

ALGORITHMIC ECONOMIC DIPLOMACY AS A PARADIGM SHIFT: THEORY-BUILDING FOR THE AI AGE

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ABSTRACT

The rapid diffusion of artificial intelligence and algorithmic systems is reshaping the conduct of economic diplomacy in ways that challenge established analytical frameworks. While existing scholarship on digital (economic) diplomacy has focused primarily on communication technologies, platforms, and networked interaction, it increasingly struggles to account for the structural implications of algorithmic mediation. This article addresses this gap by developing a theory-building framework for understanding economic diplomacy in the context of algorithmic governance. Drawing on conceptual analysis informed by diplomatic studies, international political economy, and science and technology studies, the article traces the evolution of economic diplomacy across three analytically distinct stages: modern public economic diplomacy, digital or postmodern economic diplomacy, and a contemporary algorithmic configuration characterised as late postmodern. It argues that algorithmic systems do not merely extend digital practices but may constitute a qualitative shift in how economic knowledge, diplomatic agency, and power are structured, particularly in data-intensive and highly regulated environments. The article contributes by proposing a definition of algorithmic economic diplomacy, identifying diagnostic criteria that distinguish it from earlier paradigms, and offering a stage model that captures both continuity and transformation in economic statecraft. By conceptualising economic diplomacy as increasingly shaped by algorithmic infrastructures, the article provides a foundation for future empirical research and for ongoing debates on accountability, governance, and power in AI-mediated international economic relations.

Keywords: Economic diplomacy, algorithmic governance, artificial intelligence, digital diplomacy

INTRODUCTION

Over the past decades, diplomacy has undergone profound transformations driven by successive waves of technological change. From the rise of mass media and public diplomacy in the modern era to the expansion of digital platforms and networked communication in more recent phases, technological infrastructures have continuously reshaped how diplomatic actors communicate, negotiate, and exercise influence (Cull, 2008; Melissen, 2005). Economic diplomacy (ED), as a core instrument of statecraft encompassing trade promotion, investment attraction, sanctions, and international economic governance, has been particularly sensitive to these shifts (Bayne & Woolcock, 2017; Okano-Heijmans, 2011; Saner & Yiu, 2003). Yet the rise of algorithmic governance challenges a core assumption of digital diplomacy: that technology primarily mediates communication rather than constitutes power.

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ED refers to the use of diplomatic instruments to shape international economic relations, including trade negotiations, investment promotion and screening, sanctions policy, and participation in global economic institutions (Bayne & Woolcock, 2017; Okano-Heijmans, 2011; Justinek, 2011; Justinek, 2018). As ED increasingly relies on data infrastructures and automated evaluation systems, its analytical foundations require conceptual revision.

Recent advances in artificial intelligence (AI) and algorithmic governance have accelerated the integration of predictive, automated, and data-driven systems into economic decision-making. This creates conditions for what can be described as an algorithmic society, where political and economic power is increasingly mediated through computational infrastructures (Schuilenburg, 2021; Avbelj, 2024). In this context, ED becomes increasingly dependent on computational infrastructures that pre-structure economic visibility, risk, and access. In practice, such dynamics are already observable in areas such as sanctions compliance screening, algorithmic risk scoring in finance, and data-driven investment assessment tools, where automated systems increasingly shape the parameters of economic interaction before formal diplomatic engagement occurs.

The acceleration of AI, data-driven decision-making, and algorithmic governance, however, signals a transformation that goes beyond the established framework of digital diplomacy. While scholarship on digital diplomacy has examined the impact of ICTs, social media, and platform-mediated communication on diplomatic practice, it has largely conceptualized technological change as an extension of communicative tools and strategic interaction (Bjola & Holmes, 2015; Manor, 2019; Melissen & Caesar-Gordon, 2016; Justinek et al., 2019).

In contrast, contemporary algorithmic systems increasingly function as infrastructural mechanisms that shape visibility, hierarchy, access, and decision-making processes themselves (Gillespie, 2014; Kitchin, 2017; Yeung, 2018). This raises a fundamental conceptual question: are existing models of digital ED still sufficient to explain the emerging realities of algorithmically mediated economic statecraft?

ED constitutes a particularly revealing analytical site for addressing this question. Decisions related to trade negotiations, investment promotion and screening, sanctions regimes, supply-chain security, and market access are increasingly informed, filtered, and sometimes automated through algorithmic systems developed and controlled by both state and corporate actors (Bayne & Woolcock, 2017; Farrell & Newman, 2019). Algorithms no longer merely support diplomatic communication; they actively structure economic knowledge, prioritize strategic options, and influence outcomes (e.g., algorithmic compliance tools in sanctions enforcement used by financial institutions and logistics intermediaries). In this sense, economic power is progressively exercised through procedural and infrastructural arrangements rather than through transparent discursive exchanges alone (Amoore, 2020; Pasquale, 2015).

This development exposes growing tensions within the conceptual vocabulary of digital diplomacy. Concepts such as networked communication, soft power, and online engagement remain valuable for understanding visibility struggles and narrative competition in digital environments (Bjola & Holmes, 2015; Nye, 2004). Yet they struggle to account for the structural redistribution of agency produced by algorithmic mediation. In algorithmically saturated environments, diplomatic actors do not simply communicate within digital spaces; they operate within systems that pre-select information, automate evaluation, and constrain contestability, often through opaque model logics and proprietary infrastructures (Burrell, 2016; Pasquale, 2015; Srnicek, 2017). These dynamics challenge foundational assumptions about agency, accountability, and publicness that underpin both modern and postmodern theories of diplomacy (Floridi, 2014; Latour, 2005).

