat detection, and appropriate response, leading to the economic sustainability of both the population, production, and the country as a whole (Chitishvili N., 2025).

Therefore, economic security is crucial for improving the prosperity and living standards of the population, ensuring economic growth, maintaining a unified economic space, increasing the country's economic efficiency and competitiveness, integrating the state into the global economy and achieving sustainable and secure economic development.

The state influences economic diplomacy through the development and implementation of foreign economic policy. This policy encompasses the following aspects: The state establishes trade relations with other countries, which includes the conclusion of international agreements, the application of tariffs, licenses, quotas, sanctions, and other measures of import and export regulation. The state ensures the attraction of foreign investment, technologies, and innovations, which contributes to the modernization and diversification of the national economy and improves competitiveness and product quality. Representatives of the state participate in the work of international organizations and integration associations, which ensures the utilization of the benefits of world trade, product standardization, and the protection of domestic interests in the context of globalization. The state also takes care of resolving economic conflicts and disputes with partners through negotiations, arbitration, mediation, and other peaceful means. The country's positive image is formed in the international market and its brand, culture, and values are promoted.

Georgia's economic diplomacy serves to strengthen regional and global economic relations and ensure internal stability, which contributes to the country's sustainable development.

Strengthening Georgia's trade policy and increasing exports are important factors for the country's economic security and sustainable development. To reduce import dependence and increase exports, the following are necessary:

- Search for new markets – expansion into Asia, the Middle East, and Africa;
- Import substitution policy – promotion of local production;
- Development of industrial infrastructure – introduction of modern technologies and support for local businesses.

Georgia's energy security is one of the cornerstones of the country's economic and political stability. Ensuring energy independence requires a comprehensive and sustainable strategy. Georgia has the potential to increase its economic security and prosperity by improving energy security. This is, of course, possible through rational economic diplomacy.

Georgia's economic security, based on energy security, is linked to the activation of the Georgian transport corridor, energy diplomacy with decision-makers, and the optimal use of opportunities. Due to its geographical location, Georgia today has the opportunity to develop into an energy hub. To achieve this, the country must leverage its advantages as a transit country and develop into an electricity converter and transit country. Georgia's role as a Transcaucasian energy hub will be significantly strengthened by the implementation of the Black Sea high-voltage transmission network project (Erkomaishvili and Khurtsia, 2023).

The priority promotion of environmentally friendly hydrogen is the top priority of energy policy. It is an innovative project for the future and a competitive alternative to conventional fossil fuels. The development of "green hydrogen" technology and the construction of the necessary infrastructure are of great importance for balancing the energy system. Georgia, with its own renewable energy potential and favorable geographical location, expects significant economic, political, and security benefits both from developing its own resources and by promoting transit from other countries.

Green hydrogen will help Georgia strengthen its energy security and replace imported fuels, as the country has a large, untapped potential for renewable energy. Within the framework of the Eastern Partnership, Europe considers Georgia an ally in the production of green hydrogen. It is important for the

country to become self-sufficient in hydrogen use and to have additional resources for export, not just transit. Georgia has the resources to present itself on the global market with green hydrogen.

The share of renewable energy in total energy consumption in EU Member States and non-member countries in 2023 is shown in the table.

Share of renewable energy in total energy consumption in EU and non-EU countries in 2023 (%)

Member States of the European Union	Non-EU countries
Sweden -66.4%	Iceland – 80%
Finland - 50.8%	Norway – 70.8%
Latvia - 45.3%	Albania – 44.1%
Denmark - 44.9%	Montenegro – 39.9%
Estonia - 38.7%	Serbia – 27.1%
Austria - 37.2%	Moldova – 21.5%
Portugal - 35.2%	Georgia – 21.2%
Lithuania - 30.6%	Kosovo – 18.8%
Croatia - 28.4%	North Macedonia – 18.7%

Source: Table created based on data from Eurostat.com

As shown in the table, Sweden leads the EU in terms of the share of renewable energy in total energy consumption. 66.4% of the country's total energy consumption is covered by hydropower, wind power, solid and liquid biofuels, and heat pumps. It is followed by Finland (50.8%) and Latvia (45.3%).

