THE EMERGING ROLE OF NON-STATE ACTORS IN CONTEMPORARY ECONOMIC DIPLOMACY

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Abstract: *As old as civilization itself, diplomacy always held a central role in navigating the intricate relations between human communities. As described by Hamilton and Langhorn, somewhere in the 3rd millennium BC, the great civilizations of Mesopotamia reached the conclusion that it was better to hear the message than to eat the messenger, which paved the way for the main functions of diplomacy, remarkably constant throughout the ages, namely communication, representation, information-gathering and negotiation (Hamilton and Langhorne, 2011). Though the concept of economic diplomacy is a fairly recent one, its principles are historically enrooted in the evolution of human civilizations and international relations. Economic reasons have been one of the main drivers for conflict, along with ideological and identity-based differences, territorial disputes, political and structural issues. Against this backdrop, this paper examines how non-state actors have emerged as influential participants in economic diplomacy, shaping trade policy, investment flows, regulatory standards, and governance outcomes alongside and sometimes independently of states. While TNCs drive investment and regulatory convergence and NGOs promote accountability and inclusivity, the expanding role of these actors raises critical questions about governance, legitimacy, and the balance between private interests and broader societal objectives in international economic engagement.*

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1. CONCEPTUAL DELINEATION: DIPLOMACY AND ECONOMIC DIPLOMACY

Diplomacy is the primary mechanism through which states and other international actors manage their relations, pursue their interests, and resolve conflicts without resorting to force. It is a method of influencing the decisions and behavior of foreign governments and peoples through dialogue, negotiation and other measures short of war and violence (Freeman, 2025).

Traditionally, diplomacy has been associated with formal interactions between sovereign states, conducted by accredited representatives such as ambassadors and foreign ministers. These interactions used to take place through established channels, including embassies, summits, and international organizations, and were guided by norms of negotiation, communication, and mutual recognition (Berridge, 2015). Diplomacy evolved alongside the

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modern state system, particularly after the Peace of Westphalia, which reinforced the principles of sovereignty and non-interference. Over time, diplomatic practices became more institutionalized, with codified rules such as those found in the Vienna Convention on Diplomatic Relations, which defines the privileges and responsibilities of diplomatic agents.

In a classical perspective, diplomacy is defined as “the conduct of relations between states and other entities with standing in world politics by official agents and by peaceful means” (Bull, 1995). More recent developments have led to a broader approach, defining diplomacy as being concerned with relations between states and between states and other actors (Barston, 2006).

One of the key branches of diplomacy, Economic Diplomacy (ED) is the process of mutual conditioning between politics and economics to enhance the stability of an area through another, which aims to satisfy the political and economic national interest negotiated at an international level (Vladoiu, 2025). According to van Bergeijk and Moons, ED is the use of government relations and influence to stimulate international trade and foreign direct investment, a set of activities that address the methods and procedures by which decisions are made at the state level regarding cross-border economic activities (Bergeijk and Moons, 2016). At the same time, it can be defined as the use of international political instruments to achieve economic objectives. In the opinion of the same authors, the interventions of state authorities have the role of smoothing some barriers to international trade, which can arise both due to cultural and institutional differences and due to lack of trust between the parties, as is especially the case with economic actors who want to penetrate a new market. The involvement of governments in certain transactions thus reduces their costs, as they bring increased trust capital, but also information to which private actors do not usually have access. In other words, the role of ED is to open markets and boost cross-border economic activities, respectively to provide assistance to companies from a certain state when they encounter difficulties in other countries.

Being a more pragmatic side of diplomacy, ED applies more to informal negotiation and voluntary cooperation and less to rule-based systems and legal commitments. This is why it is considered a stronger and more precise activity, while borrowing less of the secrecy, opaqueness and elitism that are stereotypical traits of traditional diplomacy (Bayne and Woolcock, 2017).

In most approaches, economic diplomacy is the general term to use for covering other more focused terms such as business diplomacy, commercial diplomacy or trade diplomacy. Consular visa services are sometimes tied to ED in relation to the migration flows they regulate. New concepts, such as catalytic diplomacy, network diplomacy and multistakeholder diplomacy have emerged, providing new tools not only to recognize a greater variety of stakeholders in diplomatic practice, but also to highlight the varied and changing character of the diplomatic process (Lee and Hocking, 2018).