Against this backdrop, the article advances a central research question: to what extent does the algorithmic mediation of ED necessitate a new conceptual paradigm beyond digital diplomacy? Addressing this question requires moving beyond incremental adaptations of existing frameworks and toward a systematic reconceptualization of ED under conditions of algorithmic governance (Gerring, 1999; Sartori, 1970).

The article contributes to the literature by developing a theory-building, conceptual framework that traces the evolution of ED across three analytically distinct stages: modern public economic diplomacy, digital or postmodern economic diplomacy, and a contemporary algorithmic phase characterised as late-postmodern. Rather than treating algorithmic change as a quantitative intensification of digitalisation, the article argues that AI-driven mediation may constitute a qualitative shift in how economic power, diplomatic agency, and governance are structured, particularly in high-capacity, data-intensive environments where algorithmic infrastructures are deeply embedded (Kuhn, 1962; Yeung, 2018; Zuboff, 2019).

Methodologically, the article employs conceptual analysis and theory-building informed by insights from diplomatic studies, international political economy, and science and technology studies. Drawing on a Kuhnian understanding of paradigm shifts, it examines how technological revolutions generate conceptual breakdowns that require new analytical models (Kuhn, 1962). The analysis proceeds by first establishing the modern foundations of ED, then examining the emergence and limitations of digital and postmodern frameworks, before introducing algorithmic economic diplomacy (AED) as a distinct conceptual paradigm.

Importantly, the article does not assume uniform or universal adoption of AED across all contexts. Instead, it treats algorithmic mediation as unevenly distributed across jurisdictions and sectors, with particularly strong manifestations in advanced economies and highly financialised or regulated domains. This allows for a more calibrated assessment of whether AED represents a full paradigm shift or an emerging configuration that coexists with earlier forms of economic diplomacy.

By conceptualising ED in the context of algorithmic society, the article seeks to clarify the structural transformations reshaping economic statecraft and to provide a foundation for future empirical research, regulatory debates, and normative assessments of accountability and governance in AI-mediated international economic relations (Amoore, 2020; Yeung, 2018; Justinek, 2023).

METHOD AND CONCEPTUAL APPROACH: THEORY-BUILDING IN THE STUDY OF ECONOMIC DIPLOMACY

This article adopts a conceptual, theory-building approach aimed at rethinking ED under conditions of algorithmic governance. Rather than testing hypotheses or presenting empirical case studies, the analysis seeks to develop a new analytical framework capable of capturing structural transformations that existing concepts struggle to explain. Conceptual scholarship plays a critical role in periods of technological and social transition, particularly when established paradigms no longer adequately account for emerging forms of power, agency, and governance (Gerring, 1999; Sartori, 1970).

Conceptual analysis is especially appropriate in the study of ED, where technological change often precedes systematic theorisation. While empirical research has documented the growing use of digital tools, data analytics, and AI-assisted decision-making in diplomacy, these developments are frequently treated as incremental extensions of digitalization rather than as indicators of a deeper paradigmatic shift (Bjola & Holmes, 2015; Okano-Heijmans, 2011; Rashica

2018; Hayden, 2019). This article instead approaches algorithmic mediation as a qualitatively distinct transformation that warrants conceptual re-examination, while recognising that such transformations may manifest unevenly across institutional and geopolitical contexts.

The analytical strategy employed here draws on theory-building principles that emphasise clarification, differentiation, and abstraction. First, existing concepts of ED are reconstructed to identify their underlying assumptions regarding agency, communication, and power. Second, points of conceptual strain are examined where these assumptions no longer align with contemporary diplomatic practices. Third, a new conceptual category - AED is introduced to address these gaps and to provide a more adequate analytical lens for understanding current and emerging dynamics (George & Bennett, 2005; Swedberg, 2014).

To frame this process, the article draws on Thomas Kuhn's notion of paradigm shifts as moments when prevailing theoretical models encounter anomalies they cannot resolve within existing conceptual boundaries (Kuhn, 1962). In this sense, the rise of AI-driven and algorithmically mediated systems constitutes not merely a technological innovation but a source of conceptual disruption. As algorithmic systems increasingly shape information flows, decision-making processes, and economic governance structures, traditional distinctions between tools and actors, means and ends, become blurred.

Crucially, paradigm shifts do not arise from technological novelty alone but from the accumulation of anomalies, that is, empirical developments that cannot be satisfactorily accounted for within the existing conceptual vocabulary. In the case of ED, the digital paradigm remains analytically effective when technology functions primarily as a communicative infrastructure (enhancing visibility, messaging, and networked engagement). Yet it faces mounting anomalies once algorithmic systems begin to mediate evaluative and decision infrastructures. These include (i) persistent opacity of decision logics (black box evaluation), (ii) distributed agency across socio-technical assemblages, (iii) procedural forms of power embedded in infrastructures rather than persuasion, (iv) constrained contestability and appeal mechanisms, and (v) the increasing centrality of corporate technological ecosystems in the execution of economic statecraft. Taken together, these anomalies signal a crisis of conceptual adequacy within digital ED and justify the need for AED as a distinct explanatory framework rather than an incremental extension of existing approaches.

Importantly, the Kuhnian perspective is not applied here in a deterministic or linear manner. The article does not claim that AED has fully replaced previous forms, nor that paradigmatic change occurs uniformly across all contexts. Instead, modern, digital, and algorithmic forms of ED are treated as analytically distinct yet empirically overlapping stages. This layered approach allows for conceptual differentiation while acknowledging historical continuity and hybrid practices (Bátora & Hocking, 2008).

While the article is conceptual in orientation, it also aims to facilitate empirical inquiry by outlining analytically tractable dimensions of AED. In this regard, the proposed framework can be operationalized through observable indicators such as: (i) the degree of reliance on algorithmic risk scoring and predictive analytics in economic decision-making, (ii) the extent of automation in evaluation and compliance processes, (iii) the level of transparency and explainability of decision-support systems, and (iv) the degree of dependence on proprietary or privately governed technological infrastructures. These dimensions provide a basis for future empirical research without reducing the conceptual scope of the present analysis.

