



## Nonstate Actors: Impact on International Relations and Implications for the United States

### Key Points

Participants in a series of NIC-Eurasia Group seminars in late 2006 and early 2007 discussed how the proliferation in recent years of nonstate actors—primarily multinational corporations, non-governmental organizations, and super-empowered individuals—is transforming international relations.

- A globalization-fueled diffusion of finance and technology has enabled nonstate actors to encroach upon functions traditionally performed by nation-states, facilitating their evolution into forms unheard of even a few years ago. For example, “philanthrocapitalist” charities such as the Gates Foundation have greatly expanded notions of what a charitable NGO should look like.
- Estimates of their impact should be made cautiously, however, for few nonstate actors are completely independent of nation-states, and they do not have uniform freedom of movement. Although nonstate actors have a great deal of latitude in both weak and post-industrial states, modernizing states such as China and Russia—home to the bulk of the world’s population—have been highly effective in suppressing them and in creating their own substitutes, some of which have demonstrated their power to counter US objectives and even to challenge global rules of engagement.
- Most *benign* nonstate actors originate in the developed world, work within the framework provided by Western institutions and regimes, and act as propagators of “western values” such as free markets, environmental protection, and human rights. **From that standpoint, a key concern for the United States may be not that these actors have become too powerful, but that in many parts of the world their influence is limited—a factor that is contributing to the tilting of the global playing field away from the United States and its developed-world allies.**

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## **Introduction**

The National Intelligence Council and Eurasia Group co-hosted a series of four seminars in late 2006 and early 2007 on *The Role of Nonstate Actors in International Politics*. These sessions examined a wide range of such actors (including terrorists and international criminals), but their primary focus was on non-criminal nonstate actors: multinational corporations, NGOs (non-governmental organizations), and philanthropic super-empowered individuals. These entities were chosen because they have international clout, but are often overlooked in geopolitical analysis as they do not pose explicit security threats to the United States.

### **A Note on Terminology**

Nonstate actors are non-sovereign entities that exercise significant economic, political, or social power and influence at a national, and in some cases international, level. There is no consensus on the members of this category, and some definitions include trade unions, community organizations, religious institutions, ethnic groupings, and universities in addition to the players outlined above. The bulk of the NIC-Eurasia Group discussions centered on organizations and individuals which are truly “nonstate,” or which perform functions not typically associated with national governments in advanced Western economies:

- *Multinational corporations* are enterprises that manage production or deliver services in at least two countries. The traditional multinational is a private company headquartered in one country and with subsidiaries in others, all operating in accordance with a coordinated global strategy to win market share and achieve cost efficiencies. A significant portion of the discussion, however, centered on the relatively recent “multinationalization” of *state-owned enterprises* such as Russia’s arms-export monopoly Rosonboronexport or Chinese oil company CNPC, which as state entities may or may not share the same incentives and goals as their private counterparts.
- *NGOs* (nongovernmental organizations) are organizations that are private, self-governing, voluntary, non-profit, and task- or interest-oriented advocacy organizations. Within those broad parameters there is a huge degree of diversity in terms of unifying principles; independence from government, big-business, and other outside influences; operating procedures; sources of funding; international reach; and size. They can implement projects, provide services, defend or promote specific causes, or seek to influence policy. Discussion briefly touched on the contradiction-in-terms *Government Operated NGO (GONGO)*, which may be set up by governments to garner aid money or promote government interests.
- *Super-empowered individuals*—persons who have overcome constraints, conventions, and rules to wield unique political, economic, intellectual, or cultural influence over the course of human events—generated the most wide-ranging discussion. “Archetypes” include industrialists, criminals, financiers, media moguls, celebrity activists, religious leaders, and terrorists. The ways in which they exert their influence (money, moral authority, expertise) are as varied as their fields of endeavor. As bounded by seminar participants, this category excludes political office holders (although some super-empowered individuals eventually attain political office), those with hereditary power, or the merely rich or famous.

There are far more shared interests between NGOs and super-empowered individuals (driven by normative agendas) than between either of them and multinationals (driven by a quest for profit and growth). At the same time they do not exist in isolation from each other; for example, NGOs may censure, lobby, or advise multinational corporations and super-empowered individuals may head a multinational or an NGO.

