

**Discussion Papers in Diplomacy**

***INTERNATIONAL ECONOMIC DIPLOMACY:  
MUTATIONS IN POST-MODERN TIMES***

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## **Abstract**

This paper discusses the mutations of economic diplomacy in a post-modern environment where traditional state-to-state diplomacy is being fragmented and made more complex due to the participation in international economic relations by a growing number of non-state actors and an increasing number of other government ministries. Non state actors like Business Diplomats and Transnational economic NGO Diplomats with their multitude of transborder alliances and pressure groups have added to the traditional domain of economic diplomacy a "supraterritorial relations" component thereby partially undermining sovereignty of states in conducting international economic relations. At the same time, faced with globalisation and competition for foreign direct investment as well as with the growing influence of international economic standard setting organisations (WTO, ITU,ILO etc), many countries have come to expect that their diplomats specialised in Economic Diplomacy and Commercial Diplomacy more effectively serve their national interests in the economic and business spheres. The authors suggest that the Ministries of Foreign Affairs need to expand their institutional capabilities in dealing with non-state actors and other government ministries and learn to manage the multiple boundaries of today's complex economic and political realities.<sup>1</sup>

**Key Words:** Diplomacy, Globalisation, Postmodernism, Non-state Actors, International Economic Diplomacy, Negotiation.

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<sup>1</sup> The paper is based on a keynote presentation given during the 2001 annual meeting of Directors of Diplomatic Academies in Vienna, Austria.

## **Globalisation resulting in increasing complexity of international economic relations**

Globalisation has transformed the organisation 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. They lay competing claims to resources, markets and legitimacy and are engaged in activities traditionally defined as belonging to the domain of diplomacy.

As observed by Friedman (2000):

*Globalisation is not a phenomenon. It is not just some passing trend. Today it is an overarching international system shaping the domestic politics and foreign relations to virtually every country, and we need to understand it as such<sup>3</sup>*

Or as Scholte<sup>4</sup> (2000) suggested, globalisation involves 'the growth of "supraterritorial relations" among people'. As part of the driving force behind the processes of globalisation, firms have been engaged in rapid expansion through merger and acquisition (M&A) and other forms of cooperative joint venturing, while at the same time intensify efforts in influencing domestic and international policies in their favour. Increasingly, transnational companies (TNCs) form cross-territorial alliances in order to coordinate their policy positions and to strengthen their lobbying effort vis-à-vis international regulatory and governance bodies.

In a similar fashion, nation states are also engaged in fierce competition for economic gains and at the same time seek cooperation with other like-minded states in order to shape regulatory institutions in their favour. Countries also compete with each other to attract foreign direct investment, push other countries to gain market access for their national companies and attempt to protect their domestic markets by covert or overt trade barriers. At the same time, countries are also deepening their cooperation at standard and rule setting intergovernmental institutions (e.g. WTO, ITU) or within the context of regional economic integration (e.g. NAFTA, EU, FTAA).

Entering into these complex patterns of interaction and interdependencies are non-state actors who are gaining greater sway in economic policy debates. While economic objectives are driving the companies and the nation states into collaborative competition for instance within the context of WTO, the civil society NGOs are adding their voice to the economic policy debates by organising and lobbying across national boundaries in

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<sup>3</sup> Thomas Friedman, "The Lexus and the Olive Tree: Understanding Globalisation," HarperCollins, pp 7, 2000.

<sup>4</sup> Jan Aart Scholte, "Globalisation, Governance and Corporate Citizenship," *The Journal of Corporate Citizenship*, Issue 1, p.15~23, 2000

order to have a greater influence on international economic policy making. This trend has gained major momentum evidenced by the active involvement of non-governmental organisations (NGOs) in international cooperation for development, by their increasing vocal criticisms of unfettered capitalism, by the conflicts between indigenous groups with TNCs in regard to exploitation of natural resources, and by the confrontation between citizen groups and their respective national governments on various socio-economic policy issues.

Faced with growing economic and political interdependencies of markets and states, enterprises and governments alike have to cope with this post-modern environment characterised by fragmented relationships and growing complexities. They need to find ways to interact effectively with non-state "adversaries" such as the NGO pressure groups and to transact efficiently with their own constituencies, be they clients or citizens, who request better, faster and broader services from governments and companies alike. These increasingly competent and well networked NGO groups monitor and evaluate the performances of governments and enterprises and demand greater accountability and transparency of their actions. Most of all, NGOs and other civil society groups have learned to galvanise public opinion in order to successfully put forward their own agendas and to effectively demand greater social and international solidarity.

Governments, transnational enterprises and transnational NGOs alike are in need of constructive diplomatic expertise in order to manage the complexities and uncertainties of today's globalised world and in order to prevent the multitude of potential policy conflicts from erupting into violence and chaos.

## **Multiplication of Diplomatic Actors**

Modern diplomacy, as Satow defines it, is "the application of intelligence and tact to the conduct of official relations between the governments of independent states".<sup>5</sup> Implicit in Satow's statement is the view that diplomacy is the exclusive domain of the Ministry of Foreign Affairs. However, globalisation and democratisation have rendered the professional boundaries of diplomacy more porous and put into question the territorial claims of the traditional diplomats. Alternative diplomatic actors have emerged within and outside the state and often act independently from the Ministry of Foreign Affairs. Diplomacy as a profession has undergone changes in terms of definition, qualification and role expectation of what a diplomat is or is not supposed to do.<sup>6</sup>

Participation of non-state actors in foreign policy and international relations is a phenomenon that is more pronounced in industrial countries, less so in developing countries. Hence, the term "post-modern" as suggested in the heading of this article pertains to developed countries where the distinction between internal affairs and foreign policy has increasingly been replaced by a multi-actor participation in diplomacy and foreign economic relations and public affairs.

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<sup>5</sup> Definition given by Ernest Satow, see Lord Gore-Booth (ed), "Satow's Guide to Diplomatic Practice", Longman, 1979., pp 3.

<sup>6</sup> For a more detailed overview of diplomacy's change of definition and practice see Raymond Saner, (2002), "Zur Kultur eines Berufs: Was ist ein Diplomat?" in Enrico Brandt, Christian Buck (eds) "Auswärtiges Amt: Diplomatie als Beruf", Leske & Budrich, Opladen, Germany.

These major developments of emerging diplomatic activities external to the traditional prerogatives of the Ministries of Foreign Affairs (MOFA) deserve greater attention and invite rethinking of the definition of diplomacy, role definition of diplomats and the functions and task of MOFAs. Diplomats and civil servants of MOFAs are confronted with new actors, new agenda items and new working methods<sup>7</sup> and are caught with inadequate training and preparation. Adaptation of traditional diplomacy to the reality of post-modern diplomacy has become an urgent necessity.

#### **a) Proliferation of “Foreign Affairs Departments” at other Central and Provincial Government Ministries**

Important ministries at the central government level responsible for specialised policies are increasingly engaged in policy dialogues with counterparts in other countries. With growing use of international conferencing, these Ministries inadvertently challenge the traditional lead role of the MOFA in matters regarding state-to-state exchanges or participation at international standard setting fora. These specialised Ministries have gradually eroded the MOFA monopoly in handling *foreign economic affairs* and demand to be the leading agencies in their respective domain of competence, e.g. Ministry of Economic Affairs taking over the lead at IMF, WB, OECD, the Ministry of Telecommunication at ITU, Ministry of Labour at ILO, Ministry of Trade at WTO.

Faced with this proliferation of diplomatic activities by other ministries, many MOFAs either try to block entry of other ministries into the international arena or gradually accept to play a secondary role at international meetings. Other MOFAs have been successful in transforming their role from being solely responsible for foreign economic policy to becoming the overarching coordinator of inter-ministerial foreign economic policy formulation. Such a more consultative role allows specialised ministries to participate in the formulation of negotiation positions while at the same time leaving the MOFA diplomats formally in charge of national delegations at international economic meetings.

The trend towards decentralisation of power and devolution of competencies from central state to provincial states has increased dramatically, especially within some member states of the European Union, be this through extensive interpretation of the subsidiarity principle or through direct devolution of power as demonstrated by the United Kingdom in 2001 when it devolved some state competencies from central UK government to the regions of Scotland and Wales. This trend of greater regional/local autonomy has also led to greater involvement of regional and local entities in matters traditionally monopolised by the central or federal governments. Instead of state-to-state negotiations, newly empowered regional and local authorities initiate their own international ties and maintain separate mechanisms to satisfy their locally specific interests, be it economic, environmental or social.

Provincial governments like the German Länder opened representative offices in Brussels in order to influence decision making at the EU Commission and EU related institutions. The same process can be observed for non-EU countries like Switzerland whose larger

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<sup>7</sup> Rik Coolsaet (1998), “The transformation of Diplomacy at the threshold of the new millenium”, University of Ghent (Belgium), pp 3-5.

cantons (provinces) also opened representative offices in Brussels even though Switzerland is not a EU member state. The participation of sub-national actors in international relations further complicates matters in regard to consolidation of national foreign economic policy and constitutes an additional challenge for the respective MOFAs.

## b) Emergence of Diplomatic Functions in Transnational Enterprises

Globalisation as measured by worldwide foreign direct investment flows is galloping ahead and so is transnationalization.<sup>10</sup> . Companies today are increasingly conducting business across OECD countries, newly emerging markets (Eastern Europe, China) or newly industrialized economies (South-East Asia, South America) and some of the industries have indeed become transnational to a surprisingly large extend (See Table 1).

