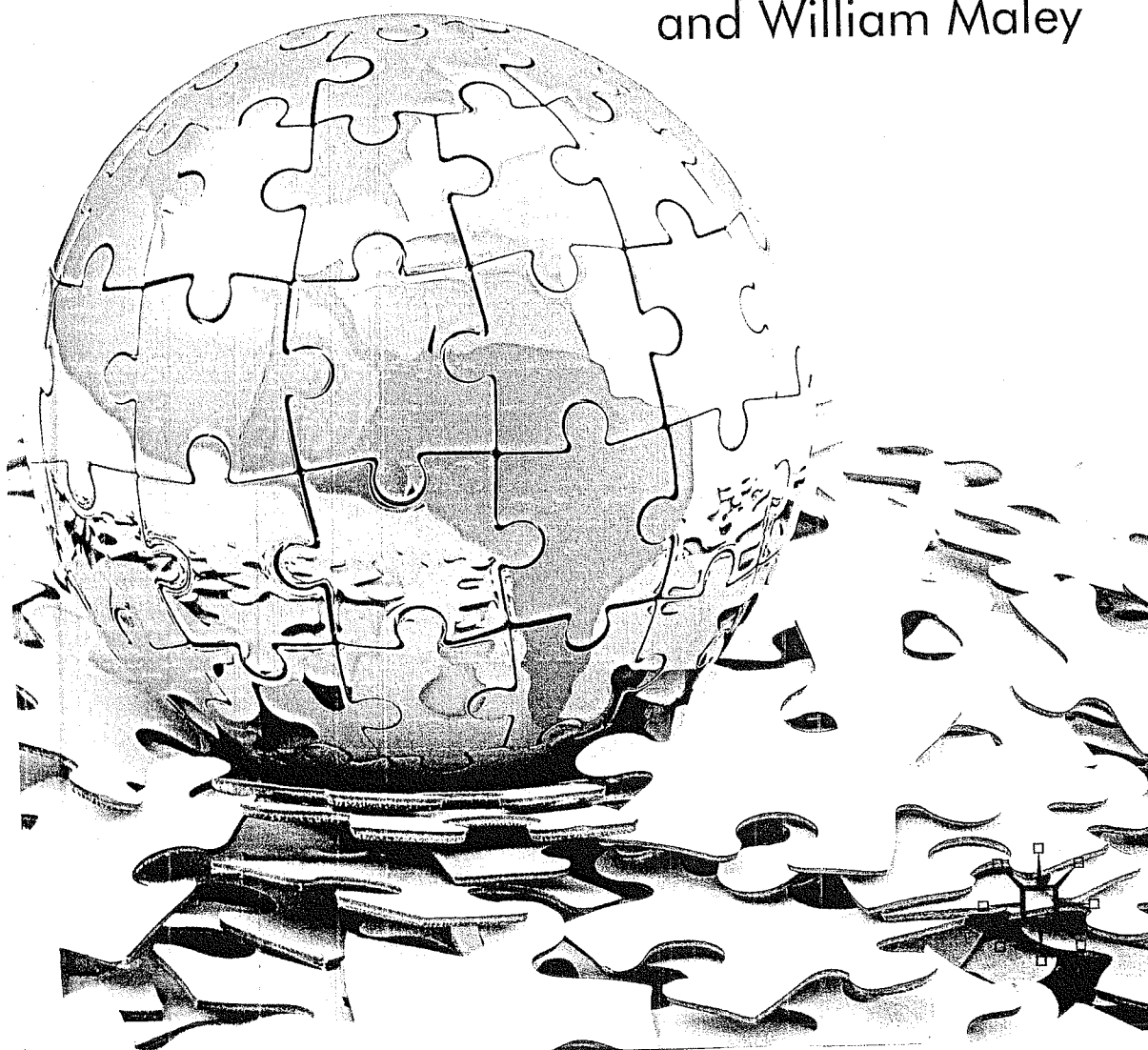


STUDIES IN DIPLOMACY AND INTERNATIONAL RELATIONS

GENERAL EDITORS: Donna Lee and Paul Sharp

# Global Governance and Diplomacy Worlds Apart?

Edited by  
Andrew F. Cooper,  
Brian Hocking  
and William Maley





Editorial matter, selection and introduction  
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# 5

## Business – Government – NGO Relations: Their Impact on Global Economic Governance

*Raymond Saner and Lichia Yiu*

### Introduction

This chapter builds on previous research and exploratory studies on business diplomacy (Saner, Sondergaard and Yiu, 2000; Saner and Yiu, 2005), post-modern economic diplomacy (Saner and Yiu, 2003), development diplomacy (Saner, 2006), multistakeholder diplomacy (Hocking, 2005b) and the polylateralism of diplomacy (Wiseman, 1999). It offers new insights into the nexus between the various forms of diplomacies as they interact within the context of international business, international relations, international economic policy and multilateral trade organisations, such as the World Trade Organization (WTO).

Globalisation has transformed international economic relations 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 economic relationships.

State and non-state actors lay competing claims to resources, markets and legitimacy and are engaged in activities traditionally defined as belonging to the domain of diplomacy. Moreover, the proliferation of state and non-state actors engaged in international economic policy-making can cause various forms of dissonances and conflicts. This 'democratisation' of the diplomatic space has also put into question whether the existing forms of discourse between these state and non-state actors hinders or furthers international economic policy-making. It has also raised the question of whether there is a need for the creation of an international governance structure that would provide a constructive policy framework within which the various actors' interactions could be embedded and channelled.

This chapter follows the following structure. As a first step, different types of contemporary diplomacy within the international economic sphere are

introduced and discussed. In a subsequent section, these concepts will be illustrated by examining a multi-actor diplomacy case namely the multi-lateral negotiation of trade in Educational Services (ES) within the WTO/GATS context.

### **Co-existence of divergent and convergent diplomatic roles in the international economic policy sphere**

Looking more closely at the developments in the international economic sphere, one can notice a further broadening of actors involved in economic diplomacy. In addition to state actors, one can observe increasing participation in this sphere by transnational companies and transnational Non-Governmental Organisations (NGOs) who not only interact with traditional state actors but also 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: 58) 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.'

The proliferation of diplomatic roles and actors is indeed stunning. Reflecting on the role and function of non-state actors, Burt and Robinson (1999: 17, 42–43) point out that the international landscape is crowded with Multinational Corporations (MNCs) and NGOs that impact directly on the conduct of international relations, and consequently, on the conduct of diplomacy.

