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The Role of Economic Diplomacy and Bilateral Cooperation in Promoting Foreign Investment: The Mediating Effect of Political Stability

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ABSTRACT

Foreign Investment Growth is influenced by a broad range of interconnected determinants that extend beyond conventional economic factors, including the implementation of Economic Diplomacy, the strength of Bilateral Cooperation, and the level of Political Stability, all of which collectively shape the attractiveness of a country's investment environment. In response to this perspective, the present study examines the influence of Economic Diplomacy and Bilateral Cooperation on Foreign Investment Growth by incorporating Political Stability as a mediating construct. The research adopted a quantitative approach involving 75 purposively selected respondents consisting of government representatives, business professionals, academics, and researchers specializing in investment, international trade, and international relations. Primary data were obtained through a five-point Likert-scale questionnaire and analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique implemented in SmartPLS software. The analytical framework comprised the assessment of the measurement model (outer model), evaluation of the structural model (inner model), and hypothesis testing using the bootstrapping procedure. The empirical findings reveal that Economic Diplomacy has a negative but statistically significant effect on Foreign Investment ($\beta = -0.271$; $p = 0.033$), while exerting a positive and statistically significant influence on Bilateral Cooperation ($\beta = 0.723$; $p < 0.001$). In addition, Bilateral Cooperation positively and significantly affects Foreign Investment ($\beta = 0.378$; $p = 0.043$). Political Stability also demonstrates a positive and statistically significant impact on Foreign Investment ($\beta = 0.525$; $p = 0.002$), whereas its relationship with Bilateral Cooperation is positive but does not reach statistical significance ($\beta = 0.067$; $p = 0.556$). The structural model explains 57.7% of the variance in Bilateral Cooperation and 36.5% of the variance in Foreign Investment. Overall, the results indicate that stronger Bilateral Cooperation and sustained Political Stability represent the principal determinants supporting Foreign Investment Growth, while Economic Diplomacy continues to exert a statistically significant direct effect despite the negative direction of its estimated relationship.

Keywords: *Economic Diplomacy, Bilateral Cooperation, Foreign Investment, Political Stability, PLS-SEM.*

INTRODUCTION

The process of globalization has substantially transformed the landscape of international relations, especially in the economic domain, by creating deeper interdependence through international trade, investment flows, and cross-border collaboration. Within this global framework, Foreign Direct Investment (FDI) has become one of the principal contributors to economic development, improving national productivity, expanding employment opportunities, facilitating technological diffusion, and strengthening human capital development (Dunning & Lundan, 2008). For many developing countries, foreign investment represents not only a vital source of development financing but also an essential strategic mechanism for improving national economic competitiveness in an increasingly integrated global marketplace (UNCTAD, 2023). Accordingly, governments have implemented various policy initiatives designed to attract higher levels of foreign investment by promoting a supportive investment environment, reinforcing legal certainty, preserving macroeconomic stability, and cultivating positive international partnerships. These considerations indicate that a country's ability to attract foreign investors is influenced not merely by its economic performance but also by the stability of its political environment and the effectiveness of its diplomatic relations with partner countries (Neumayer & Spess, 2005).

As global economic competition continues to intensify, developing economies are increasingly expected to create investment climates that are sufficiently competitive to attract international capital. Meeting this objective requires more than offering financial or fiscal incentives to prospective investors; it also depends on sound governance, effective legal and regulatory institutions, efficient bureaucratic processes, and the government's capacity to establish a trustworthy international reputation. In assessing potential investment locations, foreign investors generally evaluate numerous considerations, including political stability, domestic security conditions, the effectiveness of licensing and administrative systems, and the country's long-term economic growth prospects. Therefore, policies intended to increase foreign investment should be designed within a comprehensive strategic framework rather than relying exclusively on domestic economic measures. From the standpoint of international relations, a state's ability to develop and strengthen cooperative relationships through diplomatic engagement plays a significant role in enhancing investor confidence regarding the credibility and long-term attractiveness of investment opportunities.

Among the various policy measures employed to strengthen a country's investment appeal, economic diplomacy has become one of the most prominent strategic approaches. As an integral element of foreign policy, economic diplomacy utilizes diplomatic channels to pursue national economic interests, including expanding international trade, broadening export destinations, encouraging foreign investment, reinforcing economic partnerships, and improving overall national competitiveness (Bayne & Woolcock, 2011). Its implementation is not restricted to bilateral engagement but also encompasses regional and multilateral cooperation mechanisms. Through these diplomatic processes, economic diplomacy contributes to building mutual confidence among states, promoting constructive political dialogue, and creating mutually advantageous opportunities for collaboration (Okano-Heijmans, 2011). As a result, numerous governments have incorporated economic diplomacy into their core policy frameworks to address the changing demands of the global economy while enhancing their ability to secure long-term foreign investment inflows.

