

مركز البيدر للدراسات والتخطيط

Al-Baidar Center For Studies And Planning



Research Paper

Investment Diplomacy The Question of Formulation and Concept Formation

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Abstract

This study presents the concept of **investment diplomacy** as a tool of foreign policy, wherein states rely on granting investment licenses and economic facilities to influence the behavior of other states in ways that serve their interests. Investment diplomacy is considered part of a state's soft power, which can be employed through incentives with friendly states to enhance cooperation, deterrence by imposing investment restrictions on undesirable states, or achieving other gains. Investment diplomacy aims to strengthen political influence and support the national economy by attracting value-added investments and contributing to solving social problems such as unemployment and the housing crisis. Its tools include customs exemptions, granting entry permits, and activating the advantages of investment law. It is implemented by various entities, most notably investment authorities, parliamentary committees, and local investors, and is practiced at the Arab, regional, and international levels. Thus, investment diplomacy represents an important opportunity for Iraq to enhance its economic and political position globally, necessitating its specialized development to ensure its effectiveness^[1].

Introduction

This research paper serves as a foundational theoretical building block for Iraqi investment diplomacy, which is a part of economic diplomacy but has not previously been addressed as a theoretical foundation in terms of definition, characteristics, importance, and tools. Therefore, this paper aims to provide a conceptual framework that can be built upon, with efforts converging through researchers and official and unofficial institutions working in the field of investment and investment policy, and striving to apply it in Iraqi foreign policy after its full maturation.

Investment diplomacy is one of the foreign policy tools adopted by states to achieve their economic and political interests. This concept has emerged amid the growing importance of foreign direct investments and their impact on international relations. Investment diplomacy is based on employing the granting of investment licenses and their accompanying privileges as a means of pressure or incentive to influence the behavior of other states in ways that serve national interests. This research paper seeks to crystallize the concept of investment diplomacy in terms of its characteristics, tools, actors, and levels of application.

Definition of Investment Diplomacy

Investment diplomacy refers to a state's employment of its investment capabilities through the granting of investment licenses and related privileges to influence other states and direct their political and economic behavior in a manner that serves the interests of the granting state. This diplomacy falls under economic diplomacy, where investment tools are used as means of pressure or enticement to achieve political and economic objectives^[1].

Importance of Investment Diplomacy

The importance of investment diplomacy lies in:

- **Political Influence:** Using the granting or withholding of investment opportunities to influence the political decisions of other states.
- **Economic Gains:** Exploiting the investment climate to promote investment opportunities and attract foreign investments.
- **Soft Power:** Enhancing the state's image and its ability to influence internationally through smart investment policies that blend economics and politics.

Characteristics of Investment Diplomacy

- **Incentive Characteristic:** Used with friendly or geographically and culturally close states, where investment privileges are offered as incentives to enhance cooperation.
- **Deterrent Characteristic:** Employed with states whose economic cooperation is feared, where strict conditions or restrictions are imposed on incoming investments.

Objectives of Investment Diplomacy

- **Political Objectives:** Strengthening the state's political influence by using investment as a bargaining chip at the Arab, regional, and international levels.
- **Economic Objectives:** Supporting the national economy by attracting value-added investments that contribute to the budget through revenues.
- **Social Objectives:** Contributing to addressing social problems such as unemployment and the housing crisis through investment projects.

Tools of Investment Diplomacy

- **Granting Investment Licenses:** A negotiation tool through announcing investment opportunities according to government decisions or granting exceptions for certain projects.
- **Customs Exemptions:** An investment advantage stipulated in Article 15/First (a) of the amended Investment Law No. 13 of 2006, where the investor enjoys a tax exemption for ten years, enhancing investment attractiveness.
- **Granting Entry Permits:** Allowing the entry of foreign labor at a high rate, provided it does not exceed 50% of the workforce in investment projects,

according to Article 2 of Regulation No. 30 of 2009, which constitutes a negotiation advantage with states wishing to invest their expertise.

- **Activation of Advantages and Guarantees:** As stipulated in Chapters Three and Five of the amended Investment Law No. 13 of 2006.

Actors in Investment Diplomacy

- **Parliamentary Investment and Development Committee:** The legislative and oversight body responsible for investment.
- **National Investment Commission and Provincial Investment Commissions:** The bodies responsible for formulating and implementing investment policy.
- **Investment Committee in Provincial Councils:** Responsible for overseeing investment commissions in the provinces.
- **Local Investors:** Indirect channels that can be employed to attract foreign investments and enhance communication with foreign investors.

Levels of Application of Investment Diplomacy

- **Arab Neighborhood:** Leveraging linguistic and cultural ties to enhance investment cooperation.
- **Regional Environment:** Taking into account the linguistic, historical, and economic diversity of neighboring states and adapting the investment discourse accordingly.
- **International Community:** Employing negotiation strategies tailored to the nature of each state according to its degree of influence and susceptibility to investment diplomacy.

Conclusion

Investment diplomacy is one of the modern methods that can be employed to enhance Iraq's economic and political position on the international stage. Through the intelligent use of investment tools, the state can achieve significant political and economic gains, provided that this diplomacy is developed by specialists in economics and investment to ensure maximum effectiveness. Investment diplomacy is a vital tool within the foreign policy of states, where investments and economic facilities are used as a means of influencing international relations, whether through incentives to attract cooperation or deterrence to limit undesirable influence. This diplomacy falls under the state's soft power, making it of strategic importance in achieving political, economic, and social objectives.

This research paper has reviewed the tools of this diplomacy, such as granting investment licenses, customs exemptions, granting entry permits, and activating the advantages of the investment law, which can be intelligently employed to enhance Iraq's influence in its Arab, regional, and international surroundings. The success of this diplomacy depends on key actors, including the National Investment Commission, parliamentary committees, local investors, and relevant government institutions, in addition to a supportive governmental environment.

In conclusion, developing investment diplomacy is essential to enhance Iraq's international standing and attract foreign investments, which requires clear policies and the training of diplomats specialized in economics and investment to ensure the maximum effectiveness of this important tool in building a strong and sustainable economic future. Finally, this effort remains the beginning of a major project that the researcher seeks to provide theoretical frameworks for, within the available means, and opens the door for contributions from those who wish to add, modify, or critique to mature this project according to scientific and theoretical foundations.

Research Identity

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Note: The opinions expressed in this research do not necessarily reflect the views of the center, but only the opinions of its author.

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The center seeks to contribute to developing the state and its institutions, by proposing ideas and practical solutions to the main problems and challenges facing the state, including improving public sector management, policies, and strategic planning, using reliable data and best practices. The center engages the relevant authorities in the state with regular meetings to support this objective and utilizes the support of international organizations dedicated to assisting Iraq's development. The center also seeks to support economic reforms, and sustainable development and provide technical assistance to the public and private sectors. The center also seeks to support the development of the private sector to provide job opportunities for citizens through training and upskilling, in a way that reduces dependence on government institutions and contributes to supporting and diversifying the country's economy.

The center aims to utilize the vast amount of potential in Iraq's human resources by organizing programs to prepare and develop promising young people, including leaders capable of proposing, adopting and implementing visions and future plans that advance society and preserve its value-system based on the commitment to a high moral standard and rejection of all types of corruption.

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