Focusing on the economic sphere at the international level, these newly emerged diplomatic functions and roles of the various state and non-state actors could be categorised in Table 5.1.

*Table 5.1* Divergent and convergent diplomatic roles in the international economic policy sphere

	<b>Functions</b>	<b>Roles</b>
<i>State actors</i>	Economic Diplomacy	Economic Diplomats
	Commercial Diplomacy	Commercial Diplomats
<i>Non-State actors</i>	Corporate Diplomacy	Corporate Diplomats
	Business Diplomacy	Business Diplomats
	National NGO Diplomacy	National NGO Diplomats
	Transnational NGO Diplomacy	Transnational NGO Diplomats

Non-state actors such as national or international NGOs are adding their voices to international development policy debates by organising, campaigning and lobbying across national boundaries in order to have a greater influence on international development policy-making. This trend has gained major momentum, evidenced by the active involvement of NGOs in international cooperation for development; vocal criticism of unfettered capitalism; conflicts with multinational companies in regard to the exploitation of natural resources; and confrontations with national governments on various socio-economic development policy issues.

Faced with the growing economic and political interdependencies of markets and states, governments have to cope with the increasingly complex and at times turbulent post-modern environment, including the activities of NGOs. Governments need to find effective ways to interact with non-state 'adversaries' such as NGO pressure groups. These competent and well-networked groups monitor and evaluate the performances of governments and multinational companies and demand greater accountability and transparency of their actions. NGOs and other civil society groups have learned to galvanise public opinion to successfully forward their own agendas and effectively to demand greater social and international solidarity.

A well-documented example of successful NGO influence on development policy is Eurodad's advocacy in favour of debt relief of poor and least developed countries. Eurodad is the European Network on Debt and Development. It is a network of 52 development NGOs from 17 European countries working on international economic justice issues.

Prior to the campaigns by Eurodad, the International Monetary Fund (IMF) and the World Bank, faced with the staggering indebtedness of the Highly Indebted Poor Countries, thought that limited debt relief would make the debt of these countries 'sustainable' and allow them 'to grow out of' their debt through economic growth. In contrast, however, Eurodad emphasised that partial debt relief could not help these countries in managing their excessive debt, and that they required more substantial debt forgiveness to fight poverty. The persistent and well-coordinated influence of Eurodad led international financial institutions to adopt a poverty alleviation-based debt policy. The use of such tactics as monitoring policies of international financial institutions; sharing relevant information with other NGOs; coordinating public pressures and promoting alternative policy frameworks; and negotiating text revisions with representatives of the financial institutions and national governments constitute an excellent example of development diplomacy.<sup>1</sup>

Non-state actors, be they NGOs or business lobby groups, have built up formidable trans-border alliances through the effective use of web-based communication, research and publications. They exert increasing pressure on state actors at international organisations, such as the WTO, whose mandate is the setting of rules and standards in the domain of international

economic governance. As depicted in Figure 5.1 below, international NGOs headquartered in developed countries, such as World Wildlife Fund (WWF), Association for the Taxation of Financial Transactions to Aid Citizens (ATTAC) and Oxfam, exert influence at times more effectively than is possible by a large number of developing country governments. For instance, transnational NGOs focusing on international economic policy create coalitions with other groups close to the Social Forum movement (also called the Porto Alegre movement). They influence the process by conducting independent policy research and writing position papers and by organising conferences for country representatives of the G77 group of developing and least developed countries. By giving advice and support, for example, they are able to aid these countries gain increased market access for their agricultural products. Most significant of all, major NGOs have gained credibility by opening up parallel policy dialogue spaces thereby directly competing with state actors.

In a similar manner, transnational companies progressively more take matters into their own hands and start their own 'diplomatic' campaigns in different arenas. The need to deal more effectively with national and

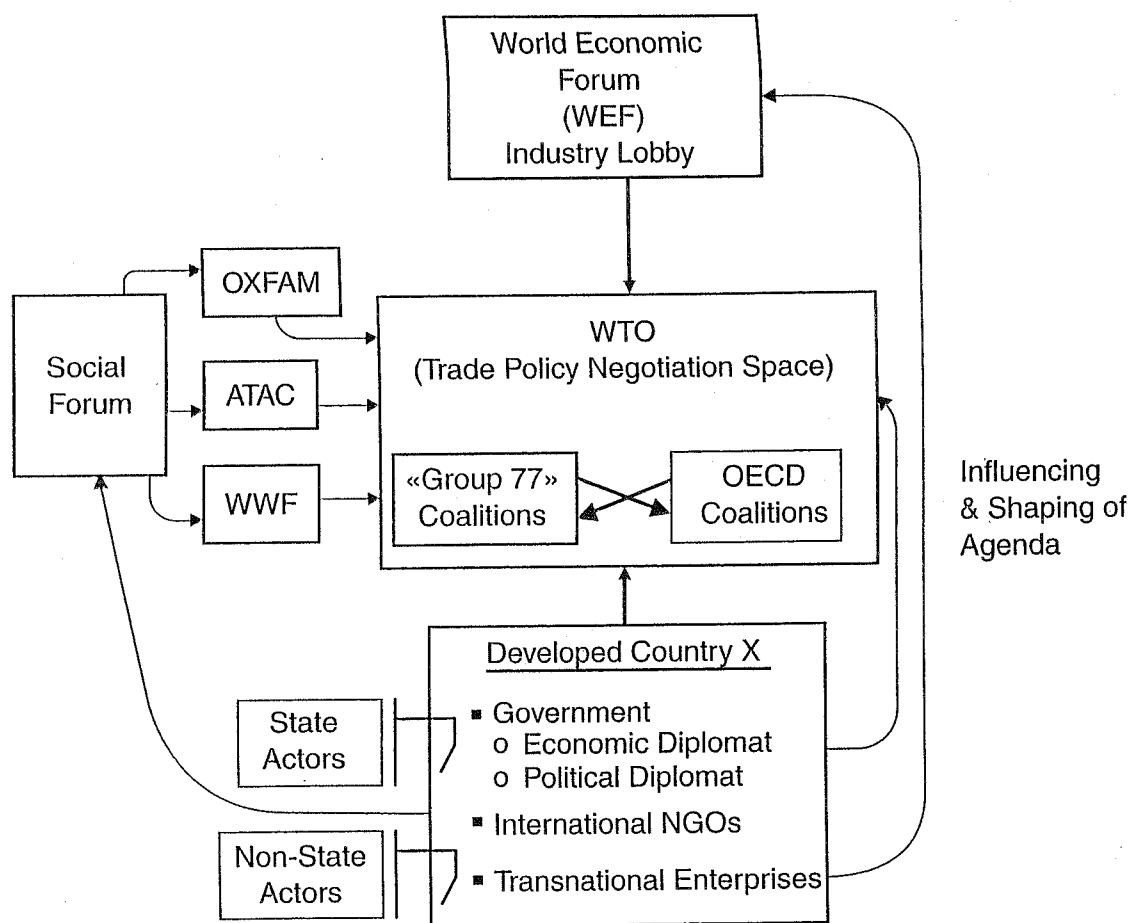


Figure 5.1 Illustration of post-modern diplomacy in a developed economy context – shaping international economic policy by state and non-state actors

