Bargaining In Diplomacy: Interrogating Elements of Capabilities and Leverages of States in The Global System

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Abstract
Bargaining has long been a central feature of international diplomacy and continues to play a significant role in contemporary interstate relations. It is often assumed that powerful and economically advanced states possess inherent advantages in negotiation processes, enabling them to influence outcomes in their favour when engaging with weaker and less developed states. This assumption is historically grounded in the evolution of international relations, which has largely been shaped by power dynamics and political dominance. Traditionally, a state's bargaining strength is associated with several factors, including geopolitical position, economic stability, military capability, and overall national influence. However, this paper critically examines whether the possession of such advantages necessarily guarantees dominance in negotiation or diminishes the bargaining capacity of weaker states. Drawing from both legal and psychological perspectives, the paper argues that successful negotiation and sustainable agreements are fundamentally dependent on mutual consent between parties, whether in domestic or international contexts. It further contends that effective bargaining is rooted in psychological principles of interaction, where the assertiveness of stronger or wealthier states does not automatically negate the negotiating power or participation of weaker or less developed states.

Keywords: Bargaining, Diplomacy, Negotiation, Power Relations, International Relations, Global System

Introduction

For a long time, there has been a dominant perception in international relations that weaker and less economically developed states possess limited bargaining power and are therefore more susceptible to domination by stronger and wealthier states during negotiations. This viewpoint has persisted from the emergence of the Westphalian system to the present global order, and it continues to influence how outcomes in international negotiations involving developing countries are interpreted. Historically, international politics has often been characterized by power asymmetries, where outcomes are seen through a "winner-takes-all" lens, reinforcing the idea that negotiations between strong and weak states tend to produce zero-sum results.1

This perception is largely rooted in realist thought and the broader practice of power politics within the international system. Against this backdrop, this paper critically examines the actual capabilities of states within negotiation processes. It challenges the assumption that material strength automatically translates into superior bargaining outcomes, arguing instead that the effectiveness of bargaining power cannot be fully explained by traditional notions of might and influence.

To advance this argument, the paper explores the concept of bargaining power, its nature, and its underlying components. It posits that all states—regardless of their economic or military strength—possess some level of agency and interest in international bargaining processes. The study is structured into four main sections. The first section examines the meaning and nature of bargaining power in interstate relations. The second section discusses the evolution of international relations, focusing on the pre-1945 and post-1945 periods. The third section analyses bargaining power across three analytical levels, while the final section provides the conclusion.2

Bargaining Power: Conceptual Definition and Nature

The Oxford English Dictionary defines "bargain" as a negotiation or discussion between two parties aimed at reaching an agreement in which each side gives and receives something in return. It also describes it as a mutual arrangement that determines what each party contributes and gains in a transaction. Based on this understanding, bargaining can be seen as a process of mutual exchange grounded in agreement between participants. In principle, this mutual consent suggests that domination of one party by another should not be inherent in the process, although real-world practice sometimes reflects unequal outcomes. Building on this foundation, it is important to consider how states exercise bargaining power within the international system. In a strict sense, bargaining power is not an inherent or fixed attribute. Rather, it is acquired and expressed through interaction. It is not limited to possession of military, economic, or socio-cultural strength alone, but is shaped by a broader set of contextual and strategic factors that influence negotiation outcomes.

Bargaining power refers to the level of negotiating influence that a party possesses in an interaction, regardless of its economic status, size, or level of development. It is concerned with the ability of a party to secure a favourable position in negotiations through the deployment of effective strategies and preparation. In essence, a lack of clear strategy or poor understanding of negotiation requirements can significantly weaken the position of any state or actor involved in bargaining.

A strong bargaining position depends greatly on a clear understanding of one's needs, priorities, and realistic expectations. The ability to clearly define and communicate demands, while also considering alternative options, strengthens a party's negotiating capacity. Conversely, vague objectives or poorly structured negotiation plans tend to reduce effectiveness and may place a party at a disadvantage. In international relations, bargaining power is sometimes misused or overstated by states, often based on perceived superiority rather than actual capability, thereby influencing diplomatic behaviour and expectations.