Within the modern international environment, economic diplomacy has expanded beyond the traditional scope of formal negotiations conducted exclusively between governments. It has developed into a multidimensional strategy that actively involves a wide range of participants, including private enterprises, investment agencies, international organizations, and members of the global business community. The engagement of these stakeholders strengthens the capacity of economic diplomacy to showcase investment prospects, communicate national economic priorities, and promote a country's reputation as a dependable and competitive investment destination. Its effectiveness is further influenced by the government's capability to deliver transparent information concerning domestic economic opportunities, regulatory improvements, and its commitment to protecting investor interests. Consequently, economic diplomacy functions not only as an instrument of foreign policy but also as a strategic mechanism for continuously enhancing national economic credibility. Such credibility ultimately contributes to strengthening the confidence of international investors and business communities, thereby supporting the expansion of more durable and mutually beneficial economic partnerships with other countries.

Economic diplomacy serves not only as a policy mechanism for attracting foreign investment but also as a strategic tool for enhancing a country's negotiating capacity within the global economic system. Through its implementation, governments are able to strengthen communication with international partners, broaden access to overseas markets, and facilitate the establishment of mutually advantageous economic partnerships. Furthermore, economic diplomacy provides an avenue for governments to demonstrate their commitment to economic reform, stronger investment protection, and the continuous improvement of the domestic business environment before the international community. These commitments are commonly perceived by foreign investors as positive indicators of a government's willingness to ensure a stable investment climate supported by legal certainty and long-term policy consistency. Accordingly, the effectiveness of economic diplomacy should be evaluated not only by the number of international agreements concluded but also by its ability to strengthen investor confidence and enhance the country's reputation as a dependable and attractive destination for foreign investment.

Beyond the role of economic diplomacy, bilateral cooperation represents another fundamental determinant in encouraging the expansion of foreign investment. Well-established bilateral relationships signify mutual trust, common objectives, and reciprocal commitments between partner countries in supporting economic development initiatives (Neumayer & Spess, 2005). These cooperative arrangements may take various forms, including bilateral investment agreements, trade facilitation measures, investor protection mechanisms, technological partnerships, and policies that encourage business mobility. As bilateral cooperation becomes stronger, foreign investors generally perceive greater certainty and security when considering investment opportunities within a particular country. Consequently, economic diplomacy and bilateral cooperation operate as mutually reinforcing policy instruments that contribute to the development of a more competitive investment environment while simultaneously increasing investor confidence in the country's long-term economic potential (Bayne & Woolcock, 2011).

Robust bilateral cooperation constitutes a strategic foundation for strengthening long-term economic relationships between nations. Different forms of bilateral arrangements, including agreements on trade, investment, and broader economic collaboration, facilitate more effective coordination in overcoming challenges associated with investment activities. In addition, bilateral cooperation generally enhances legal certainty for investors by providing dispute resolution mechanisms and reducing policy-related risks that could disrupt investment continuity. From a practical perspective, countries that maintain strong bilateral partnerships are often more capable of attracting stable investment inflows because these relationships foster greater confidence among economic stakeholders. Accordingly, reinforcing bilateral cooperation represents an essential policy strategy for establishing an investment environment that is both competitive and sustainable over the long term.

At the same time, the capacity of economic diplomacy and bilateral cooperation to encourage foreign investment is closely associated with the degree of political stability within a country. Political stability reflects the presence of a governing system capable of ensuring a secure domestic environment, implementing public policies effectively, and maintaining consistent regulatory frameworks, all of which are major considerations influencing investors' final investment decisions (Busse & Hefeker, 2007). In contrast, political instability increases investment uncertainty and risk, thereby discouraging foreign investors from allocating capital. For this reason, political stability serves not only as a fundamental condition for sustainable economic development but also as a strategic element that strengthens the effectiveness of economic diplomacy and bilateral cooperation in attracting foreign investment (Jensen, 2008). Building upon this rationale, the present study investigates the effects of Economic Diplomacy and Bilateral Cooperation on Foreign Investment Growth while incorporating Political Stability as a mediating variable. Employing a quantitative research design analyzed through the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach, this study aims to generate empirical evidence regarding the structural relationships among the variables examined.

Studies investigating the relationships among Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment continue to present considerable opportunities for scholarly advancement, particularly through the development of integrated quantitative models capable of explaining the interactions among these constructs. Existing research has predominantly examined the influence of each variable independently, resulting in a relatively limited understanding of how these factors jointly contribute to the expansion of Foreign Investment. Within the current international environment, investment decisions are determined not only by a country's economic performance but also by the effectiveness of its diplomatic engagement, the level of mutual confidence established through bilateral relationships, and the degree of political stability that ensures certainty and predictability for investors. Consequently, constructing a research framework that combines these variables into a unified analytical model is essential for providing a more comprehensive explanation of the determinants underlying Foreign Investment Growth. Such an integrated approach also facilitates a more systematic evaluation of the relationships among the variables using empirical evidence, thereby producing a broader and more holistic understanding of the phenomenon being examined.