In line with theory-building standards, the framework also implies conditions under which its core claims may not hold. The argument for AED as a distinct analytical configuration is less

applicable in contexts where economic diplomacy remains predominantly human-centred, where algorithmic systems function purely as transparent advisory tools, or where decision-making processes remain fully contestable and institutionally anchored. These boundary conditions are important for distinguishing between incremental digitalisation and more substantive forms of algorithmic mediation.

The scope of the analysis is deliberately focused on ED as a subset of diplomatic practice that includes trade negotiations, investment promotion and screening, sanctions policy, international economic institutions, and economic statecraft more broadly (Bayne & Woolcock, 2017; Saner & Yiu, 2003; Justinek, 2018). While insights from public diplomacy and digital diplomacy are incorporated, the article does not seek to offer a comprehensive theory of diplomacy as such. Instead, it concentrates on how algorithmic mediation reshapes the exercise of economic power across state and non-state actors within the international system.

Finally, the article adopts an interdisciplinary orientation, drawing on diplomatic studies, international political economy, and science and technology studies. This interdisciplinary grounding reflects the hybrid nature of algorithmic governance itself, which operates at the intersection of political authority, market dynamics, and technological infrastructures (Zuboff, 2019; Gillespie, 2014). By combining these perspectives, the article aims to provide a conceptually robust framework that can serve as a foundation for future empirical research and normative debate.

ECONOMIC DIPLOMACY IN MODERNITY: PUBLIC AND STATE-CENTRED FOUNDATIONS

Modern ED emerged alongside the consolidation of the nation-state and the institutionalisation of international economic relations. Rooted in the logic of modernity, it was characterised by relatively clear distinctions between state and market, domestic and international spheres, and public and private authority. ED in this period functioned primarily as an extension of state power, aimed at promoting national economic interests through formal negotiations, institutionalised cooperation, and rule-based international regimes (Bayne & Woolcock, 2017; Saner & Yiu, 2003). Historically, such practices were visible in multilateral trade negotiations, bilateral investment agreements, and the institutional frameworks of organisations such as the GATT and later the WTO, where economic diplomacy operated through formalised and transparent procedures.

At its core, modern ED was grounded in a rationalist understanding of state behaviour. States were treated as unitary actors pursuing clearly defined economic objectives, such as export promotion, access to foreign markets, protection of strategic industries, and participation in multilateral economic governance. Diplomatic agency was largely concentrated within official institutions (foreign ministries, trade departments, and international organisations), while private actors played a supportive but subordinate role (Woolcock, 2012). Communication and negotiation were understood as intentional, deliberative processes conducted by identifiable human agents.

The rise of public diplomacy in the twentieth century introduced an important modification to this state-centred model. As mass media expanded and publics became increasingly relevant to foreign policy outcomes, diplomacy was no longer confined to closed-door negotiations. Instead, it began to incorporate public communication, persuasion, and reputation management as integral components of statecraft (Cull, 2008). In the context of ED, this shift translated into efforts to shape international perceptions of national economies, promote investment attractiveness, and legitimise economic policies in the eyes of both domestic and foreign audiences.

Despite this expansion, the foundational assumptions of modern ED remained largely intact. Public communication was still conceived as a means of influencing opinion rather than as a structural determinant of decision-making. Information flows were mediated through relatively centralised channels, such as print media, broadcast television, and official statements, which allowed states to retain a significant degree of control over messaging and agenda setting (Melissen, 2005). Transparency, while imperfect, was normatively valued, and diplomatic authority was anchored in formal mandates and institutional legitimacy.

From an analytical perspective, modern ED presupposed a relatively stable relationship between agency, communication, and power. Diplomatic influence was exercised through negotiation, persuasion, and institutional bargaining, while economic outcomes were shaped by identifiable policy choices and strategic interactions. Technological infrastructures functioned primarily as neutral instruments facilitating communication and coordination rather than as autonomous actors shaping outcomes (Keohane & Nye, 1977). Even when supported by technical tools such as economic modelling or statistical forecasting, these instruments remained subordinate to human deliberation and political judgement.

This modern framework also relied on a clear separation between political authority and economic expertise. While technical knowledge played an important role in trade and financial negotiations, it was ultimately subordinated to political decision-making processes. Economic models, forecasts, and data served as inputs to human judgment rather than as determinants of policy trajectories. Accountability, in turn, was grounded in institutional hierarchies and democratic oversight mechanisms, linking diplomatic action to political responsibility.

Establishing this modern baseline is essential for understanding subsequent transformations in ED. The assumptions of state-centred agency, communicative transparency, and instrumentality of technology provided the conceptual foundations upon which later digital and postmodern frameworks were built. At the same time, these assumptions also delineate the limits of modern ED, which become increasingly visible as economic governance shifts toward data-intensive and automated environments, where decision-support systems may begin to shape outcomes prior to formal diplomatic deliberation.

DIGITAL AND POSTMODERN ECONOMIC DIPLOMACY: NETWORKED COMMUNICATION AND FRAGMENTED AGENCY

The emergence of digital technologies marked a significant departure from the modern foundations of ED. The term iDiplomacy was introduced to describe the growing use of digital technologies in diplomatic practice (Justinek, 2023). The proliferation of information and communication technologies (ICTs), social media platforms, and real-time communication tools transformed how diplomatic actors interacted with one another and with broader publics. In contrast to the relatively centralised and hierarchical structures of modern diplomacy, digital environments enabled more horizontal, networked, and interactive forms of engagement (Bjola & Holmes, 2015; Manor, 2019). In practice, ministries of foreign affairs and trade promotion agencies increasingly relied on platforms such as Twitter (X), LinkedIn, and specialised digital portals to communicate economic priorities, attract investment, and engage foreign stakeholders in real time.