international regulatory bodies focusing, for example on competition policy, labour standards, accounting standards (Basle I & II), has propelled business actors to organise their own influencing strategies rather than wait on the sidelines until the respective government representatives have completed their multilateral negotiations. Instead, they have chosen to create parallel dialogue spaces where Transnational Corporations (TNCs) formulate their own policy propositions and then try to sell these solutions to their respective governments.

Business related NGOs active in the international economic policy space such as the World Economic Forum (WEF) have ventured into the foray by organising dialogue space between governments and businesses and are now also expanding their scope of influence by inviting select groups of NGOs to these business-government conferences and meetings. Transnational enterprises attempt to influence government representatives at the annual WEF meeting in Davos or through their Brussels-based lobby groups in order to ensure that the WTO negotiations do not result in agreements that could increase their production and transaction costs. The TNC lobby groups, such as the TransAtlantic Business Dialogue, often hold parallel meetings alongside major summits (G8 Summits, EU-US Summits, etc.) where politicians meet and attempt to inject their agenda into global diplomatic processes and to safeguard their interests.

State actors of developed countries also use alternative arenas to conduct regional or multilateral diplomacy. Representatives of the Ministries of Economic Affairs or the Ministries of Foreign Affairs having to balance a larger portfolio of sovereign interests meet at the Organisation for Economic Cooperation and Development (OECD) and other fora to form coalitions and pre-negotiate common positions in anticipation of the WTO round of negotiations. At the same time, on their respective home fronts, the same state actors are often the target of the opposite influences of business and NGO actors who try to get their agenda items included in the mandate of the country's WTO negotiators.

Managing these competing and collaborative relationships requires the government officials to have the highest proficiency of diplomatic skills. Any misstep is bound to be instantaneously broadcast over the Internet creating negative political fall-out in terms of image loss.

## **State and non-state actors co-shaping the international economic policy sphere**

### **Diplomatic function and roles of ministries in charge of economic and commercial policy**

Faced with a myriad of multilateral standard setting organisations responsible for global economic policies such as the WTO, IMF or OECD, many governments have enlisted the participation of sector specific ministries specialised

in economic and financial matters, thereby decreasing or neutralising the influence and role of Ministries of Foreign Affairs (MFAs). For instance, the US government centralised decision-making power in regard to trade negotiations at the WTO (formerly, the General Agreement on Tariffs and Trade or GATT) by creating a new executive office of the president, the Office of the United States Trade Representative, in 1962. In addition, the US government created an interagency command group based in Washington, DC to improve policy coordination during the GATT Kennedy Round thus reducing complexity, limiting inter-ministerial policy disputes and restraining external influencing by members of congress and various lobbying groups (e.g., farm and food processing industry) (Lee, 2001: 119–120).

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 MFAs 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 permanent missions of industrialised countries to the WTO are staffed by a greater number of officials than is the case at their bilateral embassies in Berne. The greater amount of staff is mostly due to the ever-increasing number of non-MFA diplomats and government officials, who do not share the same foreign service traditions and who do not abide by the same mental model and the same approaches to international diplomacy. This diversity has added different, if not new, dynamism to the international relations and has resulted in greater volatility and unpredictable outcomes of a country's economic negotiations at a multilateral organisation like the WTO.

Whether conducted by traditional diplomats from the MFA or by other government ministry officials (e.g., Ministry of Economic Affairs, Ministry of Trade or Ministry of Trade & Industry) Economic Diplomacy can be 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 involves the use of economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective. This is sometimes called 'economic statecraft' (Berridge and James, 2001: 81).<sup>2</sup>

Governments are also keen to use diplomacy to enhance national economic development by providing support to their own enterprises, for instance in the form of advice on how to improve their exports, e.g., through legal assistance and export incentives when needed. Such support



includes helping national enterprises establish subsidiaries in other markets. At the same time, commercial diplomacy can also include functions such as the provision of support to foreign enterprises interested in investing in their respective countries. Thus, commercial diplomacy could be defined as:

Commercial Diplomacy entails 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 national development. It includes the promotion of inward and outward investment as well as trade. One important aspect of a commercial diplomat's work is the provision of information about export and investment opportunities and organising and helping to act as hosts to trade missions from home. (Burt and Robinson, 1999: 39–39)

In some cases, commercial diplomats could also promote economic ties through advising and supporting both domestic and foreign companies on investment decisions. The difference between *Economic Diplomacy (ED)* and *Commercial Diplomacy (CD)* can best be illustrated in Figure 5.2.

