

**GLOBALIZATION AND THE STATE: A CRITICAL ANALYSIS OF THE NEWEST
DEBATE IN INTERNATIONAL RELATIONS.**

**Dissertation submitted to the Jawaharlal Nehru University in partial fulfillment of the
requirement for the award of the degree of**

MASTER OF PHILOSOPHY



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2003




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To

The one I call

Dad

Acknowledgements

At the outset, I express my profound gratitude to Prof. Varun Sahni whose guidance and expert advice have gone a long way in shaping this dissertation. It has been indeed a great experience to work under him in spite of all my shortcomings.

My gratitude goes to the Librarians and staff members of Jawaharlal Nehru University, Institute for Defence Studies and Analyses and American Information Resource Centre, New Delhi for providing most of the requisite materials for my dissertation work. Further, I offer my sincere appreciation to the Centre's Office staff of the School of International Studies for extending their cooperation in no uncertain terms.

My sincere thanks also go to Mr. Bijoy Khuraijam, Lhipe, Imkongmeren and Mr. Khegha Tuccu for sacrificing their invaluable time in typing this dissertation on time. My acknowledgement would remain incomplete if I do not express my heartfelt thanks to Mr. Shailesh Kumar, Mr. K. Tennyson, Mr. Wil Kayina, Mr. Kaisii for their priceless suggestions, love, encouragement and help when I needed the most.

My heartfelt thanks go to Mr. M. Thohrii, Mr. Wil Kayina, Mum and my sister D. Kaini for all the love, encouragement and financial support.

Once again, I sincerely thank my Supervisor Prof. Varun Sahni for allowing me to work under him. However, for any shortcoming of this work, I alone am accountable for it.

***Jawaharlal University
New Delhi, July 2003***

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Introduction

The contemporary globalization has captured the imagination of academicians, social theorists and the public. In an epoch of profound global change, the idea of globalization has acquired the mantle of a new paradigm. Though the concept itself is not new, it was not until the 1960,s and the early 1970,s that the term “globalization” was actually used.¹ The rapidly expanding political and economic interdependence in the wake of contemporary globalization generated much reflection on the inadequacies of orthodox approaches to thinking about politics, economics and culture which presumed a strict separation between internal and external affairs, the domestic and international arenas, and the local and the global.

Contemporary globalization has been conceptualised as a process which relates to the intensification of entrenched worldwide interconnectedness, marked by unprecedented extensity, intensity, velocity and impact propensity of global flows, interactions and networks embracing all social aspects of life.² Globalization, then, can be understood as an intensification process of economic, cultural, social and political relations across borders through interrelated activities in production, distribution, consumption, services, ideas and information. What it then implies is a changing world order moving from independence to an increasingly interdependent world of states.

The speeded-up socio-economic change and the acceleration in the pace of globalization is taking place in a world that is almost universally made up of nation-states.

¹ David Held and Anthony McGrew, eds, *The Global Transformations Reader* (Cambridge: Polity Press, 2000) p.1

² David Held, Anthony McGrew, David Goldblat and Jonathan Perraton, eds., *The Global Transformation: Politics, Economics and Culture* (Stanford University Press, 1999) P.438.

This has raised a number of key implications for the nation-state vis-à-vis its sovereignty and autonomy.

Modern states emerged in Western Europe and its colonial territories in the eighteenth and nineteenth centuries. Modern states developed as nation-states –political bodies, separate from both ruler and ruled with supreme jurisdiction over a demarcated territorial area, backed by a claim to a monopoly of coercive power, and enjoying legitimacy as a result of the loyalty or consent of their citizens.³ The major innovations of the modern nation-state–territoriality that fixes exact border, monopolistic control of violence, an impersonal structure of political power and a distinctive claim to legitimacy based on representation and accountability–marked out its defining feature. In the eighteenth and nineteenth centuries, the treaty of Westphalia strengthened the position of nation states in Western Europe. It was during this time that the territorial sovereignty, the formal equality of states non-intervention in the internal affairs of other recognized states, and state consent as the foundation stone of international legal agreement became the core principles of the modern international order.⁴ The fundamental conception of Westphalia sovereignty is that states exist in specific territories within which domestic political authorities are the sole arbiters of legitimate behaviour.⁵

In the backdrop of the contemporary globalization which has produce intensified interconnection of the world transcending national boundaries, question arise as whether the state is still relevant or it portends the demise of state. Some social scientists perceived the contemporary globalization as challenging the notion of state's sovereignty

³ See O. Skinner, *The Foundations of Modern Political thought* (Cambridge: Cambridge University Press, 1978)

⁴ David Held and Anthony McGrew, eds. (2000) op. cit., p.9

⁵ Stephen D. Krasner, *Sovereignty: Organized Hypocrisy* (New Jersey: Princeton University Press, 1999) p.20

while others maintain that its power and authority had not decline. Based on the current contending propositions, two broad schools of thought, the globalists and the sceptics can be discerned albeit some differences in the position within the same school of thought. Debate focuses on the controversy concerning the modern nation-state: its continued primary versus its transformation. While the sceptics stress the continuing primacy of the nation-states and the cultural traditions of national communities, which sustain their distinct identity, the globalists point to the growing significance of global order, which creates a growing sense of the common fate of humankind. Each of these two schools may be said to represent a distinctive account of globalization-an attempt to understand and explain this social phenomenon.

In the light of the debate on contemporary globalization, this dissertation seeks to examine the following issues;

1. Basic assumption on which the two schools have premised their respective propositions
2. Ambiguities, anomalies or paradoxes discernable in the debate.
3. Impact and implication engendered by the debate on the nation state.

Chapterisation.

Chapter one provides an overview of some major theoretical debates in International Relations. Five theoretical debates have been examined: Classical- Scientific Approach, Realist-Idealist Approach, Absolute Gain-Relative Gain, Democratic Peace Debate and Realism-Constructivism.

The Second and Third chapters deals with the assumption and premises of the globalists and the sceptics. The debate focuses on the controversy concerning the modern nation – state: its continued primacy versus its transformation.

The Fourth chapters critically examine the proposition of both the school of thought: the globalists and the sceptics. The chapter also situates the developing countries in the context of the globalization debate.

The dissertation thesis ends with conclusion that encapsulates the main interweaving ideas and assessment of the points in the course of the research.

Chapter I

Major Debates in International Relations: An Overview

There is no generally accepted set of definitions and classifications for International Relations. Scholars have adopted different approaches for the study of International Relations. An approach implies looking at the problem from a particular angle and explaining the phenomenon from the same angle. As different scholars have adopted different criteria for selecting problems and data as well as adopted different stand points, different approaches for the study of International Relations have emerged. Various approaches are not only different from one another but sometimes contradict one another. Thus a good number of debates have emerged in International Relations reflecting not only the robustness and vibrancy of the discipline but also underscoring the importance of its study in the world of states. This chapter attempts to briefly highlight five major debates that have taken place, but which are far from resolved or irrelevant even in the contemporary world. Indeed, the present globalization debate embodies most of the issues of the earlier debates and, in this context the current debate under study can be treated as a continuation of those debates. The debates (not necessarily in proper order) are:

- Classical versus Scientific approach
- Realist versus Idealist approach
- Absolute gain versus Relative gain
- Democratic Peace Debate
- Realism versus Constructivism, and

Classical versus Scientific approach

The 1960s witnessed a great debate between traditional advocates of a classical approach to International Relations and those who preferred the methods of the newer behavioural sciences, which came to be known as scientific approach. Although the acerbity of that debate has now worn off and the controversy seems less relevant in the field of International Relations theory today, they can by no means be said to have merged synthetically. At the core of this debate has been the question of epistemology or the issue on how knowledge has to be acquired. Classical approach stresses on the metaphysics, which traces knowledge to sources that lie beyond observation or empiricism. As Hedley Bull points out, “the approach to theorising that derives from philosophy, history and law...is characterised above all by explicit reliance upon the exercise of judgement and by the assumptions that if we confine ourselves to strict standards of verifications and proof there is very little of significance that can be said about international relations.”¹ Classical approach therefore tends to be descriptive in its analysis due to its normative, qualitative and value judgmental approach.

On the other hand, scientific approach lays emphasis on what is termed a “positivistic epistemology” according to which knowledge arises from sensory experience and from observation about the world around us. The result of the behavioural revolution in social science, it believes that International Relations like any other social activity involves people and hence it could be explained by analysing and explaining the behaviour of

¹ Hedley Bull, “International Theory: The Case for a Classical Approach”, in Klaus Knorr and James N. Rosenau, eds., *Contending Approaches to International Politics* (Princeton: Princeton university Press, 1970) p. 20.

people. The approach therefore primarily concerns the method of study rather than the subject matter.

The debate on classical – scientific approach in International Relations is best reflected in the Bull-Singer debate. Hedley Bull presents a seven-point critic to the scientific approach, which asserts the inadequacy of scientific approach as a method for the study of international relations. Making a counter attack on the traditional or classical approach, David Singer defended and in fact presented a powerful argument why scientific approach is more helpful and accurate in its explanation.

The first proposition Bull put forward against the scientific approach is that the nature of the subject matter of International Relations is such that it cannot be examined merely with the help of scientific tools. Scientific approach emphasises certain types of questions, which can be logically and mathematically proven or verified using strict procedures. Thus, it avoids some of the substantial questions of International Relations based on intuition. For example, there can be no objective answer to moral question since it cannot be understood or represented logically or mathematically. Therefore, both in the framing and testing of hypothesis, scientific approach, according to Bull, is limited.²

David Singer, on the other hand, counters Bull's allegation and contends that scientific approach does not avoid the use of intuition, wisdom or insight. According to him, with the help of intuition, wisdom or insight, general ideas are developed and examined employing scientific methods.

² Ibid., pp.26-27.

However, the emphasis of scientific approach is not on the source of ideas but on their strength to stand rigorous verifications. Therefore, even the ideas generated through most classical methods, according to this view, needs scientific verification and explanation. In this context, it can be said that scientific approach broadens the perspective of the study.³

The second proposition of Bull arises from his first proposition. Since the scientific approach has denied itself of the instruments that are at present available for understanding the substance of the subject, those that succeeded in shedding light upon the subject according to him, have done so by stepping beyond the confines of that approach.⁴

Singer argues that the scope of scientific approach is much more than the classical approach. To him, any formulation that finds its expression in the classical mode has to be empirically tested to ascertain the veracity of the claim. Since scientific approach embodies not only the formulation of proposition but also its verification, for Singer, classical approach is within the realm of scientific approach.⁵

The third proposition of Bull relates to the scepticism, he has over the hope practitioners of the scientific approach zealously nurse. To him, this hope rests on the assumption that knowledge of International Relations will one day reach the point at which it becomes "genuinely cumulative". However, Bull notes that this aspiration appears bleak due to the unmanageable number of variables of which any generalisation about state

³ J. David Singer, "The Incomplete Theorist: Insight Without Evidence", in Knorr and Rosenau, eds. (1970) op. cit., pp. 65-67.

⁴ Bull, *ibid.*, pp. 28-29, in Knorr and Rosenau (1970) op cit., pp. 28-29.

⁵ Singer, *ibid.*, pp. 68-71.

behaviour must take into account; the protean nature of the subject; the difficulty of controlled experiment; and finally the extent to which research affects the empirical world, such that “even the most innocent ideas contribute to their own verification and falsification.”⁶

To singer, scientific approach in international relations has begun to enjoy some fair success in observing, measuring and recording much of the phenomena, which, according to the traditionalists, would always be beyond the scientific reach. For example, Singer cites how modern analytical tools have now provided scientific approach to analyse a multiple of independent and intervening variables to account the frequency of any particular type of outcome, and how those tools have helped in reducing the variables. Besides, although he concedes that controlled experiments are impossible, experiments conducted through simulations have produced results, which are as effective as they can be. Therefore, according to Singer, the hope of practitioners of the scientific approach is not as elusive as the traditionalists made it out to be.⁷

The fourth proposition Bull put forward is the allegation that scientific approach has done a great disservice to the theory of international relations by introducing various models in the subject of study. According to him, “theoretical inquiry into an empirical subject normally proceeds by way of the assertion of general connections and distinctions between events in the real world.”⁸ On the other hand, “a model in the strict sense is a deductive system

⁶ Bull, *ibid.*, pp. 29-30.

⁷ Singer, *ibid.*, pp. 71-75.

⁸ Bull, *ibid.*, pp. 30-33.

of axioms and theorems,” which, to Bull, can distort and mislead rather than explain the reality.⁹

Singer finds some rationale in the criticism for its potential to misrepresent or misconstrue reality but hastens to stress its importance in research work. Singer treats models, paradigms and conceptual schemes as merely intellectual tools to “order and codify that, which would otherwise remain a buzzing welter.” Since the real world can never be measured, symbolic representations of reality, according to him, becomes not only unavoidable but also necessary.¹⁰

The fifth proposition of Bull concerns the excessive reliance of quantification by the scientific school. According to him, the work of the scientific approach, in some cases, is distorted and impoverished by a “fetish for measurement”. Bull has no objection to the counting of phenomena that do not differ from one another in any relevant respect and presenting this evidence in support of a theory. However, when in the pursuit of the “measurable” relevant phenomena that are being counted are ignored and more significance are attributed to quantifiable variables, the flaw, according to Bull, sets in. For, as Bull notes, it is where the scientific approach gets deviated from pursuing qualitative enquiries that are in most cases more fruitful.¹¹

To Singer, there are no two events, conditions or relationships that are exactly alike. Therefore, it becomes necessary to ascertain whether they have

⁹ Ibid.

¹⁰ Singer, *ibid.*, pp. 75-76.

¹¹ Bull, *ibid.*, pp. 33-36.

sufficient similarities between them to permit comparison and combination for the theoretical purpose at hand. For, according to him, if they cannot be combined and aggregated with due attention to the matter of relevant difference, there cannot be generalisations even though they may generate a great deal of speculation. In short, Singer defends the insistence of proper quantification in the scientific approach because validity, not reliability and plausibility, to him, are the answer to get accurate results.¹²

Bull's sixth proposition calls for rigour and precision in the theory of International Relations. According to him, the theory of international relations should attempt to be scientific in the sense of being a coherent, precise and orderly body of knowledge but which should be consistent with the philosophical foundations of modern science. He however claims that the sort of rigour and precision, which the subject admits, can easily be accommodated within the folds of the classical approach and points how traditional and contemporary literatures that belongs to the classical school possess such characteristics.¹³

According to Singer, the practitioners of the classical school, in their effort to do serious historical analyses, end up doing case studies. The major defect of a case study is that it can neither describe the variables relevant to a given case nor can it be much of a guide to what will happen in the future. On the other hand, the scientific approach select a few variables on intuitive grounds or on the basis of prior research findings and then examine their interrelationship over many historical cases. By thus adopting specific

¹² Singer, *ibid.*, pp. 76-78.

¹³ Bull, *ibid.*, pp. 36-37.

procedures, the scientific researchers not only seek to increase the probability of better performance but also attempt to refine and redefine their approach.¹⁴

The final proposition of Bull takes on the practitioners of the scientific approach for cutting themselves off from history and philosophy. To Bull, this has deprived them of the means of self-criticism and, in effect, has made themselves shallow and immature. Moreover, Bull accuses that they lack any sense of inquiry into international politics as a continuing tradition and that they are insensitive to the conditions of recent history that have produced and shaped their perspectives.¹⁵

Singer agrees that the scientific approach has severed itself from the two disciplines but denies that it has cut off itself from the phenomena they study. He also refutes the charge that the scientific school is ahistorical. For, even though many modernists restrict themselves to the study of only the most recent past, it is because the data are more or that cases are more amenable to their methods. Despite the callowness of the discipline, Singer argues that it has every right and responsibility to take public stands in its area of special competence and advances their data and theory base so that it matures by gaining more knowledge.¹⁶

Realist versus Idealist Approach

The realists and idealists approaches are the two variants of classical approach. Both approaches are normative and hence prescriptive. The realists

¹⁴ Singer, *ibid.*, pp. 78-79.

¹⁵ Bull, *ibid.*, p. 37.

¹⁶ Singer, *ibid.*, pp. 79-81.

approach argues that politics should be played in a realistic manner with power as the essence of politics. It prescribes the use of amoral and power oriented political techniques and places the highest priority on the pursuit of one's particular interests. On the other hand, the idealists approach argues that people should abandon antagonistic modes of behaviour and prescribes that people should act with knowledge, reason, compassion and self-restraint.

Emmanuel Kant is considered to be the forerunner of idealism as Machiavelli and Hobbes are to that of realism. In his famous essay, "*Perpetual Peace: A Philosophical Sketch*" Kant envisaged a combination of moral and self interested factors leading to the setting up of a peaceful international federation of states in which relations between states would be governed by co-operation and mutually agreed rules and norms.¹⁷ On the other hand, Machiavelli emphasises power aspect in place of morality. Although Machiavelli recognises the importance of morality he argues that there could be no effective morality where there was no effective authority. According to him, men are kept honest by constraints. He therefore concludes that politics is not a function of ethics, but ethics is.¹⁸

Similarly, in *Leviathan* Hobbes advocates the use of power to establish an absolute authority over individual subjects.¹⁹ Hobbes considered this as the only way in which political order could be achieved. To him, there are no

¹⁷ Quoted in, Kimberly Hutchings, *International Political Theory: Rethinking Ethics in a Global Era* (New Delhi: Sage Publication, 1999) p. 7.

¹⁸ Edward H. Carr, *The Twenty Years' Crises, 1919-1939: An Introduction to the Study of International Relations* (London: MacMillan and Co., 1940) p. 82.

¹⁹ Cited in, *ibid*, p. 18.

natural ordering principles built into human relations, which will guarantee the honouring of contractual agreements.²⁰

According to Kant “perpetual peace” would be established if all nations accept to sign three “definitive articles” of peace.²¹ The first article requires the adoption of a civil constitution of the state to be republican. The second article envisages the establishment of peace among republics by means of a pacific federation or union. The last article establishes cosmopolitan law in conjunction with the pacific union. Kant chose the republican system of states because he believed that they are the right kind of states under which moral autonomy, individual rights and social order can be assured.²² Since a republican state respects and values the individual rights of its citizens, Kant assumes that it will be more pacific in its relation with other states and hence reduce the possibility of war in favour of peace interstate cooperation and prosperity.

Hobbes on the other hand, strictly makes distinction between state and interstate politics. To him the norm governing politics in domestic and international arena generally tend to be derived from the fundamental human interest in security. Realism emphasises that the domestic state and the realm of interstate relations represent radically different context in relation to that fundamental interest. Thus, viewed from the lens of realism prevailing order

²⁰ Ibid.

²¹ Quoted in, Michael Doyle, “Liberalism and World Politics”, in *American Political Science Review*, Vol. 80, No. 4 (Dec.) 1986, pp. 1157.

²² Ibid., pp. 1157-1160.

and cooperation in domestic sphere cannot be expected to exist in the international sphere.²³

Kant however argues that fear of others in a state of nature and fear of the increasing destructiveness of war will also help push humanity first into states, then into the pacific federation (which he postulates) based on international agreements and the recognition of cosmopolitan obligations.²⁴ Kant however placed a lot of importance on the role of the political philosopher to enhance the possibility of progress in history in such a way as to sustain hope for the future of mankind in the light of universal moral principles.²⁵

Against this proposition, the realists have proposed that domestic politics is different from international politics and order and cooperation in domestic politics cannot be integrated to international politics. Machiavelli argues that history is a sequence of cause and effect whose course can be analysed and understood by intellectual effort but not directed by imagination as believed by the idealists.²⁶

In the twentieth century, the realists school of thought in international politics has been associated with E.H. Carr, Hans Morgenthau, Arnold Wolfers and George Kennan, whereas the idealists school includes Saint Simon, Woodrow Wilson, Bertrand Russel and Mahatma Gandhi. However, it is Hans J. Morgenthau's six principles of international relations, which have become synonymous with realism. All the principles advanced by Morgenthau

²³ Hutchings (1999) op. cit., p. 19.

