

Globalisation and the State *

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Introduction

At the beginning of the 21st century, we are living in an era of globalisation. Is globalisation a threat to the Westphalia system? The Westphalia system was a framework of governance. At the core of this mode of governance stood the principles of statehood and sovereignty. Statehood meant that the world divided into territorial parcels, each of which was ruled by a separate government. The Westphalia state was moreover sovereign, that is, it exercised comprehensive, supreme, unqualified and exclusive control over its designated territorial domain. Sovereignty has two dimensions: internal and external. Internal sovereignty is where the sovereign or government exercises absolute authority over a particular society. Externally, there is no absolute authority above and beyond the state. Thus, states should determine their own direction and policies.¹ (Held, 1989:215)

This essay will discuss, in a basic outline, the implications of globalisation for the state. Much has been written that connects globalisation and the state. This literature has been dominated by the intense debate of 'decline of state'² versus 'continued strength of state'³. There are 'globalisation sceptics' denying the reality of globalisation or questioning the extent of change attributable to globalisation. Against this view, 'globalisation believers' argue that globalisation cannot be resisted. Since the issues are so wide ranging, limitations of space dictate that this essay can concentrate only on those issues which are particularly relevant to the question of whether

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¹ David Held (1989), *Political Theory and the Modern State* Stanford, California: Stanford University Press, p. 215.

² Susan Strange (1997), "The Erosion of the State", *Current History*, 96 (613), pp. 365-369; Susan Strange (1999), "The Westfailure System", *Review of International Studies*, 25(3), pp. 345-354.

³ Paul Q Hirst and Grahame Thompson (1996), *Globalisation in Question: The International Economy and the Possibilities of Governance*, Cambridge: Blackwell.

globalisation undermines the state. Thus, it will not directly address the consequences of globalisation for state-society relations, for democracy, civil society, migration, national identity and culture which are related issues.⁴

This article regards the relationship between the state and globalisation as one of both continuity and change. It is continuous, because at the core of governance arrangements in the contemporary globalising world, state relations persist. However, there are changes in the character of the state, such as its capacities and policy contents brought about by globalisation.⁵ This article has reached this conclusion through an analysis of relations between globalisation and the state.

The first section of this article examines in general, the decline of the state as a consequence of globalisation. It has been argued that with globalisation, the Westphalia system is already past history - there have been violations to state sovereignty. In this section, these violations to state sovereignty are examined through economic, political and military/security globalisation. The second section examines in general; the continued strength of the state, and presents the counter arguments. In conclusion, it is argued that globalisation has contributed to the limitation of sovereign statehood; yet, the state still survives in the era of globalisation.

Decline of State

“Virtually all nation-states become part of a larger pattern of global transformations and global flows. Goods, capital, people, knowledge, communications and weapons, as well as crime, pollutants, fashions and beliefs, rapidly move across territorial boundaries. It has become a fully interconnected global order...”⁶

Since the end of the Cold War, the power of state-centric political and military rivalries to dominate international relations has diminished. National borders cannot stop the flow of information and other information technology developments. As Rosenau (1990) points out in *post international politics*, there are important dimensions of global life other than the relations between nations. Indeed, in the contemporary world, we have to accept that there is a

⁴See R. Robertson, London, Newbury: Sage Publications (1992), *Globalisation*, London: Sage Pub. (1992); D. Held, *Democracy and the Global Order*, Cambridge: Polity Press (1995), A. Giddens, *Beyond Left and Right*, London: Polity (1994); U. Beck, *Risk Society*, London: Sage (1992); F. Keyman, *Globalisation, State and Identity*; NJ: Humanities Press (1997), R. Axtman, *Liberal Democracy in the 21st Century*; Manchester: Manchester University Press (1996),

⁵ Jan Aart Scholte (1997), “Global Capitalism and the State”, *International Affairs*, 73 (3), pp. 427- 452.