Bargaining power becomes particularly evident in situations where a state has exclusive or near-exclusive control over a critical resource or service. In such cases, the state may appear to hold a monopoly over negotiations. However, such advantages are not always permanent. A notable example is the 1973 oil crisis, during which oil-producing countries under OPEC exercised significant control over oil supply and pricing, thereby strengthening their bargaining position against Western consumer states. Although this dominance was initially effective, subsequent international pressure and cooperation among consumer nations eventually reduced that advantage.3

Similarly, the 1974 United Nations initiative on the Charter of Economic Rights and Duties of States reflected how developing countries attempted to collectively enhance their bargaining strength in global economic negotiations, particularly regarding primary commodities. However, internal divisions within the group weakened their position and limited the success of the initiative.4 Ultimately, genuine bargaining power is reflected not merely in dominance but in the ability to reach mutually beneficial outcomes through negotiation. Effective bargaining in international relations is grounded in mutual respect, recognition of sovereignty, and the pursuit of shared interests. When states exploit weakness rather than engaging in balanced negotiation, it undermines the principles of diplomacy and distorts the cooperative nature of international relations.

Where a state occupies a weaker position in an interaction, it is often subjected to domination rather than genuine negotiation, since meaningful engagement between sovereign states is ideally aimed at fostering cordial and cooperative relations.5

Phases of Development of Bargaining Techniques

In international relations, domination of one state over another—particularly through military superiority—has been a longstanding historical reality. The resolution of disputes between states through warfare reflects the use of force as a

demonstration of power, often disregarding the humanitarian consequences experienced by non-combatants. Prior to 1945, the use of war as an instrument of statecraft was widely accepted as part of maintaining international order. However, this approach was fundamentally challenged and later rejected by the architects of the United Nations, who sought to establish a system grounded in collective security and peaceful settlement of disputes. It is therefore important to distinguish between the pre-1945 and post-1945 approaches to international relations.

Pre-1945 Techniques of International Relations

The interaction among states has long been a defining feature of the international system. However, prior to 1945, the conduct of international relations was largely driven by the pursuit of national interests rather than by established frameworks for peace and security. Although certain customary principles of international law had begun to emerge—particularly in the areas of trade and economic relations—the development of comprehensive norms governing international peace remained limited 6.

Two key issues are evident in this period. First, the era before 1945 was predominantly characterized by colonialism, which served as the principal structure within which international relations were conducted. Colonized territories were not recognized as legitimate actors and therefore lacked the authority to participate in global diplomatic processes. Second, this condition produced significant consequences for post-colonial states. Upon gaining independence, these states were expected to engage in international relations despite lacking the necessary experience. Furthermore, the widespread perception that older and more established states possessed superior bargaining capacity contributed to the acceptance and reinforcement of unequal power relations in the international system. Diplomatic practice during this period was fundamentally rooted in power politics, with the use of military force being both common and accepted. Notably, the Covenant of the League of Nations did not abolish war but rather sought to regulate disputes through procedural mechanisms. Article 15 of the Covenant provided that disputes likely to result in conflict, and not resolved through arbitration or judicial means, should be submitted to the Council. Any party to such a dispute could notify the Secretary-General, who would then initiate arrangements for investigation and consideration of the matter 7.

In this process, the parties involved were required to submit detailed statements of their positions, including all relevant facts and documentation, after which the Council could direct their publication8. The Council would then attempt to facilitate a resolution, and where successful, issue a public statement outlining the facts and terms of settlement. Where settlement could not be achieved, the Council could publish a report containing findings and recommendations deemed appropriate 9. Members of the League represented on the Council also retained the right to make independent statements regarding the dispute and their conclusions10. If a report was unanimously adopted—excluding the parties to the dispute—member states agreed not to resort to war against any party that complied with the recommendations11. However, where unanimity could not be achieved, member states reserved the right to take whatever action they considered necessary to uphold justice12.