Building upon the preceding discussion, this study is designed not only to analyze the relationships among the proposed variables through statistical procedures but also to generate empirical evidence concerning the interdependence of Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment within a single integrated analytical framework. By utilizing the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach, the research aims to establish an analytical model capable of explaining the magnitude of the relationships among the constructs based on empirical data obtained from the respondents. Beyond its contribution to the advancement of international relations scholarship, this study is also expected to expand the body of literature addressing the determinants of Foreign Investment by adopting a quantitative perspective that conceptualizes Economic Diplomacy, Bilateral Cooperation, and Political Stability as interconnected dimensions. Accordingly, the findings are anticipated to provide a meaningful academic reference for understanding how foreign policy instruments and domestic conditions jointly shape a favorable investment climate while remaining fully consistent with the original objectives and scope of the research.

RESEARCH METHOD

This research adopted a quantitative approach to investigate the causal relationships among Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment. The selection of this methodological approach was based on its capacity to evaluate relationships among variables objectively through hypothesis testing using empirical data obtained from the respondents. According to Hair et al. (2022), quantitative research is particularly suitable for studies aiming to assess the magnitude of relationships among latent constructs by employing systematically developed statistical models. Data collection was carried out through a structured questionnaire developed on the basis of indicators representing each research variable. Every questionnaire item was measured using a five-point Likert scale, with response options ranging from 1 (strongly disagree) to 5 (strongly agree).

The study population comprised individuals whose backgrounds and characteristics corresponded to the objectives of the research, whereas the sample was determined using a purposive sampling technique according to predetermined selection criteria relevant to the research topic. The respondents consisted of (1) government officials or public employees responsible for investment, international trade, or international relations; (2) business practitioners or representatives of business associations with experience in international business collaboration; and (3) academics or researchers specializing in international relations, international economics, or investment policy. The final sample included 75 respondents. This sample size was considered adequate for analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM), given that the method is capable of generating reliable parameter estimates without requiring a large number of observations and is appropriate for both exploratory and predictive research designs.

The present study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) through the SmartPLS software package as the primary analytical technique. This method was chosen because it can estimate complex relationships among latent variables, accommodate structural models that incorporate mediating constructs, and produce robust estimates without imposing strict assumptions of multivariate normality. In addition, PLS-SEM is widely recognized as an appropriate analytical approach for research involving small to moderate sample sizes and is particularly effective for predictive model development rather than theory verification. The analytical process was conducted in two sequential phases, comprising the evaluation of the measurement model (outer model) and the assessment of the structural model (inner model). The measurement model was examined by assessing convergent validity using outer loading values and the Average Variance Extracted (AVE), discriminant validity through the Heterotrait–Monotrait Ratio (HTMT) criterion, and construct reliability based on Composite Reliability and Cronbach's Alpha coefficients. Thereafter, the structural model was evaluated by examining the coefficient of determination (R^2), path coefficients, effect size (f^2), and predictive relevance (Q^2), where applicable. The final stage involved hypothesis testing using the bootstrapping procedure, with statistical significance determined through the interpretation of t-statistics and p-values at the 5% significance threshold.

Hypothesis evaluation in this research was performed by interpreting the path coefficient, t-statistic, and p-value generated from the bootstrapping procedure available in SmartPLS. A proposed hypothesis was accepted when the statistical results fulfilled the established criteria, namely a p-value below 0.05 and a t-statistic exceeding 1.96 at the 95% confidence level; otherwise, the hypothesis was rejected if either or both conditions were not satisfied. In addition to investigating the direct associations among the study variables, the analytical framework incorporated Political Stability as a mediating construct, thereby allowing the assessment of both direct and indirect relationships within the structural model. By employing the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach, this research aimed to provide a more comprehensive estimation of the relationships linking Economic Diplomacy, Bilateral Cooperation, and Foreign Investment Growth, while simultaneously considering the mediating function of Political Stability. Accordingly, the empirical findings are expected to enrich the body of knowledge in international relations, particularly studies concerning economic diplomacy, through the application of a rigorous quantitative methodological framework.