⁶ David Held, A. McGrew (1998), “The End of the Old Order?”, *Review of International Studies*, 24, p.230.

transformation in social and economic dynamics. One needs only to read the works of Peter Drucker and John Naisbitt to appreciate some of these transformations.⁷ There are “New Realities”. One of these new realities is argued to be the shift from an industrial to an “information society” or “post-industrial society”.⁸ Technological advances are bringing about profound changes in economic, political and social life. For example, it is transforming the location of economic activity; the nature of competition and the character of production processes. The most powerful of the emerging technological changes is the information revolution (advances in computers and global telecommunication systems). The Information revolution and technological advancement have accelerated globalisation in the last two decades.

What is globalisation? Globalisation may be defined as the integration of economic, social and cultural relations across borders.⁹ Today, many commentators have gone beyond simply restating basic arguments about economic globalisation. There is now also political globalisation and military/security globalisation.

Three dimensions of globalisation are apparent in the relationship between the sovereign state and the globalised world. I shall briefly examine these arguments and discuss how they violate state sovereignty.

Dimension 1: Economic Globalisation

Economic globalisation involves production, distribution, management, trade and finance.¹⁰ The key features of economic globalisation are well known and need only a brief re-iteration here. First, multinational corporations (MNCs) have greatly accelerated integration of the global economy. In the 1960’s and ’70’s, foreign direct investments (FDI) by the American MNCs increased dramatically. In the 1980’s, Japanese and west European FDI in parallel to US investments increased. In a relatively short period, newly industrialized countries MNCs (such as Taiwan and South

⁷ P. Drucker, *Managing in Turbulent Times*, New York: Harper & Row (1980); P. Drucker, *New Realities*, California (1991); P. Drucker, *Managing For the Future: The Nineties and Beyond*, New York: Truman M. Talley (1992); John Naisbitt, *Megatrends: Ten New Directions Transforming Our Lives*, New York: Warner Books (1982).

⁸ P. Drucker, *Managing For the Future: The Nineties and Beyond*, New York: Truman M. Talley (1992)

⁹ It is still debated whether “interdependence”, “integration” and “globalism” are merely different words for the same condition. See R.O. Keohane and J. S. Nye Jr, “Globalisation: What’s New? What’s Not? (And so What?)”, *Foreign Policy*, Spring 2000, pp. 104-19.

¹⁰ George Sorenson (Special Issue 1998), “IR Theory after the Cold War”, *Review of International Studies*, 24, pp.83-100.

Korea) have also become major players.¹¹ Overseas expansion is frequently accompanied by corporate alliances with companies from another country. The growth of FDI and corporate alliances in the 1980's and '90's emphasizes the role of the MNCs in the global economy. As globalisation increases the power of the MNCs, Strange suggests that finally, power will shift from states to firms.¹²

Second, there is an important transformation in financial markets. Financial flows have increased; including portfolio-type transactions. National capital becomes integrated with international financial capital. Financial globalisation has made it easier for corporate alliances. A national currency can circulate as easily outside a country as inside.. High-speed communications and the information revolution have accelerated financial globalisation. It seems that it is difficult for states to control this movement as illustrated by the recent financial crisis in East Asia (1997-8).

Third, the characters of markets, commodities, production and business organization have all shifted to a global perspective. High levels of trade (related to trade liberalisation), global markets for many goods and services (facilitated by internationalisation of production, the promotion of worldwide transportation and communication infrastructures, trade liberalisation), global competition and the rise of intra-industry trade are signs of globalisation in trade, which diminish state control.

Accordingly, there are arguments that economic globalisation, especially the activities of the MNCs, massive international financial flows and growth of international trade - which have been supported by technological advancement, innovations, development of communication and transportation systems, challenges the state. Challenges are numerous: national governments are no longer in control of the spread of ideas, capital, technology, labour, trade or ownership of economic assets. National governments now have less influence on business transactions; globalisation leads to increasing interdependence and greater international competition. National governments are losing control of national economic policies and their own economic future.

¹¹ The position of home and host country governments vis-a-vis MNCs is highly debated among many scholars. See especially J. H. Dunning , *Multinational Enterprises and the Global Economy*, London: Addison Wesley (1993); R. Vernon, *Sovereignty at Bay*, New York: Basic Books (1971).

