

Research article

The Role of Economic Diplomacy in Shaping Global Trade Agreements: A Review of Literature

Dana Mohammed Danish Aladdin Sajadi¹

¹ Department of International Relations and Diplomacy, Tishk International University, Kurdistan Region, Iraq

Article Information

*** Corresponding author.**

E-mail address: dana.sajadi@tiu.edu.iq

Received: 11 November 2024

Revised: 25 December 2025

Accepted: 18 December 2025

Published: January 1, 2026



Copyright: © This article is published under the Attribution-Noncommercial 2.0 Generic (CC BY-NC 2.0) license. Authors retain the right to copy and redistribute the material in any medium or format but also grant EJMSS the right of the first publication.

Abstract

Economic diplomacy is shaping up as an important tool of state foreign policy, with its relative importance increasing along with the deepening of globalization and interdependence of the international system. With interlinked state interests, one can hardly overestimate the role economic diplomacy will play in shaping the pattern of global trade agreements and promoting state interests. This article explores the relevance of economic diplomacy in negotiations and sees what impact it has on reaching state objectives. Based on this, the study employs a qualitative library-based research approach, which will involve a wide range of secondary sources of data. The objectives of the research involve some analysis and identification of strategies of economic diplomacy, assessing the outcomes on global trade, and international agreements. This paper underlines how economic diplomacy brings prosperity and stability in the various relationships that mark the modern international system.

Keywords: Diplomacy, Economic, WTO, GATT, PTA, Global trade.

1. Introduction

In the tangled web of international relations, though, economic diplomacy emerges as a pivotal force in charting the contours of global trade agreements. This article engages the multifaceted role of economic diplomacy itself in shaping the formulation, negotiation, and implementation of global trade agreements that form the foundation of economic policy. Economic diplomacy is more than trade negotiation; it underpins the strategic interests and geopolitical ambitions of states. This paper seeks to critically review the relevant literature concerning the function of economic diplomacy, how states work to exploit it, and in particular, what are its broader implications for the trading order. Basically, economic diplomacy deals with the deployment of economic instruments in pursuing foreign policy objectives, together with securing both economic welfare and national security. It is therefore dynamic and encompasses a broad activity range that covers negotiations over trade agreements to the provision of key resources,

such as foreign investment. The complexity of global trade agreements, often consisting of sophisticated legalities and detailed economic provisions, requires an understanding close to economic diplomacy (Savoysky, 2023). In light of this, therefore, this review seeks to unveil the strategic underpinnings of economic diplomacy, examining how this serves as a bridge between domestic economic policies and international economic engagements.

The literature on economic diplomacy and global trade agreements is enormous, varied, and reflects the complexity and variety of the subject. Discussion of the theoretical bases of economic diplomacy, its historical changes, and implications for international economic policy has, therefore, been considered in such a wide variance of scholarly works. This review synthesizes these perspectives, offering insight into how economic diplomacy has shaped the development of global trade agreements. Specifically, the role of economic diplomacy is highlighted in light of wider international system framework. More so, this paper will

give a critical review of the strategies applied by a state in economic diplomacy. It rests on influence through power dynamics, interplay between the economic and political interest, and the role that international organizations play in mediating trade negotiations. This paper would go further to indicate the effectiveness of economic diplomacy in the realization of trade objectives and conditions under which it succeeds or fails through case studies and empirical evidence.

The role of economic diplomacy in shaping global trade agreements is both significant and multifaceted. Through a review of the literature, The present scholarly effort will look to add to this understanding of how economic diplomacy has come to play an important pivot in the global economic landscape through a review of the literature. It emphasizes continued research in this field, highlighting the need for innovative diplomatic strategies, which ensure the ability to navigate the complexities of the international trade system. Furthermore, in today's global economy, which is ever-changing, the knowledge that will be derived from the current review will be very useful for policy-makers, scholars, and practitioners working in the path of economic prosperity and international collaboration.

Lastly, in order to anchor the theoretical base of economic diplomacy to practice, this review calls upon early instances of its application through influential trade agreements and diplomatic efforts. The creation of the General Agreement on Tariffs and Trade (GATT) and latterly the World Trade Organization (WTO) are an indicator of the way norms of international trade have been institutionalized via multilateral economic diplomacy. Bilateral agreements like the U.S.-South Korea Free Trade Agreement and China's Belt and Road Initiative also illustrate how states utilize tailored diplomatic means to gain strategic and economic advantages. These instances are utilized as points of reference for the whole study in order to reconcile conceptual debates with real progress.

2. Problem Statement

As the world advances into an age of globalization and interdependence the nature of international business and trade is also advancing and diversifying where international business is based on more than a mere exchange of goods and services across the borders but several fold agreements across the borders intertwined with different culture and economy. In light of these critical trends, features and processes, there exists a serious gap in the academic and policy literature in understanding the nature, dynamics, and effectiveness of economic diplomacy in these agreements. This gap not only makes it difficult for countries to come up with proper trade policies but also the development of utilizing economic diplomacy in creating world economic order and growth. As such, this paper tries to address is the lack of a systematic and well-rounded understanding of the ways in which economic diplomacy becomes intertwined with the formulation and execution of international trade agreements. More precisely, it tried to tease out the strategic dimensions of economic diplomacy and explore how it is employed by states in pursuing their economic and geopolitical interests within the highly complex structure of international trade. This problem statement focuses on the different challenges related to fair agreements that have to

be negotiated, national interests with global benefits, and geopolitical implications of economic decisions.