The implementation of Partial Least Squares Structural Equation Modeling (PLS-SEM) within a quantitative research design offers substantial methodological benefits because it enables the simultaneous estimation of interrelationships among latent constructs specified within a theoretically grounded structural model. In addition to identifying the direct effects connecting the variables, this analytical technique provides a structured means of evaluating the contribution of each exogenous construct to the endogenous variables. As a result, the analysis not only determines whether the proposed relationships are statistically significant but also explains the magnitude and pattern of the structural effects represented in the research model. Owing to these methodological strengths, PLS-SEM constitutes an appropriate analytical procedure for fulfilling the objectives of this study, namely to explain the relationships among Economic Diplomacy**,** Bilateral Cooperation**,** Political Stability, and Foreign Investment within an integrated analytical framework while preserving the validity and reliability standards of the research instruments.

RESULTS AND DISCUSSION

Measurement Model (Outer Model)

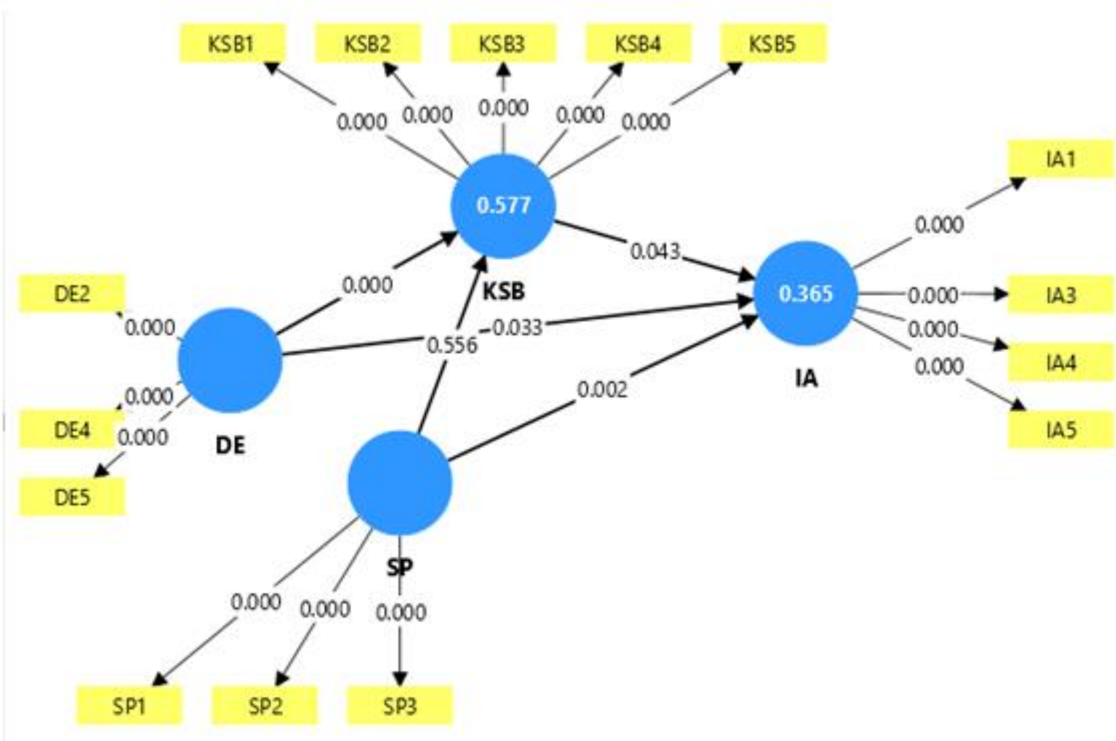

Figure 1. Structural Model Assessment (Inner Model)

Table 3. Summary of the Direct Effects Hypothesis Testing Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
DE -> IA	-0.271	-0.261	0.127	2.131	0.033
DE -> KSB	0.723	0.719	0.086	8.428	0.000
KSB -> IA	0.378	0.414	0.187	2.022	0.043
SP -> IA	0.525	0.505	0.166	3.163	0.002
SP -> KSB	0.067	0.080	0.113	0.589	0.556

The evaluation of the measurement model (outer model) demonstrated that every indicator used to measure the constructs of Economic Diplomacy (ED), Bilateral Cooperation (BC), Political Stability (PS), and Foreign Investment (FI) achieved outer loading values above the recommended benchmark of 0.70. Specifically, the indicators representing Economic Diplomacy exhibited loading values ranging from 0.788 to 0.855, while those associated with Bilateral Cooperation varied between 0.717 and 0.865. The Political Stability construct attained a maximum outer loading value of 0.927, whereas the indicators measuring Foreign Investment produced values within the range of 0.772 to 0.854. In accordance with the guideline established by Hair et al. (2021), indicator loadings greater than 0.70 demonstrate that the observed variables provide adequate representation of their corresponding latent constructs and therefore satisfy the criterion for convergent validity. Based on these results, all indicators included in the measurement model met the required validity standards and were consequently retained for the subsequent stages of analysis without eliminating any measurement items.