**Table 1: Averages in Transnationality and Foreign Assets by Industry (1999)**

Industry	Average trans-nationality (%)	Foreign Assets (Billion Dollars)	Foreign Assets as % of top 100 TNCs foreign assets
Food & Beverages	88.7	321	6.3
Pharmaceuticals	67.3	239	4.7
Electronics & Electrical Equipment	59.6	647	12.7
Petroleum	70.1	693	13.6
Motor vehicles	41.1	677	13.3
Chemicals	53.9	158	3.1
Total	63.45*	2'735	53.7

\*Average

(Source: UNCTAD/Erasmus U. Database)

However, transnational companies have also been under pressure from many sides on a diverse array of problems for several decades already. Doing business in countries like Russia, China, Japan or the Middle East requires specific country knowledge and business acumen which often cannot be managed by “best practice” recipes imported from the US or Western Europe.

<sup>8</sup> For more details see G.R.Berridge, Alan James; “A Dictionray of Diplomacy”, Palgrave Publ. (formerly Macmillan Press Ltd), Hampshire, UK, 2001, pp.81.

<sup>9</sup> See footnote 2, pp 38-39

<sup>10</sup> According to United Nations Conference on Trade and Development, the degree of international involvement of a firm can be measured in various ways. The index of transnationalisation used by UNCTAD is a composite of three ratios namely foreign assets/total assets, foreign sales/total sales and foreign employment/total employment. UNCTAD, 1998, *World Investment Report: Trends and Determinants*. Geneva, 1998pp 43.

In addition, increased globalisation has led to the development of a multitude of standards that govern business behaviour. It is no longer sufficient to only know the business and legal conditions of a global company's headquarter country and those of host countries where its subsidiaries might conduct business. Corporate reputation hinges on a TNCs' overall performance in regard to respecting social, environmental, human rights and ethical criteria. The proliferation of private certification and labelling schemes (for instance of tropical wood products or non-child labour production) bear witness to the power of such social and environmental demands and illustrate their potential impact on TNCs' competitive advantage in case of non-conformance.

On the economic front, greater international efforts have been made to ensure fair competition, sustainable development and good governance. Multilateral and intergovernmental organizations are increasingly defining industry standards that become mandatory framework conditions for global companies where ever they might operate. Business decisions have to comply with such international standards no matter whether a global company is American, French or Japanese by origin. For example, a global company's price dumping strategy might be illegal according to the trade rules of the World Trade Organization (WTO), another company might get market access to foreign IT markets thanks to regulations agreed at the International Telecommunications Union (ITU). A company might get help in protecting its patents thanks to multilateral agreements signed at the World Intellectual Property Organization (WIPO) while another global company might see its unfair industrial relations practices be criticized by countries that signed the labour conventions of the International Labour Organization (ILO).

Transnational enterprises are important non-state actors operating on a global scale in developed, developing and transition economies. Global managers are competent in managing business operations but do not necessarily know how to manage non-business stakeholders in all the countries they operate in. These non-business stakeholders are pressuring the transnational enterprises to be more accountable socially and environmentally. Failures in dealing with these non-business related issues could easily lead to crisis, open conflicts, or missed business opportunities.

The need to deal more effectively with international and national regulatory bodies and to manage more successfully the various activist groups, the transnational companies have taken matters in their own hands and started "diplomatic" offensives in different settings and through different media channels. One recent example is the case of big business lobbying in the United States for the congress to grant PNTR (Permanent Normal Trade Relations) status to China.<sup>11</sup> Another example is the establishment of the Trans-Atlantic Business Council (TABD)<sup>12</sup> by major businesses from both the United States and Western Europe as a forum to coordinate their positions regarding WTO and other trade related issues.

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<sup>11</sup> To see more details on this case, please read Ian Urbina (2000), "The Corporate PNTR Lobby", *Multinational Monitor*, May, vol. 21(5). <http://multinationalmonitor.org/mm2000/00may/urbina.html>

<sup>12</sup> for more information, see [www.tabd.com](http://www.tabd.com); for a background discussion of TABD's role see: Coen, David, Grant, Wyn (2000): "Corporate Political Strategy and Global Policy: A case stude of the Transatlantic Business Dialogue (TABD)", London Busines School, [dcoen@lbs.ac.uk](mailto:dcoen@lbs.ac.uk) or University of Warwick, [PORCB@titanic.csv.warwick.ac.uk](mailto:PORCB@titanic.csv.warwick.ac.uk)

Increasingly, business communities put forward their own white papers stipulating preferred policy positions and forming cross-border alliances through their multiple "embassies" (i.e., national subsidiaries) to promote their own agenda<sup>13</sup>. MOFAs can hardly keep tap on these parallel activities. It is even more difficult to coordinate!

### **c) Growing participation of transnational NGOs in International Governance and Economic Diplomacy**

NGOs operate at multiple levels ranging from national civil society issues like environmental protection to observation and investigation of possible human rights violations of global companies or foreign states. They often operate at national, regional and transnational levels focusing on economic, social and political issues<sup>14</sup>.

Concerned with the negative impact of development on the environment and disadvantaged groups, Non-Governmental Organisations (NGOs) challenge states on economic and business issues through civil protests, campaigns, negative ranking lists and other means. Thus, NGOs manage to stifle the ability of traditional sovereign actors to operate unimpeded, be this at state-to-state level or within the sphere of multinational standard setting organisations.

NGOs are also able to exert pressures on transnational enterprises who they increasingly challenge at home and in foreign markets alike. Through campaigning and boycotts, for example, INFACT<sup>15</sup> has been exposing life-threatening abuses by TNCs and organising grassroots campaigns to hold corporations accountable to consumers and society at large. From the Nestlé's infant formula marketing of the 1970s and 1980s to today's boycott of Kraft Foods - owned by tobacco giant Philip Morris, INFACT has successfully won concrete changes in corporate policy and practice (Multinational Monitor, 2001).<sup>16</sup>

Internationally, NGOs are also leaving their footprints. Framework Convention on Tobacco Control (FCTC), an international treaty being negotiated by World Health Organisation member states since 2000<sup>17</sup>, is one successful example on how a grassroots movement through supraterritorial alliance i.e., NATT, (Network for Accountability of the Tobacco transnationals) challenged the governments and international organisation into action. FCTC has just concluded the forth round of negotiations in March 2002. Once the

<sup>13</sup> for an excellent analysis of lobbying influence on government function see: Coen, David; (1999); "The Impact of U.S. Lobbying Practice on the European Business-Government Relationship", California Management Review, Vol. 41, Nr. 4, pp 27-44.

<sup>14</sup> for a in-depth discussion of NGOs political responsibility, see Lisa Jordan, Peter van Tuij (1997), "Political Responsibility in NGO Advocacy: Exploring emergin shapes of global demoncracy", SIT, [www.sit.edu/global\\_capacity](http://www.sit.edu/global_capacity)

<sup>15</sup> INFACT, founded in 1977, is a national grassroots corporate watchdog organisation in the USA. For more information on Infact, see [www.infact.org](http://www.infact.org)

<sup>16</sup> "GE can be Beat: An Interview with Kathryn Mulvey", *Multinational Monitor*, July/August, vol. 22(7 & 8). Also available on line:

<http://multinationalmonitor.org/mm2001/01july-august/julyaug01interviewmulvey.html>

<sup>17</sup> For more information on FCTC, please check the following web sites: <http://www.treatycheck.org> and <http://www.who.org>



treaty is concluded, it will greatly limit the business options for the tobacco industry and TNCs such as Philip Morris.

The Internet has changed greatly the power relationship between state actors, transnational enterprises and transnationally active NGOs (T-NGO). When searching the World Wide Web on "stakeholders" related web site, more than 24'000 sites can be found on *www.Google.com* alone. The Internet has become one of the most powerful and affordable tools for making strategic alliance amongst T-NGO's and voluntary groups around the world. They can exert pressures on governments and on global companies demanding more information and more transparent government policies and business practices. At the same time, they are using IT to exert influence deep into the organisational structures of governments and global companies.

Most significantly, NGO communities are putting forward their alternative development models, thereby directly challenging dominant policy formula such as the so-called Washington Consensus.<sup>18</sup> Internet based virtual communities allow NGOs to pool resources and information on things happening on the ground. Making use of their information gathering capacity and sophisticated policy analysis capability, transnational NGOs are increasingly active in the international policy arena and demand their rights for supraterritorial representation thereby challenging the MOFAs' abilities to coordinate national economic policy at international fora.

### **Urgent need to redefine "Diplomacy"**

Diplomacy evolved over time and so did its definition and the professional identity of diplomats (Saner, 2002)<sup>20</sup>. Recorded history of diplomacy<sup>21</sup> goes back to ancient Greece and has evolved over time. Important contributions to the diplomatic method have been made at different times in recorded history particularly during the periods of the Italian city-states, in France before and after the French revolution, and in England starting with industrialization and expansion of its empire. Systematic contributions have mostly been made in the USA especially after WWII with the start of large-scale social science research aiming at analysing and understanding behaviour of international negotiators.<sup>22</sup>

Modern diplomacy has often been equated with the era following the Westphalian peace negotiations. The term "Westphalian System" describes

"The post 1648 system of international relations in which "states – secular, sovereign, independent, and equal – are the members, and stability is

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<sup>18</sup> defined as being the dominant beliefs and prescriptions resulting from policy harmonisation between the US government and the Bretton Woods institutions (IMF and World Bank) also called in France as "Pensée Unique", for an example see: Raymond Saner (2000), "The Impact of Policy and Role of Donor Agencies on Small and Medium-sized Enterprise (SME) Assistance Projects in Russia", in Paul Trappe (Ed.), *Social Strategies*, pp. 331-346, Peter Lang Publ., Berne.

