

## Economic diplomacy in the system of supporting Ukraine's foreign economic activity

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**Abstract.** The international environment is characterised by a dynamic nature, a steady trend towards quantitative growth and qualitative development, which necessitates a more cautious and balanced approach to the choice of foreign economic policy, given the complexity of the structure of the world economy, the system of international economic relations, regulation and management. The purpose of the article was to study the conditions for ensuring Ukraine's foreign economic activity through the influence of economic diplomacy and to identify tools for defending the country's national economic interests on the world stage. The methodological basis of the study was the tools of historical and logical approaches, analysis, statistical and graphical methods. The article examined the theoretical and conceptual foundations of economic diplomacy, namely: the essence and importance of economic diplomacy in international economic relations were characterised; economic diplomacy as an element of the system of management of the country's foreign economic activity was studied; the mechanism of achieving national competitiveness through economic diplomacy was outlined. The Ukrainian experience of functioning of the economic diplomacy mechanism was analysed, in particular: the analysis of economic diplomacy in the system of national economic security of Ukraine, the analysis of institutional support for the implementation of Ukraine's foreign economic potential. A new paradigm of economic diplomacy of Ukraine was also developed to ensure competitive advantages: the main prospects of economic diplomacy in the context of Ukraine's European integration course were identified, the possibility of increasing Ukraine's international competitiveness through economic diplomacy mechanisms was substantiated. The practical value of the research results lies in the fact that the formulated theoretical provisions, conclusions and recommendations can be used: in the scientific and research sphere for conducting further scientific research on strategic ways to increase the competitiveness of the national economy in modern economic conditions; in regulatory activities for developing regulatory legal acts and improving the legislation of Ukraine in the direction of diplomacy in the conditions of dynamic development of the international environment; in the educational process during the preparation of textbooks and teaching aids on international economic relations

**Keywords:** commercial diplomacy; economic security; economic interest; international cooperation; globalisation

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## Introduction

Since 1991, Ukraine has undergone significant changes in public life, including the development and improvement of the diplomatic service. Geopolitical changes since the early 1990s, overcoming the bipolarity of international relations have created a favourable environment for the transition of Ukrainian diplomacy to a new level. In order to achieve efficiency and success in foreign economic activity, it is necessary to clearly understand, what the concept of “economic diplomacy” is. Therefore, the first step towards achieving a high level of competitiveness of any country was to focus on the conceptualisation of economic diplomacy.

Modern conditions for the development of the international environment are dynamic and constantly changing, which creates significant potential opportunities and poses a number of challenges for the use of economic diplomacy tools. It was during crises that new principles for regulating relations between countries were developed. They can help strengthen the overall international economic system. In addition, the number of integration associations and forums were increasing to meet growing economic needs. Another trend was the growing contradiction between economic superpowers, which required more and more decisive reforms in the international economic order, so the need for a new global order was important. This can be done by soft power, economic diplomacy, and will be the key not only to effective policy, but also to the modernisation of the global economic system. In addition, the role of the economy will increase due to dynamic trends in the development of international economic relations, and at the same time, the problems in the use of economic instruments will increase. Taking this fact into account, states should search for appropriate strategies for implementing economic diplomacy in order to maintain their relevance in the international arena.

The importance of this topic was due to the crisis in the internal political sphere, political instability, military aggression by Russia and a number of social problems that lead to the loss of Ukraine’s status as a reliable partner on the world stage. Thus, the ability to establish contacts and find allies were particularly important in the global arena. Such contacts were based on the art of diplomacy, which involved the protection of national interests.

According to K. Flissak (2020), foreign economic activity (FEA) of the state, its authorised institutions and agencies, as well as export-import business activities and investment and innovation cooperation at the level of business entities required proper diplomatic support. As the practice of international relations has shown, there was no longer any diplomacy outside the economy in the modern world.

The authors N.M. Levchenko & L.V. Antonova (2020) noted that economic diplomacy is the most effective means of preventing threats and reducing national security vulnerabilities. By balancing economic diplomacy,

states can gain a number of benefits, such as expanding markets for their own products through integration into the global market, protecting their own producers from the negative effects of foreign competition, ensuring quality imports into the country. U.W. Chohan (2021) considered economic diplomacy as a multilateral process that used economic means to achieve diplomatic goals and vice versa, through the joint creative engagement of international government managers and other important stakeholders.

As a result of the study, I. Ivashchuk *et al.* (2022) noted that economic diplomacy is a multilateral activity that is developing on a bilateral and multilateral basis in modern conditions, and also argued its importance in ensuring the strategic priorities of individual countries’ development and their economic progress. The author O.M. Sharov (2019) concluded that economic diplomacy is a system of organisational and legal instruments and actions in the field of foreign economic policy, based on the coordinated interaction of state and non-state institutions to achieve the goals of sustainable development of the state and ensure its economic security, especially in the context of globalisation. Its main task was to achieve economic goals through diplomatic methods, even if economic instruments were used for this purpose. At the same time, diplomacy can use economic means (e.g., sanctions) to achieve non-economic goals, such as political or military, which also fall within the scope of economic diplomacy.

Scientist V.M. Ivanova (2022) noted that economic diplomacy is a complex category that includes individual components. Depending on the goals set, there were trade (commercial), financial, investment, energy, food, environmental and other areas. In addition, depending on external factors, one or another area of economic diplomacy may be more relevant in specific circumstances. Yu. Orlovska & M. Derkach (2024) argued that the organisation of economic diplomacy in each state has its own national characteristics, priorities and decision-making methods, but the main goal always remained the promotion of economic growth and protection of national economic interests in international economic relations. Given the modern trend towards accelerating national growth by attracting foreign direct investment, national actions were focused on promoting their country and sending a clear signal to potential investors that it worth investing in this particular country.