Hence, the pivotal problem of economic diplomacy within global trade agreements would go to the very root of defining what economic diplomacy is and explaining its functions and mechanisms, while at the same time critically evaluating how effective and flexible economic diplomacy strategy has been in handling the turmoil of the contemporary global trading system. The paper intends to address these issues, further aiding in the development of a more coherent and effective framework for economic diplomacy for the purpose of enhancing its role in promoting international trade and economic prosperity.

3. Methodology

A review of prior, relevant literature is an essential feature of any academic project. An effective review creates a firm foundation for advancing knowledge. It facilitates theory development, closes areas where a plethora of research exists, and uncovers areas where research is needed (Chigbu et al., 2023). As in any academic discipline, rigorous knowledge syntheses are becoming indispensable in keeping up with an exponentially growing eHealth literature, assisting practitioners, academics, and graduate students in finding, evaluating, and synthesizing the contents of many empirical and conceptual papers.

To achieve the intended objective of this research, qualitative research will be adopted. Qualitative research has been defined by Creswell as an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem (Creswell, 2017). The rationale for choosing qualitative research was due to the nature of the data presented The research will rely on the library research method making use of diverse secondary data. Moreover, a qualitative approach was chosen since this paper tries to synthesize diverse perspectives rather than quantify relationships. This methodology fits with the purpose of the study, which shall proceed to study evolving strategies and impacts on global trade arising from economic diplomacy. Particularly in this field of study, where because of rarity, very little or no empirical quantitative data are found, this library-based approach turns out to be very effective while much of the understanding of the area under consideration is derived from theoretical and policy-driven analyses.

3.1 Data collection and source collection

Selection was based on material related to economic diplomacy and trade agreements, with a preference for scholarly journals, academic books, policy reports, and reputable government and international publications. The selection criteria included:

Publication Data: The research primarily focused on resources from the last two decades to ensure up to date data perspectives and to include significant fundamental base.

Language: Only English sources were utilized to carry on consistent data interpretation.

Scope : The Paper considered the global perspective and thus highlighted the practices of economic diplomacy in both developed and

emerging economies.

Inclusion and Exclusion criteria: Among the identified studies, those excluded from detailed review are those whose emphases were mainly on the non-economic dimensions of diplomacy, for instance, cultural diplomacy where there was no underlying economic component. Also filtered out from the literature are those that only superficially discuss the concept of economic diplomacy without giving any empirical or theoretical insight into the subject under study.

3.2 Data Analysis

The study utilized both thematic and critical analysis, thematic analysis will be employed as the primary method of data analysis. Thematic analysis is a qualitative research method that involves identifying, analyzing, and reporting patterns/themes within the data (Clarke & Braun, 2017). This approach is very suitable for literature reviews of this research, where findings from different types of sources are synthesized to obtain an ordered understanding of a complex subject. Additionally, Critical analysis will be used at the time of research to interpret and evaluate the data gathered, hence allowing the scrutiny of all the existing theories, arguments, and evidence. This approach not only provides deep insight into the subject matter but also allows the research findings to be grounded in well-established academic discourse. The critical analysis will therefore allow the research to identify the patterns, contradictions, and gaps in literature that will contribute to the realization of meaningful insights into the contribution of such research (Dodgson, 2021).

3.3 Coding Process in Thematic Analysis

The coding in thematic analysis is the systematic process of categorizing data to outline the recurring themes and sub-themes. In order to attain analytical clearness and precision, the thematic analysis will be achieved through a systematic multi-step coding process commencing with in-depth familiarization of data, systematic initial coding, theme identification, and refinement. These themes are intertwined across sources in a search for patterns in theorizing and practice of economic diplomacy in various geopolitical and institutional settings.

Thus, codes such as “non- state actor influence,” “bilateral agreements,” and “trade sanctions,” are subcategorized under more general thematic labels like Mechanisms of Economic Diplomacy and Actors in Trade Negotiations. This thematic grouping is aimed at capturing not only frequency, but contextual sense behind repeated strategies.

Importantly, the synthesis process is not purely descriptive. A critical analytical lens is applied to evaluate how and why certain strategies—such as diplomatic representation, trade facilitation efforts, or sanctions—yield different outcomes across cases. This enables the study to go beyond thematic categorization and contribute actionable insights into the effectiveness and adaptability of economic diplomacy in advancing national interests within global trade frameworks.

Additionally, this is how it will be applied within this study:

Familiarization with data: The first stage involves the

multi-reading of selected literature in order to understand the content of the work fully. In this way, the identification of themes at the coding stage would be easier and even instinctive.

Initial Coding: Specific topics related to the subject of economic diplomacy are reviewed and coded from each article, book, or document. Codes by definition are tags or labels for recurring ideas and/or strategies that have cropped up through a number of sources. Examples include the "bilateral trade agreement code", "multilateral trade agreement code", "sanctions as a tool of diplomacy", or "influence of non-state actors". These codes help categorize various aspects of economic diplomacy.

Identification of Themes: Coding is followed by the organization of data into themes. For example, individual codes referring to different types, such as bilateral, multilateral, and preferential agreements, can be integrated into a higher order theme as "Types of Trade Agreement." Other possible themes could be "strategies in economic diplomacy," "role of international organizations,".

Overarching Themes Review: Initial themes reviewed and refined against the data to ensure that they best represent the data, including checking that they are discrete but inclusive enough in order to be representative of the main points raised within the literature.

Thematization-definition and naming: The themes were then clearly defined and given descriptive names, thereby trying to really capture the essence of the information they represent. Each of the themes is explained in context regarding how it contributes to gaining an understanding of economic diplomacy.

3.4 Theoretical Framework

The research is situated within a theoretical framework using theories of economic diplomacy, hence adding context and structure to the exploration regarding the impact of economic diplomacy on trade agreements.