<sup>19</sup> Finn, Edward, (2000); "International Relations in a Changing World: A New Diplomacy?", *Perceptions*, June-August, pp. 144-145.

<sup>20</sup> Saner, Raymond; (2002) *ibid*.

<sup>21</sup> Saner, R., 1991, What History Teaches Us about Negotiation Behavior, (in Dutch), *Negotiation Magazine*, vol. IV (2), and in more depth in Saner, R., 2000, *The Expert Negotiator*, Kluwer Law Publ., The Hague.

<sup>22</sup> Another source book on the history of diplomacy is Lucien Bély's book "L'invention de la diplomatie: Moyen Age- Temps modernes", Presses Universitaires de France, 1998.

preserved by the balance of power, diplomacy and international law" (Berridge, James, 2001)<sup>23</sup>.

As recent history teaches us however, conflicts might again involve non-state actors as has been the case since the 2001 attack on the world trade towers in New York involving a state (USA) and its allies (mostly OECD countries) facing a non-state actor (Al-Qaeda) working world-wide through various networks and alliances. As Paul Meerts (2002) comments: "This Eurocentric character of the Westphalian system might not fit the globalised world of today and tomorrow"<sup>24</sup>

In addition to national states there are now also sub-national actors (e.g. regions like the Länder of Germany), supranational actors (e.g. EU, NAFTA) and non-state actors (e.g. NGOs and enterprises) which are all partaking in the shaping of international relations (Coolsaet, 1998).<sup>25</sup> . Reviewing the evolution of diplomatic practice, Wiseman (1999)<sup>26</sup> adds to the traditional diplomatic methods of bilateralism and multilateralism a third concept namely 'Polylateralism' which he defines as follows:

*"the conduct of relations between official entities (such as a state, several states acting together, or a state-based international organisation) and at least one unofficial, non-state entity in which there is a reasonable expectation of systematic relationships, involving some form of reporting, communication, negotiation, and representation, but not involving mutual recognition as sovereign, equivalent entities" (p.11)*

Wiseman's concept of Polyilateralism captures the broadening of interfaces between the Ministries of Foreign Affairs and their respective state and non-state counterparts. In light of this proliferation of actors involved in international relations and diplomatic activities, Melissen (1999)<sup>27</sup> offers a succinct definition of contemporary foreign policy and diplomacy by stating:

"(Diplomacy) is defined as the mechanism of representation, communication and negotiation through which states and other international actors conduct their business "

Melissen and Wiseman's definitions of diplomacy capture the post-modern nature of diplomacy that is characterized by the simultaneous participation of multiple state and non-state actors.

While greater representation and participation of diverse interest groups leads to a democratisation of the political processes at the national and global levels, it also makes diplomacy and international relations vulnerable to fragmentation and possible outbreaks of conflicts due to potential paralysis caused by too many state and non-state actors with often mutually exclusive policy goals.

<sup>23</sup> Berridge, G.R.; James, Alan; (2001). "A Dictionary of Diplomacy", Palgrave, New York. Pp.250

<sup>24</sup> Paul Meerts (in press), Peace vs. Justice: Negotiating Forward and backward looking Outcomes", Clingendael, The Hague.

<sup>25</sup> Coolsaet, Rik, (1998); *ibid*

<sup>26</sup> Wiseman, Geoffrey (1999): "Polylateralism and New Modes of Global Dialogue", Discussion Paper No. 59, Diplomatic Studies Programme, University of Leicester.

<sup>27</sup> Melissen, Jan; (1999) ed. "Innovation in Diplomatic Practice", McMillan Press, London, pp.xvi-xvii.

## Co-existence of Divergent Diplomatic Roles in Economic Sphere

Looking at the developments in the international economic sphere more closely, one can notice a further broadening of actors involved in economic diplomacy. In addition to state actors, one can observe increasing participation in international economic relations by transnational companies and transnational NGOs who not only interact with traditional state actors but increasingly engage each other directly on issues pertaining to international economic policy.

The new entrants to the diplomatic arena represent different groupings and organisations of local, national and international interests who pursue convergent and divergent interests. These multiple forces co-exist with each other and exercise different forms of diplomatic influence to achieve their objectives. Commenting on the increase of non-state actors, Langhorne (1998)<sup>28</sup> states that

*“private organisations are developing their own diplomacy both between themselves and between actors in the state system; and the way they have been doing it is remarkably reminiscent of the early days of state self representation” (p 158)*

The proliferation of diplomatic roles and actors is indeed stunning. Reflecting on the role and function of non-state actors, Burt & Robinson (1998)<sup>29</sup> point out that the international landscape is crowded with multinational corporations and non-governmental organisations that impact directly on international relations, and consequently, on the conduct of diplomacy.

Focusing on the economic sphere at international level, these newly emerged diplomatic functions and roles of the various state and non-state actors could be categorised in the following manner:

	<b>Functions</b>	<b>Roles</b>
State Actors	<ul style="list-style-type: none"> <li>• Economic diplomacy</li> <li>• Commercial diplomacy</li> </ul>	<ul style="list-style-type: none"> <li>• Economic diplomats</li> <li>• Commercial diplomats</li> </ul>
Non-State Actors	<ul style="list-style-type: none"> <li>• Corporate diplomacy</li> <li>• Business diplomacy</li> <li>• National NGOs</li> <li>• Transnational NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate diplomats</li> <li>• Business diplomats</li> <li>• National NGO diplomats</li> <li>• Transnational NGO diplomats</li> </ul>

**Table 2: Divergent Postmodern Diplomatic Roles in Economic Sphere**

<sup>28</sup> Langhorne, Richard; (1998); “History and the Evolution of Diplomacy” in Kurbalija, Jovan: “Modern Diplomacy”, Mediterranean Academy of Diplomatic Studies, University of Malta, pp 147-162.

<sup>29</sup> Burt, Richard; Robinson, Olin (1999): “Diplomacy in the information age”, Discussion Paper Nr. 58, Diplomatic Studies Programme, University of Leicester., p. 17, 42-43.

### a) Diplomatic Function and Roles of Ministries in charge of Economic and Commercial Policy

Faced with the complexities of multilateral standard setting organisations responsible for economic policies such as the WTO, IMF or OECD, many governments have broadened participation of ministries specialised in economic and financial matters thereby decreasing or neutralising the influence and role of MOFAs. For instance, the US government centralised decision making power in regard to trade negotiations at WTO (formerly GATT) by creating a new executive office of the president, the Office of the United States Trade Representative (USTR) in 1962. In addition, the US government created an interagency command group based in Washington to improve policy coordination during the GATT Kennedy Round thereby limiting complexity, inter-ministerial policy disputes and external influencing by members of parliament (congress) and various lobbying groups (e.g. farm and food processing industry).<sup>30</sup>

Efforts by specialised Ministries to conduct policy related international negotiations and to influence the structure and mechanisms of global governance architecture have eclipsed the previous prominence of MOFAs in economic and trade arenas. The rise of this non-traditional genre of multi-ministry international diplomacy is for instance apparent in Geneva where many industrialised countries' Embassies to the WTO are staffed by a greater number of officials than is the case at their bilateral Embassies to Switzerland in Berne. The greater number of staff is mostly due to the ever increasing number of non-MOFA diplomats and government officials. Economic diplomacy conducted by MOFA or other government ministry officials has been defined as follows:

**Economic diplomacy** is concerned with economic policy issues, e.g. work of delegations at standard setting organisations such as WTO and BIS. Economic diplomats also monitor and report on economic policies in foreign countries and advise the home government on how to best influence them. Economic Diplomacy employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective. This is sometimes called “economic statecraft”.<sup>31</sup>

Governments are also keen to support national economic development by providing support to their own enterprises for instance in the form of export advice, legal assistance, export incentives and backstopping when needed. Such support includes helping national enterprises establish subsidiaries in other markets. At the same time, their function can also include the provision of support to foreign enterprises interested in investing in the respective country.