Studying diplomacy in a broad sense, as a symbiosis of theory and practice, it worth noting that it was a rather long intellectual evolution of an interdisciplinary nature regarding theoretical concepts, scientific definitions of practical art using politics, law, economics. Throughout the development of human history, diplomacy, as a state activity aimed at removing obstacles to international cooperation in the field of international relations, has been associated with the foreign policy of the state, officials

and institutions that implement it. Therefore, given the diversity of approaches, the measurement of this concept remains largely abstract, requiring a detailed study.

### Materials and Methods

The study used both general scientific and specific methods of scientific knowledge, which provided objective results at the theoretical and empirical levels. In particular, the empirical method made it possible to collect factual information about the interaction of diplomatic agencies and analyse their impact on the development of the country's foreign economic activity. This method helped to form a practical understanding of the methods and means of economic diplomacy that can be used to achieve the priority goals of the national economy. The method of historical and logical analysis were used to determine the place and role of economic diplomacy in the structure of the country's foreign economic activity, ensuring and increasing its competitiveness, guaranteeing national economic security, forming new hypotheses and identifying areas for further research in the field of economic diplomacy.

The study used the theoretical method of analysing scientific approaches to the implementation of the state's foreign economic policy with the use of diplomatic instruments, in particular, the systemic approach, which allowed to consider the state's foreign economic policy as part of the global system of international economic relations, as well as to study the impact of globalisation, regionalisation and transnational corporations on economic diplomacy. The political economy approach helped to study the relationship between political and economic interests, as well as to investigate, how a state's economic interests affect its diplomatic initiatives and agreements. This made it possible to identify the main trends in the issues under study and to outline new proposals and hypotheses for further research in the context of Ukraine's European integration course.

The analytical method made it possible to break down complex problems into smaller parts for further research on current opportunities and threats to national economic security associated with the globalisation of the world economic system. The main data for the analysis were statistical indicators, in particular, the data from the Official website of the Office of the President of Ukraine (2020), Top 50 main exporters of Ukraine 2022 (2023), and the Official website of the State Statistics Service of Ukraine (2024). All these sources made it possible to understand the dynamics of Ukrainian economic and diplomatic work in the context of addressing the country's competitiveness, to identify opportunities and prospects for using economic diplomacy tools to develop the state's foreign economic activity. The statistical and graphical methods were used to empirically assess the status and identify structural changes in the foreign economic activity of the state under the influence of the transformation of the world order, and the extrapola-

tion method was used to identify relatively new directions and aspects of economic and diplomatic efforts in the system of ensuring national competitiveness and national security.

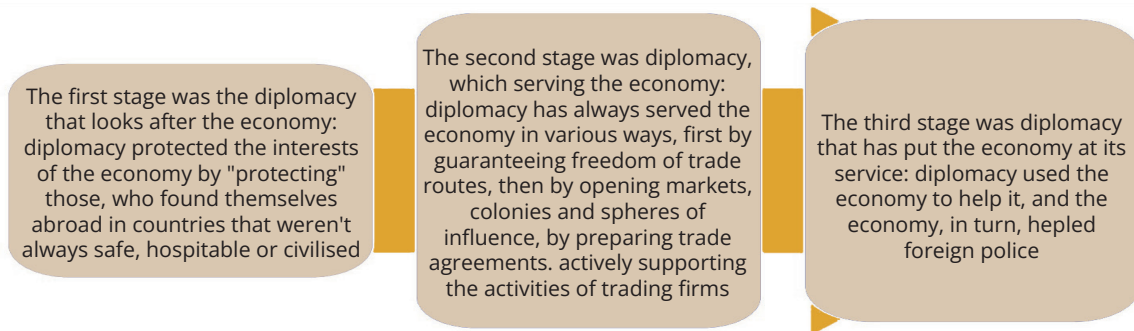
### Results and Discussion

In modern globalised world, in the context of the growing number of actors on the world stage, namely states, transnational companies (TNCs), international organisations, economic aspects play an increasingly important role in political affairs, leading to a shift in problem-solving methods from "immediate response" to "preventive response". Geo-economics was replacing geopolitics as the key goal of the main actors in the international arena, while economic power was becoming crucial in determining the rank of states in the world system.

From the point of view of public policy, economic factors were quite important, as they had a significant impact on foreign policy. Therefore, based on the importance of economic issues in a state's foreign policy, it can be concluded that in 2024 there was a correlation between traditional and economic diplomacy in international relations. It worth emphasising that economic diplomacy explored international economic issues to improve welfare and was key for most states. It most fully described the political and economic relationship in international activity, although in fact the interaction of economics and politics could not always be called economic diplomacy. Thus, economic diplomacy was a fairly natural process in international relations and the result of the ever-increasing role and importance of economic factors.