The fact that all measurement indicators satisfied the convergent validity requirements confirms that the research instrument appropriately and consistently captures each latent construct in line with the established conceptual framework. These results demonstrate that every indicator is sufficiently capable of measuring its intended construct while minimizing the possibility of substantial measurement error. Beyond verifying the adequacy of the measurement model, this achievement also fulfills a critical prerequisite for evaluating the structural model, as examining relationships among latent variables within the Partial Least Squares Structural Equation Modeling (PLS-SEM) framework requires constructs that have already met the prescribed measurement standards. Consequently, the interpretation of the hypothesis testing results can be conducted with greater confidence because the instrument has demonstrated satisfactory levels of validity and reliability. Within quantitative research, confirming the quality of the measurement model represents an essential methodological stage that must precede the analysis of causal relationships among latent constructs. Therefore, the successful performance of all indicators during the outer model evaluation establishes a robust methodological basis for the subsequent analytical procedures undertaken in this study.

The assessment of the structural model (inner model) revealed that the Bilateral Cooperation construct obtained a coefficient of determination (R^2) of 0.577, indicating that 57.7% of the variance in Bilateral Cooperation is jointly explained by Economic Diplomacy and Political Stability, while the remaining 42.3% is associated with variables not incorporated into the proposed model. In contrast, the Foreign Investment construct yielded an R^2 value of 0.365, signifying that 36.5% of its variance is explained by the combined effects of Economic Diplomacy, Bilateral Cooperation, and Political Stability. Based on the classification presented by Hair et al. (2022), both coefficients are categorized as moderate, suggesting that the structural model possesses an acceptable level of predictive power in explaining the relationships among the investigated constructs. Accordingly, these findings confirm that the inner model fulfills the required evaluation standards and is therefore suitable for advancing to the hypothesis testing stage.

The results of the coefficient of determination (R^2) analysis demonstrate that the proposed structural model has an adequate capacity to explain the variation observed in the endogenous constructs investigated in this research. Although part of the explained variance remains associated with variables outside the boundaries of the current model, the obtained R^2 values indicate that the selected constructs contribute meaningfully to explaining the relationships among the variables under examination. These findings also imply that **Foreign** Investment represents a multidimensional phenomenon whose variation cannot be sufficiently explained by only a limited number of determinants. In practical settings, foreign investment decisions are shaped by the interaction of diverse economic, political, institutional, and external factors that continuously evolve over time. Consequently, the model's ability to account for a considerable proportion of the variance in the endogenous variables confirms its relevance to the objectives of this study. Moreover, these findings indicate that the proposed structural model possesses satisfactory predictive capability for explaining the interrelationships among the principal constructs examined in this research.

The hypotheses proposed in this study were evaluated through the bootstrapping procedure by interpreting the path coefficient**,** t-statistic, and p-value as the principal criteria for statistical inference. The empirical results showed that the relationship between Economic Diplomacy and Foreign Investment generated a path coefficient of −0.271**,** a t-statistic of 2.131, and a p-value of 0.033**.** Because the p-value was lower than the predetermined significance level of 0.05, the relationship was considered statistically significant, resulting in the acceptance of the first hypothesis. However, the negative direction of the path coefficient indicates that the direct association between Economic Diplomacy and Foreign Investment is inverse. This outcome suggests that a higher level of economic diplomacy does not automatically lead to an increase in foreign investment inflows. The finding further indicates that the relationship between these constructs may be influenced by additional mechanisms or other explanatory variables not directly represented in the model. Consequently, the influence of mediating constructs together with external determinants should be considered to achieve a more comprehensive understanding of the structural relationships specified in the proposed research framework.

The findings for the second hypothesis indicate that Economic Diplomacy has a positive effect on Bilateral Cooperation, as evidenced by a path coefficient of 0.723, a t-statistic of 8.428, and a p-value of 0.000. These statistical outcomes confirm a positive and significant relationship between the two constructs at the 95% confidence level, thereby supporting the acceptance of the second hypothesis. Among all structural relationships examined in the model, the coefficient of 0.723 represents the largest effect, demonstrating that Economic Diplomacy provides the greatest contribution to strengthening Bilateral Cooperation. This result indicates that increasing the intensity of economic diplomacy initiatives—including trade promotion, investment facilitation, and the expansion of international economic partnerships—enhances the potential for developing stronger and more enduring bilateral relationships. Therefore, Economic Diplomacy can be viewed as a strategic policy instrument that not only strengthens interstate relations but also establishes a solid basis for broader economic cooperation. This conclusion is consistent with the perspective presented by Bayne and Woolcock (2011), who argued that the intensive implementation of economic diplomacy plays a significant role in reinforcing bilateral relationships among countries.