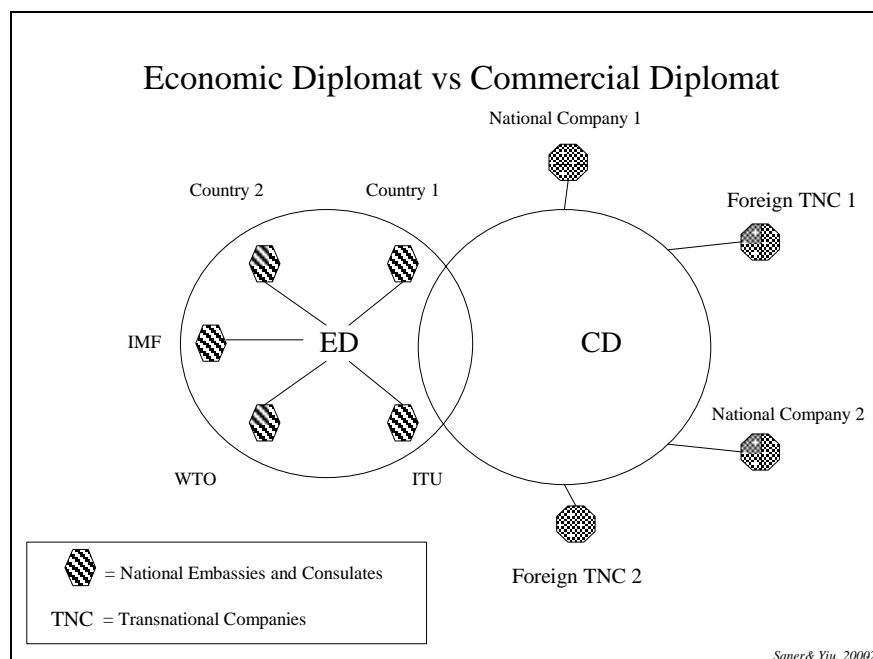
**Commercial diplomacy** on the other hand describes the work of diplomatic missions in support of the home country's business and finance sectors in their pursuit of economic success and the country's general objective of

<sup>30</sup> Donna Lee, (2001), “Endgame at the Kennedy Round: A Case Study of Multilateral Economic Diplomacy”, *Diplomacy & Statecraft*, Vol. 12, No. 3, pp 119-120.

<sup>31</sup> For more details see G.R.Berridge, Alan James; “A Dictionary of Diplomacy”, Palgrave Publ. (formerly Macmillan Press Ltd), Hampshire, UK, 2001, pp.81.

national development. It includes the promotion of inward and outward investment as well as trade. Important aspects of a commercial diplomats' work is the supplying of information about export and investment opportunities and organising and helping to act as hosts to trade missions from home<sup>32</sup>. In some cases, commercial diplomats could also promote economic ties through advising and support of both domestic and foreign companies for investment decisions.

The difference between *Economic Diplomacy* and *Commercial Diplomacy* can best be illustrated in Figure 1:



Recognising the importance of international trade and FDI to national economic development, governments have stepped up their efforts in strengthening their commercial representation in major trading partner countries. Commercial diplomats offer both services in this important sphere of diplomacy. They are either civil servants and specially trained diplomats, or representatives of chambers of commerce or trading associations seconded to national Embassies located in important foreign markets. In addition to the traditional function of commercial attachés, para-statal organisations or public organisations have been given mandates to expand their services, coverage and presence abroad in order to support trade expansion and to conduct commercial diplomacy.

### **b) Diplomatic Function and Roles within Multinational Enterprises**

In order to succeed as a business and ensure sustainable economic viability of their investments, transnational enterprises must draw on competencies which will allow them to manage multiple stakeholders at home and abroad. Faced with these challenges, global companies need to acquire greater diplomatic capacities and competencies in handling both the internal stakeholders and the external non-business stakeholders. Experiences have

<sup>32</sup> See footnote 2, pp 38-39

shown that the latter could be highly problematic for multinational companies if it is badly or incompetently handled. The case in point is the court case which large Western pharmaceutical companies started and lost against the South African government in regard to patent infringement issues in the context of treating AIDS patients with generic drugs.

The diplomatic function within Multinational Company's goal is to ensure continuation and structural cohesion within its diverse web of headquarter and subsidiaries companies.<sup>33</sup> The function could be divided into two, namely, that of Corporate Diplomacy and of Business Diplomacy.

**Corporate Diplomacy** consists of two organizational roles considered to be critical for the successful coordination of a multinational company, namely that of a country business unit manager who *should be able to function in two cultures: the culture of the business unit, and the corporate culture that is usually heavily affected by the nationality of the global corporation*"; and that of a corporate diplomat who as a home country or other national who is *impregnated with the corporate culture, multilingual, from various occupational backgrounds, and experienced in living and functioning in various foreign cultures*. These two roles are essential to make multinational structures work, as *liaison persons in the various head offices or as temporary managers for new ventures*"<sup>34</sup>

In contrast to corporate diplomacy, business diplomacy aims to make the external environment of its subsidiaries conducive for business activities. Demands from the local communities on corporate conduct (present, past and future) limit the range of freedom of corporate behaviour. Incompetently managed external constituencies and pressure groups could quickly result in millions of dollars of costs (e.g. settling of damage claims) or lost business opportunities.

Traditionally, big enterprises hire former ambassadors or state secretaries (in the USA) to promote business contacts and in order to obtain lucrative contracts. However, business diplomacy extends beyond the domain of public relations and business contacts. It deals with on the one hand the communities and consumer groups at the grassroots level, and on the other with the international community. Civil Society Actors are far more fragmented than the states or other transnational enterprises. Nevertheless, civil society organisations can cause a multitude of challenges to transnational enterprises. Business Diplomacy could hence be defined as follows:

**Business Diplomacy** pertains to the management of interfaces between the global company and its multiple non-business counterparts and external constituencies. For instance, global companies are expected to abide by multiple sets of national laws and multilateral agreements set down by

<sup>33</sup> An example of cross-country divergence of business practice are the sources leading to labour turnover which vary considerably between countries, see for example: Raymond Saner, Lichia Yiu (1993), "Coping with Labour Turnover in Taiwanese Companies", The American Asian Review, Vol. XI, No. 1, Spring 1993, pp. 162-195.

<sup>34</sup> Hofstede, G., 1991, *Cultures and Organizations: Software of the Mind*, London: McGraw-Hill, p.213.

international organizations such as the World Trade Organization (WTO) and the International Labour Organization (ILO). On account of a global company, Business Diplomats negotiate with host country authorities, interface with local and international NGOs in influencing local and global agenda. At the firm level, they will help define business strategy and policies in relation to stakeholder expectations, conduct bilateral and multilateral negotiations, coordinate international public relations campaigns, collect and analyse pertinent information emanating from host countries and international communities.<sup>35</sup>

Figure 2 illustrates the contrasting functions between *Corporate Diplomat* and *Business Diplomat* regarding their diplomatic space.

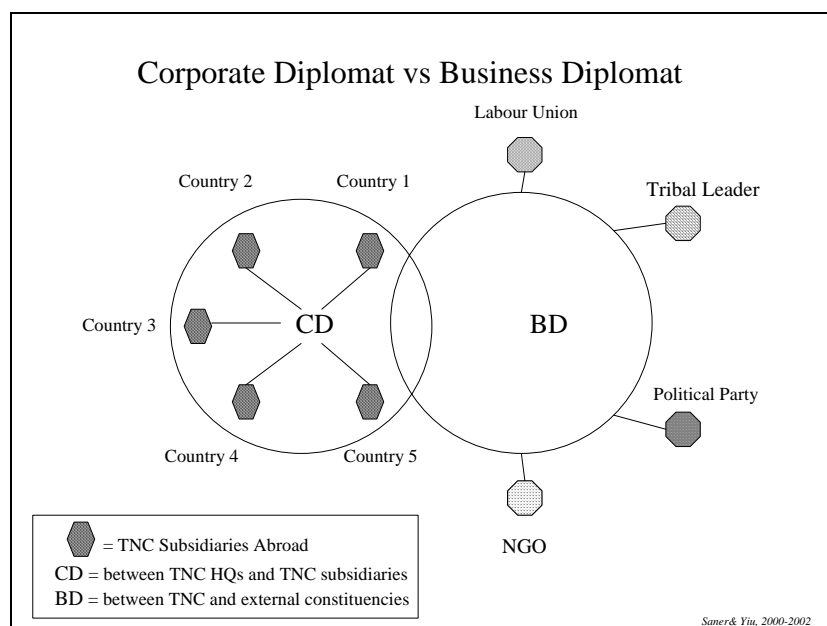


Figure 2: Corporate Diplomat vs Business Diplomat

### c) Diplomatic Function and Roles within Non-Governmental Organisations

Economically oriented NGOs focus on economic policy, international economic development and global business practice. There are also many other areas in which NGOs are active. Distinction needs to be made here between NGOs acting within national boundaries and those operating on international level through their own foreign outlets as well as through alliances with like minded T-NGOs. Economic NGOs are defined as being:

**National NGO Diplomacy.** National economic NGOs represent civil society active in the economic sphere consist of various constituencies ranging from consumer protection, anti-corruption to shareholder groups and environmentalists.

<sup>35</sup> Raymond Saner, Lichia Yiu, Mikael Sondergaard, (2000), "Business diplomacy management: a core competency for global companies", *Academy of Management Executive*, Vol. 14, No.1, pp 80-92

The number of national NGOs is growing fast partially due to the fact that the public now has greater access to information and stronger influence on corporate governance. Their voices and opinion can no longer be ignored by the holders of political and economic powers. The recent case of bottle poisoning of Coca-Cola soft drink products in Belgium is a good case in point. Being without in-house competence in business diplomacy, Coca-Cola Inc. missed out on the opportunity to respond in time to the request for clarification and remedial action by various NGOs ranging from consumer protection groups, journalist, political activists to concerned parents in Belgium. Public fury in Belgium affected Coca-Cola's business and led to millions of dollars worth of lost business in Europe. In addition, Coca-Cola's reputation suffered serious setbacks due to lost sales outside of Belgium. A year later, the then CEO of Coca-Cola was asked to resign.