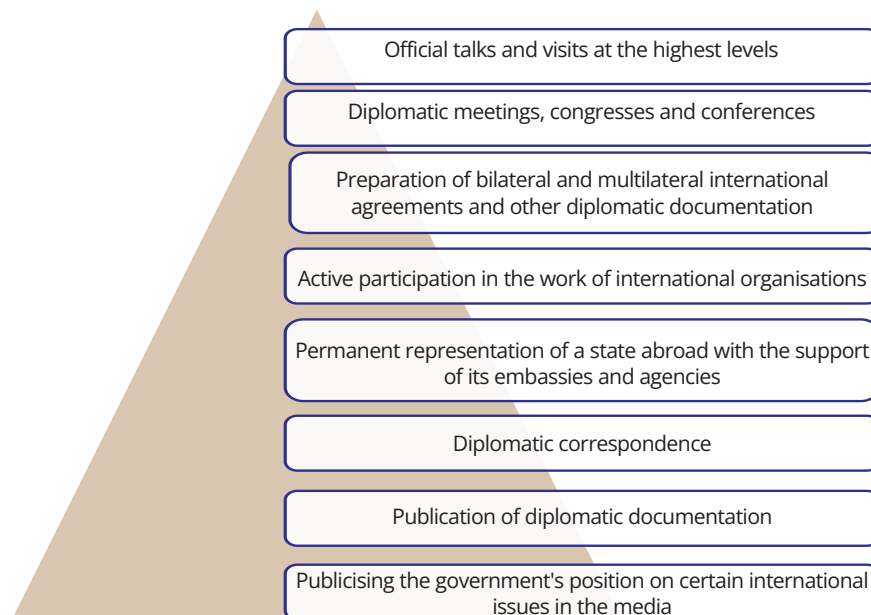
On the one hand, economic diplomacy had features inherent in commercial activities (e.g., digital calculations and analytical assessments, construction of econometric models that allow for a comprehensive assessment of the consequences of the measures under discussion), and on the other hand, it had features characteristic of traditional diplomacy, the effectiveness of which depended on an active position and flexibility in negotiations. This led to the conclusion that economic diplomacy is the art of maximising the benefits of international economic cooperation at minimum cost. The theory distinguished three stages of economic diplomacy development in the structure of a country's FEA (Fig. 1). It was also important to note that the beginning of the 20<sup>th</sup> century was characterised by the formation of a new quality of economic diplomacy. The economic component of the international community only in the period of 1970-1990 created conditions for the progressive acceleration of the global economic process: from direct service of current and partially prospective interests of national trade and other business sectors, to management of these processes at the national level, and through cooperation mechanisms at the international and global levels. Thus, the institution of diplomacy with economic goals represented the collected economic achievements by diplomatic means, regardless

of whether economic levers were used to achieve them (Hrushchynska, 2017). Diplomacy, as an integral part of foreign policy, was capable of using a number of methods and tools to achieve its goals (Fig. 2).



**Figure 1.** Stages of development of economic diplomacy in the structure of foreign trade

**Source:** developed by the authors



**Figure 2.** Methods and tools of economic diplomacy

**Source:** developed by the authors based on Diplomatic Academy under the Ministry of Foreign Affairs of Ukraine (2020)

Many factors contribute to the growing role of economic diplomacy in the modern system of foreign economic activity (Fedotova, 2019):

1. Internationalisation in all its manifestations and the growing interdependence of the world economic system, which can be traced at two levels global and regional.

2. Rapid expansion of the market relations zone, openness of national economies and their cooperation through trade and investment.

3. In the world economy, globalisation strengthens the role of economic diplomacy, combining the process of deepening the internationalisation of productive forces with the simultaneous attempts of transnational corporations to direct this process to achieve their own goals.

4. Foreign investments contribute to the development of international cooperation and cooperation with international organisations. This reduces the tendency

for countries to become economically closed, and then openness of foreign activity becomes the norm.

5. The introduction of innovations in the economic sphere of the state and external openness contribute to the formation of a positive image of the state.

The institutional mechanism of economic diplomacy is a system of authorities for lobbying national economic interests in the international arena, state, semi-state and non-governmental organisations authorised to represent and promote the national interests of the state (Dedelyuk, 2017). Since economic diplomacy is a separate component of the system of international relations, specific standards and methods of economic diplomacy were used to ensure the international competitiveness of states as participants in this system. To increase the efficiency of economic diplomacy actors, clear rules have been defined that cover the principles of

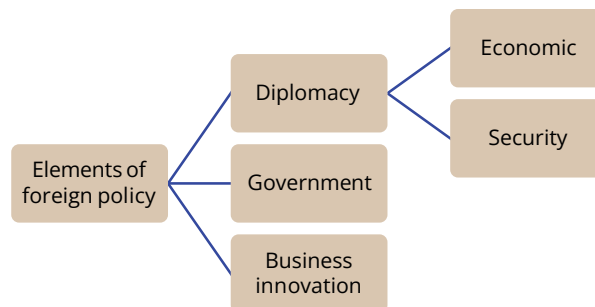
cooperation, norms of behaviour, regulations, restrictions, sanctions, proactive measures, incentives, and levels of responsibility. These rules were enshrined in a number of international legal documents, including acts of the UN and its structural subdivisions, documents of international organisations, agreements between states and international organisations, as well as in the legal acts of states regulating the activities of diplomatic missions of Ukraine and other countries.

It is important to note that the status of economic diplomacy in the system of state functions was constantly growing, the list of functions was expanding, and the quality of work and professional staffing were improving. Such institutions were led by managers, who had unquestionable experience in diplomatic work and business management, and who had a good understanding of the goals, national objectives and role of business entities. Diplomats bear a key responsibility for the successful implementation of the state's economic strategy, as they effectively protect the interests of the country and its entrepreneurs on the global economic stage (Hrushchynska, 2017).

In modern environment, globalisation was facilitating a new stage in the development of the global economy, in which international economic relations were an important prerequisite for civilised cooperation

between countries, but economic globalisation was a complex process. On the one hand, globalisation facilitated the integration of national economies, which makes it possible to increase their efficiency, accelerate market reforms and introduce new opportunities. At the same time, globalisation significantly limited the freedom of choice in implementing economic policy. National states were losing the ability to make full use of macroeconomic instruments such as export subsidies, import barriers, exchange rate regulation or central bank refinancing rates. In the context of the growing interdependence of national economies, states were forced to act within the established rules, taking into account the interests of other countries that may be affected by their economic decisions (Novakova & Pashyna, 2017).

The place and role of a state in the system of international economic relations depends on, how it was perceived by the global community. The potential of a particular country to participate in solving global problems, the competitiveness of the national economy, and investment attractiveness all form the international impression of the state. From the perspective of improving the country's competitiveness, the following elements of foreign policy can be distinguished, and the role and importance of economic diplomacy can be traced (Fig. 3).



