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ECONOMIC DIPLOMACY AND ITS INFLUENCE ON GLOBAL TRADE AGREEMENTS - A LITERATURE REVIEW

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Abstract
Economic diplomacy has emerged as a significant instrument of foreign policy, with its importance growing alongside the expansion of globalization and the increasing interdependence of the international system. As the interests of states become more closely connected, the role of economic diplomacy in influencing global trade agreements and advancing national interests has become increasingly vital. This article examines the significance of economic diplomacy in international negotiations and evaluates its contribution to achieving state objectives. To accomplish this, the study adopts a qualitative, library-based research methodology that relies on a broad range of secondary data sources. The research aims to analyze and identify key economic diplomacy strategies, as well as evaluate their impact on global trade and international agreements. The paper emphasizes that economic diplomacy plays a crucial role in fostering economic growth, strengthening cooperation, and promoting stability in the complex relationships that characterize the contemporary international system.

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

Introduction

Economic diplomacy has become a key element of foreign policy, playing a major role in shaping global trade agreements and international economic relations. Beyond trade negotiations, it helps countries promote strategic, political, and economic interests while enhancing national prosperity and security. As globalization increases, economic diplomacy has become essential for connecting domestic economic policies with international trade and investment.

This study examines the role of economic diplomacy in the negotiation and implementation of global trade agreements through a qualitative review of existing literature. It explores the strategies used by states, the influence of power and political interests, and the contribution of international organizations to trade negotiations. The review also evaluates the effectiveness of economic diplomacy in achieving national trade objectives through selected examples and empirical evidence.

The paper highlights that economic diplomacy is fundamental to strengthening international cooperation, promoting economic development, and maintaining stability in the global trading system. Historical examples, including the General Agreement on Tariffs and Trade (GATT), the World Trade Organization (WTO), the U.S.–South Korea Free Trade Agreement, and China's Belt and Road Initiative, demonstrate how diplomatic and economic strategies have influenced international trade and advanced national interests.

Problem Statement

Globalization and increasing economic interdependence have transformed international trade into a system of complex agreements involving diverse economies and political interests. Despite this, there

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remains a gap in understanding how economic diplomacy influences the design and implementation of global trade agreements. This limitation affects the ability of governments to formulate effective trade policies and promote economic development. Therefore, this study examines the strategic role of economic diplomacy in advancing national and geopolitical interests while balancing domestic priorities with global economic cooperation. It also evaluates the effectiveness of diplomatic strategies in addressing challenges within the modern international trading system.

Methodology

This study adopts a qualitative, library-based research approach using secondary sources such as scholarly articles, books, policy reports, and official publications. A literature review provides the foundation for examining existing knowledge, identifying research gaps, and understanding the evolving role of economic diplomacy in global trade. The qualitative method is appropriate because it emphasizes the interpretation and synthesis of different viewpoints rather than statistical analysis.

Data Collection

Data were collected from reliable academic journals, books, government reports, and publications of international organizations. The study mainly used English-language sources published within the last twenty years to ensure current and relevant information. Literature focusing primarily on non-economic forms of diplomacy or offering only limited discussion of economic diplomacy was excluded.

Data Analysis

The research applies thematic and critical analysis. Thematic analysis identifies recurring patterns and key themes across the selected literature, while critical analysis evaluates theories, arguments, and evidence to identify strengths, limitations, and research gaps. This combined approach provides a comprehensive understanding of economic diplomacy and its influence on global trade agreements.

Coding Process

The coding process involved reviewing the literature, assigning codes to recurring concepts, grouping related codes into broader themes, and refining these themes for consistency. Common themes included trade agreements, diplomatic strategies, sanctions, international organizations, and non-state actors. This process enabled a systematic interpretation of how economic diplomacy operates across different international contexts.

Theoretical Framework

The study is guided by Economic Diplomacy Theory, which explains how states use economic instruments, including trade negotiations, investment promotion, and economic sanctions, to achieve foreign policy objectives. Drawing on realist and liberal perspectives, the theory provides a framework for understanding how economic diplomacy strengthens national interests while promoting international cooperation and shaping global trade agreements.

Literature Review

Diplomacy

Diplomacy is the peaceful management of relations between states through negotiation, communication, and representation to protect national interests. It serves as a key instrument of foreign policy by promoting cooperation, resolving disputes, and maintaining international stability. While traditionally centred on state-to-state relations, modern diplomacy increasingly involves

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international organizations, multinational corporations, and non-governmental organizations (NGOs), reflecting the evolving nature of global governance.

Economic Diplomacy

Economic diplomacy refers to the use of economic policies and diplomatic tools to advance a country's foreign policy and economic objectives. It includes trade negotiations, investment promotion, export development, and economic cooperation. Governments, embassies, and trade representatives work together to strengthen economic relations and create new commercial opportunities. In addition to states, multinational corporations, NGOs, and regional organizations also influence economic diplomacy by shaping trade rules, investment decisions, and sustainable development policies.

Key Theoretical Perspectives on Economic Diplomacy

Economic diplomacy has evolved alongside international trade, from early trade routes such as the Silk Road to today's global economic institutions. After the Second World War, organizations such as the World Bank, IMF, and WTO strengthened international economic cooperation. Today, economic diplomacy is widely recognized as an essential foreign policy tool that promotes trade, investment, technological innovation, and sustainable development while responding to changing global economic conditions.

Mechanisms and Strategies of Economic Diplomacy

Globalization has expanded the importance of economic diplomacy by increasing international economic integration and interdependence. Countries employ various diplomatic strategies to improve trade relations, attract investment, and strengthen economic cooperation.

Multilateral Trade Agreements

Multilateral trade agreements involve multiple countries working together to reduce trade barriers, harmonize regulations, and promote fair competition. The General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) are major examples that have established global trade rules and encouraged international cooperation. Although WTO negotiations have become increasingly complex, multilateral diplomacy remains essential for maintaining a stable global trading system.

Bilateral Trade Agreements

Bilateral trade agreements are negotiated between two countries to improve market access, reduce tariffs, and encourage investment. These agreements provide greater flexibility by addressing the specific economic interests of both parties. Research indicates that strong diplomatic relations, particularly through embassies and high-level political engagement, significantly increase trade flows and the likelihood of successful trade agreements.

Sanctions as a Diplomatic Tool

Economic sanctions are commonly used to influence the behavior of states by restricting trade, investment, or financial activities. Examples include sanctions imposed on Iran and Russia. While sanctions can encourage negotiations and demonstrate international pressure, their effectiveness depends on international cooperation, clearly defined objectives, and the target country's economic resilience. Poorly designed sanctions may also produce unintended humanitarian and economic consequences.

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Findings

The study finds that economic diplomacy has become a central component of international relations by promoting trade, investment, and economic cooperation. Multilateral institutions such as GATT and the WTO have strengthened global trade governance, while bilateral agreements provide customized solutions to national economic priorities. The findings also show that successful economic diplomacy increasingly depends on cooperation among governments, international organizations, businesses, and civil society. This multi-actor approach enhances the effectiveness and legitimacy of international trade negotiations.

Conclusion

Economic diplomacy has become an essential instrument of contemporary foreign policy, supporting international trade, economic growth, and global cooperation. As globalization increases economic interdependence, countries must adopt effective diplomatic strategies to protect national interests while encouraging international collaboration. The study concludes that successful economic diplomacy requires strong institutional cooperation, active stakeholder participation, and adaptable policy frameworks. Strengthening economic diplomacy will remain critical for achieving sustainable economic development, maintaining international stability, and addressing future global challenges.

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