Within this context, ED began to adapt to a postmodern communicative landscape characterised by fragmentation, speed, and multiplicity of actors. Digital platforms provided new channels for promoting trade and investment, engaging foreign audiences, and managing economic reputations (Rashica, 2018; Hayden, 2019). Ministries of foreign affairs, trade agencies, and diplomatic missions increasingly relied on online communication to disseminate economic

narratives, respond to crises, and coordinate with public and private stakeholders across borders (Okano-Heijmans, 2011; Melissen & Caesar-Gordon, 2016).

Postmodern ED thus reflected a shift away from the rationalist and state-centric assumptions of modernity toward a more fluid and performative understanding of diplomatic practice. Authority became increasingly dispersed across networks that included not only state institutions but also multinational corporations, civil society actors, and transnational advocacy groups. ED was no longer confined to formal negotiations but extended into digital spaces where narratives, symbols, and visibility played a central role in shaping outcomes (Bátora & Hocking, 2008).

A defining feature of this digital-postmodern phase was the growing importance of soft power and strategic communication. States sought to influence international economic relations by cultivating attractive national brands, promoting innovation ecosystems, and engaging in real-time public diplomacy. Digital platforms facilitated these efforts by enabling targeted outreach, interactive engagement, and rapid feedback loops. In this sense, digitalisation appeared to democratize ED by lowering barriers to participation and amplifying diverse voices (Nye, 2004; Cull, 2013).

At the same time, digital transformation introduced new vulnerabilities and complexities. The fragmentation of information environments made it increasingly difficult to control narratives or ensure message coherence. Disinformation, misinformation, information overload, and the erosion of shared factual baselines posed challenges to diplomatic credibility and trust (Justinek et al., 2019). ED, which relies heavily on perceptions of stability, predictability, and reliability, became particularly exposed to these dynamics (Bjola & Pamment, 2016). Moreover, the increasing role of platform algorithms in curating visibility and prioritising content began to subtly influence which economic narratives gained traction, even if such processes were not yet fully conceptualised as forms of governance.

Despite these challenges, the dominant conceptualisation of digital ED continued to treat technology primarily as a communicative medium rather than as a structuring force. Digital tools were understood as extensions of human agency that enhanced the speed, reach, and efficiency of diplomatic interaction. Even as platforms such as social media began to shape attention and visibility through algorithmic curation, their influence was largely framed in terms of strategic communication and narrative competition rather than algorithmic governance (Manor & Pamment, 2019).

This conceptual orientation reflects broader postmodern sensibilities within diplomatic studies, which emphasise plurality, contingency, and the constructed nature of meaning. From this perspective, digital ED appeared as a logical evolution of public diplomacy, adapted to networked environments and mediated through interactive technologies. However, as algorithmic systems increasingly moved from the periphery of communication to the core of decision-making processes, the limitations of this framework became more pronounced.

Digital and postmodern approaches struggle to fully capture the implications of algorithmic mediation for ED. While they account for fragmentation and multiplicity of actors, they offer limited analytical tools for understanding how algorithmic systems pre-select information, automate evaluation, and redistribute agency in ways that transcend communicative interaction. As a result, digital ED remains conceptually anchored in a human-centred model of agency that is increasingly at odds with the realities of AI-driven governance.

This growing disjunction between conceptual frameworks and empirical developments sets the stage for the next analytical step. To understand contemporary ED, it is necessary to move

beyond the digital postmodern paradigm and to examine the algorithmic turn as a qualitative transformation that reshapes the foundations of diplomatic power, agency, and accountability, particularly in domains where decision-making is increasingly mediated by data-driven and automated systems.

THE ALGORITHMIC TURN: FROM DIGITAL MEDIATION TO ALGORITHMIC GOVERNANCE IN ECONOMIC DIPLOMACY

The contemporary transformation of ED cannot be adequately understood as a mere intensification of digitalisation. While digital ED emphasised communication, connectivity, and networked interaction, the rise of AI and algorithmic systems introduces a qualitatively different mode of mediation. Algorithms do not simply transmit information; they actively structure, rank, filter, and automate the processes through which economic knowledge is produced and diplomatic decisions are shaped (Gillespie, 2014; Kitchin, 2017).

This shift marks what can be described as an algorithmic turn in ED. Unlike digital platforms, which primarily function as channels of interaction, algorithmic systems increasingly operate as infrastructural mechanisms embedded within decision-making architectures. In ED, these systems are used to assess trade risks, screen foreign investments, predict market behaviour, monitor sanctions compliance, and model supply-chain vulnerabilities. In practice, such tools include automated sanctions screening systems, algorithmic credit-risk models, and data-driven investment assessment platforms, often developed by specialised vendors and integrated into financial, regulatory, and diplomatic workflows. As a result, algorithmic outputs shape the parameters within which diplomats and policymakers operate, often without being fully transparent or contestable (Pasquale, 2015; Yeung, 2018).

A defining characteristic of algorithmic mediation is opacity. Algorithmic systems, particularly those based on machine learning, function as black boxes whose internal logic is difficult to interpret even for their designers. In the context of ED, this opacity undermines traditional assumptions of accountability and deliberation. Decisions informed by algorithmic assessments may appear objective and data-driven, yet the criteria embedded in these systems remain largely inaccessible to public scrutiny or democratic oversight (Burrell, 2016; Zuboff, 2019). This represents a significant departure from both modern and digital paradigms, which presupposed at least a minimal level of transparency in diplomatic reasoning.