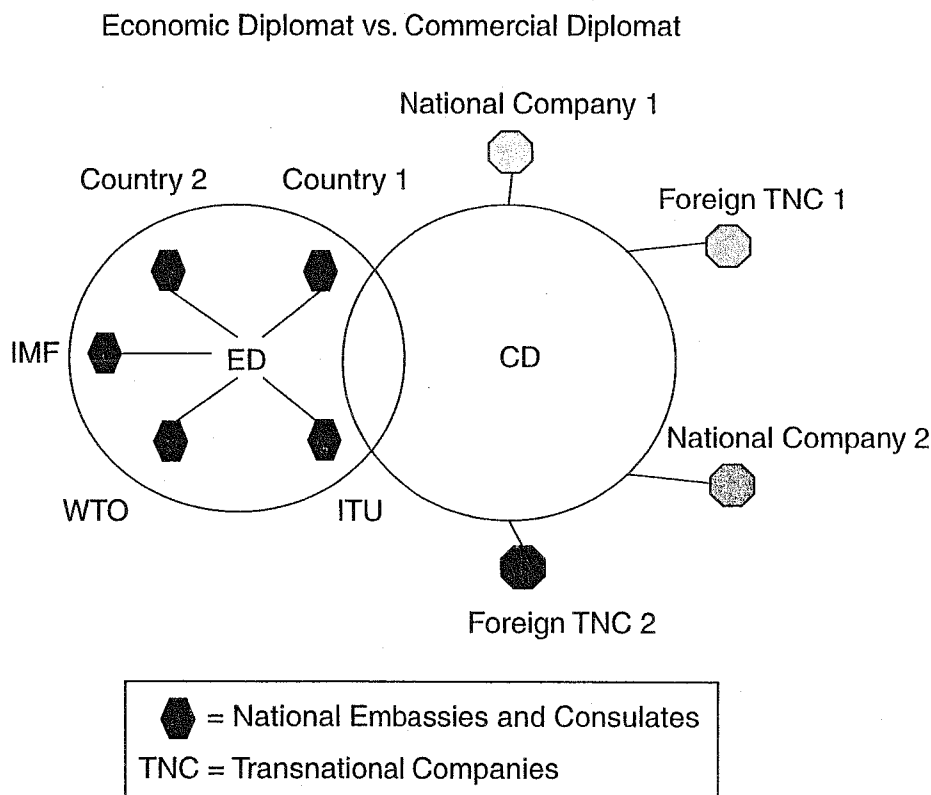


Figure 5.2 The difference between *Economic Diplomacy (ED)* and *Commercial Diplomacy (CD)*

Source: Saner & Yiu, 2003.

Recognising the importance of exports of goods and services and of foreign direct investment to national economic development, governments have increasingly stepped up their efforts in strengthening their commercial representation in major trading partner countries. Commercial diplomats both offer services in this important sphere of diplomacy and they are either civil servants or specially trained diplomats. They can also be representatives of chambers of commerce or of trading associations seconded to national embassies located in important foreign markets. In addition to the traditional function of commercial attachés, government agencies focusing for instance on strengthening internal activities of small and medium sized enterprises have also been given mandates to expand their services, coverage and presence abroad in order to support trade expansion and to conduct commercial diplomacy.

### **Diplomatic function and roles within multinational enterprises**

In order to succeed as a business and ensure the sustainable economic viability of their investments, transnational enterprises must draw on competencies which will allow them to manage the demands of multiple stakeholders at home and abroad. Increasingly, major corporations want to be engaged in the standard setting negotiations in order to sustain their competitive advantage thereby stepping into the traditional arena of the sovereign states. These diplomatic interventions can be observed in both regional and global settings such as the European Union and UN agencies like the WTO, World Health Organization and International Telecommunication Union. Faced with these new challenges, global companies are fast to acquire greater diplomatic capacities and competencies in handling both the internal stakeholders and the external non-business stakeholders.

While companies are more familiar with influencing the governmental apparatus, traditionally known as government relations, MNCs found themselves often ill-prepared and uncomfortable in dealing with the external non-business and non-state stakeholders. Experiences have shown that the latter dealings could be highly problematic for multinational companies if badly or incompetently handled. A case in point is the lawsuit in which large western pharmaceutical companies started and lost against the South African government. The issue was whether a developing country like South Africa could provide cheaper generic drugs needed to treat the growing number of AIDS patients by suspending transnational pharmaceutical companies' patent rights (compulsory licensing option) or whether it had to comply with Intellectual Property Rights (TRIPS) of the WTO and not infringe on patent rights. The TNCs came under tremendous pressure by international NGOs and finally bowed to the mounting domestic and international pressure from activists groups and their public diplomacy machine.

The goal of the diplomatic function within a multinational company is two-fold. On the one hand, it is to ensure continuation and structural cohesion within the diverse web of headquarter and subsidiaries companies so as to reduce labour costs and business risks.<sup>3</sup> On the other hand, it is to deal with the company's external constituencies and stakeholder groups in terms of reputation and in regard to limiting possible pressure on the TNC exerted by various societal groups and organisations in order to maintain favourable market conditions of doing business globally. This function could be thus divided into two, namely, that of corporate diplomacy and of business diplomacy. The former, according to G. Hofstede,

is primarily targeted at the internal cohesion within a multinational corporation. It 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 staff or other national 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* (Hofstede, 1991: 213, emphasis original)

In contrast to corporate diplomacy, business diplomacy aims to make the external environment of its subsidiaries conducive for business activities (Figure 5.3). Demands from the local communities on corporate conduct (present, past and future) limit the range of freedom of corporate behaviour. If external constituencies and pressure groups are incompetently managed, this deficiency could quickly result in millions of dollars in costs (e.g., settling of damage claims) or lost business opportunities.

Traditionally, big enterprises hire former ambassadors or state secretaries (in the United States) 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 states or other transnational enterprises and therefore are more challenging to deal with. Nevertheless, civil society organisations can cause a multitude of challenges to transnational enterprises that cannot be ignored or swept under the carpet. Civil society actors have the possibility and capability to 'coerce' MNCs long after the wrong business practices had been corrected or proven to be unfounded. An excellent example of this is the long lasting reputational

## Corporate Diplomat vs. Business Diplomat

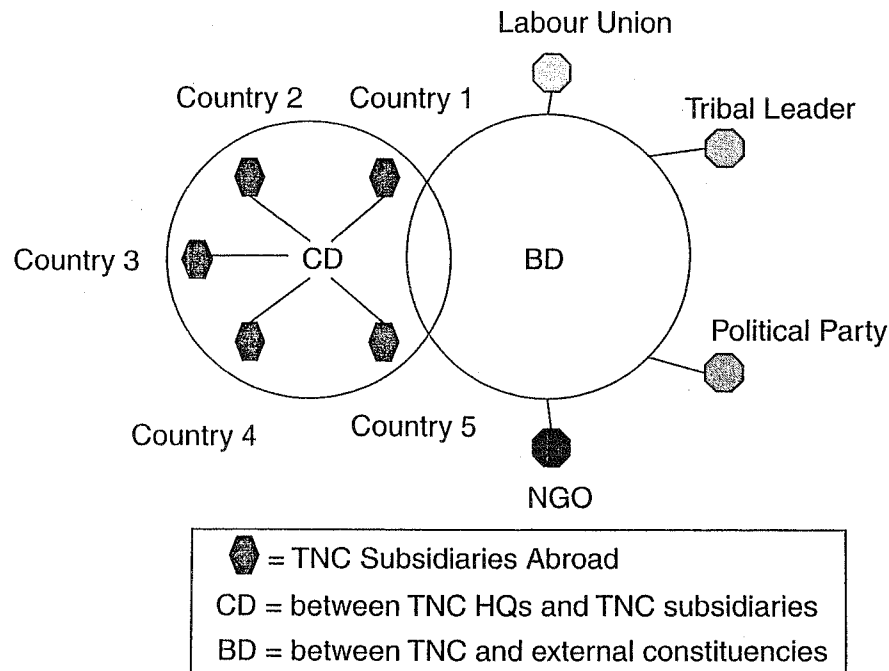


Figure 5.3 Corporate diplomat vs. business diplomat

Source: Saner & Yiu, 2003.