²⁴ Ibid., p. 9.

²⁵ Ibid., p. 10.

²⁶ Carr (1940) op. cit, p. 82.

contradict the idealists principles advocated by Kant and others.

Morgenthau's six principles are as follow:

1. Politics is governed by objective laws based on human nature and psychology.
2. National interest defined in terms of power is central to politics. Politics cannot be understood in moral or religious terms.
3. National interest is not fixed and is moulded by the environment. Environment plays an important role in the determination of political action.
4. Universal moral principles cannot be applied to states actions and these must be modified according to the circumstances of time and place.
5. Morale aspirations of a particular nation cannot be identified with the moral laws that govern the universe. Every political actor pursues their national interests in terms of power.
6. Political sphere is as autonomous as the sphere of the economists, or the lawyers or the moralists.²⁷

Thus, Morgenthau's international politics is all about national interest and no place is given to morality.

E.H. Carr presents a more balanced view. Being a realist, he points out the hollowness of the idealists' edifice but simultaneously maintains that "we cannot ultimately find a resting place in pure realism; for realism, though logically overwhelming, does not provide us with the springs of action which are necessary even to the pursuit of thought."²⁸ Carr suggests that the combination of realism and idealism is the best solution. According to him, "where utopianism has become a hollow and intolerable sham, which serves

²⁷ Hans Morgenthau, *Politics Among Nations* (New Delhi : Kalyani, 1997) pp. 3-16.

²⁸ Carr (1940), op. Cit., p. 113.

merely as a disguise for the interests of the privileged, the realists perform an indispensable service in unmasking it. But pure realism can offer nothing but a naked struggle for power, which makes any kind of international society impossible.”

Absolute Gain versus Relative Gain

The debate on absolute gain and relative gain is the manifestation of neo-liberal and neo-realist debate in international relation. The neo-liberal and neo-realist drew their legacy from idealism and realism respectively. However, the debate at hand can be situated at a higher plan. Both the schools of thought accept the existence of anarchy and self help in the international system.²⁹ They also agree that possibilities exist for international cooperation, but they diverge on the likelihood of its success. The core issue of the debate between the two schools of thought, then centers around this divergence in the form of absolute gain and relative gain. The neo-liberal believes that state will cooperate for the sake of absolute gain – each party in cooperation will have some absolute gain even if all do not gain equally. On the other hand, the neo-realist believed that cooperation is not possible because gain is relative. Instead of one’s gain, the neo-realists give emphasis on another’s gain. The neo-liberals’ claim about cooperation is based on their belief that states are atomistic actors. According to this view, each state seeks to maximize its individual absolute gain and is therefore indifferent to the gains achieved by others.³⁰ Although it acknowledges that cheating is the greatest impediment to cooperation amongst state, it believes international organizations and institutions can solve the problem.

²⁹ John Gerard Ruggie, *Constructing the World Polity: Essays on International Institutionalisation* (London: Routledge, 1998) p.8.

³⁰ Joseph M. Grieco, “Anarchy and the Limits of cooperation: A Realist Critique of the Newest Liberal Institutionalism”, in *International Organisation*, Vol.42 (Summer, 1988) p.489

On the other hand, the neo-realist believes that state is positional and not atomistic in character.³¹ In addition to the problem of cheating, states are concerned that their partners might gain more from cooperation. For the neo-realists, therefore, any state will count both absolute and relative gain and any state can exit from any cooperation if its partners are achieving relatively greater gain. Two problems to cooperation among states have been identified by the neo-realists: firstly states are concerned about cheating and secondly the issue of relative achievement of gain acts as a barrier to develop mutual dependence. The neo-realists therefore, accuse the neo-liberal school for overlooking the second problem.³²

The neo-realists relative gain concept is the direct consequence of their consideration that states in anarchy free for their survival as independent actors. State worry that today's cooperating partners may be tomorrow's potential enemy and any greater gain achieved by the cooperating partner may be used against its counterpart in war. Thus to the neo-realists, any relative gain must be noticed which is where the neo-liberal failed to notice.³³

In sum, however it can be said that the neo-liberal-neo-realist debate has moved away from the sharp delineation that existed during the utopian – realist era to an effort towards synthesis. The test of neo-liberalism will be the extent to which organisation like the United Nations, European Union, NATO among others, will be able to diminish post-Cold War conflicts. Moreover, it also remains to seen how the neo-realists perspective which hold that post-Cold War conflicts cannot be managed within international institutions.³⁴

³¹ Ibid., p.490.

³² Ibid.

³³ Ibid.

³⁴ James E. Dougherty and Robert L. Pfaltzgraff, Jr., eds., *Contending Theories of International Relations: A Comprehensive Survey* (New York: Longman,1996) pp.62-63.

Democratic Peace Debate

The other major debate in International Relations, which is primarily a debate between the liberals and the realists relates to the democratic peace theory. Based on the assumption that democratic states are less prone to war (than their non-democratic counterparts), the proponents of this theory argue that the internal political system of states largely determine whether interstate relations are war like or peaceful. This general conceptualisation follows the Kantian premise that democracies tend to be pacific in their relations with each other but do not show this trait while dealing with other states.³⁵ This assumption is further strengthened by the empirical evidence, which shows an almost absence of war between democracies even though relations with non-democracies indicates they are no less war like.³⁶ Accordingly, they argue that “perpetual peace” will be established in the international system if all nations adopt democracy as their respective political system.³⁷

Two kinds of theories, one stressing on norms and the other on political structures are put forward by liberals to explain why democracy can ensure peace in world politics. According to the normative explanation, democracies are “inherently” more peaceful internationally because the political norms and culture of democracy foster peaceful resolution of disputes. The basis of this claim rests on the assumption that the norms of regulated political competition, non-violent conflict resolutions through

³⁵Doyle (1986) op.cit., p.1157.

³⁶ William J. Dixon, “Democracy and the Management of International conflict”, in *Journal of Conflict Resolution*, Vol. 37, No.1 (March, 1993) p.44.

³⁷ Doyle (1986) op.cit., p.1157.

accommodation and compromise and peaceful transfer of power are externalised by democracies in their dealing with other national actors in world politics.³⁸ Hence, when two democracies come into a conflict of interest, they are able to depend on the democratic norms in their interaction. As a result, these norms prevent most conflicts from escalating into use of military force between democracies. The structural proposition emphasises the constraints on political leaders in democratic states with regard to dispute and war initiation. The constraints inherent in the complexity of the domestic process consist of competitive elections, limited government power and public expression of preferences.³⁹ Since democracy entails such constraints on the political leaders, the liberals claim that the probability to use force between democracies are reduced or are altogether eliminated. Besides, the liberals also argue that individual autonomy and pluralism within democratic states foster transnational economic, social and political relations and institutions. These linkages, according to them, not only help resolve transnational conflicts peaceably, but also by forming alliances among themselves, inhibit national governments from acting violently toward each other.⁴⁰

The realists on the other hand, dismiss the democratic peace proposition as a prescription that is impracticable and inaccurate. According to this view, the internal organisation of states will have no major impact on the nature of the international system. Central to this argument is the

³⁸ Bruce Russett, ed., in *Peace, War and Numbers* (Beverly Hill: Sage, 1972) p.33.

³⁹ T. Clifton Morgan and Sally Howard Campbell, "Domestic Structure, Decisional Constraints and War: So why Don't Democracy Fight?", in *Journal of Conflict Resolution*, Vol. 35, No.2 (June, 1991) p. 189-193.

⁴⁰ Russett, ed. (1972) op.cit., p.26.

assumption that the international system, which is characterised by the principles of anarchy or the absence of an "overarching authority" and self-help makes states act in remarkably similar ways, irrespective of their political systems under similar situations. Therefore in the absence of such an authority above states to prevent and adjust conflicts of interests arising from the principle of self-help, the realists see a constant possibility of war among states in the system.

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The normative aspect of realism assumes international politics as a struggle for power among states in order to ensure their survival by enhancing their power capabilities.⁴¹ As a result, their aims and efforts are directed not toward creating an order but rather toward fulfilling their own internally defined interests by whatever means they can master.⁴² The principles of anarchy and self-help in a zero-sum world are most acute in the structural aspect of realism. The nature of states internal political system is seen as nearly immaterial because, according to this view, the overall behaviour of states is basically determined by the structure of the anarchic international system and their position in that structure.⁴³ For example, the near absence of war among democracies is not a unique characteristic of democracy. Spencer Weart has pointed out that well-established non-liberal states scarcely ever make war among them as well.⁴⁴ Accordingly, the structural view of the realists holds that the kind of stable peace that exists among democracies or

⁴¹Robert O. Keohane, ed. *Neorealism and its Critics* (New York: Columbia University Press, 1989) pp.164.

⁴²John Gerrard Ruggie, "Continuity and Transformation in the World Polity: Towards a Neorealist Synthesis", in Keohane, ed. (1986) op.cit., p.134.

⁴³Russett, ed. (1972) op.cit., p.134.

⁴⁴Spencer R. Weart, "Peace Among Democratic and Oligarchic Republics", *Journal of Peace Research*, Vol. 31, No.3 (August, 1994) pp.299-316.

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non-democracies cannot last, because they would be compelled eventually, by the structure of the international system to enter into a state of war or at best to military deterrence.⁴⁵

Constructivism versus Realism

The debate between constructivism and realism constitutes another debate in the field of International Relations. This debate basically revolves around self-help and the identity and interest of actors in the international system. For the realists, or more properly the neo-realists, anarchies are necessarily self help systems in which both central authority and the collective security are absent. Since the neo-realists presume that state failing to conform to the logic of self-help will be driven away, relevance of identity and interest formation of actors are relegated to the back seat or assumed given. In other words, international relations is assumed to consist of “an atomistic universe of self-regulating units” whose identity is assumed given and fixed by its anarchic structure exogenously to process.⁴⁶

Interestingly, by adopting such reasoning, the neo-liberals concede to neo-realists the casual power of anarchic structure. As a result, neo-liberalists like Robert Keohane now accepts that states are driven by their conceptions of self-interests that a system of self help prevails and that relative capabilities remain important.⁴⁷ Nevertheless, the point of divergence between the two

⁴⁵ Russett, ed. (1972) op.cit., p.24.

⁴⁶ Ruggie (1998) op.cit., p.3; also see Alexander Wendt, “ Anarchy is what States make of it: The social construction of power politics”, in *International Organisation*, Vol.46, No.2 (Spring, 1992) p.394.

⁴⁷ Ruggie (1998) op.cit., p.8.

schools of thought, which is reflected in the debate on absolute–relative gain, remains a stumbling block in arriving at a synthesis.

Constructivism on the other hand is against the neo-realists claim that self-help is given by anarchic structure exogenously to process. It argues that self-help and power politics do not follow either logically or causally from anarchy, and that if the present international relations finds itself in a self-help world, it is due to process, not structure.⁴⁸ Structure, according to this view, has no existence or casual powers apart from processes. Since process are effected by actors the present international relations, which is presumed to be dominated by the system of self-help, is then a manifestation of the neo-realists' overemphasis, on the structural material notions of interests, such as military doctrines and alliance power.⁴⁹ The constructivists therefore blame neo-realism for constricting the view of international Relations and equally lay the blame on the neo-liberals for uncritically accepting, the views of realism. On its part, constructivism lays more emphasis on the ideational factors such as culture, norms and ideas. For they contend that ideational factors have the power to tame the historically war-prone nature of international anarchy by transforming the identities and interests of actors (states). Central to their argument is the assumption that processes which are effected by actors' interests and the conceived identities also effect the structure. In other words, if more benign ideas and identities are effectively spread across the world through cultural change and normative persuasion,

⁴⁸ Wendt (1992) op.cit., p.394.

⁴⁹Michael C. Desch, " Culture Clash: Assessing the Importance of Ideas in security studies", in *International Security*, Vol.23, No.1 (Summer, 1998) pp.141.

then, according to the constructivists, war-like anarchic world can be changed.⁵⁰

Conclusion

In light of the above discussion, it can be said that different approaches to the study of International Relations are not separated in water-tight compartments. They have commonalities, similarities as well as differences. Although the theoretical perspectives may differ, the central issue remains primarily focused on the complexity and dynamics of interstate relations.

⁵⁰ Jack Snyder, "Anarchy and the Culture: Insights From the Anthropology of War", in *International Organisation*, Vol..56, No. 1 (Winter, 2002) p.7.

Chapter II

The Weakened State: The Perspective of the Globalists

Most political thinkers share the view that one defining feature of modern nation-state has been its “geographical construct”¹ – a political space created as “disjoint, fixed, and mutually exclusive territorial formations”.² From this construct comes the concept of sovereignty, “the idea that there is a final and absolute authority in the political community” or the state.³ Such an idea took shape because the state realizes the need for “an ultimate authority within the political society if the society is to exist at all, or at least if it is to be able to function effectively”.⁴ Stephen Krasner identifies self-help and territoriality as two basic principles for state sovereignty. To him, self-help carries the implication that “there is no authority above the state” while territoriality indicates that “authority is exercised within a defined geographic area”.⁵ According to the realists, the former accounts for the prevalence of anarchy in international relations since all sovereign states are considered equal. Waltz in his *Theory of International Politics* points out that anarchy makes states act in remarkably similar ways to augment their concentration of capabilities, which are unequal.⁶ In the second case, authority is demonstrated in three forms:

- (i) The right to exercise monopoly of control over the instruments of violence.
- (ii) Monopoly of control over the right to taxation, and

¹ Tom Lansford, “Post Westphalian Europe? Sovereignty and the Modern Nation-state”, in *International Studies*, Vol. 37, No.1 (2000) p.4.

² John Gerard Ruggie, *Constructing the World Polity: Essays on International Institutionalization* (London: Routledge, 1998) p.192.

³ F.H. Hinsley, *Sovereignty* (Cambridge: Cambridge University Press, 1986) p.1; pp.215-216.

⁴ *Ibid.*, p.217.

⁵ Stephen D. Krasner, “Economic Interdependence and Independent Statehood”, in Robert H. Jackson and Alan James, eds., *States in a Changing World* (Oxford: Clarendon Press, 1993) p.301.

⁶ Kenneth Waltz, *Theory of International Politics* (Boston: Addison-Wesley, 1979).

- (iii) The right to determine the priorities between political allegiance and loyalties.⁷

Summing up these explanations, Scholte writes: "Sovereignty accorded each state supreme, comprehensive and exclusive rule over its territorial jurisdiction". In other words, state face no higher authority within their territory nor share their authority with other outside states.⁸

Enthusiasts of globalization, or in short, the globalists see this concept of state sovereignty weakened by the process of globalization. This group comprises of litterateurs, philosophers, historians, sociologists, political and business economists, geographers and environmentalists. Though they differ in their view on the desirability of change, they concur on the point that patterns of change are weakening the sovereignty or power of the nation state.⁹ Pointing out that sovereign statehood is dependant on a world where events occur at fixed locations of its jurisdiction, they argue that the global flow of non-state-specific goods, currency and information across or inside its territory tantamounts to affecting its sovereignty.¹⁰ For them, contemporary globalization as a process relates to the intensification of entrenched worldwide interconnectedness, marked by unprecedented extensity, intensity, velocity and impact propensity of global flows, interactions and networks embracing all social aspects of life.¹¹ Since this process involves the erosion and transcending of national boundaries, according to them, it affects the social, political, economic and cultural

⁷ Andrew Linklater, "Towards a Post-sovereign Political Community", in Sushil Kumar, ed., *New Globalism and the State* (New Delhi: Research Press, 1999) p.93.

⁸ Jan Aart Scholte, "Global Capitalism and the State", in *International Affairs*, Vol. 73, No.3 (July 1997) p.442.

⁹ The globalists include Kenichi Ohmae, W.B. Wriston, Susan Strange, J.A. Scholte, Richard Falk, Anthony Giddens, Andrew Linklater and J.G. Ruggie, to name a few.

¹⁰ J.A. Scholte (1997) op.cit., p.442.

¹¹ David Held, Anthony McGrew, David Goldblatt and Jonathan Perraton, eds., *The Global Transformations: Politics, Economies and Culture* (Stanford: Stanford University Press, 1999) p.438.

aspects of individuals and states. The corollary of this development, to them, is that states have lost their autonomy – a proposition that worldwide interconnectedness through “time-space compression”¹² has occasioned the rise of what Anthony Giddens characterises as the “action at a distance” syndrome¹³ (the East-Asian economic crisis of 1997-98, being a case in point) and the emergence of a global cultural expression, while not losing their respective distinctiveness (McDonaldization of tandoori).

Central to the globalists conception of globalization is the belief that an increasing integrated global economy is unfolding which is effectively challenging the sovereignty of states. Globalists like W.B. Wriston regard the contemporary globalization as the age of information and argue that the new electronic infrastructure of the world is turning the whole planet into a "market for ideas" which to Wriston is the ultimate triumph of individuals over state power.¹⁴ To Kenichi Ohmae, the contemporary patterns of globalization herald a new beginning for the global market economy and the death knell for the "emotion grabbing" nation-state, which is increasingly becoming an "unnatural, even dysfunctional unit" in terms of organising economic activity.¹⁵ Susan Strange also argues that the “impersonal forces of world markets”, dominated by private enterprises in finance, industry, and trade, and the subsequent diffusion of authority to other institutions and organisations, are

¹² David Harvey, “Time-Space Compression and the Postmodern Condition”, in David Held and Anthony McGrew, eds., *The Global Transformations Reader: An Introduction to the Globalization Debate* (Cambridge: Polity Press, 2000) pp.82-91. Here Harvey uses the phrase “time-space compression” to imply the annihilation of spatial constraints like time and distance.

¹³ Anthony Giddens, “The Globalizing of Modernity”, in Held and McGrew, eds. (2000) op.cit., pp.92-98. The syndrome here refers to outcomes of local events being shaped by developments occurring from afar.

¹⁴ Walter B. Wriston, *The Twilight of Sovereignty: How the Information Revolution is Transforming Our World* (New York: Charles Scribner’s Sons, 1992) p. 14.

¹⁵ Kenichi Ohmae, *The End of Nation-State: The Rise of Regional Economies* (London: The Free Press, 1995) p. 42.

weakening the authority of states.¹⁶ Basic to this assumption is the increasing violation of the territorial sanctity by the global flows, which in effect, diminishes the concept of sovereignty and subverts the state's capacity to control and protect its society from such an outcome.¹⁷ As a result, the state as the "self-sufficient organising framework for political life", according to Richard Falk, is essentially over.¹⁸ For Angkie Hoogvelt, a new global order brought about by the global division of labour is now emerging such that the old "familiar pyramid of the core-periphery hierarchy (North-South) is no longer a geographic but a social division of the world economy".¹⁹

In the backdrop of this proposition, this chapter aims to collate some of the globalists views and bring them out to show how globalization affects the state. By specifying four causal factors – technology, MNCs, capital mobility and market, an attempt is made to show how they contributed to the rise of globalization and in what way they constrain the state.²⁰ A further attempt is made to show the outcome of the impact of globalization by identifying four variables, namely, culture, multilateralism, social welfare and security so that it reflects the globalists' view.

¹⁶ Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1998) p. 4.

¹⁷ Richard Falk, "State of Siege: Will Globalization Win Out?" in *International Affairs*, Vol. 73, No. 1 (January, 1997) p.25.

¹⁸ Ibid.

