

Economic Diplomacy as a Strategic Tool in Economic Warfare: A Qualitative Analysis of Global Resilience Strategies

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Abstract. *The current international environment is defined by conflicts that seem to escalate more and more dangerously. From the conflict between Russia and Ukraine to the aggression of the United States of America in Venezuela, the modern world seems to be leaning more and more towards military conflicts. However, the globalized world also faces a more subtle type of aggression, represented by economic or tariff warfare. Thus, studying economic diplomacy and its importance has become vital to understanding how to stop the world from turning into a sea of bloody wars. In the current scientific literature, economic diplomacy is often analyzed from a commercial perspective, but there is a significant gap regarding its role in military crisis management and geopolitical realignment. The research question is the following: to what extent can economic diplomacy mitigate the effects of tariff wars and ensure national resilience in emerging economies, taking as a model the political restructuring study of President Javier Milei's Argentina?*

The research method will be qualitative, using a comparative analysis of diplomacy used in tariff wars and Milei's Argentine shock therapy. The results show us that the measures described have a positive impact on economic stability in both cases, but involve irreparable damage to the morale and standard of living of the people. The contribution of the paper to the field of study derives from the research into how diplomacy becomes the alternative to conventional war in the modern world, but also from the comparison of how it has been used in both contexts.

Keywords: economic diplomacy; economic warfare, Argentina, shock-therapy, tariff war, social costs, resilience.

Introduction

The current international environment is defined by conflicts that seem to escalate more and more dangerously. From the conflict between Russia and Ukraine to the aggression of the United States of America in Venezuela, the modern world seems to be leaning more and more towards military conflicts. However, the globalized world also faces a more subtle type of aggression, represented by economic or tariff warfare. Thus, studying economic diplomacy and its importance has become vital to understanding how to stop the world from turning into a sea of bloody wars.

Radoslav B. (2024), in their article "Economic Diplomacy in the Era of Globalization", define economic diplomacy as "the process of establishing ties with other nations, protecting national security and positively shaping the country's image abroad, also attracts foreign investment, creating a favorable business environment".

However, nowadays diplomacy is no longer just a "peace treaty", but has transformed into a dangerous weapon of war, through the mechanisms of coercion that will be detailed. This shift from collaboration to coercive diplomacy reflects a trend in which the economic interdependencies imposed by globalization are used as weapons to achieve geopolitical dominance.

A first coercive mechanism that will be detailed concerns tariff wars, defined as "economic conflicts between two or more states, generated by the mutual imposition and escalation of customs duties on imported goods, in order to protect national industries, reduce the trade deficit or exert political and diplomatic pressure on trading partners."² (Gilpin, 1987). These

can be both prevented and managed by economic diplomacy, through instruments such as: regional cooperation strategies (EU-Meconsur agreement), free trade agreements, diplomatic dialogue, or multilateral negotiations (European Commission, 2023).

A second pillar of the qualitative analysis is the study of shock diplomacy: The case of Argentina under the administration of President Javier Milei (2023 – present). In 2023, when he took office, inflation in Argentina reached alarming levels of 140%, the real budget deficit amounted to 10% of GDP, and public debt exceeded 400 billion dollars (over 80% of nominal GDP) (Roy, 2024).

Thus, since taking office in 2023, President Javier Milei has taken the following measures to recover the economy: fiscal consolidation (by cutting subsidies for transport and energy, but also restructuring the parliament, reducing the number of ministries by half; 9 currently, 18 when taking office); monetary reform (controlled devaluation of the national currency, to reduce the significant difference between the official and unofficial exchange rates); but also resuming negotiations with the International Monetary Fund to increase the state's foreign exchange reserves (Centenara, 2025).

From a diplomatic point of view, the case study will follow how President Javier Milei used the aforementioned radical reforms not only to pull Argentina out of the crisis, but also to strengthen its relations in the international sphere.

The research question is the following: to what extent can economic diplomacy mitigate the effects of tariff wars and ensure national resilience in emerging economies, taking as a model the political restructuring study of President Javier Milei's Argentina?

Considering the research question formulated above, the research hypotheses are the following: the main tools of economic diplomacy are radical fiscal consolidation and strategic state population reduction, which restore international credibility and mitigate the adverse effects of external tariff pressures on emerging economies; the effectiveness of national solidarity in the face of global economic warfare is directly proportional to the ability to establish diplomatic alliances and renegotiate terms with international financial institutions, such as the IMF, to secure foreign exchange reserves.

The research does not aim at merely reviewing recent economic events, but aims to demonstrate that, in the current context, economic diplomacy has become an indispensable tool for global governance of economic resilience.