Note: Figure 5.3 illustrates the contrasting functions between the *Corporate Diplomat* and the *Business Diplomat* regarding their diplomatic space.

loss that Nestlé<sup>4</sup> had to suffer from the baby milk formula controversy. Business diplomacy against this backdrop 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 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. (Saner et al., 2000: 80–92)

### **Diplomatic function and roles within non-governmental organisations**

NGOs interested in economic policy focus on economic governance, 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 the international level through their own foreign outlets, as well as through alliances with like-minded Transnational NGOs (T-NGOs). Economic NGOs can be categorised according to their sphere of activism as national or transnational (Figure 5.4). National NGO diplomacy refers to the diplomatic manoeuvres by civil society actors who try to bring about policy changes. Such domestic type of NGO diplomacy in the economic sphere consists of various local constituencies ranging from consumer protection, anti-corruption to shareholder groups and environmentalists. They tend to champion grassroots or national issues.

The number of national NGOs is growing in leaps and bounds partially because the public now has greater and faster access to information and yields stronger influence on corporate governance. Their voices and opinions can no longer be ignored by the holders of political and economic power. Transnational NGO diplomacy, on the other hand, is used by T-NGOs who employ statecraft in their advocacy of particular economic or trade policies in the international arena. This could range from calling for new policy initiatives (e.g., debt forgiveness for highly indebted developing countries) to calling for new international standards to reform of international economic governance structure.

T-NGOs such as the WWF, Greenpeace, ATTAC and Focus on the Global South are able to organise advocacy events and lobbying activities at cross-border levels. T-NGOs excel in creating for instance coalitions and in orchestrating mass mobilisation against international economic governance institutions such as, the WTO, WEF, IMF or transnational enterprises. T-NGOs are also capable of putting forward their own policy solutions in international arenas. Examples of arenas in which such policy solutions were promoted include, the multilateral negotiations on the Kyoto Protocol agreement, the debt rescheduling of least developed countries at the IMF, or the blocking of the negotiation of a multilateral convention on foreign investment at the OECD. In the case of the World Summit for Information Society (WSIS), representatives from the civil society at large have gotten seats on the governing body. Their inclusion at this level was unprecedented and represented the ascending power and successful diplomacy of the T-NGOs.

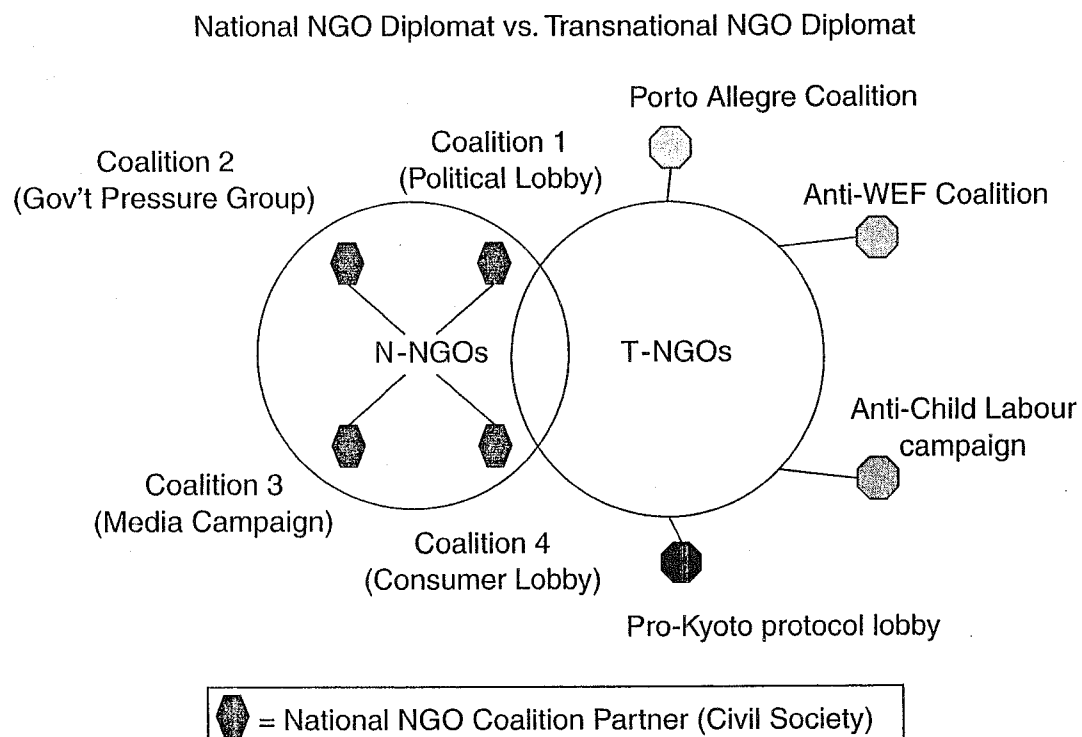
T-NGOs are also involved in implementing technical cooperation projects in developing and transition economies thereby complementing, at times even substituting, the effort of national governments. They also offer cutting edge research in domain areas crucial for international cooperation and crisis management.<sup>5</sup> True to the letter of being a 'non-partisan actor',

T-NGOs pursue their own economic agendas backed by distinctive political orientations and their own 'power bases' in terms of representation.

In contrast to national NGOs, transnational NGOs actively seek ways to influence the agenda at international governance bodies. They are doing so by putting forward their policy recommendations, by lobbying in the corridors of power and by presenting field data to confront the issue blind spots within the mainstream international community. The dialogue between major transnational NGOs and the World Bank during recent annual conferences of the Bank is one of the examples of this activity. Due to their domain expertise and their true transnational characteristics, these non-state actors have taken the lead in many international fora and narrowed the range of operational freedom of traditional diplomats.