The results of this research suggest that Economic Diplomacy contributes not only to the advancement of national economic objectives but also serves as an essential mechanism for strengthening and expanding productive Bilateral Cooperation. Through the implementation of economic diplomacy, countries are able to promote more intensive dialogue, improve coordination with partner states, and reinforce the mutual trust that underpins cooperative relationships. In this regard, Economic Diplomacy operates as a strategic policy instrument that facilitates the alignment of common interests, thereby encouraging broader collaboration across trade, investment, and other areas of economic engagement. As a result, the effectiveness of economic diplomacy is directly associated with a country's capacity to expand its international partnership network, creating opportunities to generate sustained economic gains over the long term.

The statistical evaluation of the third hypothesis demonstrates that Bilateral Cooperation exerts a positive and statistically significant influence on Foreign Investment, as reflected by a path coefficient of 0.378, a t-statistic of 2.041, and a p-value of 0.043. Since the p-value is lower than the established significance level of 0.05, the third hypothesis is accepted. These findings indicate that stronger bilateral partnerships between countries contribute to improving legal certainty, reinforcing investor protection, and creating a more secure environment for investment activities, thereby encouraging foreign investors to allocate capital with greater confidence. This outcome is consistent with the conclusions of Neumayer and Spess (2005), who emphasized that bilateral investment agreements play an important role in increasing Foreign Direct Investment (FDI) inflows by enhancing legal certainty and strengthening the safeguards available to foreign investors.

The positive relationship identified between Bilateral Cooperation and Foreign Investment indicates that foreign investors are generally more inclined to invest in countries that maintain stable, constructive, and long-lasting international partnerships. Bilateral agreements demonstrate the shared commitment of participating states to advancing sustainable economic cooperation over the long term. Such commitments provide credible assurances that help minimize uncertainty, which constitutes one of the principal considerations influencing investment decisions. Furthermore, strong bilateral relationships promote more effective coordination in resolving investment-related issues, thereby supporting the development of a business environment that is increasingly conducive to economic activity. Consequently, Bilateral Cooperation should be understood not only as an instrument of diplomacy but also as a strategic determinant that substantially strengthens a country's attractiveness as a destination for Foreign Investment.

In addition to enhancing the certainty of economic interactions between partner countries, Bilateral Cooperation establishes an institutional framework that facilitates more effective coordination in the formulation and implementation of investment-related policies. Long-term bilateral partnerships enable governments to develop more efficient channels of communication for identifying economic opportunities, overcoming administrative constraints, and improving the transparency of regulations governing investment activities. These conditions provide advantages not only for public institutions but also for private sector actors whose cross-border business operations depend heavily on regulatory certainty. As bilateral relationships continue to strengthen, the exchange of information regarding investment policies, procedural requirements, and potential areas of cooperation becomes more efficient, thereby increasing investor confidence in the national investment environment. Consequently, the enhancement of Bilateral Cooperation should be regarded not solely as a diplomatic objective but also as a strategic policy instrument that supports the creation of a more competitive, resilient, and sustainable investment climate capable of promoting long-term economic development.

The statistical evaluation of the fourth hypothesis indicates that Political Stability has a positive and statistically significant influence on Foreign Investment, as reflected by a path coefficient of 0.525, a t-statistic of 3.158, and a p-value of 0.002. These empirical results therefore support the acceptance of the fourth hypothesis. Among the structural relationships examined in the model, the coefficient of 0.525 represents the second largest effect, demonstrating that Political Stability constitutes one of the most influential determinants of foreign investment decisions. This finding is consistent with the argument presented by Busse and Hefeker (2007), who asserted that a stable political environment strengthens investor confidence by providing regulatory certainty, reducing investment-related risks, and ensuring the consistency of government policies over time. Similarly, Jensen (2008) emphasized that Political Stability remains one of the primary risk-related considerations evaluated by foreign investors when making international investment decisions.

The findings regarding the contribution of Political Stability to Foreign Investment suggest that investors evaluate prospective investment locations not only on the basis of expected economic gains but also by considering the degree of political risk present within the host country. Political Stability embodies the government's consistency in implementing public policies, the effectiveness of institutional governance, and its ability to maintain national security and public order. A stable political environment provides investors with greater assurance that business activities can continue without major interruptions caused by sudden regulatory shifts or prolonged political disputes. Conversely, unstable political conditions tend to heighten uncertainty, prompting investors to exercise greater caution before making investment commitments. Therefore, these findings further confirm that Political Stability represents a fundamental requirement for establishing an attractive investment environment while supporting the sustained growth of Foreign Investment over the long term.