**Transnational NGO Diplomacy** are able to organise advocacy events and lobbying activities at cross-border levels. They operate at international level as transnational NGOs (T-NGOs) such as WWF and Greenpeace creating for instance coalitions against WTO, WEF, IMF or transnational enterprises. T-NGOs propose their own policy solutions at international arena, like for instance during the multilateral negotiations on the Kyoto Protocol agreement (climate change), the debt rescheduling of least developed countries at the IMF, or block the negotiation of a multilateral convention on foreign investment at OECD. They are also involved in implementing technical cooperation projects in developing and transition economies thereby complementing, at times even substituting, national governments. They also offer cutting edge research in domain areas crucial for international cooperation and crisis management.<sup>36</sup>

In contrast to national NGO's; transnational NGOs actively seek ways to influence the agenda at international governance bodies by putting forward their policy recommendations and by lobbying in the corridor of power. The dialogue between major transnational NGO's and the World Bank during recent annual conferences of the Bank is one of the examples. Due to their domain expertise, these non-state actors have taken the lead in many international fora and narrowed the range of operational freedom of traditional diplomats.

Transnational Economic NGO's could be defined as follows:

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<sup>36</sup> for an excellent example of innovative research in conflict prognosis, see Luc van de Goor, Suzanne Verstegen (1999) "Conflict Prognosis: Bridging the Gap from Early Warning to Early Response: part 1 & 2, Netherlands Institute of International Relations, Clingendael, The Hague.



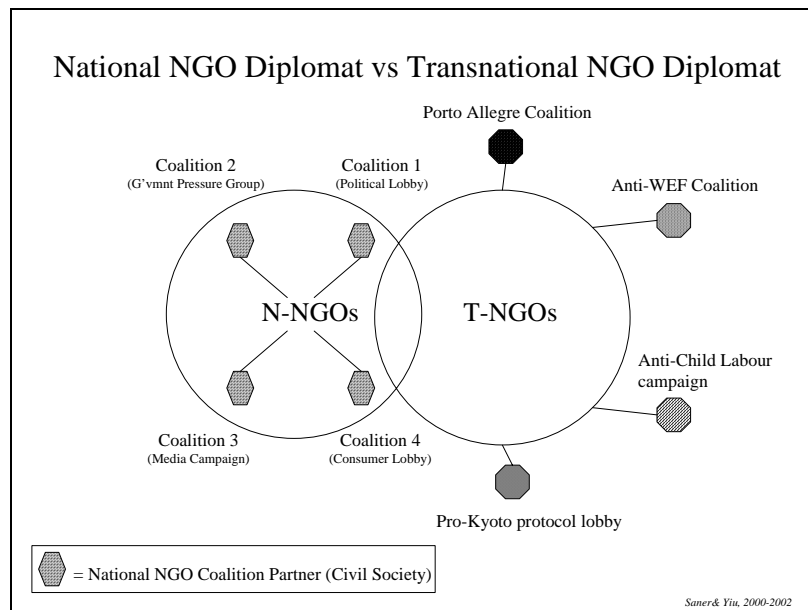


Figure 3: Territorial spaces for the advocacy of the National NGO diplomat and Transnational NGO diplomat

To give an example of the complexities of post-modern diplomacy and the growing importance of NGOs, Finn (2000)<sup>37</sup> cites the following statement attributed to US Deputy Secretary of State, Strobe Talbott:

*“In Bosnia, nine agencies and departments of the US government are cooperating with more than a dozen other governments, seven international organisations and thirteen major NGOs ...to implement the Dayton Accords”*

Seen from this perspective, it appears necessary that different actors in the enlarged sphere of post-modern diplomacy acquire additional competencies (domain expertise) to engage constructively in international economic policy dialogue. Conversely, it should also become increasingly possible that the MOFAs and state diplomats learn to adapt their traditional roles and functions from being a more inward looking, exclusive and secretive actor to becoming a more reachable, outgoing and inclusive diplomat constantly in search for possible inclusion of other actors be they state (other ministries) or non state actors (business diplomats and transnational NGO diplomats).

## Differentiation of The Six Postmodern Diplomatic Roles

Regardless of the affiliation of different "diplomats", their primary task is to safeguard the interest of their constituencies and to influence the outcome of transactions between

<sup>37</sup> Finn, Edward, (2000); “International Relations in a Changing World: A New Diplomacy?”, Perceptions, June-August, pp. 144-145.

themselves and other parties. Governments, global companies and transnational NGOs need to safeguard the economic and business interests of their respective clients, be that the state, home based global companies and increasingly also the interests of national NGOs (civil society representatives) representing specific localities and communities. To forestall potential confrontations, the government officials and business representatives need to adopt a two-way (participatory) approach to conflict resolution and feel more comfortable in constructive economic policy dialogues. However, divergence does exist regarding the roles and functions of these six postmodern diplomatic roles.

### Foreign Service State Actors

The goal of economic diplomats is to competently influence multilateral economic policy by coordinating specialised ministries, by shaping the negotiation process at economic standard setting organisations, and by constructively including non-state actors as much as seen useful and appropriate. Commercial diplomats' goal is to open foreign markets for their own home companies by influencing foreign governments' economies and by facilitating the easy entry of their respective national companies into foreign markets. They should also be available for facilitation should there be conflict of interests with foreign business or non-business stakeholders.

Figure 4 defines the different tasks of a *Economic Diplomat* and a *Commercial Diplomat*.

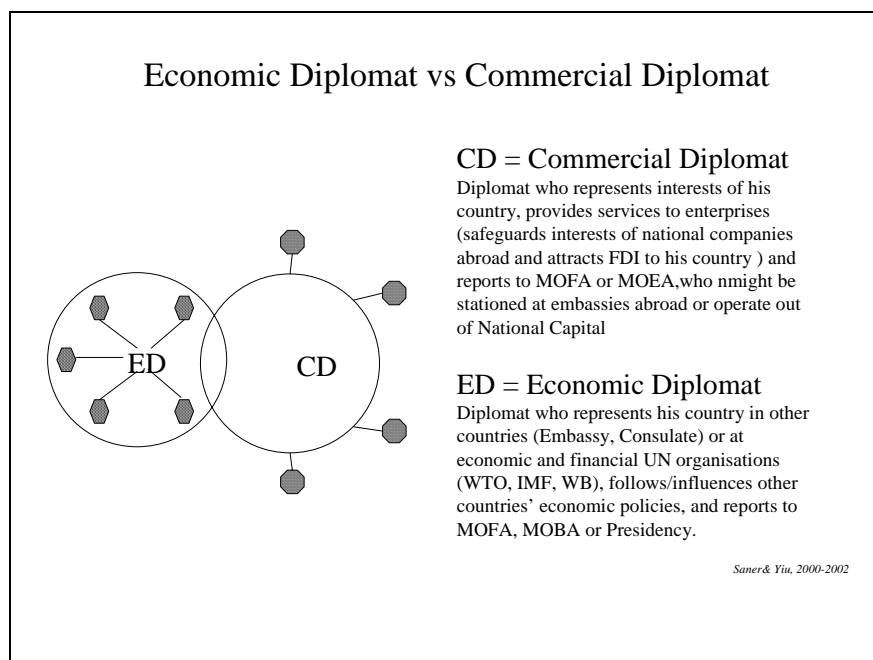


Figure 4: Functional difference between Economic Diplomat and Commercial Diplomat

### Transnational Enterprise Actors

Business diplomats, and to a lesser degree Corporate diplomats, should seek to identify new business opportunities in foreign markets and safeguard the corporate reputation and business sustainability within specific countries and localities. They attempt to influence

economic and political decision makers and liase with the various national, foreign and transnational NGOs and other civil society groups who might have concerns about the business conduct of their company. They have to develop social networks that encompass not only potential business partners but also other social partners in order to promote the corporate standing of their company with the non-business communities in the various host countries where their company is active in.

The diplomatic space that a *business diplomat* operates in is very different from that of a *corporate diplomat*. Their task differences is presented in Figure 5.

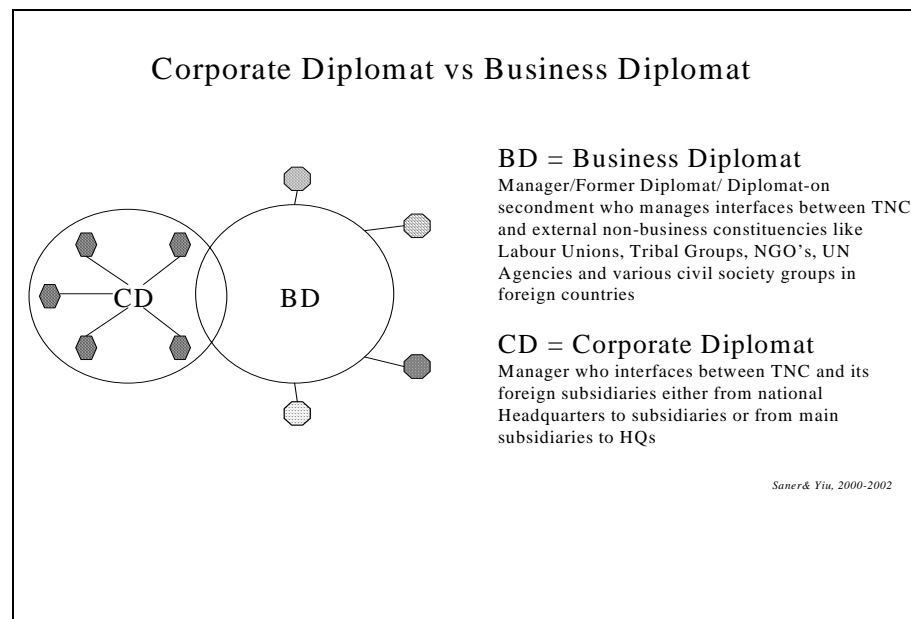


Figure 5: Task Difference between Corporate Diplomat and Business Diplomat

### Transnational Civil Society Actors

NGO's active in the field of economic policy need to understand the policy making processes at central government particularly at the specialised ministries in charge of economic policy. They need to understand and assess the extent of impact which international economic agreements have on the respective national government's freedom of action. At the same time, these NGOs need to seek partnership arrangement with business in order to promote employment and resolve social or environmental issues. It would be useful for NGOs to understand the functioning of enterprises, how they produce their goods and services and how ownership and management affects the decision making process within key companies.

