

# Redefining Economic Diplomacy: The Growing Role of Non-State Actors in a Changing World

Cătălina Bratosin-Vasilache  
Doctoral School of Economics and Business Administration  
Alexandru Ioan Cuza University  
[catalina.bratosinv@gmail.com](mailto:catalina.bratosinv@gmail.com)

## Abstract

*The field of economic diplomacy has undergone significant transformations in the recent decades, driven by the influence of state actors, but mostly by the continuously expanding role and presence of the non-state actors. While the traditional diplomacy has long been the domain of sovereign states, the rise of multinational corporations, non-governmental organizations and other non-state entities has reshaped the way international relations are being conducted. The purpose of this article is to explore the amplifying role of non-state actors in economic diplomacy, examine their influence over activities such as trade or foreign direct investments and highlight the challenges faced by the state actors in adapting to the current complex international context. The article also emphasizes the need for a more inclusive and adaptive approach to economic diplomacy in the contemporary world, characterized by global crises that may impact or amplify certain trends.*

**Key words:** economic diplomacy, non-state actors, non-governmental organizations, international organizations

**J.E.L. classification:** F50

## 1. Introduction

Economic diplomacy focuses on the process of making economic decisions at both the national and international levels, a process that undeniably involves the state and its institutions. However, a dilemma in the study of economic diplomacy, stemming from the study of traditional diplomacy, is the extent to which this activity is closely tied to the state, or if it also involve a broad range of private or non-governmental actors (Okano-Heijmans, 2011).

Unequivocally, the main actor in economic diplomacy is the state. Nevertheless, contrary to the realist theories, the state is no longer the sole actor in international relations within the contemporary global context. While economic diplomacy remains a specific activity of foreign ministries, it can no longer be overlooked that other external actors play an important part. Foreign ministers are no longer monopolizing these domains, instead they are compelled to collaborate with all branches of the government, each contributing with its share of specific foreign policy activities (Rana, 2017).

Moreover, the state is increasingly confronted with competing claims of authority. A multitude of such actors is emerging, including international organizations, governmental, intergovernmental and non-governmental organizations, as well as transnational corporations among others (Miroiu et. al., 2006). According to Bayne and Woolcock (2017), international organizations are significant entities in negotiations, though the authors do not regard them as independent actors, but rather as tools that governments incorporate into their decision-making processes. Another classification of entities involved in shaping international relations includes subnational actors, supranational actors and non-state-actors (Saner & Yiu, 2002).

Analysing the national actors of economic diplomacy, Bayne (2017), classifies them into five groups: government officials or bureaucrats (using the American terminology), ministers, members of the legislature (such as members of the parliament, senators, deputies, etc.) and the private sector: commercial firms, non-governmental organizations representing the civil society's interests, and other private sector actors.

Nevertheless, one of the most common classifications of economic diplomacy actors, however, is the distinction between state and non-state actors.

Therefore, in this study we will address the topic of non-state actors and their importance, given the fact that their influence is particularly evident in times of global crises, where actions can complement or challenge the initiatives of the states. Furthermore, this article aims to examine the growing role of the non-state actors in economic diplomacy, the impact they have on trade and foreign direct investments, and at the same time the challenges they have to face.

## **2. Literature review**

The changes that occurred at the global level have had a significant influence on studies regarding the actors of the international system and, implicitly economic diplomacy. The monopoly once held by the realist school of thought faced a series of controversies starting in the 1970s, when attention began to shift toward non-state actors, particularly transnational ones (Miroiu et al., 2006).

Non-state actors are defined by Berridge and James (2001) as entities that seek to influence decisions that have an international impact or the policies of one or more states. Thus, a non-state actor can be an individual or an entity with several members, such as international organizations, non-governmental organizations, multinational corporations, or even armed groups aiming to liberate territory from foreign occupation or terrorist group.