¹² Susan Strange (1997), "The Erosion of the State", *Current History*, 96 (613), pp. 365-369.

Furthermore, it is argued that states can no longer provide traditional public goods.¹³ Cerny has categorized public goods in three groups¹⁴:

- i. *regulatory goods*: includes the establishment and protection of property rights, a stable currency system, the abolition of internal barriers to production, standardisation, a legal system to enforce contracts, trade protection, etc. ;
- ii. *productive/distributive goods*: involves various direct and indirect state controlled or state-sponsored activities of production and distribution;
- iii. *redistributive goods*: involves wealth and welfare services, employment policies, environmental protection etc

Strange has suggested another area where the power and authority of the state to provide public goods has declined: defence. Armies are no longer kept to repel invaders, but to enforce civil order. Rather than territorial acquisition, states recognize the need to gain world market shares for their survival.¹⁵

In extreme arguments, economic globalisation is considered to put an end to the system of independent sovereign states and thus leads to the erosion, loss and diminution of the state. This argument is explicitly presented in publications such as “The End of the Nation-state” (Kenichi Ohmae, 1996)¹⁶, and “The Retreat of the State” (Susan Strange, 1996)¹⁷. According to this argument, economic globalisation signals supremacy or triumph of the market over the nation-state and of economics over politics.¹⁸ At the root of this belief is the view that globalisation is beyond the control of nation-states.

¹³ Philip G. Cerny (Autumn 1995), “Globalisation and the Changing Logic of Collective Action”, *International Organization*, 49(4), pp. 595-625; Susan Strange (1997), “The Erosion of the State”, *Current History*, 96 (613), pp.365-369.

¹⁴ *Ibid.*, pp. 595-625.

¹⁵ Susan Strange (1997), “The Erosion of the State”, *Current History*, 96 (613), pp. 365-369.

¹⁶ Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies*, London: Harper Collins (1995).

¹⁷ Susan Strange, *The Retreat of the State: The Diffusion of Power in The World Economy*, Cambridge, New York: Cambridge University Press (1996).

¹⁸ Analysts differ on whether globalisation is desirable or not. Some focus on benefits for economic well-being, others on its unevenness and the prospects for marginalising large numbers of people and states. Rodrik argues the need to combine free trade with social protection in, “Has globalisation gone too far?”, D. Rodrik, *California Management Review*, 39(3), pp.29-40, 1997. Also, see R. N. Haas and R. E. Litan, “Globalisation and Its Discontents: Navigating the Dangers of a Tangled World”, *Foreign Affairs* 77(3), pp. 2-6.

As well as economic globalisation, political and military/security globalisation also poses problems for state autonomy.

Dimension 2: Political Globalisation

Political globalisation is interpreted as “the shifting reach of political power, authority and forms of rule”¹⁹. Looking at the characteristics of political globalisation – first, political relations become closely and deeply linked presenting a challenge to domestic/international distinctions of politics. Second, there are international organisations and regimes, non-state actors, transnational bodies or national pressure groups, whose activities spill over into the international arena. “Non-state actors” or as Rosenau (1990) calls *sovereignty-free* actors, such as MNCs, international governmental and non-governmental organizations and ethnic groups influence the state’s authority in a situation of *complex interdependence*.²⁰ Moreover, issues in global politics expanded to include economic, social and environmental questions (non-security issues often referred to as low politics) as well as geopolitical concerns. Third, the present era of global politics also involves the emergence of regional and global law (also described as *cosmopolitan law* or global humanitarian law)²¹ which challenges state sovereignty.

Dimension 3: Military/Security Globalisation

Traditionally, national security is understood as “the acquisition, deployment and use of military force to achieve national goals”²² Looking at *military/security globalisation*, the traditional agenda of national security is redefined as international security or *new cooperative security community*. Globalisation widens the scope of security. International security includes environmental issues such as global warming, ozone depletion and acid rain.

Globalisation means that nation-states can no longer control their non-physical security requirements, such as protection of information and technology assets. Agents of threat can be the state, but can also be non-state groups and individuals, such as ethnic militias, cults, organized crime and terrorism. States are becoming more sensitive to security and military

¹⁹ David Held, A. McGrew (1998), “The End of the Old Order?”, *Review of International Studies*, 24, pp. 219-243.