**Figure 3.** Elements of foreign policy to improve the country's competitiveness

**Source:** developed by the authors based on E.I. Voinova (2018)

Economic diplomacy, with its means and tools, as well as competitiveness, were integral in nature, as these areas were closely interconnected and require the combined efforts of all levels of government from central to local and the most efficient use of available state resources. One of the aspects of addressing these issues was political and diplomatic support for foreign economic activity of Ukrainian producers and exporters, in particular, facilitating their access to global markets for goods and resources, and increasing national competitiveness. Such functions were mostly assigned to economic units at diplomatic missions in host countries. As noted by V. Rokocha & O. Horbachuk (2019), depending on the situation, such actions may involve all official-level personnel: top government officials, ministries and institutions, as well as the unofficial level, which may be represented by the media, the diaspora,

NGOs working together with Ukrainian economists, businessmen and lawyers. The effectiveness of such work depends on the coordinated actions of these levels of economic diplomacy.

The next aspect in the context of achieving the main objectives of economic diplomacy was a balanced, carefully planned and scientifically sound negotiation process at the highest level. Such negotiations can be conducted at both bilateral and multilateral levels. It is important to choose a negotiation strategy, which was a fundamental part of global diplomatic activity and a rational way to protect the national interests of each sovereign state. Diplomats and government officials at various levels of small and medium-sized countries directly involved in negotiations with foreign partners need to implement the best examples of such strategies, especially in relations with large countries and

powerful intergovernmental organisations in order to achieve economic security of the state (Vyhovska, 2023).

The study of economic security was driven by the need to examine events such as global economic crises, military conflicts and geopolitical instability, cyber threats, socio-economic inequality, assess the evident changes in the evolution of threats to economic security, and develop a coherent, consistent vision of the future. The variety of meanings that describe this concept was often the result of an understanding of contemporary reality rather than research in economic science. Reality showed that all people, sectors of the economy, states, and regions want to operate in a secure environment. People, who feel the lack of basic security in their families, at work, in the community, in their state, become socially irresponsible.

According to the Decree of the President of Ukraine No. 347/2021 (2021), the essence of national economic security (Fig. 4) was the ability of the country's economy to ensure sovereign development, maintain the stability of society and its institutions, and build sufficient defence capabilities, even in the face of adverse challenges and scenarios. This also included the ability of the Ukrainian state to protect its economic interests from internal and external threats. A key condition for achieving the highest level of economic security is Ukraine's transition to an intellectual and innovative development path.



**Figure 4.** Place of national economic security in the hierarchy of economic security levels

**Source:** developed by the authors based on H.A. Ivashchenko (2017)

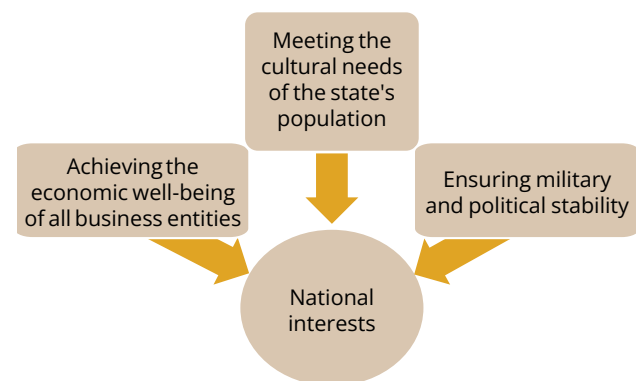
One of the priority tools for ensuring economic security was economic diplomacy, as it was a factor that directly affects the realisation of national interests. Priority areas of economic diplomacy included export promotion through market diversification and attracting investment in strategic sectors of the economy.

Economic security was a guarantee of a country's independence, a state of stability and efficiency of

society, and therefore economic security was one of the most important national priorities in many countries. After the Cold War, economic security changed its focus from geopolitical to geo-economic, from military superpower to economic superpower, from political and ideological competition to economic competition. John Stremlau, Doctor of Economic Sciences, Vice President of the Carter Center's Peace Program, noted in the early 1990s that "we are entering an era, where foreign policy and economic security are increasingly intertwined, and economic diplomacy is essential to addressing the challenges of our era" (Munteanu, 2015).

Although economic diplomacy as a direction of foreign policy activity has a long history, the concept of "economic diplomacy" has recently become part of the categorical apparatus of such sciences as international law and related disciplines. Many different definitions of this term can be found in scientific research. Most of them, presented in the works of foreign authors, cover the following aspects: facilitating access of national producers to foreign markets; attracting foreign direct investment into the national economy; influencing the formation of international rules to take into account national economic interests (Imbert, 2017).

Economic diplomacy was an integral part of the state's foreign policy activity, which was closely linked to the security sector, as its effectiveness affects the level of economic security of the country and the realisation of its national economic interests (Fig. 5). O.O. Petryshyn *et al.* (2023) noted that not only the foreign policy, but also the security vector determined the goals and objectives of economic diplomacy, as well as the set of forms, means and methods that it used to implement foreign economic and security policy.



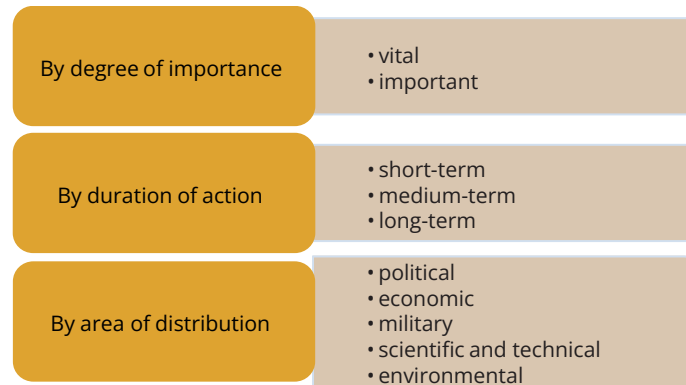
**Figure 5.** Components of the state's national interests

**Source:** developed by the authors based on D. Palamarchuk (2020)

It was worth noting that the main components of the national interests of the state determined the priorities of the country's development, its internal and foreign policy, as well as its overall strategic goals. The constituent elements that affected the economic security of the

state had a number of characteristics, namely, the economic well-being of all business entities involved ensuring economic independence through the development of a self-sufficient national economy, the development of education, healthcare and social security, strengthening competitive positions in global markets, and energy security. The cultural component took into account the preservation of historical and cultural values, raising the level of knowledge and competence of citizens, and supporting language, culture and traditions. Military

and political stability meant protecting the country from external and internal threats, democratic development and state sovereignty, territorial integrity and military power. Each component was important for the stability and development of the state, and they were interconnected and complementary. Thus, the national interest was a generalisation of the interests of all members of a civilised society and included the economic national interest. In practice, national interests can be classified according to specific features (Fig. 6).