International non-governmental organizations, which are independent, usually non-profit entities, differ from the other international organizations mentioned previously, as they are less dependent on the governments of sovereign states. Although, from a realist perspective, non-governmental organizations have been considered not relevant enough to be included in a possible analysis of the international politics, there has been a growing attention given to these entities on the international stage (Miroiu et al., 2006). According to Green and Charveriat (2017), non-governmental organizations are often described in terms of what they are not, highlighting the characteristics and functions that distinguish them from the traditional institutions, and in most jurisdictions, they are referred to as civil society organizations. In the recent decades, not only has their number and size increased, but also the influence they exert. As a result, the attention non-governmental organizations attract is sometimes viewed with concern, with their role occasionally being compared to the one of the trade unions or of the political parties.

International developments have steadily increased the challenges of the environment in which modern economic diplomacy operates. Among the relevant non-state actors in international relations, multinational companies are also prominent. In her studies on the relationship between states and companies after the end of the Cold War, Strange (1992) proposed focusing attention on the role that multinational companies play in world politics. She emphasized their relevance in the study of international relations and economic policy, as well as the growing significance of the actors that influence transnational relations. At the same time, the author highlighted the need for governments and academic to be aware of structural changes and to give due attention to the increasing importance of companies.

Empirical studies increasingly analyse situations where corporate actors establish relationships with other companies, whether national or foreign, as well as with public authorities, aiming to obtain economic advantages (Asquer, 2012). At the same time, Rana (2017), characterizes economic diplomacy as a broad public-private partnership. However, some governments do not view it as an active, two-way partnership, the way such partnerships are structured being one of the paradoxes of economic diplomacy.

Woolcock (2017) draws attention to how individual firms achieve their interests, which can take different specific forms. To better represent their interests, companies often come together in the form of associations or front organizations, a phenomenon frequently observed in European countries and in Japan, entities that also play a role in this arena.

Though their position in the current world economy, multinational companies have contributed to the expansion and increased complexity of international relations (Ignat & Pralea, 2006). Economic diplomacy can be viewed as a political tool, that policymakers in developing countries can use to support domestic companies in accessing markets in developed countries with complex products. It can also be used as a tool for policymakers in industrialized countries to help their domestic companies access emerging markets (Moons & de Boer, 2014).

Globalization, along with the reduction of trade barriers, has created a wide range of opportunities not only for legitimate entities, but also for those with criminal intentions. Drug trafficking, money laundering, tax evasion and terrorist financing have become new concerns for economic diplomacy (Bayne, 2017).

A series of illegitimate non-state actors is thus identified (Miroiu et. al., 2006), whose relevance in the contemporary context is indisputable. In addition to organized crime groups, illegitimate actors have emerged, namely terrorist groups. The events of September 2001, in the USA, redefined the international scene, with states focusing their attention to threats to international security, particularly to new entities such as terrorist groups. Analysing the non-state armed actors, Plundrich (2024) draws attention on the fact that, in order to forge international connections and to strengthen their political, military and ideology standing, the non-state actors have started utilizing similar foreign policy tools to the legitimate actors.

At the same time, following the events of 2001, a series of measures were implemented to obtain a security balance, which restrict the rights of the citizens to freely express their opinions, assemble and associate (Green & Charveriat, 2017), measures that also contribute to the expansion of the role of non-governmental organizations, as previously mentioned.

Among the multiple non-state actors in modern diplomacy are likewise included the religious organizations (Cooper et. al. 2013), entities that can play a significant role in certain areas affected by conflict, particularly through the authority held by their religious leader.

Undoubtedly, the number of non-state actors, as well as the role and influence they have on the stage of diplomacy and implicitly economic diplomacy is steadily increasing. Whether acting to shape government policies or pursuing their own interests (Woolcock and Bayne, 2017), some non-state actors possess budgets and influence over policies or regimes that exceed those of certain actors, setting norms or shaping international behaviour (Thakur, 2013).

