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ECONOMIC DIPLOMACY AS A TOOL FOR STRENGTHENING INVESTMENT COOPERATION: EVIDENCE FROM SOUTH KOREA AND JAPAN

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Abstract. This study examines the role of economic diplomacy in strengthening investment cooperation, with particular emphasis on the experiences of South Korea and Japan. The research analyzes the strategic mechanisms through which these countries employ diplomatic instruments to promote foreign direct investment, enhance bilateral economic relations, and foster sustainable economic growth. Using comparative, analytical, and institutional approaches, the study explores government policies, investment agreements, trade promotion agencies, and public-private partnerships that have contributed to successful investment cooperation. The findings demonstrate that effective economic diplomacy serves as a critical instrument for attracting foreign investment, reducing investment barriers, improving investor confidence, and expanding international economic partnerships.

Keywords: economic diplomacy; investment cooperation; foreign direct investment (FDI); South Korea; Japan; bilateral relations; investment policy; international economic cooperation; sustainable development.

Introduction. In the context of globalization and increasing economic interdependence, economic diplomacy has emerged as one of the most effective instruments for strengthening international investment cooperation and promoting sustainable economic development. Governments are increasingly utilizing diplomatic channels to facilitate foreign direct investment (FDI), improve bilateral and multilateral economic relations, reduce investment barriers, and create favorable conditions for international business. As global competition for investment intensifies, economic diplomacy has become an essential component of national development strategies, enabling countries to enhance their economic competitiveness and attract strategic investors.

Among the countries that have successfully integrated economic diplomacy into their national development policies, South Korea and Japan represent two outstanding examples in East Asia. Both countries have developed comprehensive diplomatic and institutional frameworks that effectively support international investment cooperation while strengthening their global economic positions.

Literature review. Economic diplomacy has become an increasingly important field of research in international economics and international relations, particularly in the context of globalization and the growing competition for foreign direct investment (FDI) [1]. Rana further explains that modern economic diplomacy involves the coordinated efforts of ministries of foreign affairs, trade, finance, and investment promotion agencies. His research highlights that successful economic diplomacy depends on effective institutional cooperation, professional diplomatic services, and active engagement with international business communities [2]. Okano-Heijmans broadens the concept by emphasizing the interaction between political and economic objectives. She argues that

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contemporary economic diplomacy combines commercial diplomacy, financial diplomacy, trade negotiations, development cooperation, and investment promotion into an integrated foreign policy strategy [3]. Research conducted by the Organisation for Economic Co-operation and Development (OECD) demonstrates that countries with transparent institutions, stable regulatory frameworks, and proactive investment promotion policies tend to attract significantly higher levels of foreign direct investment [4]. The United Nations Conference on Trade and Development (UNCTAD) also recognizes economic diplomacy as a key mechanism for improving investment competitiveness. According to UNCTAD, governments increasingly rely on investment promotion agencies, bilateral investment treaties, special economic zones, and digital investment facilitation to attract multinational enterprises [5]. The experiences of South Korea and Japan have received considerable attention in the literature because both countries have successfully integrated economic diplomacy into their national development strategies. Studies indicate that South Korea has effectively utilized institutions such as the Korea Trade-Investment Promotion Agency (KOTRA) to promote exports, attract foreign investors, and strengthen international business cooperation [6]. Recent studies further argue that economic diplomacy has entered a new phase characterized by digital transformation, green investment, technological cooperation, and supply chain resilience [7].

Materials and methods. This study investigates the role of economic diplomacy in strengthening investment cooperation by examining the experiences of South Korea and Japan. A qualitative comparative research design was employed to analyze the institutional frameworks, diplomatic instruments, and investment promotion strategies adopted by these two countries. The research combines documentary analysis with comparative policy evaluation to identify best practices that may be applicable to developing economies. The study relies primarily on secondary data collected from international organizations, government publications, peer-reviewed journal articles, policy reports, and official statistical databases.

Table 1. Research materials and data sources

Source	Type of information	Purpose of use
OECD Reports	Investment policy, investment climate	Analysis of investment governance
UNCTAD World Investment Reports	FDI statistics and global investment trends	Comparative assessment of investment performance
World Bank & IMF Databases	Macroeconomic and investment indicators	Supporting statistical analysis
KOTRA and JETRO Reports	Investment promotion strategies	Evaluation of economic diplomacy practices
Scopus-indexed articles	Theoretical and empirical studies	Literature review and comparative discussion

Table 2. Research methods

Research method	Application in the study	Expected outcome
Comparative analysis	Comparison of South Korea and Japan	Identification of similarities and differences
Document analysis	Review of policy documents and international agreements	Evaluation of diplomatic instruments
Descriptive analysis	Explanation of investment cooperation mechanisms	Interpretation of institutional practices

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Institutional analysis	Assessment of KOTRA, JETRO and government agencies	Identification of effective policy mechanisms