¹⁹ Angkie Hoogvelt, *Globalization and the Postcolonial World: The New Political Economy of Development* (Baltimore: The Johns Hopkins University Press, 1997) p. xii.

²⁰ Conspicuous as it might appear, capitalism has been excluded from the causal factor. This is so because economic globalization and capitalism remains primarily the same – surplus accumulation. Since, the four causal factors are contingent upon the growth and prosperity of capitalism, it at once became the sustainer and not the cause of economic globalization.

Causation

Globalization is global because it affects and shapes the policies of every country. But more fundamentally, globalization is about the age-old human aspiration for sustenance, improvement, prosperity and modernisation.²¹ This aspiration explains the spectacular rise in technological advancement, the mushrooming of multinational corporations (MNCs), the expansion of markets and the increasing international flows of capital, which are responsible for propelling the process of globalization into a global scale. The present sections examines their role in promoting the growth of globalization and the constrains they pose on the nation-state.

Technology

Easily identifiable as the motor of all developments, technology aptly fits in as a prime mover of globalization. In fact, globalization and technology are so intrinsically intertwined that one cannot be considered in isolation without the other. We can imagine, for instance, the astronomical amount of electronic money being transferred and the massive amount of information that moves over the televisions and computers at the speed of light; the ability to hold visual conferencing, talk or send messages instantly through mobile phones and the internet, and fax memos; or the kind of safer and speedier transportation system provided to commuters. All these activities involve technologically driven devices, structured to interconnect the whole world, which in turn strengthen the global markets today. Thomas Friedman calls this change as the

²¹ Thomas Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 2000) p. 32

“democratisation of technology” because more and more people are getting access to it.²²

Taking the opportunity of the democratisation of technology the modes of production have become flexible, customized and mobile to suit and meet the demands of the customers.²³ Distribution systems have gone global through improved electronic and transportation networks and reduced costs of services due to technology. Service providers in communication, finance, transportation, marketing, medical care and a whole lot more take advantage of technology.²⁴ Companies can locate different parts of their production, research and marketing in different countries and still link them together through computers and teleconferencing as though they were in one place. Today a person can order a product of his choice from any part of the world from the comfort of his house. Indeed, technology has made it possible not only for goods, capital, information to reach farther, faster, cheaper and deeper around the world than ever before, but also for individual to do so.²⁵

Strange attributes power to “those who control access to knowledge and information and who are in a position to define the nature of knowledge.”²⁶ Going a step further, W.B. Wriston grandly puts, “Information has always been power; now it is also wealth.”²⁷ For him, information is “knowledge applied to work to create value.”²⁸ Since the brain behind this impressive “technology” is knowledge, the power they identified is not only “power over others, and over the mix of values in the

²² Ibid., pp. 46-47.

²³ K. Ohmae (1995) op.cit., pp. 111-115; also see Charles Oman, “Globalization, Regionalization and Inequality”, in Andrew Hurrell and Ngaire Woods, eds., *Inequality, Globalization, and World Politics* (Oxford: Oxford University Press, 2000) pp. 47-55.

²⁴ Ibid., p. XIII.

²⁵ Ibid., p.47.

²⁶ Strange (1998) op.cit., pp. 7-8.

²⁷ Wriston (1992) op.cit., p. 35.

²⁸ Ibid., p.18.

system” but also power to create a positive outcome defined in terms of values.²⁹ Therefore, those who possess the required knowledge to do something creative have the capability to wield the power and yield the wealth. According to Wriston, “[a] person with the skills to write a complex software system can walk past any customs office in the world with nothing of value to declare” and so, he adds, the greatest asset a person can aspire for is now knowledge not material.³⁰

However, as Strange observed, technology comes with a heavy price, mainly because its life cycle is short and the cost of investment in research and development are prohibitively high.³¹ The problem does not end there. Enterprises, she says, involved in the competitive game of the market struggle to keep ahead of others while they also look out for market demand or create in order to sell their wares. In this scenario, it becomes impossible for firms to put all their resources in one technology for the high risk factor involved and for lack of sufficient funds. It is these aspects of technology that compel firms to forge strategic alliances or merge with other firms of different nationals and in the process, end up becoming true multinationals.³²

Three immediate impacts of technology, which have drastically changed the very nature of markets can be traced to the “annihilation of time and distance”, reduction in the cost of communication and transportation, and the rapid dissemination of information and ideas around the world. For instance, the first successful launch of the satellite *Sputnik* by the former Soviet Union for military surveillance purposes on October 4, 1957 changed the communication system

²⁹ Strange (1998) op.cit., p. ix.

³⁰ Wriston (1992) op.cit., p. 19.

³¹ Strange (1998) op.cit., p. 103.

³² Ibid., p.102.

forever.³³ Satellites became big business for civilian use by the 1970s. These satellites now bind the world in an electronic infrastructure that carries news, money and data anywhere on the planet at the speed of light. The result is that states are increasingly finding it difficult to monitor, regulate and manage these flows. This means that governments of the day either deregulate or liberalise the flows or fight a losing battle at the expense of their popularity and effectiveness.³⁴ In addition to this, states find themselves inadequately equipped in the face of the stiff competition put up by big private corporation giants and conglomerates with superior technology on their side. Gradually, states have to withdraw from the markets by privatising public undertakings through disinvestments processes and retain only those strategic units like security and minimum welfare services. What this indicates is what Strange called “structural power” of technology that is converging the national economies into global markets. However, this does not mean that technology *per se* is directly exercising its power over the state. Rather it is by “being there”, without intending the creation or exploitation of privilege that technology provides the impetus of change.³⁵

Capital Integration

One of the most important factors contributing to the integration of global markets, according to the globalists, is the “detachment of money from territorial space”.³⁶ To them, capital mobility has undermined the capacity for national economic policy-making and has therefore rendered cross-country institutional differences irrelevant. Linda Weiss, a sceptic of the globalist view, also admits that with the formal removal of the gold standard in 1971, and subsequent liberalisation of exchange controls,

³³ Wriston (1992) op.cit., p.129.

³⁴ Ohmae (1995) op.cit., pp. 46-56.

³⁵ Strange (1998) op.cit., pp.25-27.

³⁶ Scholte (1997) op.cit., p. 439.

global capital flow have reached truly spectacular levels.³⁷ Prior to 1960, even though money has been the central medium of exchange for carrying out trade between countries, according to Scholte, it had a clear national identity and its circulation was mainly confined to where it originated. Even in the case of international loans and foreign bonds, he points out that the transactions were always bilateral.³⁸ However, the introduction of electronic banking and plastic money cards have enabled people to use their money to circulate as easily outside as inside their own home country. This follows after the “democratisation of finance” when corporations began to issue bonds directly

to the public in order to raise capital in the late 1960s and the subsequent withdrawal of the system of fixed exchange rates and controls of international capital flows.³⁹ In effect, money began to be invested on various market-related activities across borders—research and development work, production, distribution, banking and insurance and other services. Soon capital mobility became the driving force of the contemporary economic globalization. Thus, lying at negligible levels in the 1950s, international finance grew rapidly to astronomical heights, surpassing even the growth rate of world trade or income. The total size of the international capital market at the end of the twentieth century was estimated to be around US\$ 6 trillion in outstanding loans and the gross volume of turnover in the foreign exchange market at US\$1.5

³⁷ Linda Weiss, *The Myth of the Powerless State: Governing the Economy in a Global Era* (Cambridge: Polity Press, 1998) p. 178.

³⁸ Scholte (1997) op.cit., p. 439.

³⁹ Friedman (2000) op.cit., p.53.

trillion per day worldwide, which is on the order of a hundred times greater than the volume of trade in goods and services.⁴⁰

However, global financial flows have seriously undermined the power of contemporary states to exclusively control the national currency and other related financial markets. With mind-boggling amounts of money circulating globally, it greatly complicates the task of states to manage their money supply, control exchange rates and interest levels. This is because currency exchange rates and interest rates are now largely determined in rapidly

globalizing market places and attempts by governments to manipulate them has proved to be counterproductive.⁴¹ Efforts to revert to traditional forms of trade protectionism are easily bypassed and have a disastrous effect on the national economy due to the so-called “foot loose capital” that can move out of a country within seconds. As demand for international finance is increasing around the world, global financial flows have become more and more important due to their centrality and “structural hegemony” within the present global economy.⁴² The result is that it has become much more difficult to tax capital, which weakens the government’s revenue base, and shifts the fiscal burden more towards the less mobile factor of production, that is, labour.⁴³

⁴⁰ Jonathan Perraton et al., “Economic Activity in a Globalizing World”, in Held and McGrew, eds. (2000) op.cit., pp. 291-92. Also see Jeffrey Frankeel, “ Globalization of the economy” in Nye and Donahus, op.cit., p. 57.

⁴¹ Philips G. Cerny, “What Next for the State”, in Eleonore Kofman and Gillian Youngs, eds., *Globalization: Theory and Practice* (New York: Pinter, 1996) p. 126.

⁴² Eric Helleiner, “ Sovereignty, Territory and the Globalization of Finance”, in David A. Smith, Dorothy J. Solinger and Steven C. Topik, *State and Sovereignty in the Global Economy* (London: Routledge, 1999) p. 142.

⁴³ Eric Helleiner, “ Sovereign, Territory and the Globalization of Finance”, in David A. Smith, Dorothy J. Solinger and Steven C. Topik, *State and Sovereign in the Global Economy* (London: Routledge, 1999) p.142.

Moreover, due to the capital mobility events in one country can quickly affect other countries, independent of local conditions. And since international capital is responsive to deregulatory differentials among countries, as well as to interest rate differentials, there arises a tendency toward competitive deregulation, which weakens the economy further.⁴⁴ The result is that governments are constrained by financial necessity to appease the markets by adopting policies that lower inflation and welfare measures with painful social consequences.⁴⁵ In sum, capital mobility by constraining the state to pursue independent economic and social policy provides the basis for the emergence of global markets.

Multinational Co-operations.

Undoubtedly, a very important actor in the contemporary economic globalization is the multinational corporation (MNC). Having an impressive figure for 1997 of 53,000 MNCs worldwide with 450,000 foreign affiliates and selling US\$9.54 trillion goods and services across the globe, their role can not be taken for granted even by more powerful states.⁴⁶ Besides, MNCs now account, according to some estimates, for at least 20 per cent of world production and 70 per cent of world trade with around a quarter of world trade being intra-firm in nature.⁴⁷ Besides, multinational production considerably exceeds the level of global exports and has become the primary means for selling goods and services in almost all the countries.⁴⁸

Owing to the global competitive pressure caused by MNCs in their scramble for profit, they are now forced to adopt a global perspective. In effect, forging

⁴⁴ Ibid., p. 45.

⁴⁵ Schotle (1997) op.cit., p. 443.

⁴⁶ Held and McGrew, eds. (2000) op.cit., p. 25.

⁴⁷ Perraton et al., in Held and McGrew, eds. (2000) op.cit., p. 296.

⁴⁸ Held and McGrew, eds. (2000) op.cit., p. 25.

strategic alliances between legally separate corporations is becoming a common phenomenon in the global market. These alliances involve sub-contracting arrangements, joint research efforts, co-production, joint marketing and distribution and many other cooperative activities.⁴⁹ Moreover, to consolidate and establish their bases in the major world markets, full mergers and acquisitions between firms are taking place within and outside the country across the world.⁵⁰

Cashing in on the advantages different regions possess (cheap labour, reasonable taxation rate, standard legal service, availability of resources and free flow of information), MNCs also adopt dispersed production strategies where each affiliate produces a specialised part of a product commensurate to the locale's conditions.⁵¹ Besides, through so-called global sourcing, they draw the requisite materials, components, equipments and services from anywhere in the world.⁵² Thus by their ability to transfer technology abroad and also to tap in the domestic innovation structures, they frustrate the effectiveness of national industry and technological strategies. Also, the dispersed and strong coordination system of production base allows them greater mobility to shift their production base in response to changing national conditions, which further constrains the economic policies of nation state.⁵³ Even in the financial sector, multinational banks remain by far the major actors in global financial markets. As major international borrowers and sources, they play a critical role in the management and organisation of money and credit in the global economy.⁵⁴ The globalists therefore argue that it is the global corporate capital that

⁴⁹ Scholte (1997) op.cit., p. 437.

⁵⁰ Perraton et al., in Held and McGrew, eds. (2000) op.cit., p. 297.

⁵¹ Hoogvelt (1997) op.cit., p. 123.

⁵² Scholte (1997) op.cit., p. 434.

⁵³ Perraton et al., in Held and McGrew, eds. (2000) op.cit., p. 297.

⁵⁴ Held and McGrew, eds. (2000) op.cit., p. 25.

exercises a decisive influence over the organisation, location and distribution of economic power and resources in the contemporary global economy.⁵⁵ In other words, they have taken political power away from the state in matters relating to economic and social policies by transcending production and distribution beyond national boundaries. In fact, MNCs, as the “central organizer” of the global economy may be said to have converted the whole world itself into one big market place.⁵⁶

Global Market

Trade has gone beyond the state control affecting not only the balance of payments but also the value of the currency interest rates, the level of employment and the rate of inflation.⁵⁷ The rise of multinational corporations or companies (MNCs) in the international market brought about this drastic change in the functioning of the latter. Once the space for inter-state trade where goods and services from different states are exchanged between themselves, it has now been gradually converted to the area of intra-firm trade, the major chunk of which belongs to MNCs.⁵⁸ With liberalisation and the global reach afforded by telecommunications, computerisation and air travel, a company can open up its base wherever the market is situated or create one where demand is high.⁵⁹ As such, contemporary trade has become “predatory” instead of being “complementary” as was the case before.⁶⁰ Driven by profits and backed by high technology, these companies leave no stone unturned to get a share in the evolving global market. Consequently, MNCs began to participate in all sectors of the

⁵⁵ Ibid.

⁵⁶ Strange (1997) op.cit., p. 45-51.

⁵⁷ Joseph A. Camilleri, “Rethinking Sovereignty in a Shrinking, Fragmented World”, in R.B.J. Walker and Saul H. Mendlovitz, eds., *Contending Sovereignty: Redefining Political Community* (London: Lynne Rienner Publishers, 1990) p.33.

⁵⁸ Hoogvelt (1997) op.cit., p. 122.

⁵⁹ Scholte (1997) op.cit., p.433.

⁶⁰ Hoogvelt (1997) op.cit., p. 123.

global economy – from raw material to manufacturing, to finance and services-integrating and re-ordering economic activity within and across the world's major economic regions, with a view to broaden their hold.⁶¹

The outcome of this scramble for market is that a global market, principle demanding a specific standard of quality, price and efficiency on every goods and services produced began to evolve.⁶² To meet this demand, companies began to outsource through strategic alliances, mergers and acquisitions or establish subsidiaries to offset the high cost of production (especially in research and development activity), as well as to consolidate and diversify their bases.⁶³ This not only transformed the products into truly multinational identities (since the production and services bases are diffused around the world and dispersed modes of production are adopted) but also converts the existing markets into global ones.⁶⁴ This explains the change in the North-South trading behaviour. For example, since the early 1980s, the exports of developing countries have grown faster than the world average and now account for almost one third of world merchandise trade, a clear sign of MNCs broadening their bases throughout the planet.⁶⁵ Much of that growth has been in manufactures, which today account for 70 per cent of developing country exports to the industrialised world. Moreover, intensity of trade increased as trade rose faster than income so that world export–GDP ratio rose from below 10 per cent in the 1950s

⁶¹ Held and McGrew, eds. (2000) op.cit., p. 25.

⁶² Hoogvelt (1997) op.cit., p. 123.

⁶³ Friedman (2000) op.cit., p.133.

⁶⁴ Strange (1998) op.cit., p. 50.

⁶⁵ UNCTAD, *Trade and Development Report, 2002* (New York: United Nations, 2002) p. iv.

to 15-20 per cent in the concluding part of the 1990s (variation from country to country depending on the economic policy).⁶⁶

Besides, many MNCs are now switching over to services from manufacturing, a change “ every bit as revolutionary as the earlier shift from agriculture ... to industrial manufacturing”, according to Strange. This includes transport, communication, financial, advertising and public relations, publishing and marketing international legal services and a whole lot of other services that are mushrooming. In effect, services trade more than doubled in the past decade to over US\$1 trillion annually constituting more than 20 per cent of total world trade.⁶⁷ World export commercial services rose by 1.5 per cent to US\$1350 billion in 1999, while trade of travel services expanded by 2 per cent to US \$440 billion in the same year.⁶⁸ Further, with e-commerce slowly picking up its pace, the globalists believe it may not be long for the global communities to shop within the monitor of their computers as an established norm rather than an option as is the case today. According to the globalists, this reflects how the world economy is becoming increasingly globalized by the growth of global markets—the growing worldwide interconnectedness, the denationalisation of products and services and the blurring of the external/domestic distinction due to the flows of economies across the world. In the words of Wriston, “the entire globe is now tied together in a single electronic market moving at the speed of light.”⁶⁹ In sum, by creating the market as the centre of economic activity, it provided a space for mass mobilisation in fashion and also brought a shift away from

⁶⁶ Held and McGrew, eds. (2000) op.cit., pp. 23-24.

⁶⁷ Ibid.

⁶⁸ WTO *Focus*, No.50 (December,2000) p. 1.

⁶⁹ Wriston (1992) op.cit., p. 9.

consumption of goods to services.⁷⁰ A montage of sorts, markets have globalized not only product ideas and services but also people's tastes.

Impact

The consequence of economic globalization brought about by technology, capital integration, rise of private business organisation and global markets have shown how states, in one way or the other are being effectively weakened. This section begins by probing into the outcome of the confluence of technology, non-state actor and the market forces on the welfare state. It then proceeds on to explore in what way globalization has contributed to the rise of multinational organisations and global culture. Finally, it examines how the globalization has redefined the concept of security in the present era.

Contraction of the Welfare State

Globalization is about market liberalisation, privatisation and financial deregulation. In other words, it entails states to put on what Friedman calls the "Golden Strait jacket" by withdrawing their regulation from the market economy. Unfortunately however, as Friedman points out, the Golden Strait jacket is a "one size fits all". Therefore, while it empowers some individual, it also squeezes certain groups of the citizens. This is where the ability of the state to provide social security for the effected appears to have been seriously debilitated by globalization. P.G. Cerny ascribes three categories of public policies through which states look after the interest of people: distributive, regulatory and redistributive. The first involves the establishment of a workable market framework for the operation of the system as a whole. This includes

⁷⁰ Harvey in Held and McGrew, eds. (2000) op.cit., p. 83.

the establishment and protection of private and public property rights, a stable currency, standardisation of weights and measures, legal system, trade protection and various facilities to counteract system-threatening market failures. The second kind involves various specific state-sponsored activities of production and distribution. This relates to full or partial public ownership of certain industries, state developmental plan, direct or indirect involvement in finance capital and a variety of public subsidies. The third category concerns the redistribution of political and public policy demands of emerging social classes, economic interests and political parties. This ranges from direct health and welfare services to employment policies, to systems for corporatist bargaining and environmental protection.⁷¹ But as Cerny notes, fostering of these three categories of public policies in a globalizing world has become problematic.

In a relatively liberalised world of trade, financial deregulation and the increasing impact of information technology, enforcing regulatory policies have become near impossible. For instance, cross-border industrial espionage, counterfeiting of products, copyrights violations and the other patents related violations have become the rule rather than the exception.⁷² Flows of information and news have become so pervasive that governments cannot expect to hide anything from the public. Even a state like China, known for its tight control over information, admits its inability to do so anymore.⁷³ Global banking has provided ample scope for money laundering, tax evasion and reckless lending which encourage mafia-type organisations to proliferate and profit at the cost of states, while national tax and

⁷¹ Cerny in Kofman and Youngs, eds. (1996) op.cit., p.125.