2. THE COUNTER-NARRATIVES OF POSTMODERNISM AND THE EMERGENCE OF NON-STATE ACTORS AS GLOBAL PLAYERS IN INTERNATIONAL RELATIONS

Two foundational paradigms have long dominated the theory of International Relations (IR): realism and liberalism. These models provide contrasting explanations for state behaviour, the nature of the international system, and the prospects for cooperation. While both seek to explain patterns of conflict and cooperation, they differ significantly in their assumptions about human nature, state interests, and the role of institutions.

Realism is one of the oldest and most influential theories in IR. Rooted in the writings of thinkers such as Thucydides and later developed by scholars like Hans Morgenthau and

Kenneth Waltz, realism views the international system as anarchic, meaning there is no overarching authority above states (Waltz, 1979). In this environment, states are the primary actors and are driven by the pursuit of survival and power. Realists assume that human nature is inherently self-interested and that this tendency is reflected in state behaviour (Morgenthau, 1948). Central to realism is the concept of the “security dilemma”. At its core, it describes the paradox that, while building-up militarily to enhance its own security, a state can be perceived as a threat to others, thus triggering a cycle of mutual fear, arms racing and potential conflict that no party initially intended (Hertz, 1950).

Liberalism, by contrast, is a school of thought that argues cooperation, and not only conflict and power politics, and it is a central and recurring feature of world politics. Emerging from Enlightenment ideals and later articulated by the philosopher Immanuel Kant and, more recently, by the political scientist Robert Keohane, liberalism emphasizes the potential for cooperation among states (Kant, 1795; Keohane, 1984). While liberals acknowledge the anarchic nature of the international system, they argue that its effects can be mitigated through international institutions, economic interdependence, and the spread of democratic governance.

A key liberal concept is “complex interdependence,” which suggests that states are connected through multiple channels, economic, political, and social, reducing the likelihood of conflict (Keohane and Nye, 1977). Liberals also highlight the role of international institutions in facilitating cooperation, creating rules, providing information, monitoring compliance and reducing transaction costs (Martin, 1992). Furthermore, democratic peace theory, a central liberal claim, posits that democracies are less likely to go to war with one another due to shared norms and institutional constraints (Doyle, 1983).

Despite their differences, realism and liberalism are not entirely incompatible. Both recognize the importance of states and the absence of a global government, but they diverge in their expectations about the consequences of these conditions. Realism emphasizes competition and conflict, while liberalism underscores cooperation and progress.

Postmodernism in IR emerged in the late twentieth century as a critical approach that questions the basic assumptions and theories of mainstream currents. Influenced by post-structuralist philosophy, these approaches challenge the foundational assumptions of objectivity, rationality, and fixed identities in global politics. Rather than offering a unified theory, postmodernism in IR seeks to deconstruct dominant narratives and reveal how knowledge, language, and power interact to shape international outcomes. At the core of postmodern IR is scepticism toward the idea of an objective, knowable international system. Drawing on thinkers such as Michel Foucault and Jacques Derrida, postmodern scholars argue that what is commonly accepted as “reality” in international politics is socially constructed through discourse (Foucault, 1969; Derrida, 1967). Language does not merely describe the world; it actively constitutes it by framing certain actors, threats, and identities as legitimate or illegitimate. For example, the labelling of a group as “terrorist” versus “freedom fighter” reflects political power rather than neutral classification (Campbell, 1992).

A central concern of postmodernism is the relationship between power and knowledge. Foucault’s concept of “power/knowledge” suggests that power is exercised not only through material capabilities but also through the production of dominant discourses that shape what is considered true or possible (Foucault, 1980). In IR, this means that global hierarchies are maintained not only by military or economic strength but also by controlling narratives about sovereignty, development, and security.