In cases where disputes were deemed to fall within the domestic jurisdiction of a state under international law, the Council would refrain from making recommendations13. Additionally, disputes could be referred to the Assembly upon request by either party within a specified period14. Reports issued by the Assembly, when supported by the required majority, carried the same authority as those of the Council15.

Despite these institutional arrangements, the system remained fundamentally weak in preventing conflict. Territorial acquisition through force was still permitted, indicating that the principle of territorial integrity had not yet been fully established as a binding norm of international law. Moreover, the exploitation of natural resources in colonized regions by foreign corporations was widespread. Agreements were often structured in a way that granted extensive control to external actors, while local populations received minimal benefits and had little influence over such arrangements17.

The colonial system thus entrenched a structure of dominance in global relations. Colonial powers and transnational corporations operated from positions of strength, while the actual owners of natural resources were relegated to subordinate roles. As a consequence, newly independent states emerged with limited administrative capacity, insufficient technical expertise, and little experience in managing political and economic affairs.

Over time, the advantages enjoyed by colonial powers became institutionalized, while weaker states found themselves increasingly disadvantaged. Even where there was a desire to strengthen their position, many lacked the foundational elements—such as education, training, and experience—necessary to do so effectively18.

Post-1945 Technique of International Relations

The year 1945 represents a major turning point in the evolution of international relations. The establishment of the United Nations significantly transformed the structure and conduct of global diplomacy, ushering in a new era of institutionalized international cooperation. One of the most notable outcomes of this transformation was the emergence of newly independent states, largely as a result of decolonization policies promoted by the United Nations and supported by former colonial powers. The attainment of independence by these territories granted them recognition as sovereign entities, with territorial integrity and formal equality under international law, thereby subjecting them to the same diplomatic principles governing interstate relations.

In the post-1945 period, the development of international legal frameworks—particularly in the area of trade and economic relations—incorporated elements of pre-existing colonial legal systems into the broader body of international law. This integration had significant implications for newly independent states, especially in areas such as credit systems and terms

of trade. In many instances, contractual agreements continued to be governed by the legal systems of developed countries, based on the assumption that the institutional and legal frameworks of emerging states were not sufficiently developed or standardized 19. Despite their formal independence, many developing countries that emerged after 1945 lacked comprehensive and effective strategies for governance and economic management. At the same time, developed nations did not adequately design international frameworks that addressed the specific needs and conditions of these new states. As a result, newly independent countries entered the international arena with limited experience, often functioning as inexperienced participants within a system largely dominated by established Western powers.

Under such conditions, the principle of equality among states became largely theoretical, while reciprocity in international dealings was often absent. Interactions between developed and developing states were therefore characterized by imbalance and distance. Psychologically, many new states appeared to accept subordinate roles within the international system. This position of dependency was further reinforced through various forms of assistance—including financial aid, military support, and socio-cultural cooperation—provided by developed countries. While such support was intended to promote development, it often had the unintended effect of undermining the confidence and autonomy of developing states. The combination of weak planning, limited strategic capacity, and poor economic performance contributed to increasing reliance on external support from developed countries in the global North20.

In this context, the issue was not necessarily the complete absence of bargaining power among developing states, but rather their limited ability to recognize and effectively utilize their potential. This situation was further exacerbated by heavy debt burdens and a lack of confidence, both of which hindered the development of balanced and symmetrical relationships between developing states and their more powerful counterparts.

Effective bargaining power—understood as the capacity to negotiate successfully—rests on several critical factors. These include a clear understanding of one's strategies, awareness of national interests, confidence in negotiation processes, and the absence of both inferiority and superiority complexes. It is through these variables that the true bargaining capacity of a state can be assessed.