Economic diplomacy Theory

In particular, the theory of Economic Diplomacy deals with the instrumental-recipe using of economic resources in achieving foreign policy goals. It contains elements of both realism and liberalism in thinking of economic diplomacy as one means by which to connect economic policy with diplomatic representation for national gain and international influence. This theory approaches the aspects of mechanics that concern economic diplomacy, such as trade missions, investment promotion, and the usage of sanctions, which are being analyzed here in the context of this study as key mechanisms in shaping trade agreements. Economic Diplomacy Theory contextualizes the varied strategies and tools discussed within the literature review to link these with broader economic objectives.

4. Literature review

4.1 Diplomacy

Diplomacy involves talking, negotiating, and representing a country on the global stage. It's all about finding ways to protect

and advance a nation's interests and values without resorting to force or pressure when dealing with other countries. According to (Bull, 1977), diplomacy is described as the "management of relations between states and other entities with standing in world politics through official representatives and peaceful methods." On a broader note, Professor R.P. Barston defines diplomacy as being focused on "the management of relations between states and other actors" (Barston, 2006). Additionally, diplomacy is not just a concept; it's a profession and a career (Jönsson, 2022). Moreover, Diplomacy can be seen as a tool employed by a state to connect with others beyond its borders. It serves as an essential means to establish representation, foster friendly relations, and promote peaceful coexistence in our interconnected world. The core of international relations, encompassing current events, potential developments, and desired outcomes, revolves around Diplomacy and the diplomatic system. Diplomats play a crucial role in navigating conflicts of interest and preventing confrontations. While diplomacy is a key tool in executing foreign policy, it's important not to mix it up with the broader foreign policy itself (Blechman & Kaplan, 1978). Diplomacy is rooted in and reflects a country's authority on the world stage. Historically, it has been a unique right held by sovereign states, originating with the modern state system shaped by the Treaty of Westphalia in 1648. This arrangement has been the dominant force in international relations for almost five centuries. Modern diplomacy has evolved significantly, marked by notable changes. It now extends beyond traditional state-to-state interactions (bilateral diplomacy) to address issues involving multiple countries simultaneously (multilateral diplomacy). While states continue to hold a central position, non-state actors are playing an increasingly important role in diplomacy. Non-governmental organizations, representing civil society, and multinational companies, representing the business community, are examples of private entities gaining influence in the international arena.

4.2 Economic Diplomacy

Diplomacy involves employing international political strategies to achieve economic goals, a practice dating back to ancient civilizations engaging in commerce. Officials from overseas missions, like embassies and consulates, and government departments like Foreign Affairs, help promote international trade. They provide information, guidance on trade opportunities, and facilitate trade missions from their home country by organizing and hosting them. Economic diplomats play a vital role in advancing economic interests and fostering robust economic ties with other nations. They collaborate closely with government officials, business leaders, and various stakeholders to pinpoint economic opportunities. Their responsibilities also involve negotiating trade agreements, investment treaties, and other economic pacts. Additionally, economic diplomats contribute by offering their home government valuable information and analysis on economic trends and developments in foreign countries (Paudel, 2023). Economic diplomacy's main goal is to enhance a nation's economic competitiveness and international influence by fostering relationships and collaborations with other countries. Scholars sometimes refer to this as "new economic diplomacy," describing how states manage their external economic relations in the 21st century, make domestic decisions, negotiate internationally, and navigate the interconnectedness of these

processes. (Bayne & Woolcock, 2003). When it comes to international trade negotiations, they operate on the edge of both foreign and domestic policy. According to Van Bergeijk, the goal of economic diplomacy is to impact decisions related to cross-border economic activities, such as export, import, investment, lending, aid, and migration, undertaken by both governments and non-state actors (Bergeijk, 2009). Moreover, economic diplomacy aims to establish a positive economic setting for a country and its businesses, simultaneously addressing global economic challenges. In essence, diplomacy is a characteristic of a nation's sovereignty. Therefore, economic diplomacy is a duty that falls under the purview of sovereign states and discussing it at any other level is simply not relevant. While companies like Apple, Google, or Samsung may have international strategies, they don't possess a distinct "diplomacy" of their own. Economic diplomacy is distinctly associated with nations like Japan, the United States, and South Korea. This doesn't imply that we should disregard these esteemed companies and exclude them from examination.

In fact, the recognized influence of multinational corporations in economic diplomacy is considerable. Additionally, consumer organizations can impact through boycotts, and non-governmental organizations have the ability to intervene in production and trade decisions for reasons related to food safety, environment, human rights, or religion. Although economic diplomacy conventionally understood as a function of governance and politics, contemporary literature and recent scholarship comes to accept the important role of non-state actors such as non-governmental organizations (NGOs), and regional trade associations. They set the environment of trading by rule making, lobbying, and leverage on market. International corporations, for instance, involve in informal diplomacy by influencing rules of trade and investment flows, and NGOs apply their will to policy by advocating for labor rights, environmental issues, and sustainable development. Their active participation brings national economic policy and transnational governance together, and hence economic diplomacy needs to be thought of as a networked process involving both the state and non-state actors.

For private companies or non-governmental organizations to fall within the realm of economic diplomacy, and thus be considered in this study, a crucial criterion must be met: these entities must conduct themselves in a manner connected, in some way, to foreign affairs and national interests. Furthermore, the shifting dynamics of the international system, marked by power struggles and security competitions stemming from its anarchical structure, emphasize the crucial role of the economy for each state. A robust and expanding economy automatically contributes to innovation, technological progress, and a formidable military capacity, enabling countries to maintain and enhance their power. Major powers are in a competition to enhance their economic prosperity. Emerging economies like China, India, and Brazil, along with their economic alliance BRICS, are actively challenging the dominance of the United States in the global market. The exclusive use of the US dollar in international trade is being questioned, and BRICS is exploring the possibility of an alternative currency. This proposed BRICS currency could represent a new alliance of discontented rising powers that, collectively, could surpass not only the current hegemon, the United States, but also the combined weight of the 14 advanced economies in the Group of Seven (G7) (Sullivan,

2023).