Currently, sovereign states no longer have exclusive control over international relations, Wijninga et. al (2014) underlining that the main reason of the expansion of non-state actors is the multitude of centers of power. At the same time, the expansion of actors has two decisive implications: the increased difficulty of conducting foreign policy as it raises expectations regarding foreign services and introduces a multitude of opportunities (Mills, 2013), while also presenting multiple threats to national security.

Nevertheless, in terms of diplomatic activity, the activities performed by diplomats and embassy staff cover diverse areas. However, we must mention that although some of these actors may play a role in this field, the promotion of trade and investment between countries is typically seen as an activity undertaken exclusively by diplomats, embassies and consulates (Bergeijk et. al., 2011, Afman and Maurel, 2010).

### **3. Research methodology**

This paper employs a qualitative approach through a literature review, in order to expose the evolving role of the non-state actors in economic diplomacy, particularly within the context of the existing global crises. Particular attention has been given to the literature examining the role of non-state actors during the global crises, including mainly issues such as security threats, organized crime or economic

disparities.

The study aims to present a comprehensive understanding of the theoretical and empirical dimensions of this topic, by synthesizing the research studies of academic journals, books etc. The reviewed articles have been collected from reputable journal databases, including ScienceDirect, JSTOR, DOAJ, RePEc, etc. considering relevant keywords such as "non-state actors", "economic diplomacy" etc. and the quality of the literature on the subject.

This approach seeks to provide a detailed understanding of the interactions between state and non-state actors in economic diplomacy, offering insights for further research, given the fact that the scientific literature on this subject is still in its early stages.

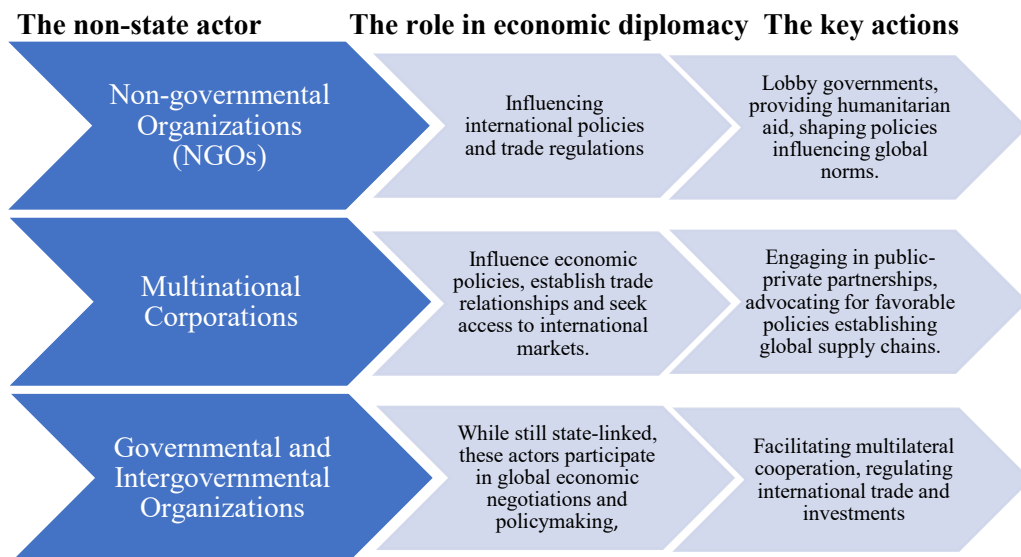
#### 4. Findings

Economic diplomacy has traditionally been viewed as the domain of states, where government representatives and diplomats negotiate agreements, advance national economic interest, and foster economic ties. Along with the evolution of society, it is indisputable that the multilateral dimension of diplomacy has been added to the bilateral one, with the number of economic diplomacy actors constantly evolving alongside these dimensions.

Moreover, the field of economic diplomacy lies at the intersection of national and international, as well as political and economic domains. This convergence results in a greater diversity of actors (Okano-Heijmans, 2011), extending beyond members of foreign ministries or a limited circle of bureaucrats (Bayne & Woolcock, 2017).