To give an example of the complexities of post-modern diplomacy and the growing importance of NGOs, Edward Finn cites the following statement attributed to former 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' (Finn 2000: 144–145).

Seen from this perspective, it appears evident that the increasing complex arrangements of international relations lead to new challenges and opportunities for both state actors and non-state actors alike. Governmental



*Figure 5.4* Territorial spaces of advocacy by the national NGO diplomat and transnational NGO diplomat

*Source:* Saner & Yiu, 2003.

diplomacy, as stated by Riordan (2003), must deal with non-state actors in order to take advantage of their knowledge, information and experiences, and to involve them in the policy and decision-making process. At the same time, if government diplomacy is able to include views by non-state actors where useful and appropriate, it might be able to reassert itself and represent legitimacy and accountability in the post-modern diplomacy context.

A case example of this post-modern diplomacy characterised by the participation of multistakeholders is presented in the section below. This case study illustrates the complex and controversial negotiations within the WTO. It also illustrates the transition from 'the club' to the 'multistakeholders' model at the WTO (Hocking, 2004a) characterised by increasing porous boundary and fuzziness in its rules of engagement.

### **Case example: negotiations of trade in educational services at the WTO**

Education is one of 12 sectors covered by the General Agreement of Trade in Services (GATS) which together with the articles governing the global trade of goods constitute the rule making body of the WTO. Even though trade in ES has been part of the WTO since its inception in 1995, little progress has been achieved so far by the Contracting Member Parties in terms of commitments towards market access and liberalisation of their respective educational sectors.

The main reason for the slow pace of negotiations in ES is due to the often bilaterally opposed strong opinions and beliefs by various interest groups who either see education as a service sector activity, which should be open to competitive market forces, and others who consider education as being part of the public service, which governments are supposed to regulate and administrate for the benefit of equitable access of their citizens to schools and universities. The latter castigate trade in ES as being a form of 'McDonaldisation' or 'commoditisation' of education, while the first group emphasises the option to provide individuals of all countries with access to wider educational options, of higher quality and at more affordable prices than could be obtained through traditional state run and controlled schooling systems.

Vested interests, both in favour and against liberalisation of the educational sector, have been entering the debate trying to influence the negotiation process. In fact, the educational sector is becoming increasingly international and the issues debated inside and outside the WTO on trade in service more generally, have become to a large extent overtaken by the concentration on and the developments in the educational market. What follows is a short description of the state and non-state actors involved in this process and how they are attempting to influence the outcome of this multilateral economic and social negotiation process.<sup>6</sup>

### **Divergent and convergent interests around and within GATS/ES negotiations**

Support and opposition towards trade in ES manifests itself across professional boundaries, international organisations, regions, and the North/South divide between developed and developing countries.

While the majority of the privately run schools in OECD countries are concerned mostly with regulations that potentially restrict the purchasing of ES, others have invested abroad and are keen on improving investment conditions, especially in regard to unhindered market access and non-discriminatory investment conditions in foreign countries. Lobbying groups representing private sector actors with Foreign Direct Investment (FDI) interests in ES have actively attempted to influence governments' negotiation positions on GATS/ES.

Some of the better-known groups like GATE (Global Alliance for Transnational Education), Sylvan Learning Systems and QA (The Centre for Quality Assurance in International Education) are closely linked to privately held schools and universities that have business interests and subsidiaries spread in multiple countries. While many of these lobby groups emanate from the United States, some are also based elsewhere as, for instance, Monash University of Australia with its many off- and on-shore campuses in East Asia. The Monash University has developed an interesting strategy as it is a public institution inside Australia but becomes a private provider as soon as it exports its ES abroad.

The large majority of publicly held schools and universities have lobbied strongly against GATS/ES. On 28 September 2001, the presidents of the European University Association, the Association of Universities and Colleges of Canada, the American Council on Education, and the Council for Higher Education Accreditation signed a joint declaration on higher education and trade in ES/GATS strongly expressing opposition to the inclusion of higher education services in the GATS negotiations. The joint declaration asks all actors in the GATS negotiations not to make commitments in ES in the context of the GATS. At the same time, the signatories expressed a willingness to reduce obstacles to international exchange in higher education using conventions and agreements located outside of a trade policy regime.

The negotiation oscillates between stakeholders pushing for liberalisations of educational markets and other stakeholders wanting to keep education out of any market access negotiations at the WTO (see Figure 5.5).

The opposition between market liberalisers and protectionists is played out within countries, between government ministries (e.g., ministry of trade versus ministry of education), between government and private sector (privately owned schools versus publicly held schools), between professional groups and public actors (teachers and student associations versus ministries of finance, education and trade).

Based on these complex interests, coalitions are being formed for or against such positions (liberalisation versus protectionism) within countries, at the WTO and outside the WTO (e.g., at United Nations Educational, Scientific and Cultural Organization (UNESCO), OECD) (see Figures 5.6 and 5.7).