The evaluation of the fifth hypothesis reveals that Political Stability has a positive yet statistically insignificant relationship with Bilateral Cooperation, as indicated by a path coefficient of $\beta = 0.067$ and a p-value of 0.556. Because the p-value exceeds the 0.05 significance criterion, the fifth hypothesis is not supported. This result implies that improvements in a country's Political Stability do not directly strengthen Bilateral Cooperation. A possible explanation is that the formation and expansion of bilateral partnerships are influenced more substantially by the effectiveness of economic diplomacy, the alignment of strategic interests, and the implementation of mutually agreed trade and investment frameworks than by domestic political conditions alone (Okano-Heijmans, 2011). Accordingly, Political Stability appears to exert a more immediate influence on investors' decisions to allocate capital than on the establishment of bilateral cooperative relationships between countries. Overall, the results obtained from the five hypothesis tests indicate that the growth of Foreign Investment is shaped by the combined interaction of Economic Diplomacy, Bilateral Cooperation, and Political Stability, with these three constructs jointly contributing to the creation of an investment climate that is competitive, favorable, and sustainable.

The overall findings indicate that the structural model formulated in this study effectively represents the interconnected relationships among the investigated constructs, demonstrating that variations in Foreign Investment cannot be sufficiently interpreted by examining each determinant independently. Every construct contributes to the explanatory capacity of the model in accordance with the characteristics of its empirically supported relationship, implying that the interpretation of the proposed framework should emphasize the integrated configuration of the structural model rather than relying exclusively on individual path coefficients. From this perspective, the statistical significance associated with each structural relationship remains an important component in explaining the model as a unified system. Consequently, the proposed analytical framework illustrates how the interaction between international relations dimensions and domestic conditions collectively shapes a coherent explanation of Foreign Investment. These findings also reinforce the value of employing structural modeling approaches to investigate complex interrelationships among latent constructs, thereby providing a more comprehensive interpretation of the empirical results while preserving the robustness of the evidence generated through statistical analysis.

The use of Partial Least Squares Structural Equation Modeling (PLS-SEM) in this research establishes a rigorous methodological basis for investigating the interconnections among Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment within a unified conceptual framework. By employing this analytical technique, every structural association is assessed through path coefficients, statistical significance, and the explanatory contribution of each construct to the endogenous variables, enabling the analysis to extend beyond simply identifying relationships toward measuring their empirical strength. The results further indicate that Foreign Investment is influenced by several interdependent dimensions that cannot be interpreted adequately when considered separately. Consequently, each statistical outcome should be understood as an integral element of the overall structural model developed from the underlying theoretical framework. The combined consideration of Economic Diplomacy, Bilateral Cooperation, and Political Stability provides a more comprehensive explanation of the observed variation in Foreign Investment than examining each determinant individually, thereby emphasizing the value of a multidimensional perspective in international relations research. Accordingly, this integrated analytical framework represents one of the study's primary contributions by offering a holistic interpretation of the empirical evidence while fully preserving the original direction and substantive meaning of the research findings.

The results of this study indicate that the constructs incorporated within the proposed research model should be interpreted as elements of a unified and interconnected framework rather than as isolated variables. Each construct fulfills a distinct function in accordance with the structural relationships established in the model. Within this integrated framework, Economic Diplomacy operates as a strategic policy instrument that strengthens international engagement by promoting Bilateral Cooperation, while Political Stability provides the essential conditions for creating an investment environment that enhances foreign investors' confidence. Simultaneously, Bilateral Cooperation serves as the channel through which diplomatic initiatives are transformed into increased investment activities by reinforcing economic partnerships between countries. Consequently, the findings demonstrate that the expansion of Foreign Investment is generated through the interaction of multiple complementary determinants, highlighting the necessity of adopting an integrated policy approach. These results further imply that success in attracting Foreign Investment depends not on a single policy measure but on the synergy created by several mutually reinforcing factors.

Although several structural relationships specified in the proposed model did not reach statistical significance, the overall analytical evidence continues to reveal complementary connections among Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment. This outcome indicates that the growth of Foreign Investment is a multidimensional phenomenon influenced by the combined effects of factors originating from both domestic conditions and the broader international environment. Therefore, the interpretation of the study's findings should emphasize the integrated nature of the relationships among the constructs rather than considering each association independently. Such a comprehensive perspective enables a more complete understanding of the contribution made by each variable to the establishment of an investment climate that is increasingly competitive, resilient, and sustainable.