**Figure 6.** Classification of national interests

**Source:** developed by the authors based on O. Mateta (2020)

Economic interests in the structure of national interests constituted the economic component, which included a set of interests of business entities (national companies) in all the diversity of their interrelationships. N.S. Ivanova (2020) noted that economic security was a rather complex multifactorial concept that characterises the ability of the national economy to grow economically in order to meet the needs of the population and the state at a certain level; to counteract the destabilising effects of factors that pose a threat to the sustainable balanced development of the state; to ensure the competitiveness of the national economy in the world economic system.

According to the Decree of the President of Ukraine No. 347/2021 (2021), the economic security of Ukraine was a complex system, the structure of which was formed by such types of security as: financial and economic security; production security; foreign economic security; investment and innovation security; macroeconomic security. This approach determined the following tasks in the field of economic security: ensuring resilience against external and internal challenges and threats to the national economic interests of the state and the interests of its citizens; preserving and developing the country's economic power, taking into account the human-centred approach; guaranteeing national economic independence and the ability to protect national economic interests, including in the high-tech sector (Decree of the President of Ukraine No. 722/2019, 2019).

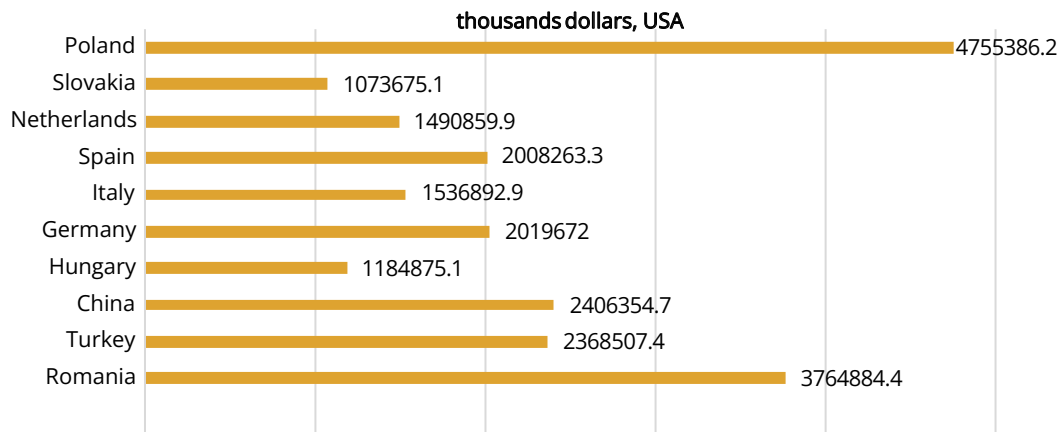
Most of the problems that Ukraine has faced since joining the World Trade Organisation (WTO) existed

before, due to the inconsistency of internal and global economic development trends, the lack of modern high-tech infrastructure and market investment, and the inability and unwillingness of the national economy to integrate into the global economy. There were also other factors, such as the reform of the national public administration system. However, after Ukraine joined the WTO, these economic problems and risks became more significant. It is worth highlighting the key points of the consequences of this process. The first was the minimisation of protection of Ukrainian producers from competition from foreign companies in the internal market, reduction of tariffs, introduction of a moratorium on anti-dumping procedures and reduction of state budget revenues due to the reduction of import duties.

These problems were most prevalent in developing economies. However, certain problems still need to be addressed, such as the problems of integration with non-WTO countries, imports of outdated technologies that were no longer competitive or efficient in the countries of origin compared to the latest technologies, and the inability of the state to guarantee equal economic freedoms and rights to all economic entities in their financial and economic activities, including foreign investors. As for the Ukrainian economy, there may be a lack of a stable and unified strategy for economic and political development, "eternal reforms", a decline in production and demand for Ukrainian products on the world market, the decline of uncompetitive Ukrainian industries and business entities, a significant

increase in low-quality imported goods and counterfeit products on the national market, the inability of the authorities to create a favourable investment climate in the internal market due to economic and political instability. The structure of exports remained heavily weighted towards raw materials, which, in response to

the economic crisis, led to a significant drop in demand for foreign raw materials and a negative trade balance. The liberalisation of its trade regime has resulted in limited ability of the state to regulate its foreign economic activity. Ukraine's main trading partners in 2023 were shown in Figure 7.



**Figure 7.** Trade partners of Ukraine in 2023

**Source:** developed by the authors based on Top 50 main exporters of Ukraine 2022 (2023)

It is worth noting that 2022 was a year of war, which posed complex challenges for business entities and required a quick response to the situation. However, businesses, having recovered from the stress of the invasion, began to resume exports in early April 2022 under new security and logistical conditions. Starting in August 2022, the Black Sea Grain Initiative was implemented, making it possible to restore more than half of exports. As internal demand declined, companies that had always focused only on the internal Ukrainian market began to look at the foreign market.

The foreign economic activity of enterprises and Ukrainian business structures should actively participate in the socio-economic development of the country and contribute to the enhancement of its international image. In this case, the integration of the national economy into the international economic system implied active positioning in modern scientific and technical cooperation and international division of labour, world trade and financial cooperation on the world stage with international partners on mutually beneficial terms. The key issue has always been the protection of own national economic interests. Such goals can be achieved with the support of a number of factors of managerial, organisational, operational, legal and financial origin. In such circumstances, an important place was given to new non-traditional instruments, methods of support and organisation of foreign economic activity, in particular through the full use of commercial diplomacy. In this context, Ukraine has significant untapped potential in international cooperation.