⁷² Ibid., p.126.

⁷³ Tony Saich, "Globalization, Governance, and the Authoritarian State: China", in Joseph S. Nye Jr. and John D. Donahue, eds., *Governance in a Globalizing World* (Washington: Brookings Press, 2000) pp.221-24.

regulatory authorities looked on helplessly.⁷⁴ Trade protection, currency exchange rates and interest rates have come of age so that any attempt to manipulate them boomerangs with grievous consequences on the national economy.⁷⁵ The result is that the state has lost economic autonomy even in its own territory and has to increasingly follow the dictates of the global market.

As Strange argues, globalization has also undercut the capacity of states to pursue distributive and redistributive policies. According to her, following the liberalisation and privatisation of national economies, states have collectively retreated from their former participation in the ownership and control over industry services and trade, as well as from their direction over research and innovation in technology. In the case of labour management relations too, private firms have come to take away from governments the major role in resolving conflicts of interests. Even in fiscal matters, Strange argues, firms have increasingly escaped the taxation of corporate profits by governments and themselves are in some respects acting as tax farmers and collectors. With regard to the redistribution of wealth from the developed industrialised countries to the poorer developing ones, she says, private firms have done much more than states and their associated intergovernmental organisations by creating many more jobs through investments and trade.⁷⁶ Thus, the globalists put forwards the proposition that the state has lost its power to look after the welfare of the community under the impact of contemporary globalization.

⁷⁴ Scholte (1997) op.cit., p.443.

⁷⁵ Friedman (2002) op.cit., p.105.

⁷⁶ Strange (1998) op.cit., p.54.

Multilateralism

The emergence and the rapid growth of multilateralism in the world, particularly in political economy, reflects the thickening networks of interdependence created by increasing flows of ideas, goods, monies and peoples at the cost of sovereign statehood. Stated differently, globalization, by bringing the world's communities into "more immediate, insistent contact with one another" and making them more aware of their similarities and differences and their complex interdependencies (through social, economic and political relations), shapes individual consciousness and collective action.⁷⁷ Cary Coglianese identifies three types of problems that prompted the need for collective action: co-ordination problem, commons problem and core values. Coordination problem refers to the need of co-ordinating global linkages or exchange of information, products, services and money across borders. Commons problem relates to regulatory mechanisms to protect and control common resources such as fossil fuels, air and water from being used indiscriminately given their transboundary effects. Core values involves the upliftment and protection of core or transcendent values like human rights, derived from the moral principles of equality, liberty and democracy.⁷⁸

In response, many more new associations transcending nation-states such as International Governmental Organisations (IGOs), transnational Non Governmental Organisations (NGOs) and regional trade blocs and arrangements have come up to complement or replace existing ones to address these challenges. A creation of national governments, IGOs function through the delegation of authority from the

⁷⁷ L. David Brown et al, "Globalization, NGOs, and Multisectoral Relations", in Nye and Donahue, eds. (2000) op.cit., p.273.

⁷⁸ Cary Coglianese, "Globalization and the Design of International Institutions", in Nye and Donahue, eds. (2000) op.cit., pp.298-301.

member states and act as fora for enhancing international cooperation. By the mid-1990s more than 250 IGOs were established with their area of works ranging from studying transnational problems and issuing recommendation to creating or implementing transnational policy, to enforcing and settling disputes between countries.⁷⁹ Bodies such as World Trade Organisation, International Monetary Fund and the World Bank, which are within the system of the United Nations, are examples of IGOs.

On the other hand, NGOs are voluntary associations organised by citizens, independent of the state and the market, to pursue purposes that are important to them, collectively and individually. These organisations mobilize resources through appeals to values and social purposes, and focus their work on poverty alleviation, human rights, environmental degradation, and other issues of social, economic and political development. The growing importance of NGOs can be gauged from the fact that their number has grown more than four fold in the past decade, with more than one million NGOs operating in India alone.⁸⁰

Regional trade blocs are also voluntary associations formed between geographically contiguous trading countries with an aim to accelerate economic progress and create cooperation among them. These blocs operate by adopting various mechanisms such as monitoring quality control, granting subsidies and rebates, special tax reductions, regulation waivers and stabilising of exchange rates among other activities. With contemporary globalization mainly based on the growth of economic flows, regional blocs as nodal points for global market take offs have become more significant. By the mid-1990s over 100 regional trading arrangements

⁷⁹ Ibid., pp.306-307.

⁸⁰ Brown et al, in Nye and Donahue, eds. (2000) op.cit., p.278.

have been established, 29 of them in the period 1992-95 alone, accentuating the intensification of regional trade.⁸¹ Important regional trade blocs, among others, include European Union (EU), Association of South-East Asian Nations (ASEAN) and North American Free Trade Area (NAFTA).

The growth of multilayered governance and the diffusion of political authority to these organisations and institutions, according to the globalists, reflect that the power of the state has been weakened. They, therefore believe that the globalization of markets, governance and communications is bringing about a cosmopolitan orientation, broadening identities beyond national boundaries and increasing awareness to the benefits of transnational collaboration within regional associations and international institutions.⁸²

In sum, the globalists argue that the most important forces affecting peoples' lives have now become global in scale and consequence. Globalization has brought about a reconfiguration in the social, cultural, economic and political dimensions and in this changing scenario, they hold that states can no longer pretend to be autonomous or unaffected.⁸³

Global Culture

For the globalists, contemporary globalization opens a new epoch in which people around the world is increasingly brought under a homogenized culture. To them, the rapidity and ease of communication permits the emergence of a global village where

⁸¹ Scholte (1997) op.cit., p.449.

⁸² Pippa Norris, "Global Governance and Cosmopolitan Citizens", in Nye and Donahue, eds. (2000) op.cit., p. 156.

⁸³ Walker and Mendlovitz, eds. (1990) op.cit., p.1

political and economic structures are matched by the broader set of relationships.⁸⁴ The pervasive worldwide proliferation of internationally traded consumer brands and their usage, the ascendancy of popular icons and superstars, the simultaneous communication of events by satellite broadcasts and the emergence of national and international non-governmental organisations concerned with global governance are expressions of such a future.⁸⁵

Culture as a lived and creative experience to common patterns of meaning is now shared with others located far away from each other.⁸⁶ This arises due to the new communication networks interconnecting the whole planet, which is causing the “erosion of the relations between spatial and virtual neighbourhoods.”⁸⁷ As a result, new understandings, commonalities and frames of meaning get elaborated even without direct contact between communicants, thereby creating new bonds transcending national sentiments.⁸⁸ And interestingly, multinational companies rather than states are driving today’s cultural globalization. As new symbols and goods, which are global in scale, penetrate through the local culture, the old collective social movements and identities tethered to the territory are corroded.⁸⁹ In the contemporary globalization where ideas and images flow around the world in seconds, globalists argue that the power to control meaning had slipped away from the state and hence people are shaped and influenced by a pluralistic if not common kind of culture.

⁸⁴ Robin Brown, “Globalization and the End of the National Projects”, in John MacMillan and Andrew Linklater, eds., *Boundaries in Question: New Directions in International Relations* (London: Pinter, 1995) p.61.

⁸⁵ Held et al., eds. (1999) op.cit., p. 327.

⁸⁶ Ibid., pp. 327-328; R. Brown in MacMillan and Linklater, eds. (1995) op.cit., p. 61.

⁸⁷ Ravindra K. Jain, “Indian Diaspora, Globalization and Multiculturalism: A Cultural Analysis”, in Rama S. Melkote, ed., *Meaning of Globalization* (New Delhi: Sterling, 2001) p.138.

⁸⁸ Held and McGrew, eds. (2000) op.cit., pp. 17-18.

⁸⁹ Ibid.

Samuel Huntington offered a provocative hypothesis on culture clash by claiming that with the end of the Cold War, the “fault lines” between civilizations (considered as the highest cultural entities of social life) will be the battle lines of the future.⁹⁰ Ohmae questioned such a narrowly premised interpretation of global politics and pointed out that conflict had taken place within the same civilization even before the Cold War. In contrast, he cites, among others, the case of Malaysia where despite being populated by multiple races and culture it continues to live in peace. Rather than “Clash of Civilizations” he sees the new generation around the world having developed a lot more in common with each other through the electronic “migration of ideas” between them. Exposed to the same goods, the same information, the same cultural icons and advertisements, the process of convergence, according to Ohmae, has reached beyond a globalized taste to more fundamental dimensions of worldview, mind-set and even thought process.⁹¹ Further, he refutes Fukuyama’s reassertion of the “end of history” and says that for most people it has just begun. To him, globalization is providing information and perspectives never before available to these people transporting them to new possibilities and promising better quality of life in a borderless world.⁹² As Rosendorf observes, the new culture, then as an attribute of globalization refers to “the imposition by hegemons of social and cultural forms and artifacts on subalterns” and entails “the convergence and admixture that affect all participants” through negotiations while leaving at the same time a part of the local culture intact.⁹³ This involves a process of what Held and others characterize as the emulation by establishing “infrastructures of cultural production, transmission and

⁹⁰ Samuel Huntington, “The Clash of Civilization”, in *The New Shape of World Politics* (New York: Foreign Affairs, 1997) pp. 67-91.

⁹¹ Ohmae (1995) op.cit., pp. 10-15.

⁹² Ibid., p.1.

⁹³ Neal M. Rosendorf, “Social and Cultural Globalization: Concepts, History, and America’s Role”, in Nye and Donahue, eds. (2000) op.cit., p. 111.

reception which are slowly institutionalized...across time and space.”⁹⁴ The flourishing Westernisation

(Americanisation) along with the local culture in the contemporary globalizing world reflects the growing influence of these establishments. As the process of globalization get embedded with time and space, the globalists are optimistic that a globalized culture that goes beyond the ersatz quality of materialism will be transcended and a global village formed.

Security

“The defence of the realm” has been the sole strategy of the sovereign state’s security concern. Therefore, traditional concept of security covered a large area, such as, war and peace; balances of power and alliances; imperialism; international economic relations, including access to critical materials, trade investments and currencies; international law; and international institutions.⁹⁵ Globalists claimed that this traditional notion of security has become irrelevant in the present context. To them, the perception of security in world politics has undergone a sea change following the United States’ test firing of its first nuclear bomb on July 16, 1945, in the desert of Alamogordo, New Mexico.⁹⁶ Physical mobilization of societies to fight war has become *passé*, they claimed. Mutual assured destruction (MAD) became a powerful reason for possessing nuclear weapons. To paraphrase Geoffrey Garrett’s sentence [he was referring to capital mobility], the logic is simple: the world is held to ransom by nuclear weapons, the price is total annihilation and the punishment swift.⁹⁷ And yet,

⁹⁴ Held et al., eds. (1999) op.cit., p. 330.

⁹⁵ Graham, Allison, "The Impact of Globalization on National and International Security", in Nye and Donahue, eds. (2000) op.cit., p. 77.

⁹⁶ Wriston (1992) op.cit., p. 1.

⁹⁷ Geoffrey Garrett, "Global Markets and National Politics", in Held and McGrew, eds. (2000) op.cit., p. 303.

the fact that states can do nothing to prevent the devastating effect of nuclear weapons if deterrence breaks down once it is released weakens the total reliability on such an assumption. This prompted Strange to comment that states as defenders of their respective political communities have been greatly undermined and hence “the retreat of the state” has become obvious.⁹⁸

Following the deregulation of currency from exchange controls, instead of war, the globalists contend, it is now economic cooperation that drives nations to compete for financial investment. For them, territoriality, once considered a prized asset and the cause for many costly blood baths, has become a liability in the contemporary economic globalization.⁹⁹ Their argument is that capital has no preference for nationality – it stays where it is treated and protected well and no government power can restrain it from fleeing when manipulated.¹⁰⁰ With the electronic media reaching every nook and cranny of the planet, any major development occurring in the world cannot escape public scrutiny. War by its destructive nature drives investment out from where it is taking place because investors look for rich dividends, not dooms day.¹⁰¹ Besides, owing to the globalization of financial networks, states have become vulnerable to economic crises. In the event of a war breaking out, they contend, the economy of the whole world is going to be severely affected – a Pyrrhic price the ultimate victor can hardly afford to pay.

Economic aside, the globalists, point out that the “cutting edge high-tech weapons” of mass destruction capable of annihilating the whole world within no time

⁹⁸ Strange (1998) op.cit., p.8.

⁹⁹ Wriston (1992) op.cit., p. xii.

¹⁰⁰ Ibid.

¹⁰¹ Allison, in Nye and Donahue, eds. (2000) op.cit., p. 79.

having become a reality, war as a strategy to settle dispute has become rare. Besides, they argue that the very nature of military has changed. This is due to the existence of global and regional regulatory security structures of all kinds, which have become highly institutionalised, and the regularized nature of contemporary military globalization – a multilateralisation and transnationalisation of defence and security policy.¹⁰² Moreover, due to the prohibitive price electronic technology entails, it has become unfeasible for states to procure all defence accessories, especially electronic gadgets, from the national defence industry. The result is that they have become totally dependent on transnational industrial authorities for procurement of such electronic gadgets, which not only weakens the state's monopoly over defence production but has also transnationalised the procurement of weapons.¹⁰³

Further, the globalists claim that the strategy for achieving national security has become almost indistinguishable from an international security strategy since, together with other states (especially the highly industrialised states), they collectively constitute a security community.¹⁰⁴ The strength of this claim lies in the rise of transnational religious fundamentalist groups, which have become a security concern for all. Associated with this is also the growing illegal drug trade, terrorism, smuggling and organised crime which have become worldwide in scale and pose a major threat to all states. In effect, the globalists claim that the notions of national and military security are undergoing a significant transformation as the emphasis shifts to cooperative or multilateral defence and security mechanisms to contain such menace collectively.¹⁰⁵

¹⁰² Held et al., eds. (1999) op.cit., p. 136.

¹⁰³ Allison in Nye and Donahue, eds. (2000) op.cit., p. 78.

¹⁰⁴ Held et al., eds. (1999) op.cit., p. 136.

¹⁰⁵ Ibid.

Conclusion

In sum, the views of the globalists may be encapsulated as under:

The decision-making processes of states have been over stretched to accommodate the views of non-state actors with the emergence of multilateral organisation and institutions;

The flows of goods, people, information and currencies have intensified as a result of the growth of global markets and consumerist society, especially in services;

The velocity of the process of globalization has increased many fold due to the advancement in technology; and

The widening extent of worldwide interconnectedness through economic, political, cultural, social and military relations point towards a global culture.

The impacts of these developments are:

The monopoly of states over economic, security and social policies has been seriously undermined;

Territorial boundaries have been eroded to the extent that states can no longer exercise regulatory or monitoring measures within their own jurisdictions;

Footloose capital, production base and information have crippled the state to withhold news, make policies or act autonomously; and

Due to the thickening of interdependence brought about by globalization, states can no longer act unilaterally thereby constraining even their external sovereignty.

CHAPTER III

THE ENDURING STATE: THE SCEPTICS' ACCOUNT

“State-centric theories, which have dominated International Relations” writes Janice Thomson, “are built on the assumption that states are by definition, sovereign.”¹ To Thomson, the point of theorising states is to understand, explain and predict international outcomes from their interactions among equal existing sovereign states. The globalists have, however, pointed out the decreasing usefulness of the state as a unit of analysis to explain its behaviour with respect to developments taking place today in a global economy. According to them, the state has increasingly become a space for global economic activity so that the internal and external affairs of the state have become indistinguishable. However, the sceptics² of the globalists challenge this view on a number of empirical and theoretical grounds. For them, there is nothing so unprecedented in the prevailing trends as to have the state rendered obsolete. Unlike the globalists who view the contemporary phenomenon as a break from the past, the sceptics see it as a continuing historical process punctuated by economic booms, busts and wars.

Drawing a parallel of what historians called the *belle époque* (the period between 1870 and 1914) with the present era, they argue that there was no significant difference between the two trends to ascribe the latter as historically unique.³ Rather than globalization, they maintain, a more appropriate conceptualisation of this phenomenon is captured by terms such as internationalisation (that is, the growing

¹ Janice E. Thomson, “State Sovereignty in International Relations”, in *International Studies* (Quarterly), Vol. 39, No. 2 (June, 1995) p. 215.

² Sceptics include Paul Hirst, Linda Weiss, Michael Mann, Stephen Krasner, Louis Pauly, Paul N. Doremus, Simon Rich, Jeffrey Frankel and others.

³ Paul Hirst, “The Global Economy - Myths and Realities”, in *International Affairs*, Vol. 73, No. 3 (July, 1997) pp. 410-415.

relations between discrete national economies or societies) and regionalisation or triadisation (the geographical clustering of crossborder economic and social exchanges).⁴ And just as the *belle époque* provided the basis for the rise of powerful national economies in North America, Australia, Argentina and South Africa, besides consolidating already existing ones in Europe, the sceptics see no reason why the present phenomenon will be any different.⁵ According to them, despite the tall claim about globalization, the realities of the world, for most part, are dominated by national and local circumstances. Besides, even if the present scenario fits the globalization label, they find no basis for the state to wither away. For it is the state, which legitimises and provides the necessary institutional frameworks for such activities to take place. Therefore, far from losing its importance, the sceptics see the state being strengthened by the growing centrality of its role through regulation, coordination and active promotion of cross border activities.

This chapter, then, is an attempt to capture the contemporary trends through the lens of the sceptics. Clearly, two perceptible strands of thought can be identified from their accounts: The enduring state and the rebuttal of the concept of globalization. Accordingly, this chapter is divided into two sections. The first section looks at the role of the state in promoting cross border activities. This view takes the state as the architect, with its power intact or enhanced, and not as the victim of the development taking place today, which explains its resilience. The alternative view of the sceptics involves the rebuttal of the concept of globalization. By pointing out the inherent limitation posed by various factors, the sceptics dismiss the idea that the world is heading towards a total convergence.

⁴ Held and McGrew, eds. (2000) op. cit., pp. 4-5.

⁵ Hirst (1997) op. cit., p. 412.

The Resilient State

For the sceptics, the rise of state sovereignty at the Westphalia, its robustness since Westphalia as well as its decline today are all overstated.⁶ Central to their argument is the assumption that the concept of sovereignty has never been absolute nor the state as an independent entity ever been self-sufficient.⁷ Therefore, the case as built up by the globalists that sovereign states are being weakened by globalization (so as to portray the state in a much debilitated form), to the sceptics, is misleading and ahistorical.⁸ Pointing out how the state has evolved from a “patchwork of overlapping and incomplete rights of government” to a “disjoint, fixed and mutually exclusive” political space, they also accuse the globalists of ignoring the dynamic nature of the state.⁹ Hinsley in his seminal work on sovereignty has written that the notion of sovereignty, regarded as the “final and absolute authority of a political community,” is not a fact but a claim through which political power is exercised.¹⁰ This, according to him, is borne out by the fact that at no time, in no society, has the political system been the only agency or institution in the community.” Further, he argues that, “in the most advanced societies, as in the most primitive, the law it lays down is never the sole code regulating social behaviour, and the role of citizen is but one of several roles which each man plays as a member of society.”¹¹ Michael Mann also alludes to this point when he says that most of the economic life had never come into the realm of

⁶ Daniel Philpott, “Westphalia, Authority, and International Society”, in Robert Jackson, ed., *Sovereignty at the Millennium* (Oxford: Blackwell Publishers, 1999) p. 144.

⁷ *Ibid.*, p. 149; also see Warren Magnussen, “The Reification of Political Community”, in Walker and Mendlovitz, eds., (1990) op. cit., p. 47.