Postmodern approaches also challenge the state-centric focus of traditional IR by emphasizing the role of non-state actors. These include transnational corporations, non-governmental organizations, transnational advocacy networks, illegitimate non-state actors and even individuals. Rather than viewing states as the sole or primary actors, postmodernists highlight how these entities influence global norms, policies, and identities (Keck and Sikkink, 1998). For instance, NGOs play a critical role in shaping human rights discourse, while transnational companies can wield economic power that rivals or exceeds that of smaller states. Postmodernism does not simply add non-state actors to existing frameworks; it questions the very boundaries between state and non-state, domestic and international. These distinctions are seen as constructed categories that serve particular political purposes (Walker, 1993). The rise of global media, digital communication, and transnational activism further blurs these lines, making it increasingly difficult to locate authority solely within the state.

3. FROM STATE-CENTRIC MODEL TO MULTI-STAKEHOLDER PROCESS

As a specialized branch of diplomacy, ED has traditionally been understood as a state-centric practice in which governments negotiate trade agreements, manage financial relations, and advance national economic interests through formal diplomatic channels. Rooted in realist and liberal traditions, this model assumes that states are the primary actors with both the authority and legitimacy to represent economic interests internationally. Institutions such as the World Trade Organization and the International Monetary Fund exemplify this framework, where state representatives dominate decision-making processes.

In recent decades, however, ED has undergone a significant transformation toward multi-stakeholder processes. Its processes bring states, business, civil society, cities and sometimes affected communities into joint platforms for trade, investment and sustainable development decisions. This shift reflects globalization, technological change, and the growing complexity of economic governance. Non-state actors now play a more prominent role in shaping economic outcomes (Pigman, 2016). These actors contribute expertise, mobilize public opinion, and influence regulatory standards, often operating across borders in ways that states alone cannot easily replicate. Globalization has transformed the organization of international economic relationships around the world, affecting the economic, social and political spheres of societies and citizens. It is characterised by a complex set of interconnectivities and interdependencies with an increasing number of actors vying to influence the outcome of these relationships (Saner and Liu, 2003).

The emergence of multi-stakeholder platforms has been particularly visible in areas such as digital trade, environmental standards, and global supply chains. For example, forums like the World Economic Forum bring together public and private actors to coordinate on global economic issues, the G20 has institutionalized engagement groups like the B20 for business, C20 for civil society, T20 for think tanks, while the Global SIDS Partnership Framework targets cross-sector collaboration for resilient, inclusive growth (Schwab, 2016). This model emphasizes inclusivity and flexibility but also raises questions about accountability and unequal influence, as powerful corporate actors may overshadow less-resourced participants (Falkner, 2008).

Overall, the transition from state-centric to multi-stakeholder economic diplomacy reflects a broader reconfiguration of authority in the global economy. While states remain central, they increasingly share the stage with a diverse array of actors, reshaping both the practice and governance of international economic relations. Bayne and Woolcock notice the significant changes in ED after the cold war, to such an extent that they introduce the concept of *New economic diplomacy* to describe the significant developments, the ever increasing role of non-state actors and their influence to the extent of forging new domestic policies (Bayne and Woolcock, 2017). In more recent publications, ED is seen as the ability of entrepreneurial actors to build new bridges complementary to state foreign policy (Wang and Miao, 2024). This shows the change in perspective related to the relevance of non-state actors in economic diplomacy.

ED has shifted from a state-centered model, focusing on statecraft and bilateral trade, to a multi-stakeholder approach to address complex, transnational economic challenges. Globalisation and democratisation have blurred the proffessional boundries of diplomacy and changed the terms of definition, qualification and role expectations for diplomats, while alternative actors have emerged.

4. EMERGENT TYPES OF NON-STATE ACTORS ON THE STAGE OF ECONOMIC DIPLOMACY

In this section, we will cover some of the new participants in the ED processes, mainly the ones that are the most influential. We will not refer to the already established ones, as international organizations and institutions, as they are not under the scope of this research. We will instead try to focus on the most relevant newcomers and their role in the globalized world.

Transnational corporations (TNCs) have become central actors in contemporary ED, operating alongside (and sometimes independently of) states to shape global economic relations. The globalization of production, finance, and supply chains has elevated TNCs to the role of central players, not just background economic actors, whose decisions influence not only economic outcomes but also diplomatic priorities and international relations, according to the latest World Investment Reports.