4.3 Key Theoretical Perspectives on Economic Diplomacy

Economic diplomacy has been around since the early days of global trade and commerce. One notable example is the ancient Silk Road, connecting China to the Mediterranean, fostering trade, and facilitating cultural exchanges between different nations and civilizations. As countries began setting up diplomatic missions and engaging in economic negotiations, economic diplomacy evolved into a more organized practice in the modern era. The establishment of the modern nation-state system and the growth of global trade and investment played pivotal roles in giving rise to economic diplomacy as a distinct component of foreign policy. In the 19th and early 20th centuries, economic diplomacy was crucial in fostering trade and investment among nations. This era witnessed the rise of new economic powers like Germany and the United States, both actively working to extend their economic influence through diplomatic means (ryna, et. Al, 2022). Following the end of World War II economic diplomacy became increasingly important as countries sought to rebuild their economies and create trade partnerships. The creation of institutions, like the World Bank, the International Monetary Fund (IMF) and what is now known as the World Trade Organization (WTO) played a role in promoting diplomacy and encouraging collaboration on trade and investment at an international level. These institutions helped establish the US dollar as the currency for trade. The idea of diplomacy involving a nation suggests that cooperation among major economic powers is essential, for establishing and maintaining effective international systems (Gallarotti, 2022). This can be achieved through the implementation of efficient economic diplomacy. In contemporary times, economic diplomacy has gained increased significance due to the transformation of the global economy through globalization and technological advancements. Nations actively participate in economic diplomacy to advance their economic interests across various domains, such as trade, investment, and innovation (Bokhan & Zalizniuk 2022). It is also used in addressing global problems such as climate change, poverty reduction, and sustainable development. In a nutshell, the concept of economic diplomacy has gradually emerged over time by reflecting on changes in the dynamics of the global economy and highlighting the role of diplomacy in fostering economic growth and development (Maksimovic, 2023). With the shifting balance of power in the world, economic diplomacy has turned out to be one of the strongest tools any country can use to extend both its hard and soft power on the globe, implementing its foreign policy goals. As a trend, the future trajectory of economic diplomacy is most likely to be influenced by several developments, such as changing global economic dynamics, emerging technologies, and a greater emphasis on sustainability and social consciousness (Papadimitriou, & Pistikou, 2015).

5. Mechanisms and Strategies of Economic Diplomacy

The importance of economic diplomacy in the current world is closely linked to the process of globalization that has been taking place throughout the world. While countries and their markets are becoming increasingly integrated with each other, the importance of economic diplomacy grew. Since the late 20th century and the early years of the 21st century, the world economy became more integrated due to the efforts of

regionalization, mostly referred to as globalization.

In today's complex, turbulent, ever-changing global market driven by globalization, economic diplomacy seeks to design new diplomatic practices and relations for both emerging and existing economic networks involving state and non-state actors whose prescriptive inputs have played a serious role in this increasingly interconnected and interdependent global economy. Therefore, economic diplomacy has had to change its role with the increased globalization and interconnectedness of today.

5.1 Multilateral Trade agreements

The multilateral trade agreement, within an evolving framework for global economic interaction, would be one of the key instruments of economic diplomacy, providing a platform through which nations can collaboratively address many of the highly complicated issues related to international trade and work out strategic partnerships. Such increasing frequency of these agreements during the last couple of decades underlines their growing importance as nations strive to expand their trading network, build good economic relationships, and improve their relative competitiveness in the world market (Agbo-Ejeh, 2023). The added surge in multilateral trading agreements may thus be a fact that bilateral agreements, in most cases, cannot capture the multifaceted nature of modern trade dynamics. Multilateral agreements, on the other hand, afford much more expansive frameworks within which countries can deal with the diverse sets of trade-related matters at stake. These include tariff reduction and investment promotion to harmonization of regulatory standards and protection under intellectual property rights (Ruffini, 2016).

A key example of multilateralism is the General Agreement on Tariffs and Trade (GATT), a multilateral trade agreement established in 1947 to lower or eliminate tariffs and quotas that hinder international trade. GATT's primary goal was to reduce trade barriers and minimize preferential treatment for certain importing countries. It came into effect in 1948 and remained active until 1995, when the World Trade Organization (WTO) recognized it as a treaty still applicable under WTO regulations (Krishnamurti, 1980). GATT was carried out through a series of global negotiations known as rounds, with nine rounds taking place between 1947 and 1995. This agreement played a crucial role in lowering international tariffs, which averaged around 5% after the Uruguay Round in 1999. GATT effectively reduced tariffs and trade barriers between countries. In 1995, it was replaced by the World Trade Organization (WTO), an international body that now regulates trade between nations. The WTO, with over 160 member states, manages global trade through a system of agreements (Aliyah et al., 2024). In today's world, trade highlights the shift toward a multipolar approach in economic diplomacy. Unlike the past, when dominant Organisation Economic Co-operation and Development (OECD) economies could largely dictate outcomes, trade diplomacy now involves negotiating more inclusive agreements. When GATT was first established, a few powerful countries could heavily influence both the underlying norms and the results of negotiations (Baracuhy, 2011).