At the international level, transnational NGOs follow closely the process of treaty making at crucial international standard setting organisations. They closely coordinate their advocacy campaigns with related T-NGOs in important other countries. Forming important cooperative relationships and alliances on specific economic issues provides T-NGOS with a power base which helps them co-determine the outcome of multilateral negotiations.

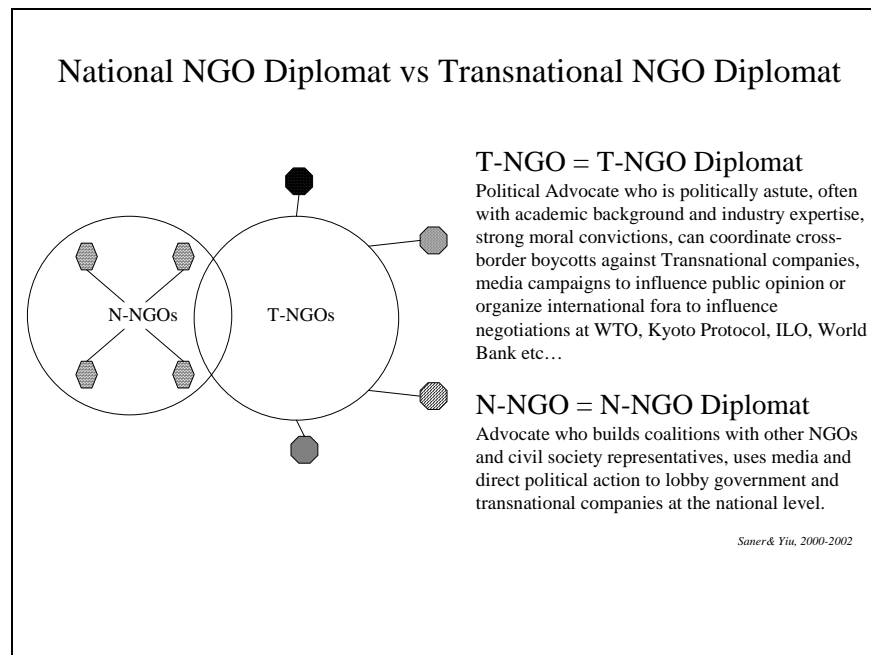


Figure 6: Task differences between National NGO Diplomat and Transnational NGO Diplomat

## Common Tasks of All “Postmodern Diplomats”

In safeguarding the economic and development interests of their respective constituencies, postmodern diplomats need to fulfil a set of basic objectives and tasks. These common objectives and tasks carried out by the postmodern diplomats aim to:

- Influence political, economic and social policies to create the right conditions for economic development taking into account the needs and aspirations of other stakeholders.
- Work with rule-making international bodies whose decisions affect international trade and financial regulations.
- Forestall potential conflicts with foreign governments, NGOs, and various economic actors thereby aiming to minimize political and economic risks.
- Use multiple international fora and media channels to safeguard the image and reputation of their own country, enterprise and NGO ("reputation capital")
- Create social capital<sup>38</sup> through dialogue with all stakeholders who might be impacted by the process of economic development and globalisation.
- Sustain credibility and legitimacy of their representative bodies in the eyes of the public and their own communities.

<sup>38</sup> Social capital refers to the ability of actors to extract benefits from their social structures, networks, and memberships (see Partha Dasgupta, Ismail Serageldin (Eds), (2000), “Social Capital: A Multifaceted Perspective”, The World Bank, Washington

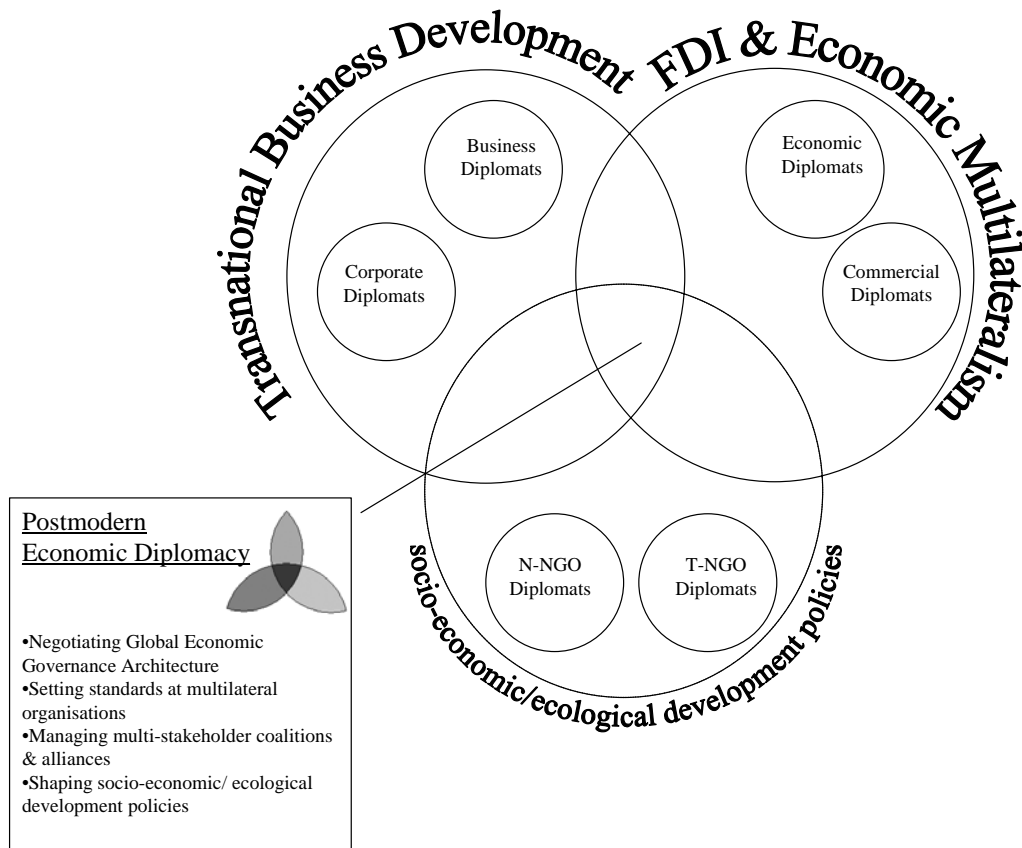


Figure 7: Common Tasks of all Diplomats

All six types of diplomats need to be competent in interfacing with their respective stakeholders and customers (governments, companies, civil society), conduct bilateral and multilateral negotiations, coordinate international public relations campaigns, collect and analyse pertinent information emanating from host countries and international communities. They need to scan the environment and reach out to the opinion makers of the respective communities, societies, and/or international communities. They need to gain confidence of those who would influence the results of their mission. Most of all, these post-modern diplomats will need to adopt an outward looking mindset and to enlarge their role repertoire regarding representation and diplomatic interactions.

## Developing an Adequate Talent Pool for All Six “Diplomacies”

All six categories of diplomats require sufficient social capital (institutional and personal) and knowledge capital (strategic and analytical) to succeed in addition to their personal competencies. Boundaries have become blurred between the various forms of diplomatic actors. What follows are comparisons between roles still mostly attached to Ministries of Foreign Affairs or sometimes to the Ministry of Economic Affairs (Economic/Commercial Diplomats) and the two other key non-state actors namely business (Business/Corporate Diplomats) and NGOs (national/transnational NGO Diplomats). While the context of applying their diplomatic skills might differ, there is also convergence in regard to the

mindsets and skills required for successful implementation of their roles and responsibilities.

#### Economic/Commercial Diplomats vs. Business/Corporate Diplomats:

Professional boundaries between business and diplomacy have gradually become blurred especially after the end of the Cold War period. States are championing economic development and trade relations in today's global economy, which has become increasingly interconnected and interdependent. Foreign service, government, business and universities need each other's special expertise in order to be effective in the global market place and all fields could benefit from transfer of know-how to their respective knowledge domain.<sup>39</sup>

While a growing number of the foreign services of most OECD countries make great efforts in teaching diplomats the functioning and needs of business, the opposite is not true. Few are the global companies which consciously make an effort to understand the world of international relations and diplomacy and fewer even are the global companies who train their managers in diplomacy and international relations even though expatriation and direct dealing with foreign customers and partners are no longer the exception but the rule.

Instead, global companies most often prefer to hire either professional diplomats as full-time or part-time advisers on a punctual and opportunistic basis. The given objectives are mostly narrowly defined -- those hired are expected to provide the company with contacts or use their extensive regional experience to help a company manage difficult relations with foreign government officials. Former diplomats might also be hired by a global company for their contacts and experience in a specific industry- for instance, aviation. Global companies could however complement the prevalent "outsourcing" practice with an "in-sourcing"<sup>40</sup> approach in order to be more competitive and simply smarter than their competitors.