²⁰ Since the 1970’s, the theme of “interdependence” has been much debated. Interdependence argument suggests that growing contact between developed countries diminishes the power of state. See Robert O. Keohane and Joseph Nye, *Power and Interdependence*, New York: Harper Collins (1989).

²¹ David Held, A. McGrew (1998), “The End of the Old Order?”, *Review of International Studies*, 24, pp. 219-243.

²² *Ibid.*, pp. 226.

developments in other regions due to increasing financial, trade and economic relations²³ Furthermore, through organizations like NATO, state autonomy and sovereignty is limited.²⁴

Globalisation is not an “event”, but a gradual and continuous expansion and integration of relations. The “deep” integration that presently characterises globalisation was born in the 1980’s and accelerated in the 1990’s, especially with the advances in communication and transportation technology. This “deep” integration has brought new realities. In the 21st century, nation-states have to find ways of adapting in order to cope effectively with these realities.

Continued Strength of State

Against the arguments on the disappearance or decline of the nation-state, counter-arguments explore contradictory processes involved in globalisation. I will briefly mention some of these counter arguments below.

Nothing New!

The most sceptical responses do not accept the process of globalisation as containing anything essentially new. Hirst and Thompson²⁵, for example, argue “there is no strong tendency toward a globalised economy and the major advanced nations continue to be dominant.” They present a five-point criticism of globalisation theories.

1. The present international economy is not unique in history. Statistical evidence shows that it is rather less open now than it was between 1870 and 1914.

2. Genuinely transnational corporations appear relatively rare.

3. Capital mobility is exaggerated. Foreign direct investment is highly concentrated among the advanced industrial countries.

4. Trade, investment and financial flows are concentrated in the triad-Europe, Japan and North America.

5. Major economic powers have the capacity, if they coordinate policy, to exert powerful governance over financial markets and economic tendencies.

²³ Ibid., pp. 230 ; Victor D. Chan (2000), “Globalisation and the Study of International Security”, *Journal of Peace Research*, 37(3), pp. 391-403.

²⁴ David Held (1989), *Political Theory and The Modern State*, Stanford California: Stanford Univeristy Press, pp. 231.

²⁵ Paul Q Hirst and Grahame Thompson (1996), *Globalisation in Question: The International Economy and the Possibilities of Governance*, Cambridge: Blackwell, pp. 186.

Globalisation will not replace *internationalisation* of the world economy. Hirst and Thompson have examined the character of the world financial markets, the pattern of world trade and FDI, the number of MNCs, and the prospects for growth in the developing world. They tell us that there is a difference between a strictly global economy and a highly internationalised economy. In the former, national policies are futile, and in the latter national policies remain viable. In the internationalised economy, nation states and forms of international regulation created and sustained by nation states have a fundamental role in providing governance of the economy. The role of nation states in “the possibilities of national and international governance” of the international economy is vital and thus a ‘processes of internationalisation’ strengthens the importance of the nation state.²⁶

There is a multiplicity of levels and types of governance: public and private, state and non-state, national and international institutions. Authority is plural. However, the nation state still has a significant role among those governing powers, because it integrates the governing powers and forms a structure where power is distributed upwards to the international level and downwards to sub-national agencies. In other words, the state transfers power upwards (to the international agencies and unions like the EU) and downwards (to the regional and other sub-national agencies). Nation states have a central role because they police the borders of their territory. They are the representative of citizens within those borders; and they are constitutionally legitimate powers.²⁷

According to Hirst and Thompson, globalisation does not lead to the “end of politics.” There is however growth in trans-border political issues and problems that erode the distinction between domestic and foreign affairs (internal/external). There are overlapping interests in such issues as environment, health, human rights, trade and finance. Thus, there is a need for trans-boundary co-ordination and control. Hence, in certain regions, there are multiple power centres and there are both overlapping authority structures (a state of affairs in which the fortunes of different political communities are bound together) and divided authority structures.²⁸

There is another perspective that treats history as continuous. Gilpin, for example, while acknowledging that technological, economic, and other developments transformed the world, stresses that “globalists have incorrectly assumed that states once had complete economic freedom; exaggerate the changes taking place in the relationship between the state and the economy in

²⁶ Ibid., pp. 17.