## **What is “New” About Nonstate Actors?**

Influential nonstate actors are not a new phenomenon: the Hanseatic League monopolized trade on the Baltic Sea between the 13<sup>th</sup> and 17<sup>th</sup> centuries, the highly powerful East India Company was founded in 1600, European haute finance was a major contributor to the relative peace of the 19<sup>th</sup> century, and the Red Cross dates to the 1860s. What differentiates and shapes contemporary nonstate actors, however, is an unprecedented operating environment. The end of the Cold War meant that military and security issues no longer automatically dominated the economic and social ones that are the benign nonstate actors’ stock-in-trade; globalization has made financial, political, and technical resources more widely available (and constrained the developed world’s ability to make the rules); and technology and the growth of a global popular culture provide new opportunities for rallying support and getting messages across.

For **multinational corporations**, the most important change is the breaking down of the old model of multinationals headquartered in developed countries, with subsidiaries in the developing world taking orders from them. Today a growing number of multinationals (many of them state-owned enterprises) based in emerging market countries—particularly China, India, Russia, Brazil, Mexico, and Turkey—have become powers in their own right. This dynamic, reminiscent of such mercantilist constructs as the East India Company, has been instrumental in shifting corporate power away from the OECD countries:

- Multinationals from China, India, Russia and other emerging-market states are offering “pariah states” that the United States would prefer to isolate an alternative source of investment that weakens the political and economic leverage of Western governments. For example, Indian energy firms are investing in Burma and Cuba, and have growing ties with Venezuela, while Chinese state-owned enterprises are investing in Iran, Sudan, Burma, and Zimbabwe.
- Emerging market-based multinationals are increasingly merging with or acquiring developed-world companies, as well as buying up other Western assets and sometimes gaining access to sensitive technologies in the process;
- The bulk of the world’s gas and oil reserves is now controlled by emerging market-based multinationals owned by or in close alignment with their home governments.

**NGOs** have prospered from both the growing (but primarily Western) emphasis on human, vice national, security—which raises the stock of the social and humanitarian issues in which many NGOs have unique expertise—and the involvement by billionaires in social issues.

- In contrast to traditional charitable NGOs (which tend to be characterized by small staffs, close-to-the-bone funding, and tactical outlook), the “philanthrocapitalist” (Bill Gates, George Soros, Richard Branson) charities that have emerged since the turn of the century espouse exceedingly ambitious goals and have vast fortunes at their disposal.
- Since 2001, advocacy NGOs that work transnational issues such as the environment, public health, migration and displacement, and social and economic justice have received greater

visibility and influence thanks to increased public demands for action in such areas. With national governments frequently ceding the handling of these issues to NGOs, they have been allowed to encroach upon turf that had traditionally belonged to states.

- Traditional NGO networking, information exchange, and initiation of global campaigns has been exponentially enhanced by use of the internet.

Changes in global politics, economics, and society have generally (with a few exceptions noted below) enhanced the **super-empowered individual** phenomenon:

- **Industrialists** can exercise considerably more influence in global markets because their assets and leverage are now internationally diversified in ways that old-style entrepreneurs such as Andrew Carnegie (constrained by the regulatory power of the US Government) could not have achieved. The same dynamic has also enabled **international criminals** to diversify assets and escape the jurisdiction of those who would put them out of business.
- Globalized media have allowed **entertainers** to replace artists and intellectuals as leaders in shaping global public opinion. Bono, for example, has raised global consciousness about the plight of Africa, while Mia Farrow has been instrumental in pressuring China over its relations with Sudan by drawing linkages between Darfur and the 2008 Beijing Olympics.
- **Anarchists** and **terrorists** from Guy Fawkes to Mohammed Atta have carried out violent attacks that resonate across borders. But the ability to transmit information via the internet and other global media has exponentially increased the speed with which their example inspires others. Technological advances also have put ever more powerful weapons into the hands of individuals and small groups.

At the same time, globalization has actually hurt a handful of super-empowered individual archetypes. As technology and legal reforms make markets more diverse and liquid, no one **financier** can dominate corporate finance as J.P. Morgan once did. Similarly, in an age of myriad choices in television, print media, the film industry, and the internet, **media moguls** cannot hope to earn the same market share or exercise the same public influence as that of William Randolph Hearst. The web has also in many cases lowered the profile of **political activists** whose energy and indignation are expended in relative privacy over the internet instead of on the streets.

## **Nonstate Actors and the State**

The impact of nonstate actors is context-dependent, however. The roles they play, and the influence they exert, depend upon political, economic, and social context. As a basis of comparison, the NIC-Eurasia Group seminars divided the world into three categories—weak states, modernizing states, and developed/post-industrial states—and found that most categories of nonstate actors have far more freedom of movement both in weak and in developed/post-industrial states than in modernizing ones.