Literature review

Economic Diplomacy: on the edge of ethics and morality?

A first phenomenon that I want to put through the filter of ethics is whether diplomacy, which allows for the resolution of conflicts without war, also has mechanisms on the gray border of coercion? A first mechanism that we see applied even today is that of conditioning. Joseph Nye, in his book “Soft Power: The Means to Success in World Politics” tells us that “Soft power is not simply the same as influence. [...] And soft power is not necessarily better than hard power. It is not necessarily better to twist minds than to twist arms” (Nye, 2004).

Here is how, through this phrase, Nye tells us that it is not good (or ethical) for states to use conditioning (soft power), because it is no better than military power (hard power). However, we are faced with another ethical dilemma that derives from the above statement: the idea of political transparency. The military component of conflicts is visible, condemnable at the international level, while the mechanism of conditioning and "mind twisting" subtly work on the psycho-moral collapse of the attacked state. So, "soft power" operates on the gray border of ethics,

precisely because it is not sharp like a war, but conditions economic aid through diplomatic mechanisms such as embargoes or tariff wars.

A second mechanism of economic diplomacy whose ethical nature is questionable refers to the international lobbying and non-transparent networks of influence that underlie decision-making trade agreements. Hans J Morgenthau, considered the father of “political realism,” told us as follows: “Political realism refuses to identify the moral aspirations of a particular nation with the moral laws that govern the universe. [...] All nations are tempted—and few have resisted the temptation for long—to clothe their own aspirations and actions in the moral clothes of the universe.” (Morgenthau, 1948)

We could say that nations violate the principles of ethics when they pursue their economic interests using methods that negatively affect decision-making transparency and state equity. From Morgenthau's point of view, this behavior is not a simple error of omission, but a principle that helps in the magnifying glass for power over spheres of influence. If we relate to the reality of our days, we can see how economic diplomacy is transformed into a network strongly influenced by geopolitical factors. This influence is shaped by high-level strategic partnerships that are transposed into the doctrine of the respective country. These decisions taken by presidents, prime ministers or foreign ministers decide the country's actions at the macroeconomic level in a certain area, neglecting, most of the time, those of current events.

A final mechanism of economic diplomacy whose ethical nature must be established is the use of economic sanctions as an instrument of political-diplomatic pressure. Essentially, they represent a form of non-military attack, in which one or more countries decide to increase import duties or establish embargo-type measures on products/services from the state to which the measure is applied. From an ethical point of view, the main dilemma is found in the discrepancy between the declared target and the consequences in practice. Realistically speaking, most of the time, sanctions affect the civilian population more than political decision-makers. Thus, although the mechanism has a noble goal at first glance (ending the war by cutting off its indirect financing - see the Russian gas embargo) it ends up putting pressure on the population that has no decision-making power in ending the war. Returning to Morgenthau's vision, he considered that “sanctions are nothing more than manifestations of the struggle for power, camouflaged under a normative discourse” (Morgenthau, 1948).

So diplomacy becomes a pretext for a war without weapons, through which not only an aggressor state is punished, but a show of force intended to intimidate. So where does ethics stop and where does the cynicism of self-interest disguised as international justice begin? Hard to say....

The arguments presented confirm that diplomacy, although it represents the opposite of armed conflict, also has gray mechanisms on the border of the abstract concept of “ethics”, legal and often used, but which have more serious consequences on the civilian population than on political decision-makers, the real culprits of the state of conflict.

Tariff wars: more socially fair than conventional wars?

These represent “economic conflicts between two or more states, generated by the mutual imposition and escalation of customs duties on imported goods, in order to protect national industries, reduce the trade deficit or exert political and diplomatic pressure on trading partners” (Gilpin, 1987) They can be both prevented and managed by economic diplomacy, through instruments such as: regional cooperation strategies (EU-Meconsur agreement), free trade agreements, diplomatic dialogue, or multilateral negotiations.

An interesting aspect of tariff wars is what I call the “domino effect”, more precisely the way in which sanctions escalate, once this non-military conflict has started. If we relate to the

reality of our days, we see the mechanism unfolding before our eyes, starting with the investigations against subsidies launched by the European Commission on electric vehicles from China. This mechanism of “defensive economic diplomacy” has triggered a chain reaction typical of the economic security dilemma: China has responded by imposing temporary barriers on imports of agri-food products (such as pork and dairy products) and spirits from the European Union, strategically targeting member states with major commercial interests in these sectors (Ioan 2023). We thus clearly see the concept of the domino effect unfolding, and the metaphor becomes relevant through the succession of measures adopted: the investigations against subsidies launched by the European Commission on electric vehicles from China; and China has responded with barriers on EU food products.