²⁷ Ibid., pp. 183-191.

²⁸ Ibid., pp. 57.

the late twentieth century”²⁹ Prior to World War I and under the classical gold standard of fixed exchange rates national governments had very little effective control over their economies. The state may be reverting to its 19th century role in the economy and this is not something new.

I believe that these arguments which treat history as continuous are difficult to defend. It is like arguing that election campaigns have not been transformed by the use of television in campaign because voters still vote.

Interaction with Other Forces

It is difficult to separate the role of nation-state from the other forces driving transformations in the contemporary world. Indeed, states are considered to interact with each other, so they can and do affect each other. States are said to be “social actors, capable of knowing, valuing and ordering and moreover, of doing all these things through an inter-subjective process of socialisation.” Thus, states are involved in constant social interaction with other members of international society and they are not isolated individual units. Hence, globalisation is not an entirely separate phenomenon from international society. Globalisation and international society interact to produce contemporary world politics. For example, many of the policies of deregulation, privatisation and liberalisation that are seen as forces of economic globalisation, are part of interaction between states (socialisation process).³⁰

State Support

Developments in the twentieth century have not reduced the significance of sovereign statehood. The world is still made up of independent states that are concerned about their territorial and economic integrity and political independence. The argument that globalisation is irreversible can be challenged³¹. The most significant changes in financial globalisation are

²⁹ Robert Gilpin (2000), *The Challenge of Global Capitalism*, Princeton, NJ: Princeton University Press.

³⁰ For details on this debate see Armstrong, D. “Globalisation and the Social State”, *Review of International Studies*, 24(4), pp. 461-478. The state is defined as entity exercising sovereign authority within a specified territorial domain, while international society is depicted as an association of such sovereign entities possessing and exercising essentially juridical functions.

³¹ Robert H. Jackson and Alan James (1993), “The Character of Independent Statehood”, Robert H. Jackson and Alan James (Eds), *States in a Changing World*, Oxford: Clarendon Press; Eric Hellenier (1996), “Post-Globalisation”, Robert Boyer & Daniel Drache (Eds), in *States Against Markets: the Limits of Globalisation*,

heavily dependent on state support and encouragement starting from the 1960s³². Nation-states provide the smooth functioning of financial globalisation. Furthermore, the encouragement and support of governments for technological innovations is important. The state is seen as a major supporter and beneficiary of economic and technological advance³³ Moreover, it can be argued that the role of the state is increasing rather than diminishing, in order to promote “national competitiveness”. East Asia represents a positive connection between state (where the capacity and power of the state is high) and success in a globalised economy³⁴ In this respect, globalisation might be seen to be not beyond control.

As Held and McGrew argue, states still survive. Firstly, economic globalisation does not necessarily mean diminution of state power. It is transforming the conditions under which state power is exercised. State-market relations are changing in the economic domain. Secondly, examining political globalisation, states have a central role in the growth and institutionalisation of regional and global governance. The autonomy and sovereignty of the state is not diminished by these processes. Thirdly, considering military globalisation, states have a more activist role today. As observed in Bosnia and Kosova, the main guarantor of peace and stability in Europe remains the US through NATO.³⁵

Conclusion: Continuity and Change

The globalisation and state literature has developed greatly in the last ten years. It seems that two opposite approaches can prove their validity by

London & New York: Routledge, pp. 193-210; Robert Gilpin (2000), *The Challenge of Global Capitalism*, Princeton, NJ: Princeton University Press

³² Eric Hellenier (1996), “Post-Globalisation”, Robert Boyer & Daniel Drache (Eds), in *States Against Markets: the Limits of Globalisation*, London & New York: Routledge, pp. 193-210; Gerald Epstein (1996), “International Capital Mobility and The Scope for National Economic Management”, Robert Boyer & Daniel Drache(Eds), in *States Against Markets: the Limits of Globalisation*, London & New York: Routledge, pp. 211-224.