CONCLUSION

The findings derived from the data analysis using the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique implemented in SmartPLS indicate that the proposed research model possesses sufficient explanatory capability to describe the relationships among Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment. The empirical results show that Economic Diplomacy has a statistically significant but negative direct effect on Foreign Investment, implying that a higher level of economic diplomacy does not automatically result in an immediate increase in foreign investment within the estimated structural model. Conversely, Economic Diplomacy demonstrates a positive and statistically significant influence on Bilateral Cooperation, suggesting that more intensive diplomatic engagement strengthens cooperative relationships between countries. The analysis further confirms that Bilateral Cooperation positively and significantly affects Foreign Investment, indicating that stronger bilateral partnerships enhance investor confidence in undertaking cross-border investment activities. In addition, Political Stability exhibits a positive and statistically significant effect on Foreign Investment, while its relationship with Bilateral Cooperation, although positive in direction, is not statistically significant.

In addition to providing empirical evidence regarding the relationships among the investigated constructs, this study demonstrates the effectiveness of the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach for examining the interconnections among Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment within an integrated analytical framework. By employing this quantitative method, each structural relationship is evaluated systematically on the basis of empirical data, enabling a more objective and rigorous interpretation of the proposed model. The analytical results indicate that every construct fulfills a distinct role in shaping the structural relationships examined, while collectively contributing to the explanation of the determinants of Foreign Investment. Accordingly, this research contributes not only to the advancement of International Relations scholarship but also to the broader utilization of the PLS-SEM methodology in studies addressing issues of international political economy. Moreover, the findings are expected to provide a useful reference for future investigations seeking to develop comparable analytical models by including broader variables or different research settings while maintaining consistency with the theoretical framework adopted in the present study.

Viewed from a broader analytical perspective, the results of this study demonstrate that Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment are linked through an integrated framework in which each construct performs a complementary role rather than functioning in isolation. Within this framework, Economic Diplomacy acts as the strategic instrument for advancing more effective international engagement, whereas Bilateral Cooperation provides the mechanism for strengthening mutual confidence and increasing the level of certainty sought by foreign investors. At the same time, Political Stability constitutes the institutional foundation that allows these interconnected processes to operate efficiently and remain sustainable over time. Consequently, efforts to promote Foreign Investment require a coordinated combination of foreign policy initiatives, stronger bilateral partnerships, and the maintenance of domestic political stability. Implementing such an integrated strategy is expected to improve a country's competitiveness in attracting Foreign Investment while simultaneously contributing to sustainable long-term economic development.

Taken as a whole, the findings of this study suggest that integrating International Relations perspectives with domestic economic dimensions provides a more comprehensive explanation of the factors influencing Foreign Investment. The relationships among Economic Diplomacy, Bilateral Cooperation, and Political Stability demonstrate that changes in Foreign Investment cannot be sufficiently interpreted by assessing the independent contribution of each variable, but rather by understanding their combined and complementary interactions. Using the Partial Least Squares Structural Equation Modeling (PLS-SEM) methodology, this study identifies the structural connections among the investigated constructs using empirical evidence, thereby establishing a more systematic framework for explaining the relationships among the variables. These results also highlight the importance of employing a multidimensional perspective in International Relations research, particularly in studies examining Foreign Investment and cross-border economic cooperation.

The empirical evidence obtained in this study indicates that the expansion of Foreign Investment is determined not only by the direct influence of Economic Diplomacy but also by the effectiveness of Bilateral Cooperation and the degree of Political Stability within a country. Consequently, policies designed to enhance a country's attractiveness to foreign investors should adopt a comprehensive strategy that combines stronger economic diplomacy with the promotion of productive bilateral partnerships while ensuring the preservation of political stability as a fundamental condition for a conducive investment environment. From an academic standpoint, this study contributes to the growing body of literature examining the relationships among Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment through the application of the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. Nevertheless, several limitations should be acknowledged, particularly the relatively limited sample size and the model's constrained capacity to explain variations in Foreign Investment. Accordingly, future studies are encouraged to include a larger sample, expand the geographical coverage of the research, and incorporate additional determinants, such as institutional quality, ease of doing business, economic growth, governance quality, and investment policies, to develop a more comprehensive analytical model for explaining the determinants of Foreign Investment.

Overall, the findings of this study reveal that Economic Diplomacy, Bilateral Cooperation, Political Stability, and Foreign Investment are linked through an integrated and systematic framework that collectively shapes a favorable investment environment. Each construct contributes to the proposed structural model according to the empirical characteristics of its respective relationship, indicating that the model should be interpreted as a unified analytical system rather than through separate evaluations of individual structural paths. By employing an empirical analytical approach, the study assesses the relationships among the variables using evidence obtained from the respondents, thereby providing a more objective basis for explaining the phenomenon under investigation. Accordingly, this research not only strengthens the understanding of the synergistic relationship between economic policy and international relations in promoting Foreign Investment, but also contributes to the development of empirical scholarship in the field of International Relations through the application of Partial Least Squares Structural Equation Modeling (PLS-SEM), which enables a comprehensive and integrated examination of the interrelationships among the investigated constructs.

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