⁸ Weiss (1998) op. cit., p. 190.

⁹ Lansford (2000) op. cit., p. 2; also see, Ruggie (1998) op. cit., p. 192.

¹⁰ Hinsley (1986) op. cit., p. 1.

¹¹ *Ibid.*, p. 3.

the state and tax avoiding and tax evading practices have been as old as the state itself.¹²

Tracing the notion of sovereignty as practiced among states, Stephen Krasner shows that most states have never enjoyed the full attributes of sovereignty namely, recognition, territory, autonomy and control.¹³ For him, states, in one way or the other, faced situations where some of these attributes of sovereignty have to be compromised in return for explicit benefits.¹⁴ Krasner thus finds problem with the globalists argument that globalization has eroded the state sovereignty on two fronts.¹⁵ The first point, to him, is that their argument confounds one aspect of sovereignty - effective state control – with other aspect of sovereignty that are related to issues of authority and legitimacy. The second relates to the interpretation of the contemporary trends as effectively challenging state control by ignoring the historical evidence, which according to him was not qualitatively different from the present. Janice Thomson has also argued that transborder flow of goods, people, information and precious metals have always been problematic.¹⁶ She contends that at no time has state control over anything, including violence, ever been assured or made secure. To the sceptics, then, sovereignty as an institution represented by the state, as its agent is not a “timeless attribute” but a way of ordering global politics unique to the modern state system. Rather than viewing the sovereign state as a static and therefore,

¹² Michael Mann, “Has Globalization ruded the Rise and Rise of the Nation-state?” in T.V. Paul and John A. Hall, eds., *International Order and the Future of World Politics* (Cambridge: Cambridge University Press, 1999) pp. 237-261.

¹³ Here Krasner identifies the four attributes of sovereignty as international legal sovereignty, referring to the mutual recognition of states; Westphalia sovereignty, referring to the exclusion of external actors in domestic intervention; domestic sovereignty, referring to the authority within a polity; and interdependence sovereignty, referring to the ability to regulate transborder movements. See, Stephan D. Krasner, (1999) op.cit.

¹⁴ Ibid., p. 8.

¹⁵ Krasner, “Globalization and Sovereignty”, in David A. Smith et al., eds. (1999) op. cit., p. 37-38.

¹⁶ Thomson (1995) op. cit., p. 216.

outdated institution, the sceptics, thus see it as a dynamic organism, which is still evolving by responding and adapting to the need of the time.¹⁷

The Role of the State

The growing interconnectedness of states made possible by the technological advancement in recent years has led to a higher degree of functional integration between internationally dispersed activities.¹⁸ This phenomenon, according to the globalists, is effectively weakening the sovereign state. To them, increased interconnectedness not only deepens interdependence among states, which constrains individual state to act independently but also erode territorial boundaries due to the rise in transborder activities. The sceptics' response however, is, "if interdependence is growing, it is a reflection of state power and interests," not weakening.¹⁹ For they argue that transborder flows (economic or otherwise) can take place only when the state provide the necessary institutional frameworks for such activities or relations. In other words, it is states' aspiration for greater prosperity, security and autonomy that render the integration socially possible, even though technology has made integration physically possible.²⁰

To David Knight, it is the state that legitimises, creates and promotes not only capitalism but also social consensus and order through its institutions, which act as the structural links between the social formation and the state.²¹ These institutions, as Linda Weiss also notes, remain the most encompassing organisational complex for

¹⁷ Michael Mann, "Nation-state in Europe and Other Continents: Diversifying, Developing, Not Dying", in *Daedalus*, Vol. 122, (Summer, 1993) p. 115-140.

¹⁸ Rober T. Kudrle, "Market Globalization and the Future Policies of Industrial States", in Aseem Prakash and Jeffrey A. Hart, eds., *Globalization and Governance* (London: Routledge, 2000) p. 213.

¹⁹ Thomson (1995) op. cit., p. 219.

²⁰ Kudrle in Prakash and Hart, eds. (2000) op. cit., p. 215.

²¹ David B. Knight, "Geographical considerations in a World of States", in Robert H. Jackson and Alan James, eds., *States in a Changing World* (Oxford: Clarendon Press, 1993) pp. 26-45.

overcoming a number of widely recognised obstacles to change as well as absorb and socialise risks, even to the extent required by new technology.²² For example, states set up legal and regulatory institutions to ensure that contracts are carried out, whether they involve market concerns, human interests or other related matters. Rarely do the globalists remember, allege the sceptics that it is through such institutional frameworks crossborder economic activities take place. As Saskia Sassen also seeks to remind, terms like deregulation, financial and trade liberalisation and privatisation have been used too narrowly to describe only the withdrawal of the state from regulating its control, which is misleading.²³ What is ignored, according to her, is the role of the state in those processes, which involves setting up new frameworks between states to ensure that contracts and property rights are enforced through national legal systems. To prove their point, the sceptics cite the lack of interdependence between the United States and the Soviet Union during the Cold War as an example of this fact.²⁴ Writing on the financial flows, Eric Helleiner has also observed that private actors could not have acquired the kind of freedom and confidence to move their assets around the world without states agreeing to cooperate and liberalise their capital controls.²⁵

Besides, regulating regimes, international agencies, common policies sanctioned by treaty and other related practices and institutions, according to them, exist because states have agreed to create them and to confer legitimacy on them. Even the quasi-federal European Union which has been set up to improve economic cooperation among West European states, contend the sceptics, involves states as

²² Weiss (1998) *op. cit.*, p. 6.

²³ Saskia Sassen, "Embedding the Global in the Smith et al., eds. (1999) *op. cit.*, p. 158.

²⁴ Thomson (1995) *op. cit.*, p. 215.

²⁵ Eric Helleiner, "Sovereignty, Territoriality and the Globalization of Finance", in Smith et al., eds. (1999) *op. cit.*, p. 141.

states, rather than replacing or subsuming them.²⁶ Palpable in this argument is therefore, the assumption that attempts to solve problems or promote cooperation in transnational fora without states are doomed to fail.

However, as Georg Sorensen notes, the increased interdependence also provides a decisive incentive for interstate cooperation to recapture some of the powers of political regulation, which have been lost at the national level.²⁷ For example, two recent initiatives demonstrate how states have been able to overcome competitive pressures in finance to construct a cooperative international regulatory regime.²⁸ The first initiative relates to the Basal accord of 1988 where the Group of Ten Central banks resolved to enforce a common set of standards for the capital adequacy of international banks as a means of reducing the risk of financial crisis. The second initiatives concerns the creation of an international regime to curtail money laundering beginning in the 1980s, which was seen to be undermining not only domestic law-enforcement but also the stability of individual financial institutions and financial system as a whole. According to Helleiner, these initiatives indicate the regulatory power of states being enhanced through cooperative actions.²⁹ He also notes that through technical and legal assistance programmes, both initiatives have helped built up the regulatory power of even those states that have little capacity or experience with financial regulation of this kind. So, for the sceptics increased interdependence, reflected in the mushrooming of multilateral associations and institutions, is a creation of states. And through these institutions, which normally are

²⁶ Daniel Philpott, in Sackson, ed. (1990) op.cit., p. 160.

²⁷ Georg Sorensen, "Sovereignty: Change and Continuity in a Fundamental Institution", in Jackson, ed. (1999) op. cit., p. 180; also see Krasner, in Smith et al., eds. (1999) op. cit., pp. 47-49.

²⁸ Eric Helleiner, "Sovereignty, Territoriality and the Globalization of Finance", in Smith et al., eds. (1999) op. cit., pp. 143-44.

²⁹ Ibid.

“distanced” from societal control, states also exercise their sovereignty.³⁰ Therefore, according to the sceptics, the growing interdependence linkages affected through multilateral arrangements across the world reflect the robustness of states and not their decline.

The Limit of Globalization.

Historical Parallel of the Contemporary Era.

The alternative view of the sceptics holds that the present era is not altogether a new and an irreversible phenomenon, nor does it represents a fundamental departure from the past. According to this account, the present international economic activities has historical parallel a century earlier that began from 1870 onward until 1914, when it came to an abrupt end with the outbreak of the first World War.³¹ This period, also called the *belle époque*, was characterised by marked advances in commerce, arts, literature, science and technology. In particular, the period witnessed a great leap in transportation and communication system, which was then every bit revolutionary as it is with the information technology revolution today. For it saw the introduction of steamship, railroad, refrigeration, telegraph and eventually telephone, which propelled the level of economic activities to a record high, a level not achieved until the 1970s.³²

According to Harold James, by the end of the nineteenth century, the world was highly integrated economically through mobility of capital, information, goods

³⁰ Thomson (1995) op. cit., pp. 229-30.

³¹ Hirst (1997) op. cit., p. 411.

³² Frankel, in Nye and Donalue, eds. (2000) op. cit., p. 47.

and people.³³ As communication improved, financial flows roam around freely across continents with investors having some degree of certainty what was happening to their capital. Markets became more interconnected and people began to move in droves in search of greater opportunities and better territories. As the world economy integrates through standardised modes of production, widespread anticipation of a truly cosmopolitan order began to surface until the guns of the First World War shattered it.³⁴ Worse still, this was followed by the international financial crisis in 1931, which put the major economies of the world into a deep recession.³⁵ The rather restrictive Bretton Woods agreement of 1944 (which was to continue till the 1980s) was a response to arrest the liberal financial policies that was prevalent before 1931.³⁶ However, the sceptics argued that the trampling of the Bretton Woods system was the conscious political choice of states rather than the triumph of technology and non-state actors as the globalists claimed.³⁷ Nevertheless the point they seek to highlight here is that economic processes are cyclical. In other words, the so-called contemporary economic globalization is not irreversible nor is it unprecedented according to them.

Deepak Nayyar also made an instructive comparison between the earlier and the present phase of economic globalization and drew four important points of similarities and dissimilarities, which reveal that the present trends are by no means novel and much less global.³⁸ On similarities, the first point he made is the almost

³³ Harold James, *The End of Globalization* (London: Harvard University Press, 2001) pp. 10-13.

³⁴ *Ibid.*, p. 27.

³⁵ Eric Helleiner, *States and the Re-emergence of Global Finance: From Bretton Woods to the 1990s* (London: Cornell University Press, 1994) pp. 25-50.

³⁶ *Ibid.*, p. 27.

³⁷ See for example, Helleiner (1994). One important reason Helleiner offered is that although the Bretton Woods system materialised due to the overwhelming support for capital controls from advanced industrial states after the international financial crisis of 1931, it was discarded because the hegemonic interests of states, particularly the United States and Britain, were adversely affected by such restrictive mechanisms.

³⁸ Deepak Nayyar, "Globalisation: What does it Mean for Development?" in Bibek Debroy, ed., *Challenges of Globalisation* (New Delhi: Konark Publishers, 1998) p. 16-26.

unbridled crossborder movement of goods, capital and labour even in the absence of a liberalisation regime then. The second similarity he pointed out is that both phases are technology driven. The third point concerns the emergence of machine-based mode of production – replacement of craft manufacturing in the earlier period and the adoption of mobile and customised mode of production instead of mass production in the present era. The fourth point of similarity takes into account the relatively peaceful, stable political and monetary environments under which the two phases coincide led by the Pax Britannica in the former and the Pan American in the latter.

On the dissimilarities, the first point relates to the type of commodity traded. While primary goods overwhelmed the international trade during the earlier period, manufacturers and services characterise the present trade system. Another marked difference pointed out by Nanyar is the nature of trade practices where it was international in the former case, in the present era it is being increasingly dominated by intrafirms trade practices. The second point of dissimilarity Nanyar refers to is the distribution of international investment. During the earlier period (1914), 55 per cent of the total investment went to developed world and the remaining 45 per cent in the developing countries. The present era shows a uneven distribution where less than one third (30 per cent as in 1997) of the total investment goes to the developing world. The third dissimilar point concerns financial flows. In the earlier era, capital flows were a means of transferring investible resources (in the form of bonds with long maturities) to developing countries with the most attractive growth opportunities. In contrast, such financial flows today are short-term investment routed mostly to industrialised countries to finance public consumption and transfer payments, rather than for productive investment. The fourth dissimilarity identified by Nanyar between the two eras is in the sphere of labour flows. In the former era, the movements of

people across national boundaries and international labour migration was enormous with an approximately 50 million people leaving Europe to the United States and Canada and another approximate 50 million people from India and China migrating to different parts of the world during this period (1870-1914). However, in the current instance, with tight immigration laws and restrictive consular practices, international migration has been reduced to a trickle.³⁹

Although it is premature to make an assessment of the present economic performance, the new millennium has brought little hope to look forward. As the *Trade and Development Report, 2002* (TDR) reveals, for the first time since the end of the 1970s, virtually all regions of the world are experiencing a simultaneous economic slowdown.⁴⁰ It also states that the growth rate of industrial production in major development and emerging-market economies has been negative since the middle of 2001. Besides, the report shows that world economic growth has fallen from 3.8 percent in 2000 to 1.3 per cent in 2001. The spillover effects from the recession on developing countries were much stronger. Overall, gross domestic product growth in these countries (excluding China) fell from close to 5 per cent in 2000 to a little more than 1 per cent in 2001.⁴¹ Moreover, capital flows to developing countries in 2001 remained at low levels, prolonging the downward trend that has persisted since the 1997 Asian financial crisis, and assessing from their current flows, the report do not rule out a further decline in the future.⁴²

The prevailing gloom in the present economic scenario is aptly put in the “Overview” of the TDR, 2002, which reads:

³⁹ Ibid.

⁴⁰ UNCTAD, *Trade and Development Report* (2002) op. cit., p. 3.

⁴¹ Ibid., p. 15.

⁴² Ibid., p. 30.

It is a sign of trouble times when, in the search for solutions to the most pressing policy challenges of the day, it is considered necessary to look to earlier generations for guidance: a Marshall Plan - this time to fight global poverty - a Tobin tax to check financial volatility and a Keynesian spending package to combat deflationary dangers...⁴³

The source of the trouble it identifies is the gap between the rhetoric and the reality of a liberal international economic order. Even as governments extol the virtues of free trade, according to the report, they do not hesitate to employ the “new-mercantilist thinking” to protect their domestic constituencies that feel threatened by international competition. This has, it continues, done much to “unbalance” the liberal economic regime, which is why the world economy is beset with full of problems and limitations.

Limits of Integration

The concept of globalization presupposes the existence of a liberal international economic order and the emergence of a deeply entrenched and an increasingly integrated global network of institutions with minimum bias or constraints coming from domestic constituencies. For the sceptics, therefore, the natural benchmark to assess economic globalization is to test whether the world has become perfectly integrated with respect to markets for goods, services and factors of productions.⁴⁴ Since the world economy is anything but near that mark, the sceptics dismissed the globalists’ claim of an integrated global economy unfolding to challenge the sovereignty of states. Accordingly, the sceptics interpret the contemporary trends as evidence of a significant, but not historically unprecedented, internationalisation of economic activity, that is, an intensification of linkages between separate national

⁴³ Ibid., p. 1.

⁴⁴ Dani Rodrik, “Governance of Economic Globalization”, in Nye and Donahue, eds. (2000) op. cit., p. 349.

economies.⁴⁵ However, the sceptics point out that the trend towards internationalisation reflects a lopsided structure of world economic activity in that it is dominated by the developed countries and the growing links between them. This has led many sceptics to believe that the current trends of economic activity, couched in an anodyne rhetoric of globalization, are a new form of imperialism in reality. Moreover, according to the sceptics, economic activity within three core blocs - Europe, Asia-Pacific and North America - shows a growing tendency towards economic and financial interdependence within each of these three zones at the cost of integration between them.⁴⁶ Therefore, the sceptics argue that world economy far from being global, continues to show distinctive character of national economies. However, in doing so, they brought to light some of the limits to globalization and identified those areas that come in the way to integration. Accordingly, six impediments affecting the process of integration are discussed.

The Effect of National Border:

Against the globalists projection of a seamless border across the world, national borders still seem to have a dampening effect on trade and capital flows. Dani Rodrik blames this to the wide array of transaction costs introduced by discontinuities in political and legal system when exchanges cross national jurisdictions.⁴⁷ At another level, it is the absence of linguistic, cultural historical and political links, or what Jeffrey Frankel calls the “social distance”, which inhibits trade flows between them even in the absence of tariff barriers and other transaction costs.⁴⁸ Besides, while the speed of transportation and communication systems have been

⁴⁵ Held and McGrew, eds. (2000) op.cit., p.20

⁴⁶ Ibid.

⁴⁷ Rodrik, in Nye and Donahue, eds. (2000) op. cit., p. 349.

⁴⁸ Frankel, in Nye and Donahue, eds., (2000) op. cit., p. 53.

enormously enhanced, geographical distance continues to have an impact on the cost of physical shipments and information barriers relative to more proximate ones.⁴⁹ These constraints in turn, tend to segment, rather than merge national markets with the global market. Another obstacle that comes along with the border effect is the existence of separate monetary regimes, which are vulnerable to exchange rate fluctuations. Despite the ease with which technology has provided to transmit astronomical sums across the world in seconds, the high volatility of exchange rate and interest rate have proved to be a dampener on this front too.⁵⁰ Furthermore, the failure to bring about “the law of one price” in financial and goods markets through arbitrage also account for the low crossborder flows.⁵¹ Consequently, the bulk of investments remain highly home country centric and the few that venture out are mostly short term speculative in nature.

This is not confined to investment alone. Even in the case of international trade, national borders remain a big barrier. For example, the developed North, who are considered the torch bearers of economic globalization, frequently involve, protectionist measures through quota restrictions, antidumping and child labour laws while allowing cartels and subsidies to thrive in their domestic constituencies. These practices not only increase transaction costs but also impede crossborder economic activities from realising their full potential by taking advantage of the advanced technology, whether they involve production, distribution, transportation or information sharing. The double standard aside, this goes on to prove the nationalistic fervour within national borders even in a relatively industrialised and more liberalised economy. Interestingly however, as Rodrik notes, even in the absence of formal tariff

⁴⁹ Ibid., pp. 52-53.

⁵⁰ Rodrik, in Nye and Donahue, eds. (2000) op. cit., p. 351.

⁵¹ Frankel, in Nye and Donahue, eds. (2000) op. cit., pp. 52-58.

or non-tariff barriers, linguistic or cultural differences and uncertainty about the exchange rate and other economic obstacles, national borders continue to have a significant depressing effect on trade.⁵²

Limits of Interdependence

Without doubt, the spectacular rise in technological advancement has made the world more interconnected than ever before. News and information flood the world within seconds of any development-taking place around the world so that states are unable to withhold or ignore them as domestic or isolated case anymore. Scopes for goods, money and people to move around the world have become much better and easier. Multilateral association and institutions have mushroomed in recent years, thereby registering a high increase in the level of interaction between state and non - state actors. But more importantly, there are imperatives that are pushing states to more interdependence by linking them to a common fate. Those imperatives concern environmental problems and threats from terrorist and mafia organisations, which need the collective effort of individual states to effectively address them in the larger interest of mankind.

However, on the hindsight, as the sceptics point out, interdependence seems to be more of rhetoric without much substance. For, when national interest is at stake, neither has interdependence made states to behave more responsibly with respect to common interest, nor has it promoted greater cooperation among them. One glaring example of this is the Kyoto protocol, which requires, among other the United States (US) to cut down its emission level of green house gasses by 7 per cent from what it released during the 1990s. The refusal on the part of the US to ratify on the plea that it

⁵² Rodrik, in Nye and Donahue, eds. (2000) op. cit., p. 349.

is too harsh for its economy clearly shows that domestic constraints take precedence over any obligation arrived at multilateral fora.⁵³ Nor is this a solitary case in international relations. Most multilateral arrangements remain ineffective because they do not have independent lives of their own.⁵⁴ In other words, their success is contingent on the willingness of individual state to enforce those obligations, which are rarely enforced when they do not coincide with the national interest of the state.