Among non-EU countries, Iceland (80%) ranks first, followed by Norway (70.8%) and Albania (44.1%).

In Georgia, the share of renewable energy in total energy consumption is 21.2%. In Georgia, this figure is slightly, but still, lower in 2023 compared to 2022.

Georgia has enormous untapped potential for developing renewable energy projects. The country has the resources to present itself on the global market with green hydrogen. Work in this direction began in the country even before the pandemic. The spread of COVID-19 hampered the process, but work was later resumed, and in active cooperation with the Kreditanstalt für Wiederaufbau (KfW), the idea of launching a pilot project in Georgia was born.

The development of logistics and infrastructure is important: expansion of the transport and transit network – Anaklia Port, railway, modernization of roads. Optimization of the transport system – effective logistics support international exports. Simplification of customs procedures – fast and transparent trade settlements. Georgian transport companies that lack the appropriate technical base cannot compete with international transport services. Therefore, they primarily operate domestic transport. The integration of international and regional transport systems will help Georgian transport companies adapt to the competitive environment and expand their involvement in international transport (Kharashvili E., Gechbaia B., Erkomaishvili G., Lobzhanidze M., Natsvlishvili I., 2021)

A key priority of Georgia's economic security policy is to strengthen macroeconomic stability by improving and simplifying tax administration, by continuously reducing the budget deficit to maintain fiscal sustainability, by pursuing conservative fiscal and sound monetary policies, by achieving and maintaining

a minimum level of inflation, by reducing public spending and by minimizing public debt (Georgian Foreign Policy Strategy 2019–2022).

Conclusion

One of the main directions of Georgia's security policy is economic policy. It is important to build solid economic relations with the European Union, the United States, and the countries of the region, including through free trade agreements. Economic and cross-border relations contribute to reducing tensions in the region and de-escalating conflicts. To this end, Georgia cooperates in various economic fields with countries in the wider region: Azerbaijan, Turkey, Turkmenistan, Iran, Armenia, Ukraine, Kazakhstan, Kyrgyzstan, as well as with other countries in the Black Sea region, the Middle East, and Central Asia.

States remain the main actors in economic diplomacy. They use a range of legal and economic instruments to protect and promote their economic interests in the international arena.

It is important to continue to cooperate with international organizations. Georgia's interests must be protected in various international and regional organizations, and various initiatives must be initiated and supported. The establishment and establishment of international organizations, forums, branches, representative offices, and regional centers of multinational companies in Georgia is encouraged.

It is necessary to promote bilateral economic relations. Active participation in intergovernmental economic commissions and economic forums is required. The process of friendship between the regions must be promoted. Attracting foreign investment capital and actively engaging with foreign business circles is encouraged, cooperation with Georgian business representatives and visits by business delegations is encouraged, and cooperation with investment funds, business consulting centers, chambers of commerce and industry, business associations, and other similar organizations abroad is encouraged.

Presentation of Georgia's investment opportunities and favorable business environment at the international level. Regular dissemination of information about Georgia in foreign media (about the country's investment opportunities and business environment).

The Georgian economy must be supported. Strengthening the position of Georgian products in international markets, creating preferential export conditions and diversifying export markets, popularizing Georgian wines and other products, participating in exhibitions, forums, and other economic events abroad, strengthening Georgia's image as a tourism destination and promoting the development of industry-specific tourism (business and congress tourism, youth tourism, recreational tourism, ecotourism, wine tourism, balneological and climate tourism, etc.).

Protecting the rights of Georgian companies abroad and promoting their activities. Protecting intellectual property and Georgian trademarks. Priority is given to promoting the development of modern sectors of the economy, such as the high-tech sector and the digital economy.

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