The WTO itself can be classed as a product of economic diplomacy, as over 160 different member states manage and regulate global trade between one another through a complex system of agreements that cover the vast gamut of economic

activity, ensuring that trade flows as smoothly, predictably, and freely as possible. These include the Agreement on Trade-Related Aspects of Intellectual Property Rights and the General Agreement on Trade in Services. Negotiating trade liberalization is a key function of the WTO, where discussions inevitably reflect the varying interests of different countries and groups. Most decisions in the WTO are reached by consensus, requiring countries to strike a balance among diverse priorities. The global landscape has changed significantly since the Uruguay Round, as evidenced by the longer negotiation rounds seen in the WTO today (Citaristi, 2022). Recent developments in international trade, including the rise of regional trade organizations and the establishment of the WTO, underscore the importance of recognizing and understanding new actors in the global arena. Traditional studies of trade economic diplomacy, like those by Curzon (1965) and Hudec (1975), offer state-centric perspectives focused on power-driven diplomacy within the GATT framework (Okano-Heijmans, 2011). However, the evolving landscape now demands a broader view that considers the influence of these emerging players. Furthermore, in recent years, the WTO has faced significant global challenges. The COVID-19 pandemic, the U.S.-China trade war, the prolonged Doha Round, and threats to the multilateral system have all highlighted the need for a new, ambitious economic diplomacy agenda. This agenda must include a well-defined and consistently applied framework that guides the WTO's trade policies going forward. In the future, economic diplomacy has the potential to enhance the WTO's role and create opportunities to strengthen several key areas, such as sovereignty, democracy, and the global market. Hence, it is possible to note that the economic diplomacy that aims at improving interstate interdependence can enhance stability of the international market.

5.2 Bilateral Trade Agreements

A bilateral relationship in international trade consists of two participants alone, based on agreements between the two trading partners. Bilateralism, as opposed to multilateralism, is based on preferential treatment, adjusting its goals and priorities in accordance with the context of the transaction at hand. A bilateral agreement, also referred to as a clearing trade or side deal, refers to terms between two parties or states which are tailor-fit in a manner that deficits in trade are reduced. The aspects of such agreements are to some extent specific depending on the type, scale, and participants of international arrangement. By definition, the concept of bilateralism deals with the handling of relations of political, economic or cultural nature between two sovereign countries where the sovereignty of all parties involved; unlike unilateralism that deals with single country or multilateralism which entails close cooperation between several countries. Examples of bilateralism include economic agreements like free trade agreements (FTAs), regional trade agreement (RTA) or foreign direct investment (FDI) deals between two countries (Jang, 2011). The first Regional Trade Agreement (RTA), the Treaty of Rome which established the European Community, was signed in 1958. Since then, approximately 270 RTAs have been established. Notably, 1992 saw a significant surge in the formation of RTAs, and since then, their number has been growing steadily at an annual rate of 16 percent. Free Trade Agreements (FTAs), which represent the most basic form of RTAs, make up 90 percent of these agreements (Jang, 2011).

In recent decades, there has been an explosion in the number of regional and international organizations. Specifically, the number of preferential trade agreements (PTAs) has surged, quadrupling to over 300 in the last 20 years. Most of these are bilateral agreements. Nowadays, almost every country is involved in at least one PTA, with many having entered into more than a dozen. More than half of global trade now follows PTA rules, illustrating the significant shift towards trade regionalism and its impact on the global economy (Manger & Pickup, 2014). Additionally, during the Trump administration, the U.S. government's push to overhaul trade policy and negotiate "new and better deals" through Bilateral Trade Agreements (BTAs) reignited discussions about the impacts of these agreements and the motivations behind them (Office of the US Trade Representative, 2017). Within the last ten years, BTAs have gained much importance and popularity as a reinforcing instrumental for trade relationships. The countries entering into BTAs agree to extend trade concessions such as reduction in tariffs and quotas, promotion of market access, and relaxation in rules relating to competition. According to Carrère (2006), reduction in trade barriers increases trade amongst the member countries which may further lead to economic growth. Research in political economy and international business explores how economic diplomacy influences international trade. Rose (2007) was the first to empirically test the idea that "trade follows the flag" and discovered a strong connection between the presence of foreign consulates and an increase in bilateral exports. Additional studies have produced similar findings, showing that permanent diplomatic missions in transitioning countries and reductions in ad valorem tariffs (Afman & Maurel, 2010), as well as state visits positively impact trade flows. Further Research also explores how different types of diplomatic representation influence bilateral trade. Some scholars found that embassies tend to be more important for trade than consulates, while honorary consulates do not seem to matter much at all (van Bergeijk et al., 2011).

Such findings are confirmed in a meta-analysis by Moons and van Bergeijk, (2016) since the estimated effect of economic diplomacy is stronger when the studies focus on embassies rather than when the focus is on trade missions, state visits, or consulate. While these studies are somewhat constrained by the data available, they all provide evidence that diplomatic links are important enablers of trade. Additionally, Embassy-level missions accrue more resources and capabilities in comparison to other lower tier delegate missions, therefore nations with diplomat relations are more likely to enter Preferential Trade Agreements (PTAs). High-level diplomatic representation, like embassies, positively influences the chances of a PTA being ratified between two countries, especially when these relationships are mutual. In contrast, lower-level diplomatic ties, such as those led by *chargés d'affaires*, are less impactful on PTA formation since these offices are often temporary and lack the resources and influence of more prominent diplomatic missions. Likewise, High-level diplomatic representation reflects significant political and strategic priorities (Maliniak and Plouffe, 2011), which not only encourage cooperation but are also associated with the formation of institutions like Preferential Trade Agreements Bilateral Investment Treaties (BITs) (Poulsen and Aisbett, 2016). At last, Countries would rather go for 16 confidential agreements because it is a more direct and

manageable approach with their trades and sort of safeguards with their economic goals. It allows for more tailor-made agreements, which would help in solving the problems more relevant to the countries involved, all to reach mutually beneficial results that are hard to achieve in a broader multilateral framework.