Another limitation of interdependence is reflected in the unequal relations among states within the international system. According to Oran Young, if the level of interdependence increases, the unequal relations among states in the system will decrease. Although his hypothesis was based on colonialism, the present scenario of state relations does not seem to have changed so drastically as to render the comparison useless.⁵⁵ A cursory glance at the way interstate relations are conducted shows that it is still highly skewed towards the developed states. For example, the nature of trade between the developed North and the developing South reveals a very unsatisfactory result, with the North playing an almost oligopolistic and hierarchical role over the South.⁵⁶ Even in multinational fora, the success of the outcome or the tones of the agreement are heavily dependent on the consent of the North. The failure to correct these flaws seems to suggest that interdependence among states despite the thickness of interconnectedness has not increased. In other words, even though interdependence through “action at a distance” has become a reality, it would appear

⁵³ See for example, Paul Harris, ed., *Climate Change and American Foreign Policy* (New York: St. Martin, 2000).

⁵⁴ Alan James, “The Practice of Sovereign Statehood in Contemporary International Society”, in Jackson, ed. (1999) op. cit., p. 46.

⁵⁵ Oran R. Young, “Interdependencies in World Politics”, in Ray Maghroori and Bennett Ramberg, eds., *Globalism versus Realism: International Relations Third Debate* (Boulder: West View Press, 1982) p. 74.

⁵⁶ This topic is taken up separately below.

that, states' ability to exercise self-restraint and opt for positive cooperation among themselves is still in its embryonic stage.

That said, however, close interdependence does not necessarily produce greater co-operation since it also implies closeness of contact. As Kenneth Waltz points out, it raises the prospect of at least occasional conflict.⁵⁷ According to Waltz, the fiercest civil wars and the bloodiest international ones have been fought within regions populated by highly similar people whose affairs had become so closely linked together. Sobering as it may be, the sceptics view seems to suggest that greater interdependence or the lack of it may not necessarily be the reason for the paradox of states' inability to become perfectly integrated.

Limits of Financial Flows

Not surprisingly, the most cited instance as proof of an emerging global market economy is the integration of international capital flows. In fact, the level of international capital flows, especially after the mid 1980s, have been spectacular. However, the sceptics contend that such flows are highly hierarchical, oligopolistic and skewed. Besides, their movements and distributions are notoriously imperfect and hence, they are far from integrated.⁵⁸ This is due to the fact that the main components of global flows foreign direct investment (FDI) and portfolio investment - are profit driven and are therefore highly volatile and undependable.⁵⁹ As a result capital flows - across regions tend to present an asymmetrical pattern of distribution with 70 per cent of the total flows concentrated in the developed states and a mere 30 per cent of the

⁵⁷ Kenneth Waltz, "The Myth of National Interdependence", in Maghroori and Ramberg, eds. (1982) op. cit., p. 81.

⁵⁸ Jayati Ghosh, "Globalization, International Capital Flows and Social Ethics: An Asian Perspective", in Rama S. Melkote, eds., *Meanings of Globalization: Indian and French Perspective* (New Delhi: Sterling Publishers, 2001) p. 85.

⁵⁹ *Human Development in South Asia, 2001: Globalization and Human Development* (Oxford: Oxford University Press, 2002) p. 13.

total flows going to the developing states in 1997.⁶⁰ According to the *TDR, 2002*, capital flows to developing countries in 2001 remained at low levels, prolonging the downward trend that has persisted since the 1997 Asian financial crisis.⁶¹

FDI has obvious benefits in terms of not only augmenting the domestic saving but also in providing increased access to technology, know-how and export markets. However, as Jayati Ghosh notes, while its flows have more than doubled over the years, the net share of total capital formation remains very small – at almost 4 per cent for developed states and 7 per cent for developing states.⁶² As Frankel also points out, this explains why a country that faces a shortfall in national saving tends to experience an almost proportionate fall in investment, rather than make up the difference by borrowing from abroad.⁶³

Linda Weiss offers three reasons for the small proportion of net FDI flows that actually go into manufacturing production.⁶⁴ The first reason concerns the major chunk of capital flows being utilised in non-productive or speculative ventures such as golf courses, real estate, hotels and department store, which, while it raises the level of foreign ownership, has nothing to do with the advancement of the globalization of production. The second reason relates to mergers and acquisitions. The problem with this approach is that a high proportion of FDI is directed towards the acquisition of existing assets, rather than creating new production networks to achieve greater integration of markets through the proliferation of such units. The third refers to the preponderance of portfolio investment over FDI. Since portfolio investment flows are speculative in nature, they respond quickly to change in interest rates and exchange

⁶⁰ Ibid.

⁶¹ UNCTAD, *TDR, 2002*, op. cit., p. 21.

⁶² Ghosh, in Melkote, ed. (2001) op. cit., p. 83.

⁶³ Frankel, in Nye and Donahue eds. (2000) op. cit., p. 57.

⁶⁴ Weiss (1998) op. cit., pp. 172-75.

rates and can leave the host country at short notice. Due to this high mobility, large inflows of portfolio capital have the potential to destabilise domestic policy instead of improving the economy as the Mexican Crisis of 1994 showed.

Apart from those reasons, the existence of separate national currency regimes also impede the flow of private capital. Since capital flows are profit driven, their movements largely depend on the country they are investing, the type of investment, the stability of exchange rate and interest rate, and free flow of information. But since these favourable conditions can not be found all the time and at every location, the risk factor proves to be a dampener for prospective investors. These factors, in effect, produce what is known as the “home country bias syndrome” where investors in every country tend to hold much lower proportions of their portfolios in the form of other countries’ securities than they would in a well-diversified portfolio.⁶⁵ This phenomenon may be one of the reason why investment from capital-rich to capital-poor countries have not been forthcoming and also why the growing capital flows have failed to generate larger transfer of savings from high-saving to low-saving countries, as Ghosh observes.⁶⁶

The North-South Divide

Despite the claim of globalization providing an even diffusion between the developed countries of the North and the developing countries of the South, trade, production and investment remain highly concentrated in the former.⁶⁷ The sceptics therefore, view that the concept of globalization operates as a “necessary myth” to push through

⁶⁵ Frankel, in Nye and Donahue, eds. (2000) op. cit., pp. 57-58.

⁶⁶ Ghosh, in Melkote, ed. (2001) op. cit., p. 85.

⁶⁷ Weiss (1998) op. cit., p. 176.

what came to be known as the “New Washington Consensus” on the South and to exploit its markets with the expansionist trade policies of the North.⁶⁸

Accordingly, the sceptics dismiss the notion that globalization is bringing about a significant restructuring in the nature of international economic relations between the South and the North. Rather than ushering in a just world of opportunity for the South to participate meaningfully, they argue that patterns of inequality, hierarchy and oligopoly have become much more pronounced in the new system.⁶⁹

Those allegations put forward by the sceptics are not without substance. According to the *TDR, 2002*, evidence suggesting considerable expansion of technology-intensive, supply dynamic and high value-added exports from developing countries of the South are misleading.⁷⁰ Although they appear to have become major players in world markets for dynamic products they still account for only 10 per cent of world export product, which score high in research and development content, technological complexity and economies of scale.⁷¹ Besides, developing countries participating in high-technology sectors are in reality, not involved in the skill and technology intensive parts of the overall production process. This is primarily due to the fact that almost all technology and skill intensive parts or components are imported from the North. The South’s participation is therefore, confined to low skill labour intensive assembly type processes run by big transnational firms, which hardly

⁶⁸ A consensus between the International Monetary Fund, World Bank and the United States treasury, which calls for greater trade liberalisation, capital account liberalisation, deregulation of major financial markets and adoption of floating exchange rate backed by strong and independent central banks. The consensus in fact requires developing countries to adopt these policies to receive any financial or economic assistance. For reference, see Joseph E. Stiglitz, *Globalization and its Discontents* (New Delhi: Penguin Books, 2003) p. 16; also see Harold James, *The End of Globalization: Lessons from the Great Depression* (London: Harvard University Press, 2001) p. 208.

⁶⁹ Held et al., eds. (1999) op. cit., p. 6.

⁷⁰ UNCTAD, *TDR, 2002*, op. cit., pp. 51-83.

⁷¹ *Ibid.*, p. 56.

contribute any financial benefits to host countries.⁷² As a result, most of the value added goes to the North and the South end up exporting only their labour, rather than the product of labour, which explain why their income stagnate despite the increase in world export share. Statistics reveals that developed countries of the North, despite their decreasing share in world manufacturing exports, have actually increased their share in world income from less than 73 per cent in 1980 to 77 per cent in 1999, while that of the South stagnated at around 20 per cent for the corresponding period.⁷³

Interestingly, the case of economic liberalisation, privatisation and deregulation of financial markets are policies imposed upon the developing states as a panacea to all their economic ills and human developmental problems by the developed states.⁷⁴ In fact, financial and economic assistance from World Bank, International Monetary Fund and other institutions are made conditional on the willingness of the former to embrace those prescriptive policies. However the real motives behind such policies are far from benefiting the economies of the developing states. The inflow of foreign capital to these states, which account for less than one-third of the total world flows and in turn, the exclusion of high technology and know-hows from them clearly shows a wide discrepancy between those policies and practice. As a result, many local firms and businessmen are devastated by the inflows of foreign goods, which are relatively cheaper and in some cases, much better in quality. Besides, taking advantage of the market imperfections, cheap natural resources and availability of cheap labour, the developed countries, through their transnational corporations, could increase their profit margin at the cost of the locals. Paradoxically however, while advocating free markets, free trade and free

⁷² Ibid., p. 54.

⁷³ Ibid., p. 51.

⁷⁴ James Petras and Henry Veltmeyer, *Globalization Unmasked: Imperialism in the Twenty first Century* (New Delhi: Madhyam Books, 2001) p. 11.

remittances, they do not hesitate to restrict exports coming from developing states to their markets. One explanation for the current unequal economic relations traces to the need of the developed states to expand their markets to arrest the recession and also, as Samir Amin points out, to invest their stagnant capital not in production works but for managing the third world debt.⁷⁵ Another interpretation situates it to the interest of the developed states, especially the United States, to perpetuate the hegemony through technological, economic and military power.⁷⁶ Because they have the technological advantage a strong media to back their actions and are better equipped in weapons of mass destruction, they possess the extra edge to lead and bargain their way out of virtually any deal over the developing states. Clearly, the contemporary international economic relation between the North and the South is one of unequal participation and withheld opportunities with respect to the South. But more serious than that, as the sceptics argue, is the growing gap between the two divide.

Limits of Multinational Corporation as Transnational Actors.

Insofar as multinational corporations (MNCs) have the potential to integrate the world economy by their transnational nature, they are also contained by what the sceptics called the “home country bias syndrome”. To the sceptics, the inability of MNCs, which is largely an American phenomenon, to expand their business evenly across the world suggests that they are far from “global”, “footloose” or “borderless”. They point out that the importance of home base remains the top priority of stakeholders, whether these stake holders are involved in the share of assets, ownership, management, employment, consumption or research and development (R&D), which

⁷⁵ Samir Amin, *Capitalism in the Age of Globalization: The Management of Contemporary Society* (New Delhi: Madhyam Books, 1997) p. 34.

⁷⁶ Petras and Veltmeyer (2001) op. cit., p. 62.

should not have been the case in a highly integrated world economy.⁷⁷ The conventional belief that cost reduction compels MNCs toward footloose career, the sceptics continue, has not materialised as foreign direct investment flows to developing states, known for their cheap labour, remain very small. Besides, the tendency of MNCs to agglomerate in a particular region for cost effectiveness, despite the improved transport and information systems, also belies their footloose nature, the sceptics maintained.⁷⁸ Hence, for the sceptics, there is little evidence to substantiate the globalists claim that MNCs are forging deep convergence in the national economies in which they are “embedded”. According to their view, these MNCs are unable to do so because they (MNCs) themselves are not converging towards global behavioural norms.

In the co-authored book *The Myth of Global Corporation*, Paul Doremus and others, after examining the operations of some leading MNCs of the world, concluded that the characters of these corporations exhibit enduring national structures of their respective home states.⁷⁹ They argue that since every state tends to have its own distinctive institutional and ideological structures, corporations that are based in a particular state are also influenced by those structures. As a result, a wide divergence is found to exist among MNCs based in different states in matters relating to their internal (corporate) governance⁸⁰ and long term financial structures, their approach to R&D activities and their overseas involvement as well as intrafirm strategies.

⁷⁷ Weiss (1998) op. cit., p. 185.

⁷⁸ Ibid., p. 186.

⁷⁹ Paul N. Doremus, William W. Keller, Louis W. Pauly and Simon Reich, eds., *The Myth of the Global Corporation* (Princeton: Princeton University Press, 1998).

⁸⁰ Corporate governance, in particular, is important because it reflects how the internal power-sharing arrangements are organised, which in turn determines the approach and strategy of a corporation. According to those authors (pp. 23-24) this internal relationships among various stockholders are strongly affected by the different value orientations toward rights and obligations, that are specified in law or legitimated by long standing custom and practices, of each state where the head office of the corporation lies.

Therefore, the idea that mobile corporations are “arbitraging” diverse national structures and forcing deep structural convergence across diverse societies, according to them, is misleading.

In somewhat similar view but preceding the work of Doremus and his colleagues, Robert Gilpin has also argued that MNCs tend to reflect the policies of their home governments.⁸¹ Refuting the globalists claim that MNCs are replacing the nation-state as the primary actor in international politics, he argues that transnational economic processes are not unique to the contemporary era. Drawing on the historical evidence, he contends that successive hegemonic powers have organised economic space in terms of their own interests and purposes. He, therefore, attributes the rapid growth of MNCs in the present circumstance to the emergence of the United States as the world’s dominant power. According to this perspective, politics determines the framework of economic activity and MNCs exist as transnational actors because they are consistent with the political interest of their respective home states, particularly for the more dominant world powers.⁸² Put differently, MNCs then, exert no significant influence in international politics and where they have been influential, it is because they have acted as agents of their home states and not as independent actors.

Cultural and Economic Backlash

For the globalists, economic globalization have led to intense political and social change around the world so that localities, irrespective of their location, have become shared social spaces, no longer confined to their peculiar or distinctive customs and

⁸¹ Robert Gilpin, “The Politics of Transnational Economic Relations”, in Maghroori and Ramberg, eds. (1982) op. cit., pp. 74-194.

⁸² Ibid., pp. 53-54.

traditions today. By and large, globalization of information and products have penetrated into every social aspects of life, to the extent that taste, value orientation and outlook of the world's population appear to have been standardised or globalised. For them, therefore, states have become mere empty shells. On the part of the sceptics, this widespread belief of an emerging global culture, especially through new ways of communication system is not only misleading but also unacceptable. To them, a global culture is not more than just a fad, too ephemeral, factitious and elusive to draw any concrete conclusion from such occurrence. For, as the sceptics argue, using popular brands and products do not reflect a global culture any more than a person walking on foot or driving a car reflects his tribe. Similarly, while new communication systems connect distant people and places, they also accentuate the different lifestyles and value systems each adheres to, which can become a cause for conflict rather than cooperation.⁸³ Besides, even though those new ways of communication generate a language of their own, given the multiplicity of languages used in this world, the medium with which communicants exchange their views can vary according to their taste, knowledge or acceptability.⁸⁴ Furthermore, drawing on available evidence, the sceptics claim that national cultures are still robust; national institutions continue to have strong influence on the citizens; and national mass - media electronic and print media – continues to draw substantial audience by retaining strong national roots.⁸⁵ Therefore, given the plurality of experiences and identities existing in this world and also the absence of a central governing authority

⁸³ John B. Thomson, "The Globalization of Communication", in Held and McGrew, eds. (2000) op. cit., p. 212.

⁸⁴ Ibid.

⁸⁵ Held and McGrew, eds. (2000) op. cit., p. 16.

in the interstate system, the sceptics dismiss the notion of an emerging global culture.⁸⁶

David Held and Anthony McGrew point out that the establishment of a national identity, although an explicit political project of elites was rarely their (elites) complete invention.⁸⁷ For, according to them, “the nation-to-be was not any large, social or cultural entity” out of which those elites invented. Rather, they note, on the basis of a “community of history and culture, occupying a particular territory” and having its own unique tradition of common rights and duties was the nation-state formed. It follows, then, that cultures are “particular, time bound and expressive” even as their eclecticism operates within strict cultural constraints.⁸⁸ In other words, different national cultures that exist today are the eclectic products of shared memories of specific events and personages that have a sense of continuity and a sense of common destiny on the part of the collective groups sharing those experience. But unlike national cultures, a global culture, according to Anthony Smith, has no “world memories” that can be used to unite humanity.⁸⁹ Besides, a global culture, he argues, answers to “no living needs” and “no-identity-in-the-making”. Therefore, to assume that culture can be structured that the “techno-economic sphere” will provide the necessary conditions for such a content (global culture), to Smith, is to overlook the role of common historical experiences and memories in shaping identity and culture. For the sceptics, therefore, despite the vast flows of information, imagery and people around the world, distinctive national cultures and nationalism remain the hallmark in the world of state system.

⁸⁶ Anthony D. Smith, “Towards a Global Culture?” in Held and McGrew, eds. (2000) op. cit., p. 239.

⁸⁷ Held and McGrew, eds. (2000) op. cit., p. 14.

⁸⁸ Smith in Held and McGrew, eds. (2000) op. cit., pp. 240-42.

⁸⁹ Ibid.

More worryingly however, according to the sceptics, is the cultural backlash heightened by the growing awareness of similarities and dissimilarities between different cultures due to the “more immediate and insistent contact” with one another. This fear stems from the fact that different cultures subscribe to diversified practices and value orientation, which can accentuate differences rather than similarities. For instance, one common perception many non-Westerners share is the resentment that their cultures are being submerged or corrupted by the Western materialistic culture. As Samuel Huntington points out, this cultural resentment has to do with the West domination over not only international and security institutions but also over economic institutions.⁹⁰ For the sceptics, these implications have the potential to ignite new animosities and conflicts, produce reactionary politics and deep-seated xenophobia.⁹¹ Various ethnic and secessionist groups demanding the right to self-determinations, the rise of rightist politics and the tightening of trade, labour and immigration laws are some of the evidences the sceptics point out as evidence. Similarly, Huntington’s hypothetical *Clash of Civilizations* on the “fault lines” between cultures replacing political and ideological conflicts reflects the fear of the world being divided along cultural and ethnic lines, rather than forging themselves into a global culture.⁹²

Another probable path to disintegration of the international order is on the “fault lines” of the global economy. World injustice was the focus of street protests in Seattle in 1999, Washington D.C., in 2000 and Geneva in 2001 that left one protestor dead. As Joseph Stiglitz observes, almost every major meeting of the World Trade Organisation, International Monetary Fund and the World Bank has now become the scene of angry riots and protests against the policies and actions of those

⁹⁰ Huntington (1997) op. cit., p. 82.

⁹¹ Held and McGrew, eds., (2000) op. cit., p. 4.