Globalization has also made the field of economic diplomacy more challenging by expanding its scope, responsibilities, concerns and the number of actors involved, whether state or non-state (Bayne, 2017). This idea is also supported by the authors Wijninga et. al. (2014), considering that globalization is also one of the factors of the expansion of non-state actors.

In this new context of the last decades, economic diplomacy has contributed to the transformation of diplomatic practices in economic forums, involving networks of state and non-state actors that seek to promote both private and public interest. These networks of entities operate, influence and are in turn, influenced by an increasingly integrated and interdependent world economy (Lee, Hocking, 2010). Rana (2017) highlighted that when considering the full scope of the economic diplomacy, it can be understood as a comprehensive collaboration between the public and the private sector, as a public-private partnership.





*Source: Author's contribution*

Non-state actors, such as companies and non-governmental organizations, will always seek to influence the decisions of governments through parliament or the media, in addition to the direct contacts they have with various officials (Bayne, 2017). Moreover, NGOs, often understood as less power driven (Stephen & Zurn, 2014) and other non-governmental actors will continue to complicate and complement the work of diplomats and policymakers, who will need to make additional efforts to both understand and learn how to collaborate with them in achieving the common goals they have (Green & Charveriat, 2017). In the context of growing economic and political interdependencies between markets and states, companies and governments must constantly adapt to the post-modern environment, characterized by fragmented relationships and increasing complexity (Saner & Yiu, 2002).

Analysing their role, Saner and Yiu (2002) observed that the involvements of non-state actors in foreign policy and international relations is more common in industrialized countries and less so in developing ones. In a more recent study, Rana (2017) argued that the private sector became more influential, and not only in the case of the advanced economies, with governments delegating many of their responsibilities to the private sector and at the same time incorporating business practices into their operations.

Despite the increasing recognition of non-state actors in economic diplomacy, their influence is not without challenges and contradictions. They establish their own diplomatic initiatives, being engaged in their own diplomatic efforts, acting on behalf of states, or in competition with them or in some cases even opposing them (Guilbaud, 2019). For example, the relationship between multinational corporations and governments can also be one of tension, as private companies may prioritize their own profit gaining versus the state interests. Same scenario in case of the NGOs, in fields such as human rights or environmental standards. Moreover, in this context, Green & Charveriat (2017) highlight that NGOs, for example, are also not exempt from the broader inequalities present in society, as leadership in this kind of organization is often either dominated by men, or influenced by ethnic origins, the caste of the members etc.

However, the international law, diplomatic relations and international organizations can only exist with interstate consensus. Therefore, states must respect and adhere to international practices and at the same time support international organizations (Jackson & Sorensen, 1999), overall states maintaining the most significant influence in the international environment (Lakhany, 2006).

## 5. Conclusions

While the concept of economic diplomacy has long been recognized as essential for states to achieve their economic objectives, its purpose has expanded in response to the growing complexity of the global economy.

The worldwide developments of the last decades have significantly increased the complexity of the landscape in which contemporary economic diplomacy is operating. In this constantly evolving environment, economic diplomacy must adapt swiftly to the shifting dynamics of international relations,

as it is essential for addressing and mitigating emerging challenges.

Alongside the efforts of the sovereign states, non-state actors such as the multinational corporations or the non-governmental organizations are increasingly influencing this domain, further expanding the scope and impact of economic diplomacy in an interconnected global economy. Furthermore, illegitimate non-state actors also play a role in this current international environment, and given the security threats that these actors present, future research studies should also focus on their impact and the role they play in the field of economic diplomacy.

Although nowadays the topic of economic diplomacy is receiving the well-deserved recognition, the scientific literature, especially on the subject of the role of non-state actors in economic diplomacy has not been widely investigated. As a consequence, one of the limitations of this paper is represented by the reduced number of studies reviewed.

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