Since 2020, the dynamics of Ukraine's foreign economic activity has demonstrated the formation of new

trends in foreign trade operations, as well as the emergence of issues related to ensuring stable positions in international markets. The regulation of foreign economic activity in Ukraine was carried out by both state authorities and non-state economic management structures, as well as by foreign economic operators themselves. The President of Ukraine, having the most important legal powers, played a key role in regulating economic processes in the country. Therefore, in accordance with the Basic Law of Ukraine, the President of Ukraine outlined the main vectors of foreign policy, in particular, economic policy, influenced the selection and location of personnel, and the formation of management structures in this area of activity (Platonova, 2020). It is worth noting that the formation and development of foreign economic activity took place within the institutional environment, which included a set of institutions and organisational and economic instruments aimed at creating conditions for the implementation of this type of activity.

The modern significance of foreign economic relations lay in their ability to help balance socio-economic development both at the level of the country and individual business entities. It is important to effectively balance exports and imports of goods. It is worth noting that balanced exports and imports may not always guarantee the effect of a foreign economic transaction, at least for one party. The balance of exports and imports in terms of currency for the partner countries does not exclude the possibility that one will make more profit and the other less. In such situations, it was advisable to use commercial diplomacy tools that support cooperation between partner countries and their business entities, based on mutual interests and maximum

consideration of the interests of the countries participating in foreign economic relations.

Ukraine's interest in foreign trade relations with partner countries should be characterised through the prism of the geographical structure of exports and imports. The main indicators of dynamics by regions of the world in the period from 1996 to 2023 were shown in Table 1. Russia's full-scale invasion of Ukraine in 2022 led to greater tensions in the financial market and higher prices

for all types of goods and economic uncertainty, which led to an economic collapse. According to the Official website of the National Bank of Ukraine (2023), the main internal factor affecting the functioning of the Ukrainian economic system was the growing uncertainty about the scope, scale and duration of global economic turmoil caused by Russia's war against Ukraine. The armed aggression led to the largest economic decline since Ukraine's independence (1991-2024) (Rosola *et al.*, 2023).

**Table 1.** The structure of Ukraine's international trade by geography, mln USD

Indicators	1996	2006	2012	2016	2021	2023
<b>Exports (total):</b>	14400.8	38368	68830.4	36361.7	68072.3	60205.8
Europe	3456.9	12625.5	17424	13790.1	34213.6	24889.8
Asia	2894.2	8446.2	17681.1	11796.3	24762.1	8811.4
Africa	209.3	2373.7	5638.2	3865.1	5626.8	1677.9
America	598.3	2550.9	2607.7	735.2	3258.5	754.3
Australia and Oceania	20.1	17.9	50.9	18.3	73.9	21.3
<b>Imports (total):</b>	17603.4	45038.6	84717.6	39249.8	72843.1	61866.1
Europe	4655.6	16804.2	27569.6	18470.2	44327.7	35384.1
Asia	672.6	6143.7	17140.5	8920.5	22244.6	23296.9
Africa	141.5	413	851.3	553.9	1213.1	713.9
America	931	1465.3	4446.7	2594.8	4833.1	4046.5
Australia and Oceania	24.3	99.5	195.7	120.6	178.1	102.1

**Source:** developed by the authors based on O. Zelinska (2024)

Russia's full-scale military invasion of Ukraine has forced the international community to take appropriate response measures, including not only the use of economic and diplomatic means, such as financial and humanitarian aid to Ukraine as a victim, but also the development and implementation of a package of economic sanctions against the aggressor. All civilised countries had demonstrated the importance of applying the most effective methods of pressure on the aggressor state and its satellites that violate the basic principles of the international legal order. From a conceptual point of view, sanctions, as the main tool of economic diplomacy, perform one of three main functions: they send a clear signal to the aggressor that its international partners will not tolerate its actions; they have a deterrent effect, making it difficult for the aggressor state to achieve its goals; they force the aggressor to take concrete steps, such as a ceasefire and withdrawal of troops (Sharov, 2019).

Thus, in order to develop Ukraine's multilateral cooperation with international governmental and non-governmental organisations and countries of the international community, in particular to address military issues, each state needs a permanent representative abroad. According to official data published as of 17 March 2023, there were more than 90 diplomatic missions abroad, while as of 2024, Ukraine has no ambassador in 106 countries. It is worth noting that not all countries need diplomatic relations with Ukraine, as they have been severed with some states, while in others, the level of diplomatic missions was lower than that

of embassies. For example, in some European countries, such as Belgium, Armenia, the Czech Republic, Georgia, Liechtenstein, Luxembourg, the Netherlands, Norway, Hungary and the Czech Republic, Ukraine has no ambassadors, but was represented by a chargé d'affaires. In Asia and Oceania, Ukraine has no ambassador in Afghanistan, Bangladesh, China, Bangladesh, India, Kazakhstan, Malaysia, Maldives, Philippines, Sri Lanka, Thailand, and Yemen. Ukraine has the worst diplomatic ties with African countries, and the President of Ukraine has set a goal of renewing relations with African states by 2023, identifying ten countries, where embassies will be opened. In the Middle East, Ukraine has no ambassadors in Iraq, Iran, Lebanon, and Oman. All countries in North America have Ukrainian ambassadors, while in South America there are no ambassadors in Bolivia, Brazil, Ecuador, Colombia, Paraguay, Chile, and Uruguay. Ukraine does not maintain diplomatic relations with Russia because of the war (In which countries does Ukraine not have an ambassador, 2023).

Economic issues have always been a key pillar of the European agenda, from its inception, in its internal dimension as well as in its external dimension since the origins of the European Economic Community, with the creation of the European single market and the adoption of a common external tariff and policy. From the earliest stages, joint industrial projects were adopted to compete on the global stage and to protect conscious European economic interests. However, the EU's economic diplomacy, despite the general principles and rules common to its member states, has its own

characteristics and specific features that should be taken into account, when implementing Ukraine's European integration aspirations.