The study of shock diplomacy: The case of Argentina under the administration of President Javier Milei (2023 – present).

In 2023, when he took office, inflation in Argentina reached alarming levels of 140%, the real budget deficit amounted to 10% of GDP, and public debt exceeded 400 billion dollars (over 80% of Nominal GDP) (Roy, 2024).

From a diplomatic perspective, the case study will follow how President Javier Milei used the aforementioned radical reforms not only to pull Argentina out of the crisis, but also to strengthen its relations in the international sphere. From a diplomatic perspective, Milei uses drastic economic policy measures to increase the confidence of international partners, to attract loans from the International Monetary Fund, and to attract Foreign Direct Investment (FDI).

According to the analysis carried out by Messari (2024), this decision was not just for symbolism, but wanted to produce a shock in the international world that would increase credibility, in front of the creditor and the International Monetary Fund, as Argentina owes them somewhere around 55 billion dollars.

Methodology

The methodology of this research is strictly qualitative, trying to highlight, through comparative analysis, the fundamental discrepancy between the mechanisms of economic diplomacy used in a context of some stability (EU-USA-China), versus the mechanisms used in a situation of a deep, long-lasting crisis (Argentina).

The research question is the following: to what extent can economic diplomacy mitigate the effects of tariff wars and ensure national resilience in emerging economies, taking as a model the political restructuring study of President Javier Milei's Argentina?

Considering the research question formulated above, the research hypotheses are the following: the main tools of economic diplomacy are radical fiscal consolidation and strategic public sector streamlining which restore international credibility and mitigate the adverse effects of external tariff pressures on emerging economies; the effectiveness of national economic resilience in the face of global economic warfare is directly proportional to the ability to establish diplomatic alliances and renegotiate terms with international financial institutions, such as the IMF, to secure foreign exchange reserves.

In line with the research requirements, the present study builds on previous research on structural adjustment in emerging markets. The present analysis draws parallels with The Washington Consensus: which tells us that countries facing crises should cut spending and open markets to foreign direct investment.

Results and discussions

Now that we have seen qualitative methods and what they aim to determine with their help in this article, I believe that a "comparison" would be useful to see how they represent different typologies of response to the problem raised by contemporary diplomacy.

This comparative qualitative analysis highlights the fundamental discrepancy between the mechanisms of economic diplomacy used in a context of some stability (EU-USA-China), versus the mechanisms used in a situation of a deep, long-lasting crisis (Argentina).

I find it interesting to look at the phenomenon from the perspective of the sustainability pillar variable. As we can see in the table above (Fig 1), its approach is diametrically opposed in the two case studies analyzed. While for tariff wars green tariffs represent a weapon of attack, for the crisis in Argentina, sustainability is relegated to the background in order to focus on stabilizing the economy, and moreover, Argentina goes to the extreme of denying the reality, namely climate change, in order not to feel obliged to allocate material resources to solving this problem. This also makes us think about whether sustainable development is just a "luxury" that only states that are not going through an economic collapse can afford to bring up.

Table 1: Comparative Analysis of Economic Diplomacy: Stability vs. Crisis Management

Analytical variable	Tariff Wars	Argentina Crisis
Type of Diplomacy	Normative and Strategic	Disruptive and shocking
Economic Objective	Reducing strategic dependencies	Reducing the deficit, and avoiding collapse
Relationship with institutions	Multilateral: Negotiations within the WTO or regional partnerships	Bilateral/Conditional: Critical relationship with IMF for USD 40 billion in debt
Social Impact	Indirect: Increasing the price of consumer goods and green technologies.	Direct and Severe: Poverty Increases to 57.4% Following Subsidy Cuts

Source: Authors' own research.

Another point from which I want to look at these phenomena is that of the social impact variable. Tariff wars have an indirect impact on the population, as they are most often reflected only in certain sectors, such as green energy or consumer goods. Although they are also challenges for the population, they most often only hit certain sectors (see the Russian gas crisis after the start of the war with Ukraine), unlike the case of Argentina, where the social impact was devastating, as not only certain goods or services became more expensive, but overall poverty increased alarmingly with the elimination of government subsidies.

The elimination of government subsidies in Argentina is not at all a budget saving, but rather a destruction of purchasing power, which brings the middle class to the brink of collapse and segments it even more strongly, encouraging the phenomenon of social polarization. While, in prosperous economies (USA, EU, China), the economy can use economic warfare as a pillar of coercion, in states with a collapsed economy (like Argentina), any shock therapy diplomacy risks destroying social predictability.