Large TNCs have the ability to influence trade policy and negotiations, particularly in sectors such as energy, technology, and manufacturing, actively lobby governments and participate in consultative mechanisms related to trade agreements, such as NAFTA or GATT/WTO. Their input can shape provisions on tariffs, intellectual property rights, digital trade, and regulatory standards. As a result, economic diplomacy increasingly reflects not only national interests but also the strategic priorities of globally active firms.

An important role of TNCs in economic diplomacy is investment promotion and market integration. Through foreign direct investment (FDI), TNCs facilitate the flow of capital, technology, and managerial expertise across borders. Governments often engage in diplomatic efforts to attract or retain these investments, offering incentives and negotiating favorable conditions. In this context, TNCs act as both beneficiaries and drivers of diplomatic engagement, shaping bilateral and multilateral economic relations, this process being more and more visible in the Global Investment Competitivness Reports of the World Bank. In many developing countries, TNCs embeddedness in local economies gives them bargaining power and a quasi-diplomatic position of negotiation with the host-state.

Another significant dimension is standard-setting and regulatory influence. TNCs often operate across multiple jurisdictions and contribute to the diffusion of norms and standards in areas such as labor practices, environmental sustainability, and corporate governance. In some cases, they collaborate with international organizations and NGOs to promote voluntary frameworks, thereby complementing formal diplomatic efforts and complying to the Guidelines for Multinational Enterprises issued by the Organization for Economic Cooperation and Development. Moreover, TNCs play a role in public diplomacy and soft power. Through corporate social responsibility (CSR) initiatives, branding, and engagement with local communities, they shape perceptions of their home countries and contribute to a country’s economic image abroad. The International Monetary Fund’s Research on Globalization and Corporate Influence notices that this is particularly relevant in emerging markets, where corporate presence can influence broader diplomatic relations.

At the same time, the growing influence of TNCs raises concerns about accountability and governance. The disproportionate corporate influence in economic diplomacy may undermine public interest, especially in areas such as environmental protection, labor rights, and taxation. This has led to increased calls for transparency, stronger regulatory frameworks, and multilateral cooperation to ensure that corporate activity aligns with sustainable development goals.

By driving investment, shaping trade and regulatory frameworks, and contributing to soft power, TNCs expand the scope of diplomatic engagement beyond the state and have become indispensable actors in modern ED. However, their influence also requires careful governance to balance private interests with broader societal and global objectives.

Non-governmental organizations (NGOs) play an increasingly influential role in ED by acting as bridges between governments, private sector actors, and civil society. NGOs contribute by shaping policy agendas, providing expertise, and advocating for inclusive and sustainable economic practices, while publicly pressuring negotiations and pushing trade, investment, debt and tax regimes towards more transparent, rights-based and sustainable outcomes (World Trade Organization, 2024).

One of the key roles of NGOs is policy advocacy and lobying. The most recent United Nations Conference on Trade and Development's Report in 2024 notices their influence through negotiations on trade, development, and investment by promoting standards related to transparency, human rights, environmental protection, and labor conditions. Through research, reporting, and participation in international forums, NGOs help ensure that economic diplomacy outcomes reflect broader societal interests rather than purely commercial considerations.

NGOs also serve as important sources of technical expertise and data. Many organizations conduct field research and provide evidence-based recommendations that inform decision-makers (World Bank, 2024). In developing countries in particular, NGOs often have access to local knowledge and networks that governments or international institutions may lack, making them valuable partners in designing and implementing economic policies. NGOs supply technical inputs and data into World Trade Organization committees, trade policy reviews and standard-setting bodies, acting as issue experts for governments with limited capacities.

Facilitating dialogue and trust-building is yet another critical function. NGOs often act as intermediaries between stakeholders, including marginalized communities, businesses, and governments. This role is especially important in conflict-affected or fragile contexts, where NGOs can help foster cooperation, support development projects, and contribute to economic stability (International Crisis Group, Core Report 2024/2025).

Finally, NGOs contribute to accountability and transparency in economic diplomacy. By monitoring agreements and holding actors accountable for their commitments, they enhance legitimacy and public trust in economic governance processes (Transparency International, 2024). NGOs complement traditional state-led economic diplomacy by promoting inclusivity, sustainability, and accountability, thereby broadening both the scope and impact of international economic engagement. Their capacity for mobilizing public opinion and protest can create political pressure on governments for blocking or reshaping deals.