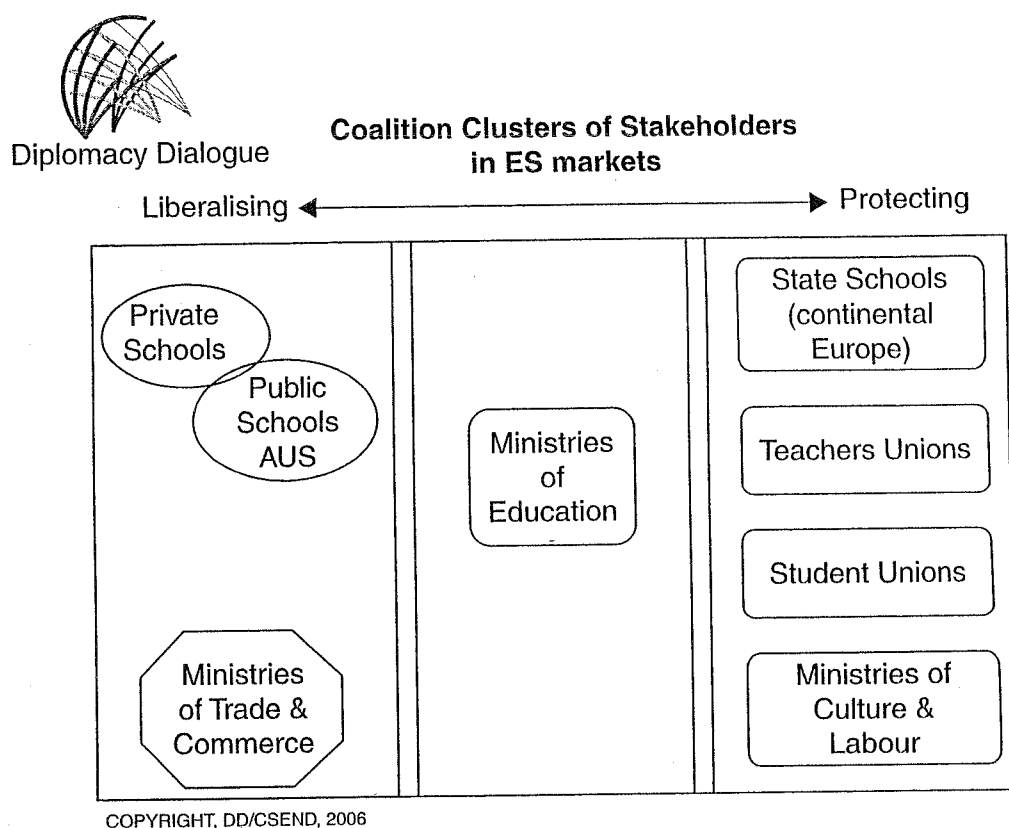


Figure 5.5 Coalition clusters of stakeholders involved in ES trade favouring liberalisation vs. protectionism (based on Saner & Fasel, 2003)

Source: Wilton Park, 2006.

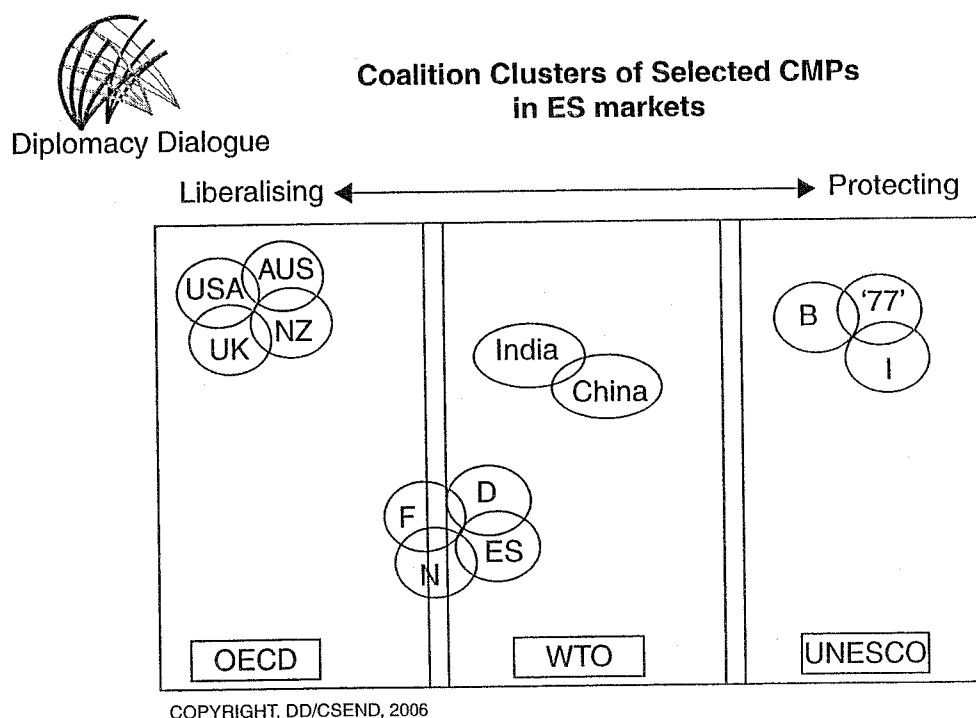


Figure 5.6 Coalition clusters of selected countries and their respective preferred institutional governance environment (based on Saner and Fasel, 2003)

Source: Wilton Park, 2006.