⁹² Huntington (1997) op. cit., pp. 67-91.

institutions.⁹³ And the reason behind is not hard to find. The gap between the haves and the have-nots has widened so much so that “people who speak the same language can’t understand each other anymore, let alone feel a common bond.”⁹⁴ Despite repeated promises to reduce poverty, many live on less than a dollar a day and the last decade of the twentieth century saw the actual number of people living in poverty increased by almost 100 million.⁹⁵ As Stiglitz points out, this occurred at the time when total world income rose by an average of 2.5 per cent annually.⁹⁶

In fact, a significant segment of the world’s population is either untouched by the benefits of globalization or is disaffected and disoriented by the sheer speed at which the pace of developments are unfolding. These sections of the people constitute the potential economically induced backlashers. Since markets generate both losers and winners, capital and chaos, some are forced out of their jobs, trade or land while some find themselves unable to cope with the fast changing trends of the world. They resent the present economic system because they feel that they are forced to put on what Thomas Friedman has called, the “Golden Straitjacket that is one size-fits-all”.⁹⁷

Potentially, where the backlash can become the most destabilising force is, according to Friedman, “when groups that are economically aggrieved by globalization merge with those who are culturally aggrieved”.⁹⁸ He notes that this phenomenon is most apparent in the Middle East, where religious fundamentalists of many stripes mix the cultural, political and economic backlashes against globalization under a broad common political platform to seize power and insulate or isolate

⁹³ Joseph Stiglitz, *Globalization and its Discontents* (New Delhi: Penguin Books, 2002) p. 3.

⁹⁴ Friedman (2000) op. cit., p. 322.

⁹⁵ Stiglitz (2000) op. cit., p. 5.

⁹⁶ Ibid.

⁹⁷ Friedman (2000) op. cit., p. 329.

⁹⁸ Ibid., pp. 344-45.

themselves from the world.⁹⁹ As the event of 9/11 terror acts in 2001 proved, such organisations operating under various guises in different countries have become a threat not only to states but also to mankind as a whole. From this perspective, then, far from bringing the world's population into a compact and cohesive whole, the forces of globalization have made the world divisive. In sum, to quote Stiglitz, "if globalization has not succeeded in reducing poverty, neither has it succeeded in ensuring stability."¹⁰⁰

Whether globalization accentuates cultural differences or homogenises those differences, the point the sceptics stress is on the growing importance of states. States alone can develop sufficiently strong cultural, social and environmental "filters" so that identities are not lost or brought to conflict and the world's ecological balance is maintained for our future generations.¹⁰¹ Not only that, since globalization can bring down even powerful economies just as it can raise one from nowhere, the role of states to correct such inevitable ups and downs of the market has become a dire necessity. Friedman aptly notes that the quality of states is increasingly becoming more important.¹⁰² This is so because the smooth conduct of the growing transnational activities and relations among states depend in large part on the quality of individual states legal system, financial system, social management and economic management. Therefore, globalization, according to the sceptics, is not weakening the state nor is it likely to integrate the world economy into a single global market.

⁹⁹ Ibid.

¹⁰⁰ Stiglitz op. cit., p. 6.

¹⁰¹ Friedman (2000) op. cit., pp. 278-279.

¹⁰² Ibid., p. 158.

Conclusion

Briefly, four major points of the sceptics account may be culled out from the rest for summation:

1. Contemporary globalization has historical antecedent. Therefore, to claim that its uniqueness altogether heralds the convergence of the world into a single entity is untenable. Put differently, the process of contemporary globalization is not irreversible;
2. Current trends of economic activity do not evidence any substantial move towards the integration of world economy into a single global market. Rather, they show an increasing tendency to suggest the rise of separate and distinctive national economies;
3. Transnational activities are not truly global. This is so because the effectiveness of those actors and institutions solely depend on their respective state. Hence, they are mere agents representing the interest of particular states, not independent;
4. Greater interdependence among states has not led them to a level of appreciable integration because domestic constraints or policies tend to outweigh cooperation among states; and
5. The state remains unrivalled due to the legitimised relationship it has with its population and territory. Since transnational organisations and institutions do not have a life of their own, without states, they cannot have any substantial influence over their creators. Besides, markets, which are profit driven can neither deliver justice nor maintain order.

Chapter IV

The Globalization Debate: A Critical Analysis

Former British Prime Minister Margaret Thatcher went all the way to democratize capitalism, which she did by selling government equity in British public sector units to even small investors under the privatisation programme. Yet she was adamant in her resistance to British entry into the European Monetary Union. Her stand was that she “would never witness the end of British sovereignty, nor countenance the demise of sterling.”¹ Her Deputy Prime Minister Sir Geoffrey Howe resigned from his post because of the clash in their perception over this issue. According to him, the forthcoming merger of economy of the European Union is not to be seen as “some kind of zero sum game” but as a way to strengthen sovereignty.² This seemingly inconsistent stand taken by Thatcher is not confined to her alone. Every head of states in one way or the other are facing a plethora of such dilemma every day. Neither is this exemplary contention between Thatcher and Sir Howe a reflection of British peculiarity. In fact, their argument, in essence, represents the great globalization debate currently doing its round in International Relations.

At the heart of the debate between the sceptics and the globalists is the role, authority, power and the fate of nation-state in the era of contemporary globalization. The sceptics emphasise the continuing primacy of territoriality, borders and national governments to the distribution and location of power, production and wealth in the contemporary world order. For them, national political traditions are still vibrant and

¹ Quoted in Michael J. Shapiro, “Sovereignty and Exchange in the Orders of Modernity”, in *Alternatives*, Vol. 16 (Fall, 1991) p. 447.

² *Ibid.*,

states continues, given the political will, to rule. But for the globalists, contemporary globalization is eroding and undermining the capacity of nation-states to act independently in the articulation and pursuit of domestic and international policy objectives: the power and role of the territorial nation - state is in decline. They see modern states as increasingly embedded in webs of regional and global interconnectedness permeated by quasi-supra national, intergovernmental and transnational forces, and unable to determine its own fate. These basic assumptions about the role and the fate of nation state have influence the two schools of thought in conceiving what globalization is and, in effect, what it portends. Accordingly, six major points of difference generated from the debate can be identified.³

The first point of difference concerns the concept of globalization. For the globalists, globalization, as an all-inclusive process, has virtually tied up the whole world community into a single global market so that it has become “unnatural” and even “impossible” for the state to claim as the sole authority over its own territory. According to this view, globalization signifies a complete break from the past and the dawn of a new era characterised by the growing centrality of transnational activities and non –state actors at the expense of the state. In contrasts, the sceptics perceive globalization as a wholly exaggerated phenomenon-convenient myth-to legitimize and justify the consolidation of Anglo-American domination. Rather than globalization, the sceptics see the contemporary trends is more aptly captured by the terms internationalisation, that is, the growing links between essential distinct national economies or regionalisation, which involves the geographical clustering of cross border economic and social exchange.

³ Held and McGrew, eds. (2000) op. cit., p. 37.

The second point of difference relates to the nature of economy. For the globalists, contemporary trends of economic activity represent a truly global economy. According to this view, the emergence of a global informational capitalism and a new division of labour, through the operationalisation of dispersed production bases across the planet, are integrating the world economy. To the sceptics, claims of the emergence of a new globalized capitalism transcending national capitalisms and a new global division of labour are mere rhetorics. For not only do discrete national economies continue to flourish, but also skill-and technological-intensive production bases remained out of reach for the developing economies. Rather than a global economy, the sceptics, by taking into account the unequal economic relation between the North and the South, regard the present economic system as a form of new imperialism.

The third point is a corollary to the second point: inequality. To the globalists, the emergence of a global economy has meant the traditional pyramid of the North-South hierarchy is no longer a geographic but a social division within and across societies. For them, the globalization of production processes have provided a significant basis for states across the world to participate in the global economic activity as equals. The sceptics are sceptical of this view. For, according to them, the persistence of distinct national states and the exclusion of the developing economies in the skill- and technology-intensive production processes reflect the marginalisation of these economies and the deepening inequality between the North and the South. Thus, far from moving towards a single global market, the sceptics conceived contemporary trends as evidence of a growing internationalisation and regionalisation of economic activity.

The fourth point involves the question of culture. For the globalists, the establishments of national culture were products of the explicit political project persuade by the elites. Culture in this sense, are not immutable but constructed. In the contemporary globalization, where ideas and image flow around the world in seconds, the power to control meaning had slipped away from the state and hence, people are shaped and influenced by pluralistic if not common kinds of cultures. To the sceptics, even though the establishment of a national identity was in part a political project of elites, it was not their complete invention the nation-to-be was not any large, social and cultural entity. For, they note, on the basis of a community occupying a particular territory and sharing a common historical and cultural background, stretched over a large period of time was the nation state formed. Since a global culture has no common global memory or answer to no living needs, rather than forging a common bond, cultural differences are been accentuated. For the sceptics, therefore, the present era is witnessing a resurgence of nationalism and national identity.

The fifth point pertains to the fate of the nation-state. According to the globalists' view, the confluence of technology, non-state actors, and market forces have rendered the nation-state powerless. In other words, the erosion of territorial boundaries, globalization of financial capital and production and the thickening of inter dependence among states have meant the lost of state sovereignty, legitimacy and autonomy. To the sceptics, the present world economy does not show any substantial proof of market integration to suggest that it poses a threat to states. Beside, the mushrooming of multilateral organisations, which is regarded as evidence of the growing interdependence among states, according to them, are the explicit project of states to further strengthen their power.

The last point of difference refers to the impact of contemporary trends on the emerging world order. The globalists view holds that states no longer have the capacity and policy instruments to contest the forces of globalization. For it entails states to adopt norms and rules amenable to world markets and transnational activities or associations if they do not want to be isolated from the rest. Moreover, globalization has brought about a pluralisation of economy, social and political orientations such that the states capacity to sustain a singular identity is been eroded. States are, therefore, now locked into a web of regional and global governance so that the fate of a national community is no longer in its own hands. In short, contemporary globalization, according to the globalists, is unfolding a new world order characterised by the emergence of a global civil society and a shift of political power from government to a multilayered forms of global governance.

Since the sceptics discount the globalists' claim of contemporary globalization as unprecedented or that it is taking place, they do not see a world order with the state been replaced or supplanted by transnational institutions. To them, the state remains the central actor, whether it concerns welfare activities, decision- making or promoting cross border activities. For, even at this age of liberalisation, privatisation and deregulation, subsidies are rampant and barriers in the movement of goods, people and capital exists. Besides, the present international trade activity has not been accompanied by an erosion of the North-South inequality but rather by the growing marginalisation of the South. Consequently, the sceptics blame the rise of fundamentalism and aggressive nationalism to the widening gap seen not only between states but also within states. In fact, internationalisation is seen by the sceptics as accentuating cultural differences rather than indigenising the pluralism of culture. Therefore, far from a homogenising transnational world order, the sceptics

see the persistence of conflict and a world order characterised by international society of states.

An Assessment of the Debate:

Globalization as seen can be referred to the intensification of global flows, network and interconnectedness so that local events and decision can come to have significant impacts on individuals and communities in distant localities of the world.⁴ Paradoxically, this intensification of global flows and networks occur at a time when the sovereign territorial state, with fixed and demarcated borders, has become the near universal form of human political organization and political rule. Within this paradoxical structures, the globalists and sceptics position themselves with their set of well elaborated argument and perspectives concerning issues of contemporary globalization vis-a- vis the nation state. The debates identifies some of the most fundamental issue in the era of contemporary globalization and there is much to be learned from both sides. However, it does not entail that we should accept the debate in toto as there are few implications that need some critical assessment. If we look at the account of the current debate, in most cases, it treats globalization as prefiguring an end state and not a process.⁵ This ideal type approach is teleological in so far as the present is interpreted as the stepping stone in some linear progression towards a given future end-state. Beside, there is no a *priori* reason to assume that globalization must simply evolved in a single direction or that it can only be understood in relation to a single ideal condition.⁶ The problem in taking such a view is that globalization tends to be measured in terms of a perfectly integrated world and, from such a conception, posits it against the state. Accordingly, such a view provide a basis to situate the

⁴ Giddens, in Held and McGrew, eds. (2000) op. cit., p. 92

⁵ Brown, in MacMillan and Linklater, eds. (1995) op. cit., p.55.

⁶ Held et al., eds. (1999) op. cit., p. 11.

globalization and the state as mutually opposing forces, a zero sum, that what ever global economy gains, the state loses and vis versa.⁷ It is true that contemporary globalization has brought about a higher level of integration in almost all aspects of social life not seen in early epochs, and the state in some fundamental ways is being transformed.⁸ But it is also equally true that the realities of the world for the most part are dominated by local and national circumstances and that the state remains at the heart of world politics.⁹

Given this situation, then, contemporary globalization be best viewed as a highly differentiated process, rather than viewing it as a singular condition or a linear process. To contest that state has become increasingly irrelevant in contemporary globalization or that nation state still enjoys its pristine glory with all its authority and power is to overstate the matter. Viewing it as a process, what is significant about contemporary globalization as David Held and others point out, is the confluence of globalization tendencies within all the key domain- political, military, economic, migratory, cultural and ecological-of social interaction. The complex interaction among these domains not only reproduce a distinctive form and dynamics of contemporary globalization but also tend to generate a systemic dynamic, in so far as the totality of global flows, networks, interaction and interconnection involved a structural shift in the organization of human social affairs and exercise of power.

This structural shift or global transformation however, should not be construed as an irreversible or a linear historical process as the globalists argue. What is distinctive is the magnitude and institutionalization of its political regulation at all

⁷ Saskia, in Smith et al, eds. (1999) op. cit., p. 158.

⁸ Held et al., eds. (1999) op. cit., p. 425.

⁹ Brown, in MacMillan and Linklater, eds. (1995) op. cit., p. 63; also see Held and McGrew, eds. (2000) op. cit., p.12.

levels and the plethora of social forces pursuing a defined global project.¹⁰ Viewed in this light, contemporary globalization has not only triggered or reinforced a significant politicisation of growing array of issue areas, but it has also been accompanied by an extraordinary growth of institutionalised arenas and networks of political mobilisations, surveillance, decision-making and regulatory activity across borders. This has expanded the capacity and the exercise of political autonomy. In this respect, contemporary globalization does not, as many globalists argued, necessarily narrow the scope for political action and state initiatives. However, arguing that contemporary globalization is highly politicised and regulated does not entail accepting the premises of the “sceptical school” that globalization is effectively under the control of national governments and that the power of the nation-state remains fundamentally unaltered.

Having said that, it does not however necessarily mean the state has become all the more powerful in the context of contemporary globalization. There are growing transborder or transboundary political issues and problems, which erode the distinction between domestic and foreign affairs, internal political issues and external questions, the sovereign concern of the nation-state and the international consideration. Issues like AIDS, migration, the use of non-renewable resources, the management of nuclear waste, proliferation of weapon of mass destruction and the new challenge to peace and security, to point out a few, cannot easily be categorized in traditional political terms, that is, domestic or international. In fact, in all major areas of government policy, the enmeshment of national political communities in regional and global process involves them in intensive issues of transboundary coordination and control. Political space in respect of effective government and the

¹⁰ Held et al., eds. (1999) *op. cit.*, p. 437.

accountability of political power is no longer coterminous with a delimited national territory. Therefore the assumption that one can understand the nature and possibilities of globalization by referring merely to traditional national structure and mechanism of nation states is clearly anachronistic. In the backdrop of contemporary globalization, the idea of government or of the state can no longer be effectively defended as an idea suitable to a particular close political community or nation states. In this context David Held and others argued that we could recognize political power as been repositioned, recontextualised and to a degree, transformed by the growing importance of other less territorially based power systems. Accordingly, political power is now sandwiched in more complex power system that have become more salient over time relative to state power.¹¹

There is also a need to view globalization in terms of space. Viewed from this angle, globalization can be understood as a “decentered” and yet “interconnected” spatial process as against viewing it as fixed to territory. Globalization can, then, be located on a continuum. At one end of the continuum lies this social, political and economic relations and networks, which are organized at local and national levels, and at the other these relations and networks crystallized on the wider scale of regional and global interaction. Thus globalization can be referred to that spatial process of change, which underpin a transformation in the organization of human affairs by linking together, and expanding human activity across regions and continents.¹² Although infrastructures responsible for the growing extensity, intensity, velocity and impact propensity are embedded in national territories, these expansive process transcending nation- states are been viewed as “non territorial functional

¹¹ Ibid., p.447.

¹² Ibid., p. 15.

space”.¹³ The failure to differentiate this spatial attribute of globalization from territoriality is reflected in the sceptics assumption that whatever happen within the territory of state is a national event, whether it is business transition or political and judicial decisions.¹⁴

Globalization in its spatial manifestation can be seen as bringing together previously separate and loosely connected individuals and communities into regular global interaction.¹⁵ However, it does not necessarily imply that the world is integrating into a single global polity. For instance, the European Union in which the process of trans-territoriality has gone further than anywhere else is however, neither a nation-state nor a supra-national identity and interest. As Ruggie observes, there is no clear implications that it will result in a federal state of Europe. Nevertheless, globalization in spatial term informs us of the tightening of previously separate and loosely connected nation-state without altering the territorial identity or its ultimate authority as states.

With regard to the debate on culture, the contest between the globalists and the sceptics appears to be overstated again. In its zeal to propagate the thesis of homogenising and pluralistic world culture in the wake of contemporary globalization, the globalists does not adequately address some of the features of emerging ‘global culture’. The emerging global culture still remains centered in the west, and speaks English (some would prefer to say ‘American English’) and its peculiar form of homogenization which aims not so much at completeness as at

¹³ Ruggie (1998) op. cit., p. 190.

¹⁴ Saskia, in Smith et al., eds. (1999) op. cit., p. 158.

¹⁵ Brown, in MacMillan and Linklater, eds. (1995) op. cit., p. 55.

absorbing differences within an overriding framework of what is essentially an American conception of the world.¹⁶

In this regard, Edward Said says, American expansionism, even though principally economic, “is still highly dependent and moves together with, upon cultural ideas and ideologists about America itself...Rarely before in human history has there been so massive and intervention of force and ideas from one culture to another as there is today from America to the rest of the world”.¹⁷

However, Huntington argued that the fact that peoples across continents are embracing American food, clothing, pop music, movies and consumer goods does not mean that they are accepting American culture or that the American culture is becoming the universal culture of the world; nor does the spread of westernization.¹⁸ Historically, interaction and borrowing between civilizations have always taken place, and outside influences, both material and non-material, have been “absorbed and adopted in such a manner as to strengthen the continuing core” of the receiving nation and culture.

He believes that the spread of western consumer goods rather than endearing non-western people to western culture is promoting a resurgent of, and renewed commitment to, indigenous culture. He finds people reacting against the “Westoxification”, especially in the Muslim world. Strong adherence to indigenous culture is also visible in East Asia. In the former western colonies, indigenization will continue to strengthen its roots as second and third generation leaders who are indigenously trained take over from the immediate post-independence generation who

¹⁶ David Slater, “Other Contest of the Global : A Critical Geopolitics of North South Relations” in Elenore kofnan and Gillian Youngs, eds., *Globalization: Theory and Practice* (London: Printer, 1996) p. 278.

¹⁷ Edward W. Said, *Culture and Imperialism* (London: Vintage, 1994) pp. 350;387.

¹⁸ Samuel P. Huntington, “The West Unique, Not Universal”, in *Foreign Affairs* (Nov-Dec, 1996) pp. 28-46.

might have receive their education from western institutions. Besides, establishment and working of democracy in non Western countries will further help cultural indigenization as electoral compulsion will drive politicians to appeal to popular and nativist element in society. He also believes that not only the alteration of Western culture is declining in non-Western countries, but the West's power to universalize its culture through imperialism and coercion is disappearing or disappeared. His argument is that globalization does not represent a Western attempt at cultural imperialism, and attempt to homogenise world culture through universalisation of its own culture.