³³ Robert H. Jackson and Alan James (1993), “The Character of Independent Statehood”, Robert H. Jackson and Alan James (Eds), *States in a Changing World*, Oxford: Clarendon Press, pp. 6

³⁴ Peter Evans (Sept 1997), “The Eclipse of the State?: Reflections on Stateness in an Era of Globalisation”, *World Politics*, 50, pp. 62-87; Cem Kozlu (1995), *Türkiye Mucizesi için Vizyon Arayışları ve Asya Modelleri*, Ankara: İs Bankası Yayınları.

³⁵David Held, A. McGrew (1998), “The End of the Old Order?”, *Review of International Studies*, 24, pp. 219-243.

drawing evidence from the same real world. Depending on your viewpoint, the glass can be seen as half full or half empty.

Analysing these contradictory arguments, it is difficult to make predictions for the future of the nation-state. Changes associated with globalisation have significant effects on states. However, it is not evident that we will reach a 'fully integrated' global economy or a 'decline of state'. Though you could ask, whether in the future, state sovereignty will be eroded by supranational authority, at the beginning of the 21st century, nation-states remain the dominant form of political organisation in the world.

Despite the fact that there are challenges to state sovereignty and autonomy in the era of globalisation, states hesitate to submit all control to new forces. Thus, the "end of nation state" approach by Susan Strange is too deterministic. It gives the impression that it is an inescapable process. State sovereignty might be affected by the transformations taking place in the world, yet it is not intended and depends on unknown circumstances.

Furthermore, there are structural obstacles to the withering away of the state. Votes have to be cast somewhere, taxes have to be paid to particular authorities, which can be held accountable for public services such as education and health. Moreover, states continue to create a regulatory environment for their economies

In the meantime, it is clear that states now have less control of some activities on their own territory. With globalisation, borders become more fluid with the impact of electronic and other flows such as money transfers, satellite communications, computer data flow, capital flows and merchandise trade. The contemporary state is unable to control phenomena such as global companies, global production and trading. States can no longer exercise control of their financial markets alone. State sovereignty is affected through multilateral arrangements in the global economy such as IMF, GATT, G-7. MNCs frustrate states through threat of transfer pricing and relocating their production facilities. Globalisation has also loosened some important cultural and psychological underpinnings of sovereignty. For example, with the help of global communication supra-territorial bonds have been created among a diverse range of groups, from women's movements to environmentalists. There is strong evidence that globalisation challenges sovereign state.

Like Held, I consider that "the effect of these challenges is likely to vary under different international and national conditions" and "it would be wrong to conclude that because a particular state has experienced a decline in its international freedom of action, sovereignty, is thereby wholly undermined."³⁶ The effect of globalisation on different nation states will not

³⁶ David Held (1989), *Political Theory and The Modern State*, Stanford, California: Stanford University Press, pp. 237.

be the same, because first of all, there is diversity among domestic, historical, political, socio-cultural and economic conditions (as well as the external position of a country); thus, nation-states make different policy choices in response to the same global phenomena. For example, global economic forces have less effect on the policy options of states such as the United States or China than of Turkey. Economic globalisation mainly constrains the bargaining positions of smaller and weaker states.

As a final word, I believe that in the post Cold War world, national interests still matter a great deal. Each state takes pride in its unique history and accomplishments. Each state's people continue to speak their own language and to fly their own flag. Considering the document, "the national security strategy of the United States of America" presented in September 2002, it seems that the US intends to act as a hegemonic power. The most recent example of this hegemonic power has been observed in Iraq since the US led military intervention in 2003. Furthermore, the EU has not reacted as a collective regional voice on this issue but rather as individual states. While Germany, France and Belgium protested US policy in Iraq, England supported it. Thus, in the European Union, as in the world, nationalism remains as an important force in the era of globalisation. The world is still, in territorial terms, made up of separate states, each of which enjoys certain basic sovereign rights. Each state still has its own interests to advance and defend.