5.3 Sanctions as a Diplomatic tool

Economic sanctions have emerged as a widely used tool by governments to address international conflicts. By limiting or halting economic interactions with a targeted nation, these sanctions can exert substantial pressure on its economy, political landscape, and social structures. Sanctions are increasingly favored as a foreign policy instrument aimed at compelling changes in a foreign government's policies by inflicting economic harm. While sanctions have a foreign policy history from way back, their use in economic diplomacy has multiplied in the post-Cold War era. They have been presents during wartime and/or times of severe international conflict. But the end of the Cold War and the rise of the unipolar world order headlined by the United States and its allies have made sanctions more and increasingly common and multi-functional tools of economic diplomacy. The growing globalization of the economy, interdependence of financial systems, and multilateral entry frameworks of the United Nations and European Union have made comprehensive sanctions a lot easier to put in. The objectives of these sanctions are diverse, including counterterrorism efforts, non-proliferation, the promotion of democracy and human rights, and the resolution of conflicts. Sanctions may also involve restricting a country's access to the global financial system, freezing assets within certain jurisdictions, or prohibiting specific exports (Hanania, 2020). Policymakers frequently turn to economic sanctions as their preferred response to significant geopolitical challenges, such as those involving Iran, Venezuela, Russia, and Ukraine (Sajadi, 2024).

The international community, particularly the United States, imposed sanctions on Iran in an effort to restrict its nuclear program. These sanctions were aimed primarily at Iran's oil exports and financial transactions, which resulted in a steep decline in the country's GDP, a sharp devaluation of its currency, and a significant downturn in its overall economy. However, the 2015 Joint Comprehensive Plan of Action (JCPOA) demonstrated how sanctions can pave the way for diplomatic negotiations. Under the JCPOA, Iran agreed to limit its nuclear activities in return for the lifting of certain sanctions, showcasing the potential effectiveness of sanctions in achieving diplomatic solutions (Abdelbary & ELshawa, 2023). Another example is the sanctions imposed by the EU and the US following Russia's annexation of Crimea. These sanctions targeted key sectors of Russia's economy, including energy, defense, and finance, resulting in a moderate impact on Russia's economy, with a slight decrease in GDP growth rates and a reduction in foreign investment (Gao & Ye, 2024). In 2022, following Russia's military offensive in Ukraine, a new wave of sanctions was introduced, leading to an economic embargo that isolated Russia from the international financial system, froze its foreign assets, and imposed significant restrictions on Russian firms, officials, and individuals (Sajadi, 2022).

The objective was to inflict substantial economic damage, pressuring Russia to withdraw its forces and cease military operations. However, despite the severity of these sanctions,

Russia has continued to pursue its objectives (Sajadi, 2024). Sanctions are thus a two-edged sword in economic diplomacy: though effective to signal disapproval, isolate a target, and create economic distress, their successes are mostly mixed in order to accomplish desired political or strategic outcomes. One of the thorniest challenges in the issue of imposing sanctions is how to balance the stringency of the sanctions so as to affect the target without undue spillover into the civilian population and causing excessive harm or having a reverse effect, where the sanctions fortify the resolve of the target government (Herbert, 2022). Additionally, international consensus or the alternative opportunity for the affected state to find other economic partners can be arguments to weaken the influence of the sanctions. For example, the sanctions imposed on Iran had great aftermath to a large extent, mainly because of the broad international coalition, which, besides the US, had such key economic players as the European Union, China, and Russia. Sanctions against Russia have been less successful than expected because of Russia's general ability to pivot towards other markets and continue strategic economic relationships with non-Western countries, such as those in South America or Africa. Lastly, sanctions are a powerful and yet very complicated tool within the basket of economic diplomacy. When done well, they can have tremendous impact by shaping the behavior of states and non-state actors, promoting the resolution of international conflicts, and forcing states to adhere to global norms. Their success is nevertheless heavily dependent on the degree of international cooperation, the relative robustness of the economy on which they are imposed, and the clarity of the goals of the sanctions regime. As the dynamics of global power continue to evolve, the use of sanctions will remain a key component of economic diplomacy, but their design and implementation must be carefully done to contribute to making the international order more secure and fair.

6. Findings

6.1 The Role of Economic Diplomacy in Shaping Contemporary Global Relations

Since its early development, the economic diplomacy has become one of the major forms of conduct of foreign relations in the contemporary world. , First, being the focus of trade and investment guarantee and participation, it extends strategies and players because of the continuous increase in connection to the world economy. This is something reflected in the transition from bilateral to multilateral trade relations where countries seek greater ties in response to the sophistication of trade as well as strategic relations. In particular, the modern representatives of international trade have been described by such multilateral agreements as GATT, WTO and others that have made the common standards of international trade and contributed to economic cooperation. Moreover, sanctions have emerged as the most frequently used tool of economic warfare where the application of sanctions themselves serve as the reinforcement mechanism in altering norms and behaviours on the international plain. However, the effectiveness of such sanctions is hinged on the agreement of the international community as well as on the resilience of the economy in which focused sanctions are implemented. Economic diplomacy means the utilization of government and diplomacy in matters of trade, for the sake of fair trade, identifying business opportunities for the future, and contributing to the cause of entrepreneurial ventures. It involves arranging bilateral and multilateral relations and cooperation in

trade, investments, development, finance and the environment that represent different interest of the country and group. Today, negotiations follow the international standards and base on such principles as the free trade and more specific market access. Unlike soft power, economic statecraft is rather the purposive/intentional action where the state incentivizes economic agents to act in manners favorable to the state's interests mostly using economic measures. Economic diplomacy, therefore, is based on principles of democracy, the rule of law, justice and equality that are anchored on principles of international law (Sajadi, 2025). By and large, the process of the formation of an economic diplomacy course strengthens this crucial role in orientation on shifts in power and entanglements in the world economy. Succeeding advancements in economic diplomacy are expected to occur continuously side by side with new technologies, change of economic landscapes around the world as well as the increasing global concern with sustainability, accountability, and social responsibility.