This analysis naturally leads to the consideration of different levels at which bargaining operates within the international system 21.

The Three Levels of Bargaining Power

Bargaining power among states can be examined across three distinct levels: the national, bilateral, and international spheres. At the national level, it relates to the internal authority and capacity of a state; at the bilateral level, it is reflected in agreements and negotiations between two states; while at the international level, it is expressed within multilateral institutions such as the United Nations.

(a) National Level

At the national or domestic level, bargaining power is rooted in the internal strength of a state, regardless of whether it is economically strong or weak. This includes the authority to formulate laws, regulate foreign investment, and control economic activities within its territorial jurisdiction. A key element at this level is the structuring or sectorisation of the national economy, which is typically guided by state policies and development priorities.

In many cases, natural resources—often under state control—are made accessible to foreign investors through licensing arrangements. Such arrangements usually come with conditions, including the use of local raw materials, employment of domestic labour, development of local distribution networks, and participation of the host state in management and control 22.

To stimulate growth in specific sectors, governments may allow foreign investment with minimal restrictions, sometimes offering incentives for a defined period. However, it is common practice for certain sectors, particularly agriculture and domestic industries, to remain reserved for local participation. For example, some countries restrict foreign involvement in strategic industries such as fisheries, tourism, uranium production, or petroleum exploration. In such instances, domestic legislation effectively prevents foreign access, thereby eliminating the need for negotiation with external investors in those protected sectors.

A state's bargaining strength is further enhanced by economic self-sufficiency, particularly in agriculture and small- and medium-scale industries. Local resources often provide a sufficient foundation for agricultural development, requiring minimal external financing. Historical evidence suggests that many developed countries achieved early self-sufficiency in agriculture, which subsequently supported growth in other sectors. Similarly, some developing countries have attained a degree of agricultural independence, thereby reducing reliance on foreign assistance.

Importantly, achieving self-sufficiency in agriculture is generally more attainable than in other sectors, and it plays a foundational role in strengthening a country's broader economic capacity23.

(b) Bilateral Level

At the bilateral level, bargaining power is reflected in the ability of states to negotiate and conclude agreements—whether economic, political, or military—with other states. Investment agreements, in particular, are often influenced by the assumption that foreign investors possess stronger bargaining positions than host states, despite the fact that investors are primarily motivated by profit maximization.

Nevertheless, the host state retains the authority to select investors based on its own interests and priorities. This authority can only be effectively exercised if the state has clearly identified its needs and strategic objectives. For instance, a state

should determine the type of technology it requires rather than leaving such decisions to external providers. Emphasis should therefore be placed on the acquisition of appropriate technology rather than passive acceptance of transfer packages. Before engaging in such agreements, states must evaluate their domestic technological capabilities and assess whether foreign technology will genuinely contribute to strengthening their industrial base. This is particularly important because reliance on imported technology can lead to long-term dependency, while the financial costs associated with acquisition often result in sustained debt obligations24.

Thus, at the bilateral level, bargaining power is closely linked to the ability of a state to make informed choices. A clear understanding of technological needs, coupled with the capacity to utilize and maintain such technology, enhances negotiating strength. Conversely, poorly informed decisions increase dependency, especially where technology transfer agreements are structured as comprehensive packages that favour the supplier. Policy decisions aimed at achieving national self-reliance also play a crucial role in strengthening bargaining capacity. Studies by international bodies, such as the United Nations Centre on Transnational Corporations, have highlighted ways in which developing countries can improve their negotiating positions in acquiring foreign technology25.

According to the Centre, developing countries have generally approached technology acquisition with pragmatism, acknowledging the imperfections of the global technology market and the difficulty of determining fair pricing. Ultimately, the cost of technology often reflects the relative bargaining strength of the parties involved. Regulatory measures have therefore been introduced to strengthen domestic negotiating positions, reduce excessive financial outflows, and ensure a more comprehensive evaluation of foreign investment beyond mere equity participation. Governments have also sought to limit unjustified transfers within multinational corporate structures26.