*Weak states* tend to be former colonial holdings that never made the transition to viable nation-state. Such governments as exist struggle to provide order to society, and will often resort to force in an effort to do so. Ethno-religious and tribal factionalism predominate over nationalism. Examples include Afghanistan, Somalia, Lebanon, Congo, and a host of others.

- Depending on the country in question, “bad” sub-state actors (e.g., the Taliban, Hizballah, al-Qa’ida, the Islamic Courts Union) may seriously challenge the central government; multinational corporations, including state-owned enterprises from modernizing states, may provide lucrative deals that enable weak governments (particularly in resource-rich countries) to resist international demands for political and economic reform; and NGOs may substitute for governments in the areas of sustainable development; health and nutrition; and civil, political, and human rights.

*Modernizing states*, encompassing 80 percent of the global population, remain entrenched in the classic state system: firmly sovereign (bristling at any real or perceived external interference in their domestic affairs) and defining national security in terms of force. Nationalism is often an instrument of state power, and unruly minorities are suppressed. Such states tend to be centralized and highly bureaucratic, with the national government involved in management of the economy. Such states can be either democratic or autocratic; prominent examples include Brazil, Russia, India, and China (the “BRICs”).

- These states habitually view foreign nonstate actors as a threat to national sovereignty, and may attempt to neutralize them by banning them outright; regulating them; and/or creating their own “nonstate” look-alikes such as government-operated NGOs to further state goals. This is not to say that they always exert absolute control: NGOs that have been allowed to operate within a country as social safety valves may end up as forces for political or social change, and super-empowered individuals may have an influence on the most sovereignty-conscious country’s domestic and foreign policies. Generally, however, modernizing states are the least hospitable ground for nonstate actors.

*Developed/post-industrial states* have moved beyond the absolutist model of state sovereignty found among modernizing states. Nationalism exists, but the state is increasingly out of the business of creating and maintaining a national identity. Within this world the distinction between domestic and foreign affairs disintegrates, so that mutual interference and surveillance among states becomes the norm. Borders between states are increasingly unguarded, and force is rejected as a means of settling disputes. The members of the European Union are exemplars of the states in this category.<sup>1</sup>

- A majority of the most influential multinationals, NGOs, and super-empowered individuals originate in, or operate from, the developed world. This is because many of the factors that empower them—communication and information technologies, globalized finance and commerce, and the global elite<sup>2</sup>—are functions of developed countries. They therefore tend

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<sup>1</sup> The US is harder to categorize, being a developed state with some modernizing sensibilities.

<sup>2</sup> A technocratic grouping resulting from consolidation of global markets and culture. The members of the global elite are not tied to any particular nationality, and move freely from country to country as their livelihoods dictate.

to carry developed-world values, mores, and ideas (e.g., free markets and human rights). All three types of nonstate actors are highly engaged in developed-world politics, economics, and culture. Although their relationship with national governments may be somewhat adversarial, they have significant influence on policy formation and may even be employed by states as a means of outsourcing foreign policy.

## **Implications for the United States**

The NIC-Eurasia seminars were not ultimately conclusive in terms of *how much* nonstate actor “power” and “influence” have increased worldwide, although there is a great deal of circumstantial evidence regarding their impact in the “weak” and “post-industrial” worlds. The exercise in sorting the world’s countries into three categories, however, was useful in uncovering an issue that has potential impact on US policy: not only the influence of nonstate actors per se, but how modernizing states regard, exclude, and suppress them:

- During the discussions, the category of actor (aside from terrorists and criminals) that emerged as most problematic for the United States was not technically nonstate at all: it was the state-owned enterprise, which is often a front for advancing the interests of a modernizing-state government. State-operated enterprises—with home regime backing—have already amply demonstrated their ability to undermine US policy worldwide. For example, Russian state-owned arms-export monopoly Rosoboronexport’s continuing arms sales to Iran have complicated US efforts to build UN Security Council consensus on strategies to thwart Iran’s nuclear development.
- Rejection of benign nonstate actors (and the Western values they espouse) by a large number of the world’s countries could be symptomatic of a wholesale rejection of the Western model in the modernizing world.

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This group is made up primarily of bankers, accountants, the upper echelons of multinational corporations, knowledge workers, and employees of NGOs and other “acronyms” such as the UN, OECD, and NATO.