The findings reveal that economic diplomacy strategies are powerful and efficient if governments involve a wide range of stakeholders including international corporations and civil society organizations, who together determine the way and legitimacy of trade negotiations. The literature synthesis suggests that the trade outcomes are increasingly determined by transnational, and occasionally corporate or civic, actors in extragovernmental channels moving in concert with government diplomatic networks. This is a reflection of the dynamic character of economic diplomacy as a hybrid practice that is beyond state-directed strategy and multi-actor participation.

7. Conclusions

This article represented economic diplomacy in the most contemporary form and underlined how important it was amongst all other dimensions as one of the key instruments of international relations. In this respect, on the heel of globalization, economic diplomacy has come to the fore of modern foreign policy due to ever increasing interdependence and interaction of states' interests. The analysis underlines the fact that economic diplomacy is not peripheral but indeed a core feature of national strategy. The conduct of trade negotiations and financial arrangements, as well as the fostering of commercial partnerships, has become highly reliant on states having to make their way through the maze of the global economy via economic diplomacy. This is out of necessity, since economies have become increasingly interdependent, and states need to adapt to economic competition in evolution. interaction among states and non-state actors through institutional frameworks is very critical. The fact that states must be compelled to interface with many actors, governmental and nongovernmental, in an international system based on multilateral institutions and agreements can never be overemphasized. For this reason, economic diplomacy must be much more than good negotiation technique; it must understand who does what, and why. The article highlights that for states to thrive in this dynamic and competitive global economy, they must be equipped with robust economic diplomacy strategies. This involves leveraging diplomatic resources to foster economic growth, secure trade relationships, and address global challenges. As the global economic landscape continues to evolve, the ability to effectively navigate these changes

through strategic economic diplomacy will be essential for maintaining national interests and ensuring long-term stability. Overall, economic diplomacy is the core instrument for the modern state, the necessary part of foreign policy, and the effective tool for adjusting world complexities in interrelationships of nations. The importance of economic diplomacy, as the world is becoming increasingly integrated, will bring international relations and economic governance to a path leading to the years ahead.

8. Recommendation

According to the conclusions of the research paper, the following recommendations are suggested:

State should develop and improve their economic diplomacy to have a wider access to and therefore be better positioned with regards the global economy. This would mean investing in skilled diplomatic personnel, fostering deep expertise in trade and economic negotiations, using advanced analytic tools to understand global market trends, and economic dynamics.

High-level diplomatic representation between countries underscores the significance of their bilateral relationship. Having direct diplomatic ties brings a range of benefits, such as boosting international prestige, enhancing communication, gathering valuable information, promoting political and economic interests, and facilitating cultural exchange.

With the increasing influence of non-state actors, especially multinationals, NGOs, and civil society, states need to forge partnerships with them. through collaboration to achieve economic diplomacy in various endeavors and tackle problems on higher levels of global relevance.

References

- Abdelbary, I., & ELshawa, R. (2023). Economic sanctions as a foreign policy tool: A case study of the Iran-West conflict. <https://doi.org/10.21203/rs.3.rs-2854425/v1>
- Afman, E. R., & Maurel, M. (2010). Diplomatic relations and trade reorientation in transition countries. *The Gravity Model in International Trade*, 278–295. <https://doi.org/10.1017/cbo9780511762109.010>
- Agbo-Ejeh, I. (2023). Multilateral and bilateral trade agreements at the service of 'common interest.' *European Yearbook of International Economic Law*, 323–351. https://doi.org/10.1007/978-3-031-41996-6_14
- Aliyah, Y., Prakoso, L. Y., Alam, T. M., & Patmi, S. (2024). The role of diplomacy through agreements General Agreement on Tariffs and Trade (GATT) geopolitics in the Pacific War. *Formosa Journal of Applied Sciences*, 3(5), 2381–2394. <https://doi.org/10.55927/fjas.v3i5.8526>
- Baracuh, B. (2011). Brazilian economic diplomacy: Agriculture and the WTO. *The New Economic Diplomacy*, 341–358. <https://doi.org/10.4324/9781315555195-19>
- Barston, R. P. (2006). *Modern diplomacy* (3rd ed.). Pearson Education Limited.
- Bayne, N., & Woolcock, S. (2003). *The new economic diplomacy – Decision making and negotiation in international economic relations*. Ashgate.