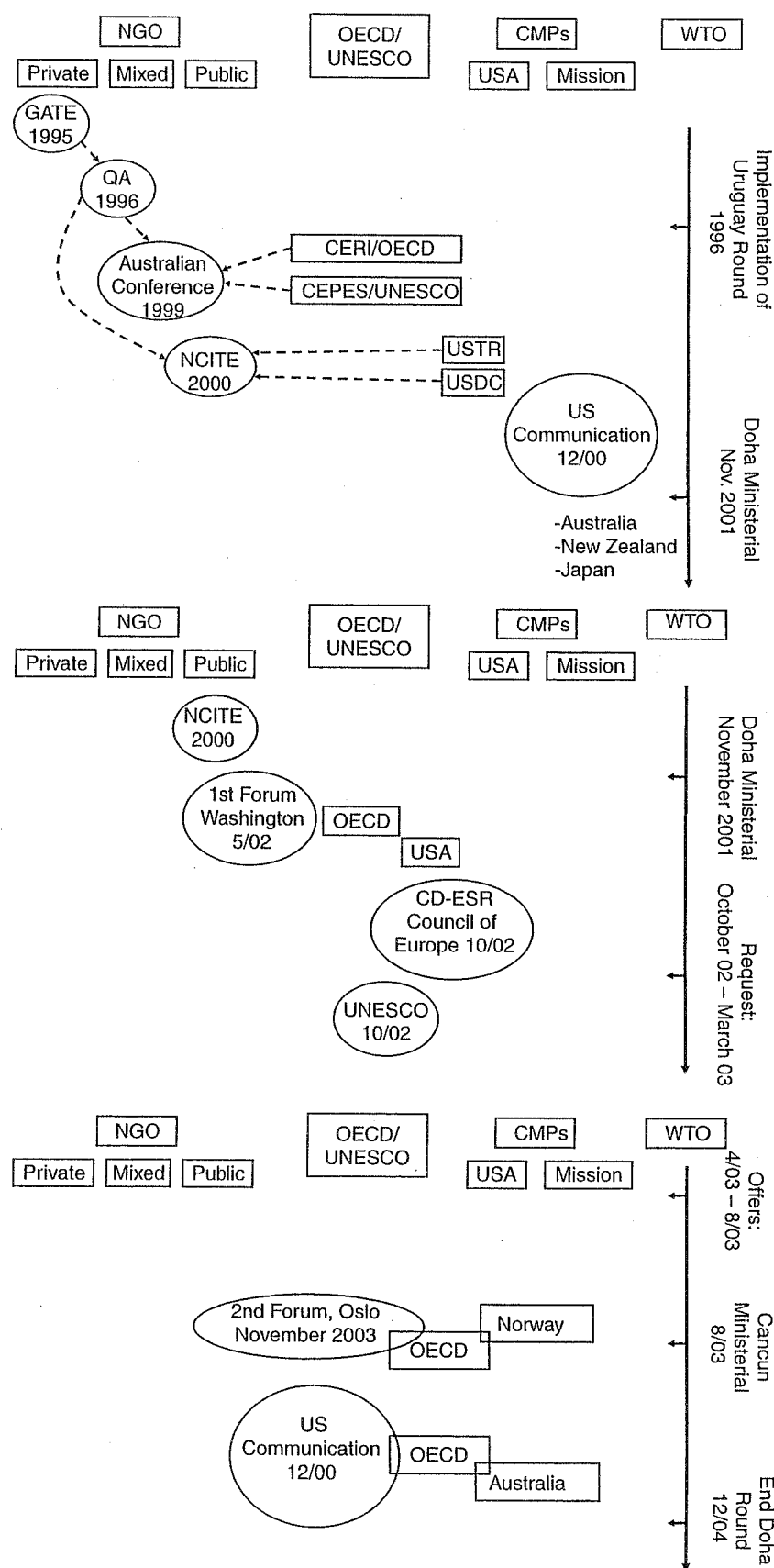


Figure 5.7 Chronology of influencing patterns by non-state actors during the GATS/ES negotiations (based on Saner and Fasel, 2003)

## Conclusion

One of the unintended and unexpected developments of globalisation is the active participation of non-state actors in diplomacy. Traditionally, diplomacy has been the prerogative of ambassadors and envoys representing MFAs and central government offices and their mandates were confined to the affairs of the state. 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 post-modern diplomacy acquire the additional competencies (domain expertise) to engage constructively in policy dialogue. Conversely, it has also become increasingly necessary that MFAs and state diplomats learn to adapt their traditional roles and functions from being more inward looking, exclusive and secretive actors to becoming more reachable, outgoing and inclusive diplomats searching for possible inclusion in economic policy-making of other actors, be they state (other ministries) or non-state actors (business diplomats and transnational NGO diplomats). Their social networks and spheres of influence need to extend beyond the confines of traditional diplomacy.

New times call for modification of traditional roles and responsibilities at the institutional level as well. The MFAs 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 the legitimacy of policy decisions and the security of policy implementation. Coalition building can consist of a mix of state and non-state actors. In a flattened world, where information and connectivity have become available to all, policy dialogue is no longer the 'birthright' of government representatives. Parameters for engagement are also not confined to state interest. Business entities and civil society bodies increasingly participate in shaping the international economic governance sphere. Without a flexible mental model and willingness to form partnerships to exploit increased information flows, new technologies, migration and the influence of non-state actors, governments will not be effective in exercising their sovereign rights in the realm of international affairs. Recognising this reality, governments of the advanced democratic countries are forming their own alliances together with NGOs in order to achieve their political aims.

Successful and sustainable international economic relations require effective dialogue and interaction between key stakeholders such as MFAs and other ministries with economic policy responsibilities, globally 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 outlined in this chapter are represented in the most competent manner possible in order to ensure

sustainable economic development with the highest possible equity across political and geographical boundaries.

Taking into account the increasing complexity of international relations and the participation of a growing number of state and non-state actors, the development of a more inclusive international governance structure for international economic policy is needed. But at the same time this would be very difficult to conceive and operationalise due to the proliferation of actors and the interconnectedness of economic policy issues. In order to limit trends towards fragmentation, special efforts need to be made to support the creation of an international economic governance structure that could help provide a policy framework for the interaction between state and non-state actors. Most importantly, such an enlarged global economic governance structure could help clarify the accountability and legitimacy of non-state actors while at the same time helping state actors cope with an enlarged economic governance space.

Finally, observations made in this chapter testify to the emergence of a new form of governance process in managing global interdependence and shared resources. This new form of governance is characterised by more transparent and democratic processes and its membership is based on alternative power bases which are supraterritorial in nature. The classic hierarchical governance structure is no longer agile enough in managing the existing multitude of complex relationships between state and non-state actors. In a similar vein, the traditional diplomatic structure is no longer effective in shaping and reshaping the complex, fast moving world. Further investigation of this new emerging form of global governance is called for in order to deal with the increasing turbulence of our global society.

## Notes

1. For more information on NGO diplomacy as applied to Development Diplomacy, see Raymond Saner (2006) 'Development Diplomacy by Non-State-Actors: Emerging New Form of Multi-stakeholder Diplomacy', in Jovan Kurbalija and Valentin Katrandjiev, eds, *Multistakeholder Diplomacy: Challenges and Opportunities*, Malta and Geneva: Diplo Foundation.
2. For more details see G.R. Berridge and Alan James (2001) *A Dictionary of Diplomacy*, Hampshire, UK: Palgrave Publishing.
3. 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 and Lichia Yiu (1993) 'Coping with Labour Turnover in Taiwanese Companies', *The American Asian Review* 11(1): 162–195.
4. When infant formula manufacturers (Nestlé, Bristol-Myers, Abbott and American Home Products) started to sell their products to mothers in the developing world, serious health problems occurred. Mothers who opted for the baby formula needed to get supplies of clean water. This was not possible in many developing countries thereby endangering the survival of the infants. The food TNCs rejected any wrong doing but pressures by a consortium of international NGOs succeeded in

getting a new code for Marketing Breastmilk Substitutes adopted by WHO/UNICEF in 1981. As Nestlé refused to acknowledge any wrong doing, the NGOs concentrated their campaign on Nestlé even though other food TNCs practiced the same marketing approaches. The uncompromising communication policy resulted in substantial damage to Nestlé's reputational capital.

5. For an excellent example of innovative research in conflict prognosis, see Luc van de Goor and Suzanne Verstegen (1999) 'Conflict Prognosis: Bridging the Gap from Early Warning to Early Response: Part 1 & 2', The Hague: The Clingendael Institute.
6. For more information on trade in ES see Raymond Saner and Sylvie Fasel (2003: 275–308).