Algorithmic systems also challenge established notions of agency. In digital ED, human actors remained the primary agents who strategically deployed technological tools to advance economic objectives. In algorithmic environments, by contrast, agency becomes distributed across human and non-human actors. Algorithms preselect information, prioritise strategic options, and in some cases automate responses, thereby shaping outcomes in ways that exceed direct human control. This redistribution of agency complicates the attribution of responsibility and blurs the boundary between decision support and decision-making (Latour, 2005; Floridi, 2014).

The algorithmic turn is further reinforced by the growing role of corporate infrastructural power in ED. Many of the algorithmic systems that mediate trade, finance, logistics, and digital markets are developed and controlled by private technology firms rather than by states. These corporations provide data infrastructures, analytical tools, and platforms upon which contemporary ED increasingly relies. Consequently, states do not merely interact with markets through diplomacy; they operate within privately governed algorithmic ecosystems that shape economic visibility and access. In domains such as global finance, logistics, and compliance, reliance on

proprietary datasets and screening systems further amplifies this dependence (Srnicek, 2017; Culpepper & Thelen, 2020).

This shift has profound implications for economic statecraft. Traditional instruments such as tariffs, sanctions, and trade agreements are now supplemented (and in some cases indirectly constrained) by algorithmic mechanisms that operate beyond the direct reach of diplomatic negotiation. For example, algorithmic credit scoring, risk assessment, and compliance monitoring can influence investment flows and market participation without explicit political decisions, effectively pre-structuring the space of possible diplomatic action. In such contexts, economic power is exercised procedurally rather than discursively, through the design and operation of computational systems rather than through formal agreements alone (Amoore, 2020).

Crucially, algorithmic mediation introduces temporal acceleration and anticipatory governance into ED. Predictive analytics enable states and corporations to act on anticipated futures rather than on observable events. While such capabilities promise greater efficiency and foresight, they also amplify uncertainty and reduce the space for deliberative contestation. Diplomatic decisions increasingly respond to probabilistic outputs rather than to negotiated understandings, reinforcing a shift from communicative rationality to computational rationality (Beck, 2009; Amoore & Piotukh, 2015).

Taken together, these developments reveal the limitations of digital and postmodern frameworks for analysing contemporary ED. Digital diplomacy conceptualises technology as a medium of interaction, whereas algorithmic governance positions technology as a constitutive element of power and authority. This distinction is not merely semantic; it reflects a transformation in how ED is practised, legitimised, and contested. As algorithmic systems become embedded in the core functions of economic statecraft, they generate conceptual anomalies that cannot be resolved within existing paradigms.

The algorithmic turn thus represents a critical juncture in the evolution of ED. It signals a shift from networked communication to infrastructural governance, from human-centred agency to distributed agency, and from transparent negotiation to opaque procedural power. These characteristics suggest that contemporary ED may be entering a new analytical phase, particularly in contexts where algorithmic infrastructures play a central role, and one that requires conceptual tools capable of capturing the structural implications of algorithmic mediation.

Empirical illustrations of AED dynamics

The following vignettes are not presented as full case studies but as empirically grounded illustrations of how algorithmic infrastructures increasingly mediate key practices of ED. Their purpose is to anchor the conceptual argument by demonstrating how opacity, distributed agency, and infrastructural decision-making manifest in contemporary economic governance.

Vignette 1: Sanctions and export-controls compliance

In contemporary sanctions enforcement, compliance decisions are increasingly operationalised through algorithmic screening and risk-scoring systems that ingest large volumes of transaction, shipping, and corporate-ownership data. Widely used systems, such as automated screening tools based on global watchlists and risk databases, are integrated into banking, insurance, and logistics operations. Rather than merely supporting diplomats and regulators with faster information processing, these systems may function as gatekeepers: banks, insurers, and logistics providers rely on automated flags to block payments or shipments, often without transparent explanations to the affected parties. ED thus shifts from negotiation and messaging toward procedural power

embedded in compliance infrastructures, where accountability is dispersed across states, private intermediaries, and technology vendors.

This dynamic aligns with the European Commission's recent guidance on sanctions circumvention risks, which explicitly foregrounds operator due diligence and risk-based controls as a core compliance expectation (European Commission, 2023). At the same time, the reliance on automated screening and risk scoring exposes the accountability and transparency tensions highlighted in the OECD Recommendation on AI (e.g., transparency, explainability, and accountability), reinforcing the shift toward procedural power embedded in compliance infrastructures (OECD, 2019).

Vignette 2: Foreign direct investment (FDI) screening and strategic risk-scoring

Many jurisdictions assess inbound investment through multi-criteria processes that increasingly incorporate data-driven risk indicators (e.g., supply-chain dependencies, dual-use technology exposure, and complex ownership networks). When such assessments are delegated to algorithmic tools (whether internally developed or procured), the resulting scores and classifications can shape the feasible set of diplomatic options before political deliberation takes place. The practical consequence is anticipatory governance, where ED becomes oriented toward managing algorithmically produced risk categories and their downstream effects on approval, conditionality, and reputational signalling.

In the EU context, Regulation (EU) 2019/452 institutionalises FDI screening on security and public order grounds and explicitly points to sensitivity around critical technologies and strategic sectors, which is precisely the type of domain in which structured indicators and scoring logics tend to proliferate (EU, 2019). More broadly, the normalisation of risk-based selectivity in trade governance is illustrated by the WTO Trade Facilitation Agreement's requirement to adopt risk management for customs control, signalling how algorithmic-style classification increasingly functions as a governance template that can narrow decision space *ex ante* (WTO, 2017).