- Blechman, B. M., & Kaplan, S. S. (1978). The use of the armed forces as a political instrument. *Naval War College Review*, 30(4), 80–87. <http://www.jstor.org/stable/44643119>
- Bokhan, A., & Zalizniuk, V. P. (2022). Economic diplomacy in new projections of activation. *Baltic Journal of Economic Studies*. <https://doi.org/10.30525/2256-0742/2022-8-4-19-25>
- Bull, H. (1977). *The anarchical society: A study of order in world politics* (1st ed.). Macmillan.
- Carrère, C. (2006). Revisiting the effects of regional trade agreements on trade flows with proper specification of the Gravity Model. *European Economic Review*, 50(2), 223–247. <https://doi.org/10.1016/j.euroecorev.2004.06.001>
- Chigbu, U. E., Atiku, S. O., & Du Plessis, C. C. (2023). The science of literature reviews: Searching, identifying, selecting, and synthesising. *Publications*, 11(1), 2. <https://doi.org/10.3390/publications11010002>
- Chohan, U. W. (n.d.). Economic diplomacy: A review. *Centre for Aerospace & Security Studies (CASS)*.
- Christer, J. (2022). *Theorising diplomacy*. <https://doi.org/10.4324/9781003016625-3>
- Citaristi, I. (2022). World Trade Organization—WTO. *The Europa Directory of International Organizations 2022*, 829–833. <https://doi.org/10.4324/9781003292548-152>
- Clarke, V., & Braun, V. (2017). Thematic analysis. *The Journal of Positive Psychology*, 12(3), 297–298.
- Creswell, J. W. (2017). *Research design: Qualitative, quantitative, and mixed methods approaches*. SAGE.
- Dodgson, J. E. (2021). Critical analysis: The often-missing step in conducting literature review research. *Journal of Human Lactation*, 37(1), 27–32. <https://doi.org/10.1177/0890334420977815>
- Gallarotti, G. M. (2022). Pedagogical offensives: Soft power, higher education and foreign policy. *Journal of Political Power*, 15(3), 495–513. <https://doi.org/10.1080/2158379x.2022.2127276>
- Gao, J., & Ye, X. (2024). Economic diplomacy: Analyzing theories and models for informed policy. *Theoretical and Natural Science*, 36(1), 42–47. <https://doi.org/10.54254/2753-8818/36/20240510>
- Hanania, R. (2020). Ineffective, immoral, politically convenient: America's overreliance on economic sanctions and what to do about it. <https://doi.org/10.36009/pa.884>
- Herbert, G. (2022). The unintended consequences of economic sanctions. <https://doi.org/10.19088/k4d.2022.100>
- Iryna, I., Vitaliy, Z., & Oleh, I. (2022). Economic diplomacy as a determinant of economic progress and a strategic priority for the development of countries. *Instytut buhgalters'kogo obliku, kontrol' ta analiz v umovah globalizacii*, 44–57. <https://doi.org/10.35774/ibo2022.03-04.044>
- Jang, Y. J. (2011). The impact of bilateral free trade agreements on bilateral foreign direct investment among developed countries. *The World Economy*, 34(9), 1628–1651. <https://doi.org/10.1111/j.1467-9701.2011.01356.x>
- Jönsson, C. (2022). *Theorising diplomacy*. <https://doi.org/10.4324/9781003016625-3>
- Krishnamurti, R. (1980). Multilateral trade negotiations and the developing countries. *Third World Quarterly*, 2(2), 251–269. <https://doi.org/10.1080/01436598008419492>
- Maliniak, D., & Plouffe, M. (2011). A network approach to the formation of diplomatic ties. Presented at the annual meeting of the American Political Science Association, Seattle, WA, 1–4 September.
- Manger, M. S., & Pickup, M. A. (2014). The coevolution of trade agreement networks and democracy. *Journal of Conflict Resolution*, 60(1), 164–191. <https://doi.org/10.1177/0022002714535431>
- Marijana, M. (2023). Challenges of economic diplomacy at the beginning of the XXI century: Concept, division and significance. *Politička revija*, 1–1. <https://doi.org/10.5937/pr77-44730>
- Moons, S. J., & van Bergeijk, P. A. G. (2016). Does economic diplomacy work? A meta-analysis of its impact on trade and investment. *The World Economy*, 40(2), 336–368. <https://doi.org/10.1111/twec.12392>
- Okano-Heijmans, M. (2011). Conceptualizing economic diplomacy. *Economic Diplomacy*, 7–36. https://doi.org/10.1163/9789004209619_003
- Office of the US Trade Representative (USTR). (2017). *2017 trade policy agenda 2016 annual report*. United States Trade Representative. <https://ustr.gov/sites/default/files/files/reports/2017/AnnualReport/AnnualReport2017.pdf>
- Paudel, D. B. (2023). An analysis of emerging trends in economic diplomacy: A comparison between Group of Seven (G7) and BRICS Alliance. *Journal of Foreign Affairs (JoFA)*, 3(1). <https://doi.org/10.3126/jofa.v3i01.56568>
- Papadimitriou, P., & Pistikou, V. (2015). Economic diplomacy in national security. *Procedia Economics and Finance*, 19, 129–145. [https://doi.org/10.1016/S2212-5671\(15\)00015-5](https://doi.org/10.1016/S2212-5671(15)00015-5)
- Poulsen, L., & Aisbett, E. (2016). Diplomats want treaties: Diplomatic agendas and perks in the investment regime. *Journal of International Dispute Settlement*, 7, 6.
- Ruffini, P.-B. (2016). International trade and foreign affairs – Some reflections on economic diplomacy. *Journal of International Logistics and Trade*, 14(1), 3–28. <https://doi.org/10.24006/jilt.2016.14.1.3>
- Sajadi, D. (2022). The Russia-Ukraine war: Shaking the foundation of the global system. *Eurasian Journal of Management & Social Sciences*, 3(3). <https://doi.org/10.239>
- Sajadi, D. M. (2025). A Critical Analysis of the Liberal International Order: From Hegemony to Multipolarity. *Cihan University-Erbil Journal of Humanities and Social Sciences*, 9(1), 44–52. <https://doi.org/10.24086/cuejhss.v9n1y2025.pp44-52>