

Economic Statecraft for Smaller States: Economic Diplomacy and Geopolitics in a Ruptured Global Economy

by
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Item 7. Abstract of Proposal (no more than 1000 words)

This proposal describes a project on **economic diplomacy**, defined as economic statecraft for small states. As the world shifts away from rules-based multilateralism, Singapore and other small open economies need new strategies to maintain prosperity and security. This project will develop a rigorous intellectual and practical framework for how small states can prosper, remain secure, and exercise agency in this new international environment.

Objectives

The central goal is to advance Economic Diplomacy as a coherent field of scholarship and practice.

Three core hypotheses drive the project:

1. World order is shifting away from rules-based multilateralism towards geoeconomics and strategic interdependence.
2. Economic diplomacy—distinct from economic statecraft, which is what great powers do—can equip small states with strategies for navigating this disruption.
3. Economic security must go beyond addressing shocks generically. In the current transition major shocks will not be merely natural events, but will include shocks intentional and adversarial. For economic security small states need strategies that go beyond traditional resilience-building.

The project will:

1. Develop a rigorous analytical framework for economic diplomacy.
2. Subject the core hypotheses to rigorous testing through historical, statistical, and case-study research.
3. Translate findings into practical policy principles, including a handbook for policymakers and an AI-driven LLM Wiki.

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4. Position its work and thus Singapore-based research to lead the emerging global discourse in economic diplomacy and small-state perspectives on economic security and geoeconomics.

The planned outputs are:

1. A major conference book volume;
2. Ten high-quality journal articles;
3. One research monograph;
4. Practitioner workshops;
5. A practical Economic Diplomacy handbook for officials and policymakers.
6. An LLM Wiki to allow further academic research in economic diplomacy using AI-leveraged queries on the project's knowledge base.

Existing Literature and Intellectual Foundations

The proposal draws on wide interdisciplinary foundations, including economics, international relations, security studies, and international history. Specific intellectual themes include:

1. International Relations and World Order

The proposal engages with work on the decline or transformation of liberal international order and the emergence of post-hegemonic arrangements, including the research of Amitav Acharya (multiplexity), Barry Buzan (decentred globalism and deep pluralism), and John Ikenberry (new multilateral world order). These analyses consider worlds where hegemonic presence is optional.

2. Geoeconomics and Strategic Interdependence

The proposal adds to an expanding literature that examines how states weaponise trade, finance, technology, investment, supply chains, sanctions, and export controls. This literature departs from an older economic thinking that treats economic interdependence as welfare-enhancing, but instead highlights its strategic and coercive dimensions. This proposal reframes the discussion around small states.

3. Economic Security

Existing work on small-state economic security looks to resilience, diversification, and regional integration as palliatives to generic, exogenous shocks. This

proposal hypothesises that such policy recommendations inadequately distinguish between

- natural-event shocks (pandemics, crop failures, tsunamis, floods) and
- intentional shocks (sanctions, trade, export controls, coercive supply-chain disruptions, chokepoint manipulation).

This distinction echoes previous work on intentionality in human security threats. It is a foundational conceptual innovation for the project.

4. International Trade and Multilateralism

The proposal engages with research on globalisation and multilateralism. It examines how small states previously prospered under rules-based multilateralism and how they need to adopt new strategies as the system becomes increasingly contested.

Principal Research Contribution

The proposal's most distinctive contribution is the development of Economic Diplomacy as a strategic framework for small states.

To do this a key conceptual innovation is the **Intentional Shock Hypothesis**. Current resilience strategies typically assume shocks are exogenous. This proposal develops an intellectual framing where, instead, disruptions are strategic actions by other states. Small states can then be collateral damage (caught up in negative externality spillovers) or targets (perhaps, for running bilateral trade surpluses against the adversarial state). Three key implications follow:

1. Standard optimisation approaches are insufficient;
2. Adversarial behaviour requires game-theoretic thinking;
3. Best responses may require mixed and adaptive strategies rather than the usual deterministic policy rules that emerge from single-agent convex decision problems.

The third of these implications, however, is not just about the difference between mixed and deterministic strategies. It means small states should consider potentially unorthodox responses. The proposal considers:

- alignment,
- acquiescence,
- adaptation,
- mitigation,
- coalition-building,

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- cross-country supply-chain production syndicates,
 - norm-shaping.

How such strategies have performed historically will be the subject of case-study research. A specific important hypothesis to examine is that multilateralism does not require hegemonic or leviathan leadership, but instead only incentive-compatible coalition design. This directly challenges Hegemonic Stability Theory and opens up new possibilities for world order re-design.

A second important contribution is the idea of “G-minus” or multilateral-enough orders with flexible topology—institutional arrangements that preserve openness and cooperation without requiring universal consensus or full-scale multilateralism. This idea seeks a middle path between traditional liberal multilateralism and great-power bloc geopolitics.

Academic Contributions

1. Creating a new research agenda on economic diplomacy, distinct from Great Power economic statecraft.
2. More deeply integrating economics and international relations, incorporating strategic interaction and intentionality into economic-security analysis.
3. Foregrounding a small-state perspective under-represented in extant geo-economic scholarship.
4. Developing new theoretical concepts—intentional shocks in international macroeconomic analysis; a range of flexible multilateral architectures—and testing their empirical validity.
5. Rigorously examining hypotheses and models of structural shocks—China Shock, US Shock, Multilateralism Shock as just one example—for explaining the fracture of postwar order, going beyond US-China rivalry as the explanatory frame.

Non-Academic Contributions

1. Robust strategies for preserving openness while enhancing economic security (in the face of both natural-event and intentional shocks).
2. Frameworks for coalition building among smaller states.
3. Tools for navigating major-power rivalry without excessive attachment to or dependence on any single bloc.
4. Policy principles for resilience in a world where economic shocks increasingly reflect strategic intent.

A key end-result from these is an Economic Diplomacy Handbook and an LLM Wiki that will help governments and businesses navigate a geoeconomic age.

Conclusion

This proposal seeks to establish Economic Diplomacy as the theory and practice for how small states can safeguard their prosperity, security, and strategic autonomy in an international system where economic interdependence is increasingly weaponised and where traditional rules-based multilateralism is no longer available. If successful, this project will have positioned its work and Singapore-based research to lead the emerging global discourse in economic diplomacy.

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Item 9. Project deliverables and desired outcomes

The project will seek to publish ten articles in top 10% journals, at least one research monograph in a leading academic press, and a conference volume for which it will commission papers by top researchers.

The project's researchers will make presentations or give keynote lectures on this research at eight top-tier international conferences over the five years. To disseminate the ongoing research and to engage with the academic and think-tank communities, the project will hold an Economic Diplomacy workshop once a year, beginning in Singapore and then regionally. The project will hold smaller closer-door meetings with public agencies and private business groups once a year.

As the technical research develops the project will issue policy briefs, at least three over the course of the work, and provide media commentaries and op-eds, at least six over the duration of project.

Both to provide next-generation training and to assist in the work, the project will take on two post-doctoral fellows, two research associates (or assistants, depending on skills match), two ongoing PhD students, and two ongoing Masters students.

At the end of the project, the collected work will feed into an Economic Diplomacy Handbook to help policymakers and the business community navigate the increasingly fractured global economy.

Throughout the project, the data and information collected, including notes unwritten into papers, will feed into a knowledge base. The project will, over this time, develop an LLM Wiki that can be used to query the knowledge base and allow further research on economic diplomacy, using AI methods building on top of our empirical evidence.

If successful, the project will have its work and researchers take global leadership in shaping small-state perspective on the new international economics of geoeconomics and strategic interdependence.