CONCEPTUALIZING ALGORITHMIC ECONOMIC DIPLOMACY AS A LATE-POSTMODERN PARADIGM

The preceding analysis demonstrates that algorithmic mediation introduces structural dynamics that cannot be adequately captured within existing frameworks of modern or digital ED. This section consolidates these insights by conceptualising AED as a distinct analytical paradigm. Rather than treating algorithmic practices as an incremental extension of digitalisation, the article proposes AED as a late-postmodern stage characterised by redistributed agency, infrastructural power, and procedural forms of economic statecraft, particularly in contexts where algorithmic systems are deeply embedded in economic governance processes.

In this article, "late postmodern" does not function as a historical label but as an analytical qualifier: it denotes a condition in which postmodern fragmentation and pluralisation persist, yet governance increasingly operates through computational infrastructures that proceduralise uncertainty, automate evaluation, and relocate authority from discursive negotiation to algorithmic systems.

Defining algorithmic economic diplomacy

AED can be defined as a mode of economic statecraft in which diplomatic influence, economic governance, and strategic decision-making are increasingly mediated by algorithmic systems that structure information, automate evaluation, and shape access to markets, resources, and opportunities. In this paradigm, algorithms do not merely assist diplomatic actors but function as constitutive elements of power, embedding political and economic priorities within computational infrastructures. Empirically, this includes systems such as automated sanctions screening tools, algorithmic investment risk assessments, and data-driven supply-chain analytics that pre-structure decision environments across both public and private domains.

Table 1: Modern, Digital and AED

Dimension	Modern ED	Digital ED	Algorithmic ED
Mechanism of influence	negotiation	narrative/visibility	infrastructural scoring & automation
Agency	state actors	networked actors	distributed human-machine
Accountability	institutional	fragmented	opaque/procedural
Key technology	mass media	platforms	AI/ML models & data infrastructures

Source: *Own work*

Unlike modern ED, which relied on human deliberation within institutionalised settings, or digital ED, which emphasises communication and networked interaction, algorithmic ED operates through opaque, data-driven processes that reconfigure how economic relations are governed. Diplomatic action is increasingly conditioned by algorithmic outputs (risk scores, predictive models, automated compliance assessments) that influence strategic choices while remaining largely insulated from public scrutiny or contestation (Pasquale, 2015; Yeung, 2018).

This definition is intentionally narrower than “AI diplomacy” and foregrounds three core attributes: mediation, automation, and opacity. Mediation refers to the role of algorithms in structuring economic knowledge and prioritising strategic options. Automation captures the delegation of evaluative and decision-support functions to computational systems. Opacity highlights the reduced transparency and contestability that accompany algorithmic governance. Together, these attributes distinguish algorithmic ED from earlier paradigms and justify its conceptualisation as a qualitatively distinct stage, while allowing for variation in intensity across different institutional settings.

Diagnostic criteria of algorithmic economic diplomacy

To analytically distinguish algorithmic ED from modern and digital forms, the article proposes a set of diagnostic criteria. These criteria do not imply uniform adoption across all contexts but serve as indicators of when ED operates primarily within an algorithmic paradigm.

First, algorithmic mediation replaces communicative interaction as the primary mechanism through which economic information is structured and interpreted. Rather than relying on negotiated meanings or narrative persuasion, diplomatic actors increasingly depend on algorithmic rankings, forecasts, and risk assessments to inform economic engagement.

Second, agency becomes distributed across human and non-human actors. Diplomatic outcomes are shaped not only by state officials and negotiators but also by algorithmic systems that pre-select information, automate evaluations, and constrain available choices. This redistribution of agency complicates traditional notions of responsibility and intentionality (Latour, 2005; Floridi, 2014).

Third, economic power is exercised procedurally rather than discursively. In algorithmic ED, influence is embedded in the design and operation of computational systems, such as investment screening mechanisms, sanctions compliance tools, or supply-chain monitoring algorithms, rather than articulated through formal agreements or public statements (Amoore, 2020; Avbelj, 2024).

Fourth, accountability and contestability are structurally constrained. The opacity of algorithmic systems limits the ability of affected actors to understand, challenge, or appeal decisions that shape economic opportunities. This represents a significant departure from both modern institutional accountability and the participatory ideals associated with digital diplomacy (Burrell, 2016; Zuboff, 2019).

Fifth, corporate infrastructural power plays a central role. Many of the algorithmic systems underpinning ED are developed, maintained, and governed by private actors whose interests do not necessarily align with public diplomatic objectives. As a result, ED increasingly unfolds within privately controlled technological ecosystems that shape access and visibility at a global scale (Srnicsek, 2017; Culpepper & Thelen, 2020).

Together, these criteria provide an analytical toolkit for identifying AED across empirical settings while preserving conceptual clarity and enabling comparative empirical analysis.

A stage model of economic diplomacy: From modern to algorithmic

Building on the previous sections, the article proposes a three-stage model that traces the evolution of ED from modern to digital and, finally, algorithmic forms. These stages should be understood as analytically distinct ideal types rather than as strictly sequential or mutually exclusive historical phases.

Modern ED was characterised by state-centred agency, institutionalised negotiation, and the instrumental use of technology. Power was exercised through formal agreements, diplomatic bargaining, and rule-based international institutions, with relatively clear lines of accountability and authority.

Digital or postmodern ED introduced networked communication, fragmented agency, and performative practices. Diplomatic influence increasingly depended on visibility, narratives, and engagement within digital spaces. While technology played a more prominent role, it remained largely conceptualised as a communicative medium rather than as a governing structure.

Algorithmic ED represents a late-postmodern stage in which mediation, governance, and power are embedded within computational infrastructures. Agency is distributed across human and algorithmic actors, decision-making is shaped by automated and predictive systems, and economic influence operates through procedural mechanisms that are often opaque and difficult to contest. In this stage, the public dimension of diplomacy is not eliminated but reconfigured, as visibility and access are increasingly curated through algorithmic systems rather than publicly negotiated.