However, there are also problems in following isolationist and closed door approach in interpreting culture in the backdrop of contemporary globalization. The argument of sceptics that despite the flows of information, imagery and people around the world, distinctive national cultures and nationalism remain the hallmark in the world of state system. But, they have not taken into account the fact that attempts to homogenise and isolate populations in the name of nationalism and cultural identity have led to colossal sacrifices and failures.¹⁹ Nationalism in many parts of the third world, notably in South Asia, has become infinitely regressive fracturing, or attempting to fracture, the political receptacle of nationalism into smaller and smaller units. Such events have led to crisis and/or breakdown of democracy, authoritarian intervention or worse. In South Asia, especially Pakistan and Sri Lanka, it is over emphasis on national unity, cultural identity and state sovereignty by a centralizing elite that has done irreparable harm to both unity and sovereignty.²⁰ Opposing globalization in the name of purity of nationalism and cultural identity or inviolability of national sovereignty could well lead to intellectual solipsism and ethno-centric

¹⁹ Edward W. Said (1994) op.cit., p.371.

²⁰ Rakhahari Chatterji, "Globalization, Culture and Nation –State" in B. Ramesh Babu, eds., *Globalization and the South Asian State* (New Delhi : South Asian Publishers, 1998) p.172.

celebration ossified of cultures. What is, therefore, required is a rethinking of the politically and philosophically isolationist position of the communitarian and the sceptics in the wake of contemporary globalization. For the contemporary world is not a world of close communities with mutually impenetrable ways of thought, self-sufficient economic and ideally sovereign states. However, we must also acknowledge the fact that historically, civilizations and societies interact and borrow from each other. In contemporary world, such borrowing can be productive and can enhance “the chance of survival” of the borrower nation only when they are based on free and conscious choice. Creative borrowing can take place in an international society which recognized and respects frontiers: cultural, social and political. As such, every national community has the opportunity of working towards enriching its own high culture both by itself and through creative borrowing.

What can then, be discerned in the light of the globalists and sceptics debate on contemporary globalization is that while globalization had resulted in restraining the capacity of state to act autonomously in certain sphere, it has also redefined and renegotiated its political role as an initiator of policies and regulation as well as broker of regional alliance. In this respect, it can be said that the power of the state is not simply diminished but can be considered as reconstituted in the era of globalization, as new responsibilities and functions demand the state to play a vital initial role in global politics. Moreover, when it comes to core national interest, states often assert its authority and set its priorities in spite of pull and pressure of globalization. What can be said then is that contemporary globalization is transforming the conditions under which state power is exercised within the changing processes and structures of regional and global order but does not necessarily translate into a diminution of state power. David Held and others held the view that in the era of contemporary

globalization, national sovereignty and national autonomy have to be thought of as embedded within broader frameworks of governance in which they have become but one set of principles, among other, underlying the exercise of political authority. Given this changing global order, the forms and functions of the state have to adapt as governments seek coherent strategies of engaging with a globalizing world.

Today, the Westphalian regime of state sovereignty and autonomy is undergoing a significance alteration but should not mean that the sovereignty and autonomy of states simply diminished by processes of contemporary globalization. Rather, it has encouraged a spectrum of adjustment strategies and, in certain respect a more activist state. At the end what can be said about contemporary globalization vis-a-vis the nation state is that we cannot say the relationship between the two is either straight forward or permanent. Indeed, situating in the context of the globalization debate, what we can discerned is that assessment of the cumulative impacts of globalization on the notion of state cannot be absolutised as it is highly variable between different nation states, both within and across each of the major domains of globalization. Therefore, in order to come to some sort of agreeable conclusion, position in global political, military and economic hierarchies, its domestic economic and political structures; the institutional pattern of domestic politics; and specific government as well as societal strategies for contesting, managing or ameliorating globalizing imperatives have to be taken into account.

The Globalization Debate and the Developing States.

It has been acknowledged that the phenomenon of contemporary globalization is encompassing almost the entire world. Given this situation, the globalization debate stretches across the continued prominence of the nation-state versus its diminishing authority-from market forces restraining the welfare functions of national

governments to the ability of states to benefit from a global market without barriers. In this context the experience of the developing countries with the contemporary process of globalization vis-a- vis the role of the state need to be situated in the globalization debate.

Countries in the developing south are heterogeneous and are caught in the whirlwind of globalization at different levels of economic growth. For most of the developing state, one important meaning of globalization is that it makes a turning point in recent world history when market-centred “structural adjustment” replaces state-centred “development” as the new globally dominant ideological paradigm. Put differently, globalization has compelled these states to shift their ideological paradigm from development to globalization (liberalisation) breaking the post-colonial relationship that ‘development’ had built between the developed north and the developing state.²¹ The perception and impact of globalization between the north and south differ significantly in various ways. In the developed north globalization may signify the triumph of western neo-liberalism but in most of the developing south it is often viewed as yet another opportunity for the developed north to assert its hegemony over them.²² In other words, the developed states are trying to legitimise their mode of globalization through international donor agencies like the International Monetary Fund (IMF) and the World Bank. The developing countries in their bid to get developmental aid are constrained to fulfill the conditionalities of donor agencies by opening up their economy and liberalisation, sometime with disastrous consequences, the Mexican and the East Asia crisis being just two classic examples.²³ Perhaps, the establishment of World Trade Organisation (WTO) in 1995 may be

²¹ Satish Deshpande, “From Development to Globalization: Shifts in ideological Paradigm of Nation and economy in the third World”, in Melkote, ed. Op.cit., pp.100-101.

²² Rajen Harshe, “ The challenges if Globalization and India”, in Babu, ed. (1998) op.cit., p.21

²³ Stiglitz, op.cit., pp.42-43.

another essay in making trading arrangement, suitable to the changing nature of developed economy. The existing multilateral institutions of global economic governance, then, are conceived primarily, is so far as they advocate and pursue programs, which extend and deepen the hold of global market forces on national economic life, as the agents of global capital and the developed states.

Viewed differently, it can be said that when the Third World developing states are engaged in the yet- to - complete nation- building process, in creating stable nation states through unity and cohesion, in developing distinct national high culture through which to shape national identity and citizenship, the globalization processes comes from above, directs the state to roll back and put a brake on the nations-state building process by declaring that nations are irrelevant in its “global village”

Given this situation, the bargaining powers of the developing states have obviously been constraint. But it will be an unrealistic idea to say that the hold of global market forces and the growing global economic network and institution portends the end of state or that state has lost its preeminence in the developing states. Given the enormous levels of poverty and deprivation in the Third World, developmental visions continue to hold prime appeal for these states.

Multi-centric economic governance implicates the coordination of diverse activities of diverse actors, institutions and processes. The state alone possess the legitimacy and authority to carry out this crucial task of coordination, because the state as yet remains the only institution which can command the bulk of the loyalties of a geographically/territorially bound people.²⁴ This is much more true of the developing South. No other sub-national, international, non-governmental or any other type of association, organisation and institution is vested with the overall

²⁴ A.P.Rana, “The South Asian state in an Age of Globalization, Transmutation or Adaptation?” in Babu, eds., (1980) op. cit., pp. 234 -235.

authority and legitimacy. Therefore, it is inconceivable to think of multi centric international economic governance being effectuated without the agency of the state.

In this context, A.P Rana argues that globalization is unlikely to bring about any form of “transformative” or “transmutative globalism” in developing countries like South Asia as the existing political and strategic relations on the sub-continent acts as constraining factors. The gut reality of South Asia, the source of its major conflicts and cooperative efforts, is state and nation building. The globalization process in fact has complicated this task by compressing the period of time within which this needs to be effectuated. Given the South Asian reality, Rana argues that a more appropriate conceptualisation of globalization would be inclusive of support for state and nation-building, as well as for encouraging and furthering international societal ties between state entities, not only across them. It is in the extent to which such seemingly conventional agendas are promoted, that globalization project is likely to be helped along and to have its more cosmopolitanising effects in the long run. “Constitutive (state – inclusive) globalism”, then, seems to be a more adequate conceptualisation of globalism than either “transformative” or “transmutative globalization”²⁵ so far South Asia is concerned.

In the developing states, government is ‘big government’ as it spend a significant proportion of the national income, employ the largest numbers of people, and have wide ranging responsibility not just for the management of the economy but also the security and welfare of their citizens. The support, which the state receives, and the loyalty which it elicits in the Third World, is not because of any mindless commitment to the status quo; it stems from deeper, more fundamental values related to the security, well being, and identity of the individual and the community. In fact,

²⁵ Ibid., p.243.

the skewed nature of present day globalization, in which a few developed areas attract its benefits in their own direction, is beginning to be perceived as new forms of exploitation and inequality, against which only the state, however imperfect, can stand guard.²⁶

However, by arguing the centrality of state in the developing countries does not mean that states has become all the more powerful in the era of contemporary globalization. In fact the power and authority of most of the Third World countries are constrain by the imperatives of globalization. For instances, SAPs overseen by the IMF and WB severely limit governmental decision on economic matters. Besides most of the Third World states are intensely conflictual: state and nation-building, ethnic differentiations and sub-ethnicities, regional antagonisms and insecurities, power-based strategic relations between states, and a host of other such persistent dilemmas pre-empt developing states from acquiring the necessary political will, or inventiveness, to take advantage of, and suitably shape, favorable possibilities which are latent in the increasing physical coalescence of the world.²⁷

Given the fact that contemporary globalization is encompassing almost all the developing states, it would be imperative for states to position themselves to their best advantage, or at least to their least disadvantage. This requires political adaptation to complement the forces of globalization. While the existing role and function of the state in the developing countries is perceived as both credible and desirable, it nevertheless needs finetuning to lend an irresistible logic to cooperation and its ability to deliver maximum benefits of globalization to its citizens. It needs to be acknowledged that nation-state political communities are not necessarily antithetical to a transnational civil society and in conjunction with a globalized market may

²⁶ Ibid., p.242.

²⁷ Ibid., pp.242-243.

indeed lead to thinning out of monopoly state sovereignty but these would be beneficial if as constraining factors they lead to greater transparency, accountability and presence of public voice in politics and government within states, that is, if they lead to the creation of “strong democracy”.²⁸

Nation-state, founded on plural, civic community, sustained by a civil society and civic culture, drawing strength from citizen participation at its multiple levels must be allowed to play its role both in economic development and in the environment of culture. A weak-kneed state and a fractured civil society would not be in a position to positively interact with the demands of globalization. Therefore, in developing states, what is required is a conscious effort to make the state strong through strengthening democratic processes of accountability and participation, through energising the civil society and infusing new blood into the concepts of citizenship.²⁹ To be successful, then, globalization process must work hand in hand with the nation states. By placing state in the process of globalization in the developing countries does not necessarily mean that we are accepting the sceptics argument with regard to the exclusivity of state power and authority, but that states needs to be adapted, reconstituted and reposition themselves to extract maximum benefits in the process of contemporary globalization.

However, it is not sufficient that states in the developing countries need to be refashioned and reconstituted. What is more important in the wake of increasing political, social and economic coalescence of the world which contemporary globalization makes possible is the need to democratise the contemporary world order basing on the principles of equality, justice and accountability. This demands for new forms of political deliberation, conflict resolution, transparency and accountability in

²⁸ Chatterji (1998) op. cit., p.173.

²⁹ *ibid.*,

international decision-making. In this context, it can be stated that the growing inequalities and marginalisation as well as cultural and political backlash brought about by contemporary globalization requires both the state and global institutional order to give a democratic and humane touch to the forces of contemporary globalization. To argue that states alone or system of global governance alone can effectively tackle such issue is to miss the point.

Conclusion.

The globalization debate is about change, the strategic choice societies confront, and the constraints, which define the possibilities of effective political action. The debate tries to tackle the system of territoriality-rooted government with the transnational and global organisation of social and economic life. They pose key questions about the organisation of human affairs and trajectory of global social change. The debate has given us an invaluable insight about the complex process of contemporary globalization and its impact on the notion of nation states.

The emphasis and perspective of the globalists and sceptics significantly differs. But there are also points of convergence, which has been, aptly captured by David Held and Anthony McGrew.³⁰ They are:

1. Growing multifaceted economic interconnectedness with uneven consequences across different communities.
2. Interregional and global competition challenges old hierarchies and generates new inequalities of wealth, power, privilege and knowledge.
3. Transnational and transborder problems becoming increasingly salient, calling into question the traditional role, function and institutions of accountability of national government.

³⁰ Held and McGrew, eds. (2000) op.cit., p.38.

4. Expansions of international governance at regional and global levels- from the EU to the WTO- which poses significant normative questions about the kind of world order being constructed and whose interests it serves.
5. These developments require new modes of thinking about politics, economics and cultural change. They also require imaginative responses from politicians and policy makers about the future possibilities and forms of effective political regulation and democratic accountability.

Conclusion

Contemporary globalization is been defined as an intensification process of economic, cultural, social and political relations across borders through interrelated activities in productions, distributions, consumption, service, ideas and information. It is a process which relates to the intensification of entrenched worldwide interconnection, marked by unprecedented extensity, intensity, velocity and impact propensity of global flows, interactions and networks embracing all social aspects of life.

Paradoxically, the intensification of global flows and networks occur at a time when the sovereign territorial state, with fixed and demarcated borders, has become the near universal form of human political organization and political rule. This has raised a number of key implications for the nation-state vis-a-vis its sovereignty and autonomy. Given this paradoxical structure, the globalists and sceptics position themselves with their set of well-elaborated argument and perspective concerning issues of contemporary globalization vis-à-vis the nation-states.

At the heart of the debate is the role, authority, power and the fate of nation-state in the era of contemporary globalization. For the globalists, contemporary globalization is eroding and undermining the capacity of nation-states to act independently in the articulation and pursuit of domestic and international policy objectives: the power and role of the territorial nation-state is in decline. They see modern states as increasingly embedded in webs of regional and global interconnectedness permeated by quasi-supra national, inter-governmental and transnational forces, and unable to determine its own fate. The decision-making processes of states have been over stretched to accommodate the views of non-state

actors with the emergence of multilateral organization and institution. Consequently, the monopoly of states over economic, security and social policies has been seriously undermined. Footloose capital, production base and information have crippled the state to withhold news, make policy or act autonomously. Therefore, due to the thickening of interdependence brought about by globalization, states can no longer act unilaterally thereby constraining even their external sovereignty. The globalists argue that the widening extent of worldwide interconnectedness point towards a global economy and culture.

The sceptics emphasise the continuing primacy of territoriality, border and national governments to the distribution and location of power, production and wealth in the contemporary world order. For them, the nation-state remains paramount. It is the nation-state that remains the sole determining factor in all international and national activities. National political traditions are still vibrant and states continue, given the political will, to rule. They denounce any idea of a 'shared world' as a 'myth' and argue that globalization is just an invention of the developed West to recolonise the post-colonial states. Rather than globalization, the sceptics see the contemporary trends is more aptly captured by the terms internationalization, that is, the growing links between essential distinct national economic or regionalisation, which involves geographical clustering of cross border economic and social exchange. They claim that the contemporary globalization, instead of integrating global economy, many states of the world, especially the Third World states, are peripheral to global processes and market forces. Indeed, the sceptics argue that contemporary globalization has widened the gap between the North and South and regard the unequal economic relation between them as a form of new imperialism. Moreover, greater interdependence among states had not led them to a level of

appreciable integration. In this view, the states remains unrivalled due to the legitimized relationship it has with its population and territory. Since transnational organizations and institutions do not have a life of their own, without states, they cannot have any substantial influence over their creators. Besides, markets, which are profit driven, can neither deliver justice nor maintain order

If we look at the account of the current debate, in most cases, it treat globalization as prefiguring an end state and not as a process. This ideal type is teleological in so far as the present is interpreted as the stepping-stone in some linear progression towards a given future end-state. The problem in taking such a view is that globalization tends to be measured in terms of a perfectly integrated world and, from such a conception, posit it against the state. Accordingly such a view provides a basis to situate the globalization and the state as mutually opposing force, a zero sum, that whatever global economy gains, the state losses and vice versa. It is true that contemporary globalization had brought about a higher level of integration in almost all aspects of social life not seen in early epochs, and the state in some fundamental ways is being transformed. But it is also equally true that the realities of the world for the most part are dominated by local and national circumstances and that the state remains at the heart of world politics.

Contemporary globalization then, is best viewed as a highly differentiated process. Viewing it as a process, what is significant about contemporary globalization is the confluence of global tendencies within the entire key domain-political, military, economic, migratory, cultural and ecological- of social interaction. The complex interaction among these domains not only reproduce a distinctive form and dynamic of contemporary globalization but also tend to generate a systemic dynamic that not only triggered or reinforce politicisation of growing array of issue areas, but also

generate institutionalized arenas and networks of political mobilizations, surveillance, decision-making and regulatory activity across borders. This has expanded the capacity and the exercise of political autonomy. As such contemporary globalization does not necessarily narrow the scope for political action and state initiatives nor do it mean that globalization is effectively under the control of national government and the power of the nation-state remains fundamentally unaltered. Indeed, in all major areas of government policy, the enmeshment of national political communities in regional and global process involves them in intensive issues of transboundary coordination and control. Political space in respect of effective government and the accountability of political power is no longer coterminous with a delimited national territory.

Globalization can also be viewed in term of space. Globalization in its spatial manifestation can be seen as bringing together previously separate and loosely connected individuals and communities into regular global interaction. The failure to differentiate the spatial attributes of globalization from territoriality is reflected in the sceptics assumption that whatever happen within the territory of state is a national event, whether it is business transition or political and judicial decisions. However interpretation in spatial term does not necessarily imply that the world is integrating into a single global polity.

The globalists contention on emerging common culture in the wake of contemporary globalization does not adequately address some of the issues such as the growing influence of Western, more particularly American, culture in the contemporary world, thereby generating political and cultural backlash in the developing world, especially among the Muslim states. Though indigenization do take place but state attempts to homogenize and isolate population in the name of

nationalism and cultural identity can led to colossal sacrifices and failures as witness in some of the states in South Asia.

In the developing countries globalization is replacing state centred development ideology, generating pulls and pressure on their economy, society and polity. Contemporary globalization has not led the Third World countries into an integrated economy and culture. Since globalization has encompasses almost all states in developing countries, and given the fact that states in these societies is pivotal for development and nation-building therefore conceptualisation of globalization would be inclusive of support for state and nation-building. While the existing role and function of the state in developing countries is perceived as both credible and desirable, it nevertheless needs finetuning to adjust with the imperatives of globalization. Therefore, in developing states, what is required is a conscious effort to strengthen the state through democratic processes of accountability and participation, energizing the civil society and infusing new blood into the concepts of citizenship. However, this is not possible unless there is also a growing democratisation, transparency and accountability in international decision-making system.

What can be discerned in the light of the globalists and sceptics debate on contemporary globalization is that while globalization had resulted in restraining the capacity of state to act autonomously in certain sphere, it has also redefined and renegotiated its political role as an initiator of policies and regulation as well as broker of regional alliance. In this respect, it can be said that the power of the state is not simply diminished but can be considered as reconstituted in the era of globalization, as new responsibilities and functions demand the state to play a vital role in global politics. Given the changing global order, the forms and functions of the state have to adapt as governments seek coherent strategies of engaging with a globalizing world.

However, to say that the state still enjoys its pristine glory and power in the era of contemporary globalization appears to be far-fetched.

Situating in the context of the globalization debate, what we can discern is that assessment of the cumulative impacts of globalization on the notion of state cannot be absolutised as it is highly variable between different nation-states, both within and across each of the major domains of globalization. Therefore, in order to come to some sort of agreeable conclusion, position in global political, military and economic hierarchies, its domestic economic and political structures; the institutional pattern of domestic politics and specific government as well as societal strategies for contesting, managing or ameliorating globalizing imperatives have to be taken into account.

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