Other authors (Bratosin-Vasilache, 2024) expand the active participants to ED to include other types of civil society manifestations, such as religious organizations. Their influence resides in their role as moral advocates, norm-entrepreneurs and finance actors. Large religious organizations can mobilize faith-based capital and engage directly with states and international institutions. They can act in conflict regions, using authority to influence peace-building and international relations while also influencing social and political change through religious leaders.

The relevance of illegitimate non-state actors is also not to be understated. Non-state armed actors (NAAs) are going international much more than ever before. Though not part of the formal concept of economic diplomacy, NAAs engage in economic bargaining and quasi-diplomatic negotiations around resources, taxation, trade and migration, especially where they control territory or key economic flows (Kurtenbach, 2024), functionally making them part of some of the processes. This takes place when NAAs provide the *de facto* governance in conflict zones, by mimicking state economic functions and using leverage given by their control over production, smuggling corridors or border crossings. Sometimes through direct negotiations with foreign states, armed groups can use economic levers that monetizes their control over populations and territories (Bish, 2025). International organizations and development actors can negotiate with NAAs to secure access, ensure respect for ceasefires or encourage investments in civilian governance, sometimes including tailored funding mechanisms for services under their control (International Peace Institute, 2024). In peace processes and transition talks, NAAs can effectively engage in economic diplomacy related to reconstruction funds and future economic government arrangements.

5. CONCLUSIONS

Though post-modern theories related to international relations and the role of diplomacy have not yet managed to replace established theories like realism and liberalism, it is clear that their critical approach of earlier models has gained significant traction in the realities of the beginning of the century. The complex interdependance theory promoted by liberalism is not able to fully explain and predict the intricate interconnectivities and interdependacies related to production, finance and supply chains of a globalized world, while the state-centric approach of traditional models seems to lack depth and pragmatism.

Under these circumstances, the very definition of economic diplomacy has been in constant change, with new elements beeing added to explain the transition from a traditional branch of diplomacy to a new type of instruments, with emerging actors and updated tools. Formal interactions by accreddited representatives through established channels have transitioned to more informal and less rules-based negotiations. The concept of ED has been expanded from an international political instrument with the scope of reaching economic objectives to an overarching concept, that engulfs elements of politics, commerce, business and trade while empowering non-state entities as relevant stakeholders at the negotiation table. This is a far cry from its initial roots as a mere branch of diplomacy.

Governments are eager to attract and retain investments, which gives some of the non-state actors, especially TNCs, the upper-ground in negotiations and makes them drivers and beneficiaries of ED. This shifting power dynamic is a result of the fact that some TNCs hold comparable economic power to states, which makes their influence disproportionate to thier traditional role.

The capacity to promote or influence regulatory standards, shared by both TNCs and NGOs, though through different means and with different scopes, contributes significantly to the very globalization that has made them relevant. Even if they sometimes seem in contradiction, since NGOs tend to promote environmental or labor related agendas, while TNCs are more oriented towards financial gains, the core principles of corporate responsibility can allign different types of actors and add even more pressure on states.

Non-state actors also have the significant advantage of being very active in „Track II diplomacy”, which refers to unofficial and informal interactions, especially when official diplomatic channels are stalled or ineffective (Davidson, 1981). This adds strength to their negotiation stance because they are not boundried by political pressure or rigid mandates, adding to the versatility and adaptability that seem to be the trademark of contemporary ED.

In conclusion, global interdependence is stretching the capacity of states to solve complex problems, including those related to economic issues. Limiting ED to the activity of accredited representatives in highly formalized environments and sticking to conservative models severly reduces the capacity of states to adapt to an evolving economic scenery. While some states have swiftly integrated other actors alligned with their national interests into their own diplomatic approaches, others are lagging behind in acknowledging the increasing relevance these non-state entities have on the world economic stage.

While still testing the many implications and practical relevance of the concepts posited by post-modern theories, we do believe that the questions raised regarding both the role of states and of other relevant entities in the future of global economy are prominently relevant and should be consistently factored into any future theoretical model that seeks to unite global governance and economic diplomacy.

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