Conceptualising AED as late-postmodern highlights both continuity and rupture. While it builds on the fragmentation and pluralism of postmodern diplomacy, it departs from digital paradigms by relocating power from communicative interaction to infrastructural control. This shift underscores the need for analytical frameworks that can account for the political significance

of algorithms as governing actors in international economic relations, while recognising that such transformations may unfold unevenly across different geopolitical and institutional contexts.

IMPLICATIONS OF ALGORITHMIC ECONOMIC DIPLOMACY: ACCOUNTABILITY, GOVERNANCE, AND POWER

Conceptualising ED as algorithmic and late-postmodern carries significant analytical and normative implications. By relocating power from communicative interaction to computational infrastructures, AED reshapes foundational assumptions about accountability, governance, and the exercise of economic statecraft. This section explores three interrelated implications: the transformation of accountability mechanisms, the reconfiguration of governance structures, and the shifting nature of power in international economic relations.

Accountability and contestability in algorithmic economic diplomacy

One of the most profound implications of algorithmic ED concerns accountability. In modern and digital paradigms, diplomatic accountability was anchored, however imperfectly, in identifiable institutions, human decision-makers, and procedural transparency. Even in fragmented digital environments, responsibility could be attributed to actors who strategically communicated, negotiated, or misrepresented economic positions.

Algorithmic mediation disrupts this model by introducing opaque decision-support systems that obscure causal chains between action and outcome. When investment screenings, sanctions enforcement, or risk assessments are informed by algorithmic outputs, it becomes increasingly difficult to determine where responsibility lies, whether with diplomats who rely on these systems, agencies that procure them, or private firms that design and maintain them (Pasquale, 2015; Burrell, 2016). In practice, for example, financial institutions relying on automated sanctions screening systems may block transactions based on algorithmic flags without clear accountability for false positives or systemic bias. Accountability is thus displaced rather than eliminated, diffused across socio-technical assemblages that resist traditional forms of oversight.

Closely related is the problem of contestability. ED has historically relied on the possibility of challenge, negotiation, and appeal, whether through diplomatic channels, legal mechanisms, or political processes. Algorithmic systems, by contrast, often operate through probabilistic models and proprietary code that limit the capacity of affected actors to question decisions or demand justification. This erosion of contestability raises concerns not only for democratic legitimacy but also for the fairness and stability of international economic relations (Yeung, 2018; Zuboff, 2019).

Governance beyond the state: Hybrid and infrastructural control

AED also challenges state-centric models of governance. While states remain central actors in ED, their capacity to govern is increasingly mediated by technological infrastructures controlled by private actors. Platforms, data providers, and AI developers exercise infrastructural power by shaping the conditions under which economic interactions become visible, measurable, and actionable (Gillespie, 2014; Srnicek, 2017).

This hybrid governance environment complicates traditional distinctions between public authority and private expertise. In algorithmic settings, governance does not occur solely through formal regulation or diplomatic agreement but through the design, calibration, and deployment of technical systems. Decisions about data inputs, model parameters, and performance metrics carry

political and economic consequences, yet they are often insulated from diplomatic negotiation and public deliberation (Amoore, 2020). In domains such as global finance, supply-chain management, and digital trade, reliance on privately governed data infrastructures further reinforces this shift.

For ED, this implies a transition from rule-based governance toward infrastructural governance. Rather than negotiating rules *ex post*, states increasingly operate within preconfigured algorithmic environments that structure economic possibilities *ex ante*. These dynamic challenges conventional instruments of economic statecraft and calls for new regulatory and diplomatic strategies capable of engaging with technological infrastructures as sites of power, including efforts to enhance transparency, accountability, and strategic autonomy in algorithmically mediated domains.

Power, asymmetry, and strategic vulnerability

Finally, AED reshapes the distribution of power within the international system. While digital ED emphasised soft power, visibility, and narrative influence, AED privileges control over data, models, and infrastructures. States and corporations with advanced AI capabilities gain structural advantages by shaping how economic risks, opportunities, and behaviours are algorithmically assessed (Justinek, 2023).

These asymmetries generate new forms of strategic vulnerability. Dependence on external data sources, proprietary algorithms, or foreign-controlled platforms exposes states to economic coercion that operates below the threshold of overt diplomatic conflict. Algorithmic bias, data manipulation, or strategic withdrawal of technological services can have significant diplomatic consequences without triggering traditional mechanisms of dispute resolution (Beck, 2009; Farrell & Newman, 2019). This includes vulnerabilities arising from dependence on external platforms, datasets, and compliance infrastructures, particularly in highly financialised and digitally integrated economies.

At the same time, algorithmic power complicates the distinction between intentional coercion and systemic effect. Economic outcomes may be shaped by algorithmic dynamics that no single actor fully controls, blurring the line between strategy and structure. This condition reinforces the late-postmodern character of AED, in which contingency, opacity, and accelerated change undermine stable expectations and predictable governance.

RESEARCH AGENDA: STUDYING ECONOMIC DIPLOMACY IN THE ALGORITHMIC AGE

The conceptualisation of AED as a late-postmodern paradigm opens a broad and underexplored research agenda. As algorithmic systems increasingly shape economic governance, diplomatic practice, and international power relations, existing empirical and theoretical approaches require systematic reassessment. This section outlines key directions for future research, structured around agency, governance, power, and methodology.

First, future research should examine how algorithmic systems reshape diplomatic agency in economic statecraft. While this article conceptualises agency as distributed across human and non-human actors, empirical studies are needed to investigate how diplomats, policymakers, and economic officials interact with algorithmic decision-support systems in practice. Research questions might explore how algorithmic recommendations are interpreted, contested, or overridden within diplomatic institutions, and how reliance on automated assessments alters professional norms and expertise (Amoore, 2020; Floridi, 2014). Such inquiries could be

operationalised through interview-based studies, process tracing of decision-making workflows, or comparative analysis of institutional practices across different administrative settings.