A study of the content, functions, general characteristics, strategic goals and other aspects of the commercial diplomacy tools of Central and Western Europe has shown that the structure of the EU economic diplomacy model should include not only traditional elements, but also a classification of categories, areas of competence and levels of the process (Flissak, 2016). The author also noted that this was important given that the Ukrainian state was working on a strategic geopolitical vector of its development, namely, to become part of the democratic world, as a result, to establish high democratic principles and standards, and to promote democratic values in the context of strengthening its position and status as a subject (not an object) in geopolitics. In March 2019, the Constitution of Ukraine enshrined the European integration course, European identity, and determined the irreversibility of the civilisational choice of Ukraine and the Ukrainian people, as well as outlined the strategic course of the state to become a full member of the EU and NATO (Law of Ukraine No. 2680-VIII, 2019; Official website of the Office of the President of Ukraine, 2020)

With the start of Russia's full-scale military invasion in 2022, Ukraine set new goals in its relations with the EU to move closer to its key strategic objective, namely to receive a clear signal on its EU membership prospects. An important signal in this process was the EU Council meeting and the official statement of 11 March 2022, which stated that the EU Council had requested the European Commission to present its opinion on the EU accession applications of Georgia, Moldova and Ukraine. As a result of this statement, new strategic goals were set for the "fast-track procedure" of Ukraine's integration into the EU. This referred to the procedure under, which

the EU institutions will consider Ukraine's application on an expedited basis in order to grant Ukraine the status of a candidate country for EU membership in the near future with gradual steps towards the single European space (Statement by the EU Heads of State and Government at the Versailles..., 2022). In 2025, the agenda was constantly focused on bringing national legislation in line with the European legal framework, deepening the integration of national companies into the European market, introducing a visa-free regime and further sectoral integration. These measures will contribute to Ukraine's successful movement along the European path, implementation of the basic reforms envisaged by the Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Community and their member states, of the other part No. 984\_011 (2023), and implementation of the entire package of recommendations of the European Commission, which was a prerequisite for the start of negotiations on Ukraine's accession to the EU.

A number of obstacles impede the implementation of full-fledged diplomatic work, in particular in the field of economic diplomacy. The main obstacle in Ukraine was the insufficient pace of reforms and the unsatisfactory fight against corruption. Other negative factors included Russia's large-scale aggression and the unwillingness of EU member states to further integrate Ukraine. This situation created preconditions for Ukraine to remain a potential supplier of raw materials and cheap labour. This situation was not fatal, but, given the goals of European integration enshrined in the Constitution, it gave Ukraine a real chance to take its rightful place in the European economic system. Ukraine's successful integration into the European community, in terms of economic integration, was possible only if a set of actions is implemented, as shown in Figure 8.



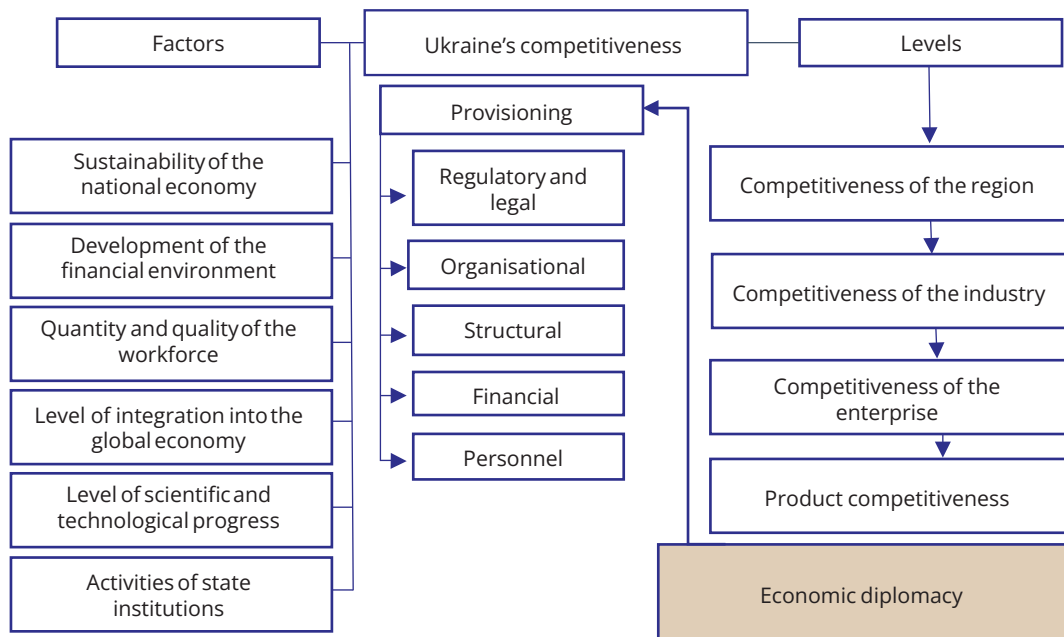
**Figure 8.** Economic and diplomatic directions of Ukraine's activities to implement its European integration course  
**Source:** developed by the authors based on M. Pashkov et al. (2022)

The state of the market economy and its compatibility with Ukrainian realities and the principles of the EU economic system go beyond the scope of Ukraine's relations with the EU. First of all, it is worth considering the role of the state in economic processes. International experience has shown that this role cannot be replaced in the post-Soviet space by traditional direct economic administration and protection measures or complete non-interference by the state. All countries of the world were searching for a "golden mean", as evidenced by the growth of protectionism and economic nationalism (Sharov, 2019).