Also, from the point of view of relations with institutions, the countries involved in tariff wars have relied on a multilateral relationship, conducting negotiations within the WTO, while Argentina has a relationship not only strictly bilateral with the IMF, but also conditioned by the 40 billion USD debt it has to it.

The case study on Argentina under Javier Milei mandate revealed a harsh reality: cold numbers do not always tell the whole story. Although quantitative indicators show an enviable

budget surplus (589 million USD), the qualitative component of the research reminds us that the social impact, translated into a poverty of over 57%, remains the great challenge of any “shock diplomacy”. This perspective helped us validate the idea that sustainability does not only mean “green”, but also social resilience.

To fully answer to the research question, we also need to look at tariff wars through the same lens of questions. The comparative exercise shows that, although the objective of economic diplomacy is identical, the “currency” used is fundamentally different. In tariff wars unfolding before our eyes, economic diplomacy is no longer a recovery mechanism, but a lever to avoid taking the battles to military territory. Negotiation and clauses in international treaties become not just simple discussions at the power table, but a crucial mechanism for stopping military conflicts, which bring both social and economic losses to both countries involved.

We have also seen how diplomacy not only mediates conflicts to prevent them from escalating, but also becomes an instrument of coercion that prevents armed conflict through instruments such as economic sanctions or embargo-type measures. Whether it is better or worse remains debatable. Nye (2004), shows us in his book “Soft Power: The Means to Succeed in World Politics” that “Soft power is not simply the same as influence. [...] And soft power is not necessarily better than hard power. It is not necessarily better to twist minds than to twist arms.” This quote is the very essence of the study's results, as it demonstrates the power of diplomacy in managing or escalating economic conflicts such as tariff wars or embargo-type sanctions.

Also, the research hypotheses are confirmed as follows:

H1: It is confirmed by the case study presented on Argentina, where Millei uses economic diplomacy, by reducing ministries (radical fiscal reform), to gain the trust of international bodies, which have also granted loans.

H2: It is confirmed by the case study presented on Argentina, where Millei negotiates with the IMF and establishes diplomatic alliances with powerful institutions to attract Foreign Direct Investment flows to his country.

Thus, the research proves through concrete case studies not only that economic diplomacy prevents armed conflicts, but also that it can be used as a strategic weapon in economic warfare, through the imposition of taxes or embargo-type measures.

Conclusion

This article brought into discussion the phenomenon of economic diplomacy, viewed both from the perspective of supporting the cessation of conflicts (through negotiations on non-military alternatives), but also from the perspective of a so-called “non-lethal weapon”, represented by economic constraints that take the form of sanctions or embargoes.

The importance of the research arises from the need to analyze nonviolent instruments for resolving potential international disputes, the current geopolitical context already being plagued by wars between key actors on the world stage.

Also, the importance of research also arises from the importance of understanding diplomacy not only as a method of resolution, but also as a non-lethal weapon, preferable or not to conventional wars.

The research also demonstrated that “diplomatic warfare” is easy for countries with a developed economy (USA, China), while for economies in crisis (Argentina), diplomacy must rather become an ally that allows negotiations with competent institutions to find solutions to overcome the collapse.

At the same time, the analysis was not only about the strategies of political decision-makers, but also about the reality on the ground, represented by the fiscal burden on the

population. While in developed economies, tariff wars only increased prices in certain sectors of goods and services, for economies on the verge of collapse, government subsidy cuts pushed more than half of the population (57.4%) to the brink of survival due to poverty.

Research limitations could arise for the following reasons: data volatility (as phenomena are ongoing, data and conclusions are constantly changing), restricted access to data (secretization of diplomatic negotiations until the public announcement of the results), but also Social Gap Indicators (there is a major time lag between the implementation of tax cuts and the long-term stabilization of social indicators. President Javier Milei may have taken the measures discussed to reduce the effects of the economic crisis, but their success or failure will be seen beyond the time of the research, probably in a few years. This prevents the research from being in line with the time in which the changes are taking place, so it may be over by the time we start to see the real effects of President measures in Argentina), but also the underground economy (it could either help or confuse us, depending on the angle from which it is viewed).

Future research directions could include introducing quantitative analysis into the study, using econometric modeling. We can add a social cost-benefit analysis which would mathematically show the relationship between the reduction of subsidies and the alarming increase in the poverty rate in Argentina.

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Appendix

Quantitative Summary of Economic Indicators (2024-2025)

Appendix 2: Tariff War Variables

Region /Variable	Tariff Rate (%)	Mechanism
EU (Carbon Border Adjustment)	20%-35%	CBAM Regulation
USA (Strategic Technology Tariffs)	25%-100%	Section 301
China (Rare Earth Export Taxes)	10%-15%	Export Control