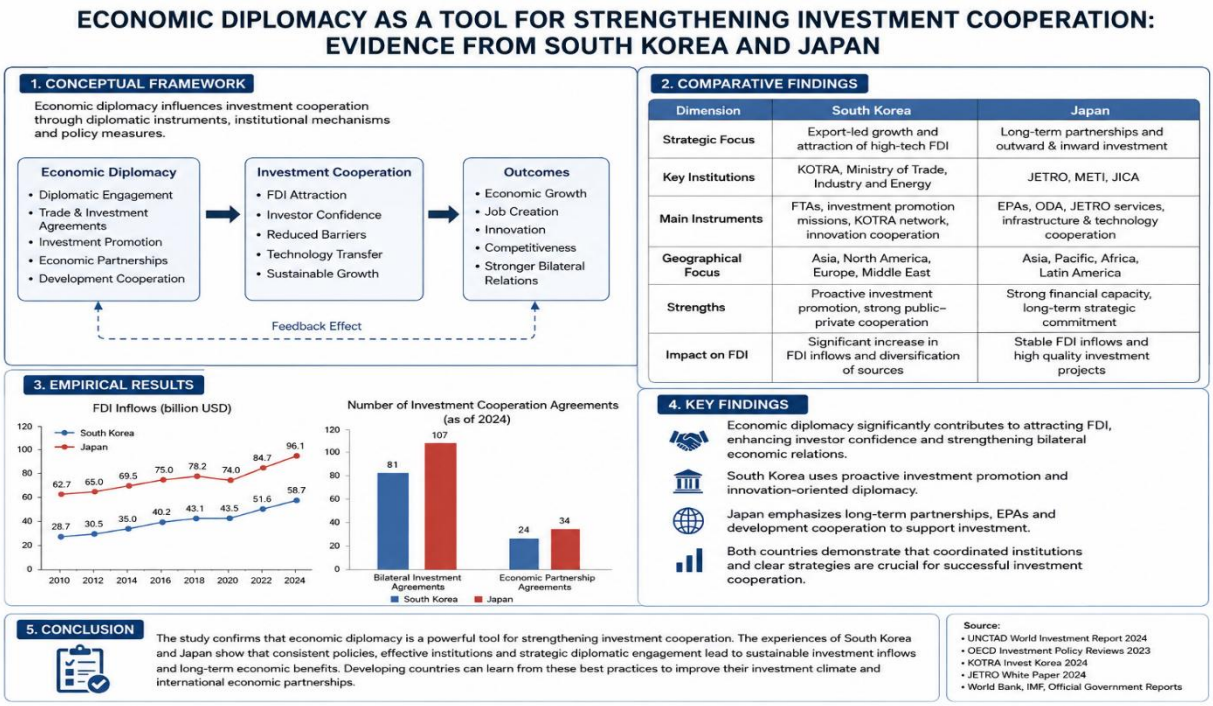


Figure 1. Economic diplomacy as a tool for strengthening investment cooperation: evidence from south Korea and Japan.

The collected information was systematically categorized according to the objectives of the research and analyzed using a comparative qualitative approach. Particular attention was given to the institutional mechanisms that facilitate investment cooperation, including investment promotion agencies, bilateral investment agreements, economic partnership agreements, and government-led diplomatic initiatives. The findings were interpreted by comparing the effectiveness of the two countries' economic diplomacy models in promoting foreign investment and strengthening international economic cooperation.

Discussion. The findings indicate that economic diplomacy plays a crucial role in strengthening investment cooperation by creating a favorable environment for foreign direct investment and enhancing international economic partnerships. Both South Korea and Japan have successfully integrated diplomatic initiatives with national investment policies, resulting in greater investor confidence and sustainable economic growth.

The comparative analysis reveals that South Korea emphasizes proactive investment promotion through specialized institutions such as KOTRA, while Japan focuses on long-term strategic partnerships supported by JETRO, economic partnership agreements, and overseas development cooperation. Although their approaches differ, both countries demonstrate that effective coordination between government institutions and diplomatic missions significantly improves investment outcomes. These experiences suggest that developing countries can strengthen their investment competitiveness by adopting comprehensive economic diplomacy strategies, improving institutional capacity, ensuring policy consistency, and expanding international economic cooperation.

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Conclusion. Economic diplomacy has become an essential instrument for strengthening international investment cooperation in an increasingly interconnected global economy. The experiences of South Korea and Japan demonstrate that effective diplomatic engagement, supported by strong institutions and consistent investment policies, can significantly enhance a country's ability to attract foreign direct investment and expand international economic partnerships.

The comparative analysis shows that both countries have successfully integrated economic diplomacy into their national development strategies through investment promotion agencies, bilateral and multilateral economic agreements, and close coordination between government institutions and the private sector. While South Korea adopts a more proactive investment promotion model, Japan emphasizes long-term strategic partnerships and sustainable economic cooperation. Despite these differences, both approaches have contributed to improving investor confidence and promoting stable economic growth. The study concludes that successful investment cooperation depends not only on economic factors but also on the effectiveness of diplomatic institutions, transparent regulatory frameworks, and strategic international engagement.

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