#### Economic/Commercial Diplomats vs. National/Transnational NGO Diplomats

Increasingly, transnational NGOs are moving into the policy domain of economic development. Well-established NGOs, such as ActionAid, World Wildlife Fund, Green Peace, are actively involved in setting the development agenda, may it be in regard to poverty alleviation, trafficking of women, or environmental degradation. They are also increasingly active in advocating strategies and policies concerning rural development, or foreign direct investment (FDI).

Through learning by doing, most T-NGO's forayed into international affairs and diplomacy and started to professionalise this aspect of their advocacy. Instead of the traditional adversarial relationship, more and more T-NGOs are seeking collaborative relationships with governments and business alike. In addition to building up their institutional

<sup>39</sup> For an example of possible know-how transfer from management to diplomacy see Raymond Saner (2000), "Importancia del entrenamiento en gestión administrativa y liderazgo en la formación diplomática contemporánea", *Revista Mexicana de Política Exterior*, Mexico, June 2000, pp 111-124.

<sup>40</sup> This term was first coined by Reich, R. B. 1990. Who is US. *Harvard Business Review*, 68(1),4.

capacities in policy analysis and formulation, these NGOs also recruit retired diplomats<sup>41</sup> to advise on international relations and politics.

The accepted norm of governance since the 1990's has democratised the working procedures of the Ministries of Foreign Affairs (MOFA) in most of the advanced democracies. Increasingly recognising the contributions that could be made by the civil society NGOs and to forestall potential opposition from the domestic stakeholders, MOFAs are becoming more inclusive in their policy deliberations and invite competent NGOs for consultation. Some MOFAs of OECD countries even invite representatives of major NGOs to be members of their national delegation for example at the multilateral negotiations on the Kyoto Protocol (Climate Change).

### **Option One: Revolving Door Practice” as a means to “buy-in” or “source-out” Diplomatic Know-How**

The blurring of economic diplomacy at the national and international level has also been mirrored by a blurring of professional boundaries. In the past, diplomats were carefully groomed and given privileges which on the other hand were met by loyalty and identification with the Ministry of Foreign Affairs and a professionalism. It was rare to see ambassador posts be handed to non-career diplomats in the past. This is not true anymore today in many developed countries. Job rotation into the MOFA and out into the world of business or academia are more and more common but also remain controversial.

Traditionally, it has been the practice in France, the United Kingdom and the US to facilitate cross-fertilization between business, government, Foreign Service and academics and to make sure that knowledge acquired in any of these different fields of expertise are diffused across professional boundaries. To illustrate this cross-fertilization are a few examples from US practice:

- George Schultz moved from a top management position at Bechtel company and teaching assignments at Stanford University to become Secretary of Labour, then Secretary of Treasury, then Secretary of State and back to Bechtel and Stanford University. ”
- Jim Baker moved from a Wall Street investment banker position to the Republican Party Committee on to become Secretary of State, and now back to business.
- Henry Kissinger moved from being a professor at Harvard to National Security Adviser, then Secretary of State and on to academic assignments and advisory roles through his consulting firm.
- Madeleine Albright moved from being a research professor at Georgetown University’s School of Foreign Affairs to US Representative to the United Nations and on to Secretary of State.

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<sup>41</sup> A pilot study conducted by CSEND with retired US Foreign Service Officers found that some of them were working with NGOs after leaving the foreign service.

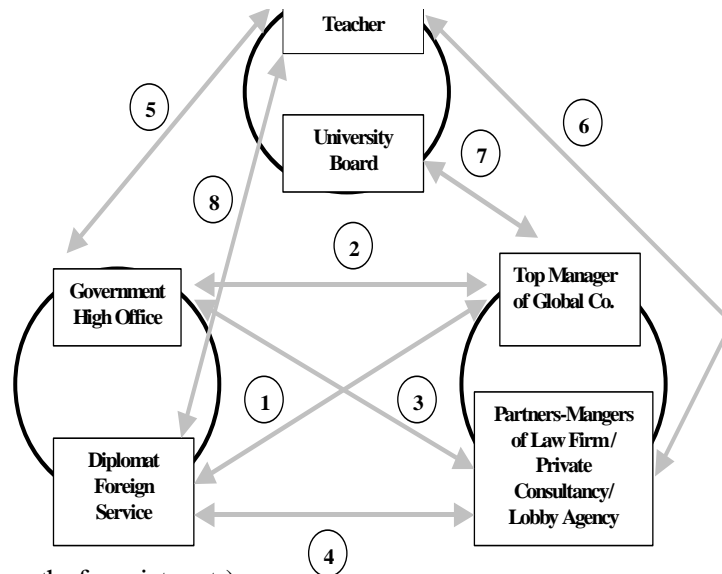
- Jeffrey Garten took a different route by moving from being Under Secretary at the Department of Commerce, to Under Secretary of Trade and on to being the Dean of Yale School of Management.

A different route leading from the Foreign Service to business appointments can also be observed, for instance, when former Ambassadors get appointed as VP for International Relations of global companies. Another variant is the move by former Ambassadors to become partners of law firms, investment firms, consulting companies or policy advisory agencies. These different variants are also being practiced by continental European countries as well as by many other countries.

The reverse move, a great source of controversy, is also well known -- when US presidents nominate influential and often wealthy businessmen to the role of Ambassador. Moving human resources across professional boundaries offers an opportunity to harness the talents and network linkages spread in different parts of the post-modern society. At the same time, too much cross fertilization can demotivate the professional diplomats leading to increased staff turnover and loss of institutional memory.



**Figure 8: Cross-Professional/Institutional Rotation and Boundary Spanning (US example)**



Legend (Two way path of appointments):

- |   |  |   |  |
|---|--|---|--|
| ① | Appointment as <u>Top Manager</u>  | ↔ | Appointment as <u>Ambassador</u>   |
| ② | Appointment as <u>Board Member</u>   | ↔ | Appointment as <u>High Government Official</u><br>(e.g., undersecretary)     |
| ③ | Appointment as <u>Partner</u> of Law Firm/ Consultancy/ Lobby Firm                                       | ↔ | Appointment as <u>High Government Official</u>                               |
| ④ | Appointment as <u>Ambassador</u>   | ↔ | Appointment as <u>Partner/Manager</u> of Law Firm/ Consultancy/ Lobby Agency |
| ⑤ | Appointment as Adjunct/Full time <u>faculty member</u>   | ↔ | Appointment as <u>High Government Official</u><br>(e.g., undersecretary)     |
| ⑥ | Double assignment as University Professor and <u>Private law firm/ Consultancy/ Lobby Agency Partner</u> |   |  |
| ⑦ | Double assignment as Company Board Member and <u>University Board Member</u>                             |   |  |
| ⑧ | Appointment as Diplomat  | ↔ | Appointment as Faculty/Academic member                                       |

Globalisation and its concomitant complexities requires investment in professional economic diplomats. This investment is even more necessary today than in the past because of the broadened roles of diplomats and their need to develop necessary network alliances. A well-known shortcoming of some developing countries is the extensive appointment of non-diplomats to ambassadorial postings for political favours and nepotistic empire building strategies. Combined with understaffing of professional diplomatic posts, this type of cross-fertilization most often ends in failure. The “instant” Ambassadors” cannot grasp the complexities at hand and are perceived as biased and hence cannot build cross-party coalitions and sometimes end up breaching rules of good governance. Hopefully, this kind of cross-fertilization will not become the new standard of diplomatic representation in developed countries.

### **Option Two: Development of Competence for the six Roles of Diplomats**

All six diplomatic actors share the need for specific competencies which are not or only partially covered by the teaching programmes of Diplomatic Academies, MBA or MPA schools (Master of Public Administration and Management of NGOs). A list of competencies for all six diplomatic actors is listed on Table 2 which are not, or only partially, covered by the traditional knowledge domains of DA, MBA/MPA programmes. Table 2 lists the main competencies areas and highlights the competencies that are most relevant to the different diplomats be they state or non-state actors.

**Table 3: Key Competency Requirements for Economic Diplomacy**

(adapted from Saner, Yiu and Søndergaard, 2000)