(c) International Level

At the international level, bargaining power operates within multilateral frameworks such as the United Nations and its specialized agencies. Unlike the national and bilateral levels, bargaining here often takes the form of collective action, particularly between developed countries of the global North and developing countries of the global South.

Effective collective bargaining requires unity in policy, strategy, and objectives, as well as adequate preparation for negotiation. A notable example is the role of the United Nations Conference on Trade and Development (UNCTAD), which has engaged in sustained negotiations through various rounds, including the Tokyo and Uruguay Rounds. Its efforts contributed to the eventual recognition of the Generalized System of Preferences (GSP), illustrating the potential strength of coordinated action among developing countries27.

Another example is the introduction of the Exclusive Economic Zone (EEZ) under the United Nations Convention on the Law of the Sea (UNCLOS III), initially proposed by developing countries and supported by a broad coalition of states. This demonstrates that, through collective effort, less powerful states can exert meaningful influence in international negotiations. As observed by Koul, group-based negotiation strategies within UNCTAD have increasingly contributed to achieving shared objectives, even if outcomes have sometimes been limited28.

Bargaining power among developing states is also evident in efforts to influence global commodity markets, particularly in sectors involving natural resources. However, excessive or poorly coordinated use of such power can produce adverse outcomes. For instance, initiatives under the Charter of Economic Rights and Duties of States (1974) faced resistance from developed countries, partly due to proposals perceived as overly assertive, such as attempts to control commodity markets or limit compensation obligations under international law29.

Similarly, the influence exerted by oil-producing countries during the 1973 oil crisis through OPEC demonstrated the potential of collective bargaining, although such dominance proved difficult to sustain over time.

The dynamics of bargaining power are also evident in international financial institutions such as the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). While developing countries constitute a numerical majority in these institutions, their bargaining influence is often constrained by structural factors, including voting systems based on financial contributions.

In assessing loan applications, significant emphasis is placed on the quality and completeness of information provided by applicant states. This includes data on economic performance, trade, employment, and social indicators, all of which influence decision-making processes30. Applicant states must also demonstrate the viability of their proposed programs, including their capacity to repay loans and ensure consistency with existing economic policies. The sustainability of such programs is evaluated within a broader socio-economic context.

The weighted voting system used by institutions like the IMF assigns greater influence to states with larger financial contributions. As a result, despite numerical advantage, developing countries may have limited decision-making power. Ultimately, factors such as the structure of applications and the financial contributions of member states play a decisive role in determining outcomes31.

Conclusion

This paper has demonstrated that the concept of bargaining power has traditionally been interpreted through the lens of strength, often linked to the military, economic, and technological capabilities of states within the international system. However, upon closer examination, it becomes evident that bargaining power, in its true sense, is rooted in the process of negotiation, where the principle of reciprocity plays a central role in shaping outcomes.

The analysis further reveals that, within the practice of international diplomacy, the notion of bargaining power is frequently misunderstood and, at times, misapplied. In many instances, states equate bargaining strength with the use of coercion or force, thereby deviating from the fundamental objectives of negotiation. Such an approach not only distorts the meaning of bargaining but also undermines its effectiveness as a diplomatic tool.

Excessive reliance on this distorted form of bargaining power often produces negative consequences, including the breakdown of trust and the deterioration of relations between states. In contrast, bargaining power, when properly understood and applied, should serve as a mechanism for fostering cooperation and mutual benefit among states at various levels of interaction. Diplomacy, by its very nature, is intended to promote peaceful coexistence, strengthen friendly relations, and encourage collaboration at national, regional, and international levels. These objectives are best achieved through adherence to the principles of consent, mutual respect, and reciprocity, rather than through domination or the use of force. Therefore, evaluating bargaining power solely in terms of military or economic strength represents a narrow and misleading perspective—one that has historically influenced, but should no longer define, the practice of international diplomacy.

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