Second, scholars should investigate the governance of algorithmic infrastructures in ED. This includes examining who designs, controls, and regulates the algorithmic systems that mediate trade, investment, sanctions, and financial flows. Comparative research across political systems could illuminate how different regulatory environments shape the deployment and oversight of algorithmic tools in economic statecraft, as well as how public and private authority interact in hybrid governance arrangements (Gillespie, 2014; Yeung, 2018). Attention could be given to regulatory regimes in high-capacity economies, where algorithmic infrastructures are more deeply embedded, as well as to emerging governance gaps in less institutionalised contexts.

Third, the implications of algorithmic mediation for accountability and contestability warrant focused attention. Empirical studies could analyse how affected actors (states, firms, or individuals) seek to challenge or appeal algorithmically informed economic decisions, and whether new institutional mechanisms emerge to address transparency and due process deficits. Such research would contribute to broader debates on democratic governance, rule of law, and legitimacy in AI-mediated environments (Pasquale, 2015; Burrell, 2016). Methodologically, this may involve case-based analysis of disputes, regulatory interventions, or legal challenges related to algorithmically mediated decisions.

Fourth, future research should explore the distributional and geopolitical consequences of AED. Algorithmic infrastructures may exacerbate existing power asymmetries by privileging actors with advanced technological capabilities, access to large datasets, or control over global platforms. Comparative studies could examine how algorithmic mediation affects small and large states differently, as well as how it intersects with economic coercion, strategic dependency, and technological sovereignty (Srnicek, 2017; Farrell & Newman, 2019). In particular, research could assess the extent to which AED is concentrated in specific geopolitical or sectoral contexts rather than uniformly distributed across the international system.

Fifth, methodological innovation is required to study AED effectively. Traditional qualitative methods such as interviews and document analysis remain valuable but may need to be complemented by approaches drawn from science and technology studies, critical data studies, and computational social science. Process tracing of algorithmic decision-making, analysis of regulatory frameworks, and interdisciplinary collaboration with technical experts can help unpack the black-boxed dynamics of algorithmic governance (Kitchin, 2017; Latour, 2005). Where feasible, mixed-method approaches combining qualitative insights with data-driven analysis of algorithmic outputs may provide particularly valuable insights.

Finally, normative research should examine the ethical and legal implications of AED. Questions of fairness, discrimination, transparency, and human rights become particularly salient when economic opportunities and constraints are shaped by opaque computational systems (Justinek, 2019; Letnar Čerňič, 2019). Engaging with emerging regulatory initiatives and international norms can help bridge the gap between conceptual analysis and policy-relevant scholarship, without reducing the complexity of algorithmic governance to simplistic solutions (Zuboff, 2019; Yeung, 2018).

Together, these research directions underscore that AED is not a marginal or temporary phenomenon but a structural transformation with far-reaching consequences, particularly in domains where algorithmic infrastructures are deeply embedded. By providing a conceptual foundation, this article aims to facilitate systematic inquiry into how ED is being reconstituted in

the algorithmic age and to encourage interdisciplinary dialogue across diplomatic studies, political economy, and technology governance.

CONCLUSION

This article sets out to conceptualise ED under conditions of algorithmic governance and to assess whether existing analytical frameworks remain adequate in the face of accelerating AI-driven transformation. By tracing the evolution of ED from its modern, state-centred foundations through its digital and postmodern adaptations to a contemporary algorithmic configuration, the article argued that ED may be entering a qualitatively new analytical phase, particularly in contexts where algorithmic infrastructures are deeply embedded in economic governance.

Modern ED was anchored in institutionalised negotiation, human-centred agency, and the instrumental use of technology. Digital and postmodern approaches successfully captured the fragmentation, performativity, and networked communication that accompanied the rise of digital platforms. However, as the analysis has demonstrated, these frameworks increasingly struggle to account for the structural implications of algorithmic mediation. Algorithms do not merely facilitate communication or amplify existing practices; they reconfigure how economic knowledge is produced, how decisions are shaped, and how power is exercised.

The article has therefore introduced AED as a late-postmodern paradigm. This conceptualisation highlights a shift from communicative interaction to infrastructural governance, from human-centred agency to distributed agency, and from discursive power to procedural power embedded in computational systems. In this context, ED is no longer defined primarily by who communicates or negotiates, but by how algorithmic systems structure visibility, access, and strategic possibility.

By framing AED as late postmodern, the article underscores both continuity and rupture. The fragmentation and plurality associated with postmodern ED persist, yet they are intensified and reorganised by algorithmic infrastructures that operate with unprecedented speed, opacity, and autonomy. This late-postmodern condition is characterised by heightened contingency, constrained contestability, and the growing influence of corporate infrastructural power, all of which challenge established assumptions about accountability and governance in international economic relations.

The contribution of this article is primarily conceptual. Rather than offering empirical generalisations, it provides a theoretical framework that clarifies emerging dynamics and enables more precise analytical inquiry. The proposed definition, diagnostic criteria, and stage model offer tools for identifying and comparing instances of AED across contexts, while the research agenda outlines pathways for future empirical and normative investigation. The framework is offered as a conceptual foundation and invites systematic empirical testing across jurisdictions, sectors, and institutional settings.

As ED becomes increasingly entangled with algorithmic systems, the need for conceptual clarity becomes more urgent. Without analytical frameworks capable of capturing the political significance of algorithmic mediation, scholarly debates risk conflating technological novelty with conceptual continuity. By conceptualising AED as a late-postmodern paradigm, this article seeks to contribute to a more rigorous and empirically attentive understanding of how economic statecraft is being reconstituted in the algorithmic age.

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