<b>Business School Education</b>	<b>Education at Diplomatic Academies</b>	<b>Competencies of Particular relevance for:</b>	<b>Competencies for post modern diplomatic environment</b>
General Management	History of Diplomacy	●◆ ●◆	<ul style="list-style-type: none"> <li>▪ Knowledge of diplomatic instruments</li> <li>▪ Capacities in influencing of diplomatic process</li> </ul>
Strategic Management	Treaty Making	●◆ ◆●◆	<ul style="list-style-type: none"> <li>▪ Knowledge of key international business related legal standards</li> <li>▪ Capacities in influencing standard setting at key international organisations (WTO, ILO, UNEP, WIPO, OECD).</li> </ul>
Managerial Accounting	International Law	●◆ ◆●	<ul style="list-style-type: none"> <li>▪ Knowledge of the functioning of international law &amp; arbitration</li> <li>▪ Knowledge of the impact of "Corporate Reporting to Stakeholders"</li> </ul>
Financial Management	International Economics	◆● ●◆	<ul style="list-style-type: none"> <li>▪ Knowledge of the history &amp; logic of non-US economic theories and practices</li> <li>▪ Knowledge of the influence of international financial institutions (IMF, WB, Paris Club, London Club, US FRB, BIS)</li> </ul>
Human Resource Management	International and Supranational Organisations	●◆ ◆●◆	<ul style="list-style-type: none"> <li>▪ Knowledge of the structure and decision making process of supranational organizations (UN, EU, NAFTA, ASEAN etc)</li> <li>▪ Capacity to influence these supranational organizations through direct or indirect means</li> </ul>
Marketing	Regional & Country Studies	●◆ ●	<ul style="list-style-type: none"> <li>▪ Knowledge of the interplay between economics, politics &amp; culture by region or country</li> <li>▪ Capacity to promote a proactive perspective in the region regarding business diplomacy</li> </ul>
International Management	Theory of International Relations & Contemporary History	◆●◆ ◆◆	<ul style="list-style-type: none"> <li>▪ Knowledge of the decision making process of key countries (domestic and foreign)</li> <li>▪ Capacity in conducting political risk analysis regarding key stakeholders of the investment project</li> </ul>
Operations Management	Managing Delegations, Embassies & Consulates	●◆	<ul style="list-style-type: none"> <li>▪ Knowledge of the mechanisms of international crisis management and corresponding role of diplomacy and government</li> <li>▪ Capacity to intervene on behalf of the company</li> </ul>
Information Management	Interaction with Media	◆●◆ ◆	<ul style="list-style-type: none"> <li>▪ Mastering public speaking and media (key note speeches, TV interviews, press conferences etc)</li> <li>▪ Managing a Business Diplomacy Information System which supports strategic planning regarding stakeholder management</li> </ul>
Organizational Behavior & Change	Negotiation skills (bilateral, multilateral, plurilateral)	◆●◆	<ul style="list-style-type: none"> <li>▪ Managing &amp; influencing international negotiations (bilateral, multilateral, plurilateral)</li> </ul>
Quantitative Methods	Diplomatic Behavior & Protocol Contemporary History	●◆ ◆◆	<ul style="list-style-type: none"> <li>▪ Mastering diplomatic practices &amp; protocol</li> <li>▪ Mastering analytic tools, e.g., stakeholder analysis, scorecard on stakeholder satisfaction, scenario planning, etc.</li> </ul>

**Competencies of Particular relevance for:**

- ❖ : Economic and Commercial Diplomats
- : Business Diplomats
- ◆ : Transnational NGO Diplomats

What follows are competencies required for all six diplomatic actors.

### Knowledge of International Relations and Diplomacy

In addition to the above mentioned track record of successful experience in international business management, all six diplomatic actors should have acquired competencies pertaining to the world of bilateral and multilateral diplomacy and international relations. Particularly important requirements would be first hand knowledge and experience in the functioning of intergovernmental bodies such as the World Trade Organization, the International Labour Organization, the Humanitarian Agencies of the UN and related organizations, the OECD, the United Nations Secretariat and General Assembly, the Bretton Woods' institutions (World Bank, IMF, and related regional banks), and the central governments, key ministries and departments of leading countries such as the United States of America, leading EU member countries, Japan and leading developing countries such as China, India, Brazil and South Africa and the EU commission and related organizations.<sup>42</sup>

### Multicultural Sensitivity

Complementing their knowledge and mastery of international diplomacy, all six diplomatic actors should also understand and appreciate the logic, ideological precepts and related intellectual underpinnings of governance systems that differ from the dominant form of Western capitalism. After all, many conflicts which transnational enterprises face in developing countries are based on very different legal, cultural, political and economic systems. Many leaders of developing countries and a large group of continental European and developed Asian countries do not necessarily share the belief in the supremacy of neo-liberal capitalism. They consistently reject Anglo-Saxon life style preferences and behaviour, which have become the increasingly dominant corporate culture of most global companies whether they are of US or non-US origin. In other words, a Business Diplomacy Manager should be able to converse with opinion leaders and politicians representing at times diametrically opposing religious, political and cultural systems.<sup>43</sup>

### Political Skills: Mastering Political Negotiations, Oration and Handling of Media

<sup>42</sup> For an in-depth understanding of the influencing processes at UN agencies, see Raymond Saner, Lichia Yiu (2002), "Porous Boundary and Power Politics: Contextual Constraints of Organisation Development Change Projects in the United Nations and Related Intergovernmental Organisations", Gestalt Review, The Analytic Press, Hillsdale, USA, Vol. 5 Nr. 3.

<sup>43</sup> International conflicts are often embedded in a larger context involving third parties, see Raymond Saner, Lichia Yiu (2002), "External Stakeholder Impact on Third Party Interventions in resolving Malignant Conflicts: The Case of a Failed Third Party Intervention in Cyprus", (2002), International Negotiation: 00: pp. 1-30.

All six diplomatic actors should know how to defend the interests of their respective organisation (Ministry, Company, NGO) be this in private and official discussions, in negotiations with foreign opinion leaders or in front of the media or through communication channels such as newspapers and conferences. An example is for instance the conflict around the US company Nike. Nike for instance had to face boycotts in the USA in recent years due to accusation of exploitative child labour practices in developing countries. US Commercial diplomats interested in supporting one of its Fortune 500 companies tried to provide advice to the company in how to best meet the NGOs challenges while NGOs used all of their transnational coalition to put pressure on Nike to drop practices considered incongruent with labour laws and human rights. Business diplomats of Nike on the other hand had to learn about ILO's labour convention and how ILO's multilateral decision making functioned.

### Political Entrepreneurship Competence

Faced with increasing complexities of international economic policy making, all six diplomats need to liaise and exchange with their counterparts across national borders, regions, and even continents. To take the example of a transnational NGO diplomat attempting to influence an international standard setting organisation like the WTO, this would imply managing multiple interfaces namely creating coalitions with other NGOs, putting pressure on their respective national economic diplomats, neutralising the influence of transnational business diplomats, winning over media to present their points of view and working on the WTO secretariat to be given access to crucial information or even to try to be invited as observer to WTO organised workshops.<sup>44</sup> Similar boundary spanning entrepreneurship is required of Economic, Commercial and Business Diplomats who have to learn new styles of leadership and influencing strategies in order to successfully shape the complex negotiation process at international standards setting institutions.<sup>45</sup>

## **Conclusions**

Globalisation and technological revolution have increased the speed of change within different spheres of daily life and international relations. Wider availability of knowledge and easier access to information have spurred higher aspirations among different peoples. Internet based technology made it possible for people and businesses to establish supraterritorial relationships which were in the past the realm of a privileged few.

One of the unintended developments of globalisation is the participation of non-state actors in diplomacy. Traditionally, diplomacy has been the prerogative of ambassadors and envoys representing MOFAs and central government offices and their mandate were confined to the affairs of the state. Today, management of international economic relations is no longer confined to the state but rather extended to civil and commercial affairs.

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<sup>44</sup> Related roles in the context of cross-border cooperation have been described in: Raymond Saner, Lichia Yiu (2000), "Developing Sustainable Trans-border Regions: The need for Business Diplomats, Entrepreneurial Politicians and Cultural Ambassadors", in "Social Strategies" W. Kraus, P. Trappe (Eds), Peter Lang Public, Berne. pp. 411-428.

<sup>45</sup> For further elaboration on convergence of leadership styles, see Raymond Saner (2001), "Globalization and its impact on leadership qualification in public administration", International Review of Administrative Sciences, Vol. 67, pp. 649-661.

Protagonists of these new interest groups are often business executives, members of civil societies and representatives of NGOs.

Seen from this perspective, it appears necessary that different actors in the enlarged sphere of postmodern diplomacy acquire the additional competencies (domain expertise) to engage constructively in policy dialogue. Conversely, it should also become increasingly possible that MOFAs and state diplomats learn to adapt their traditional roles and functions from being a more inward looking, exclusive and secretive actor to becoming a more reachable, outgoing and inclusive diplomat constantly in search for possible inclusion of other actors be they state (other ministries) or non state actors (business diplomats and transnational NGO diplomats).

New times call for modification of traditional roles and responsibilities. Ministries of Foreign Affairs are no longer the sole guardians of diplomacy, instead they have to share the diplomatic "space" with other ministries and learn to constructively engage non state actors in a dialogue through proactive consultations and future oriented cooperation to ensure legitimacy of policy decisions and security of policy implementation.

In the final analysis, sustainable development in the global context demands equitable representation of multiple stakeholders, while relationships among these stakeholders are intricate and web-like without being confined to political or geographical boundaries. "Diplomatic" skills are/will be employed by all to promote individual views and profiles. We need to see today's diplomacy in its full complexity and complement Wieseman's concept of polylateral diplomacy with the concept of polycentric diplomacy.

Effective international economic relations in postmodern times requires effective representation of the key stakeholders including MOFAs, other ministries with economic policy competencies, transnationally active enterprises and transnationally active NGOs. Since the relationship between these multiple stakeholders and constituencies can be difficult, it is of paramount importance that all six forms of diplomacies are represented in the most competent manner possible to ensure sustainable economic development with the highest possible equity across political and geographical boundaries.

## Authors' Background

- Dr Raymond Saner, 20 years of experience in teaching, training and researching in field of international negotiations focusing on diplomacy, business and non-profit sector. Publications in German, English and French. 16 years of consulting experience with UN agencies and national governments in Europe and USA, teaches at diplomatic academies (NL,D,SP,CH,A).
- Dr Lichia Yiu, 15 years of experience consulting and teaching in leadership development, cross-cultural communication and organizational renewal in Asia, North America and Europe. She designs and supports learning processes with cross-border teams and has 15 years of consulting experience with Development Banks and UN agencies.

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