In the context of long-term economic policy, the competitiveness of the Ukrainian economy can be seen as the ability of Ukraine to produce goods and services in a free market that meet the requirements of international markets, while increasing the real incomes of its citizens. In general, competitiveness was defined as the ability of a country to create both internal and external conditions that allow businesses to produce products that can compete in global markets. Increased competition in international markets makes countries, including Ukraine, constantly look for new sales opportunities, improve equipment and technologies to produce quality goods, which allowed them to increase competitiveness and ensure economic growth.

In 2024, Ukrainian diplomacy was also at the epicentre of accumulating financial and economic resources to counter military aggression. Constructive interaction between countries required an awareness of global interdependence, existing threats and potential risks, the manifestations of which could either destroy the achievements of civilisation or promote peace, humanity, democracy and freedom.

In the context of addressing the issue of the impact of economic diplomacy on increasing the country's competitiveness, it was necessary: first, to determine the place and role of economic diplomacy in the system of ensuring the implementation of Ukraine's competitive advantages in world markets; second, to clarify the need to realise the expediency of applying modern mechanisms of economic diplomacy at the level of competent state authorities, which were entrusted with the relevant powers to influence the further development of foreign economic activity of both the state as a whole and its individual business entities; third, to disseminate and popularise this type of activity in the Ukrainian business environment in order to adequately perceive by all members of society the essence and potential opportunities of diplomatic support for business entities, as well as to establish close multilateral ties between business and authorised state institutions (Fig. 9).



**Figure 9.** The place of economic diplomacy in the system of ensuring Ukraine's competitiveness

**Source:** developed by the authors

As shown in Figure 9, economic diplomacy was a key tool in the modern system of international economic relations, aimed at protecting the economic interests of the state, contributing to the sustainability of the national economy, attracting investment, developing the financial sector, promoting exports and strengthening

the country's position in the global market. The role of economic diplomacy was important for Ukraine, which sought to strengthen its competitiveness in the global environment. Ukraine's economic diplomacy was a key component in ensuring its competitiveness in the international arena. Not only does it contribute to

economic growth, but it also helped to build a positive image of the country, attract investment, promote innovation and expand markets for national businesses. Effective economic diplomacy was one of the most important tools for Ukraine's integration into the global economic system.

## Conclusions

The use of economic diplomacy tools in Ukraine is important as it will facilitate investment and trade activity of national enterprises trying to enter the markets of other countries. Economic diplomacy in modern realities was an effective mechanism for improving international partnership and developing public-private partnerships to achieve socio-economic development and growth, stimulate exports of goods and services to international markets and diversify export activities, develop a positive investment reputation for the country, and improve its tourist attractiveness. Therefore, developing a strategy to improve Ukraine's competitiveness, including economic diplomacy tools, is important because it will contribute to the development of the Ukrainian economy, including strengthening trade relations, attracting foreign direct investment and creating new jobs.

Improving the investment climate is one of the key ways to enhance Ukraine's prestige and competitiveness. Thus, the Ukrainian government should implement

reforms aimed at making it easier to do business and ensuring the stability of the political and legal system. This must include simplifying business registration procedures, reducing bureaucratic barriers and protecting property rights. Studies had shown that comprehensive measures and active work of Ukrainian diplomatic services were needed to improve national competitiveness and create a positive image of Ukraine in the context of trade and economic relations with the EU. Improving the investment environment, actively promoting a positive image, supporting the development of trade relations with the EU, and implementing joint projects can help strengthen Ukraine's position in global markets and ensure sustainable economic growth.

Prospects for further research are to assess the impact of economic diplomacy tools on achieving the goals of increasing the competitiveness of the national economy. In the future, it is necessary to determine the role of economic and public diplomacy in Ukraine's economic growth and competitiveness in the post-war reconstruction period.

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None.

## Conflict of Interest

None.

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## Економічна дипломатія в системі забезпечення зовнішньоекономічної діяльності України

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**Анотація.** Міжнародне середовище характеризується динамічним характером, стійкою тенденцією до кількісного зростання та якісного розвитку, у зв'язку з чим з'являється потреба більш обережного та виваженого підходу до вибору зовнішньоекономічної політики, враховуючи складність структури світового господарства, системи міжнародних економічних відносин регулювання та управління. Метою статті було дослідження умов забезпечення зовнішньоекономічної діяльності України через вплив економічної дипломатії та визначення інструментів для відстоювання національних економічних інтересів країни на світовій арені. Методологічною базою дослідження став інструментарій історичного та логічного підходів, аналізу, статистичного та графічного методів. У статті було здійснено дослідження теоретико-концептуальних засад функціонування економічної дипломатії, а саме: охарактеризовано суть та значення економічної дипломатії в міжнародних економічних відносинах; досліджено економічну дипломатію як елемент системи управління зовнішньоекономічною діяльністю країни; окреслено механізм досягнення національної конкурентоспроможності засобами економічної дипломатії. Проведено аналіз українського досвіду функціонування механізму економічної дипломатії, зокрема: здійснено аналіз економічної дипломатії в системі національної економічної безпеки України, проведено аналіз інституційного забезпечення реалізації зовнішньоекономічного потенціалу України. Також здійснено розробку нової парадигми економічної дипломатії України для забезпечення конкурентних переваг: визначено головні перспективи економічної дипломатії в контексті євроінтеграційного курсу України, обґрунтовано можливість підвищення міжнародної конкурентоспроможності України через механізми економічної дипломатії. Практична цінність результатів дослідження полягає в тому, що сформульовані теоретичні положення, висновки та рекомендації можуть бути використані: у науково-дослідницькій сфері – для проведення подальших наукових досліджень питань стратегічних шляхів підвищення конкурентоспроможності національної економіки в сучасних умовах господарювання; у нормотворчій діяльності – для розроблення нормативно-правових актів і вдосконалення законодавства України у напрямку дипломатії в умовах динамічного розвитку міжнародного середовища; у навчальному процесі – під час підготовки підручників і навчально-методичних посібників з міжнародних економічних відносин

**Ключові слова:** комерційна дипломатія; економічна безпека; економічний інтерес; міжнародне співробітництво; глобалізація