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Have "globalisation" processes undermined the sovereignty of the nation-state ?

Globalisation, is a very fluid concept, symptomatic of the fluidity of the world, we are living in, at the beginning of the third millennium. Moreover, it is used across the multidisciplinary boundaries, less clearly conceptualised. it becomes. It becomes much more problematic, when applied as a discourse in social sciences. The 'out of scale' transnational images, evoked by electronics media, exaggerate the real impact 'globalisation' has on different facets of contemporary life. Images, like Mcluhan's utopia of 'global village' or Globalists' rhetoric of 'There Is No Alternative' (TINA), blur the distinction between 'virtual' and 'real' globalisation.

Question of impact of Globalisation, on the powers and sovereignty of Nation-state, is under current debate in social sciences, in different quarters. While neo-liberals, hail it as a unique phenomenon created by global market forces in last few decades; analysts of political economy school, trace it to the colonial era with Marxist dictum of " conquest of world market as the beginning of modern capitalism". Pieterse (1997 : 373) summarises the debate about historicity of globalisation in these words " it follows that imperialism and new imperialism, are themselves stages of globalisation and the current period, only represents an accelerated globalisation". Globalisation, thus, in conjunction with post-Fordism, competitiveness, and Bretton Woods Institutions(BWIs), can be understood to express the contemporary form of global high capitalism. I will address the subject-matter of question, under discussion in this paper by situating the same in this background.

2. DIALECTICS OF NATION-STATE AND CAPITALISM:

Nation-state, as conceptual apparatus of socio-political management of capitalism, is a historical creation of industrial-capitalism. For Max Weber, it was the “closed nation state which afforded to capitalism its chances of development” and for Karl Marx, “ bourgeois society must assert itself in its external relations as nationality and must organise itself as a state”(Corrigan and Sayer 1985:1). Monarchical states of pre-capitalist societies didn’t have the sovereignty, in the sense of unfettered authority over territory. Historically formation of modern Nation-State can be traced to the Treaty of Westphalia, in 1648, but sovereignty and legitimacy of nation-state in form of ‘*nationalism*’ is a legacy of French revolution, 1789. England and France, became the classic examples of modern nation-state, first for Europe and then for the rest of the world.

The role and character of nation-state, however, has undergone fundamental changes in post-war period. ‘’The great dialectic in our times is not, as anciently and by some still supposed, between capital and labour; it is between economic enterprise and the state’’ (Galbrith 1987:285). After post-war recovery in West and containment of labour by compromise between capital and labour in form of ‘Welfare State’ in the West and ‘Developmental State’ in South, it seems the threat of radical revolutions had been managed by 1970s. Further, first two decades of post-war period were periods of hope and reconstruction and therefore, centrifugal forces of dissent were dormant. By 1970s, ‘illusions’ were over and issues arising out of post-industrial characteristics of Western societies and workings of ‘low-intensity democracy’ in South, created ideological crisis of nation-state. Nation-state came under attack, particularly of Right Reaction, led by ‘Reagonomics’, which accelerated the ascendance of Market over State.

Nation-state, was held responsible for ‘economic inefficiency’, due to its ‘rent-seeking’ behaviour. The stage, was thus set for unfettered movement and flow of

capital across the globe. Deregulation, privatisation, and transnationalisation of capital, demanded removal of all trade and tariff barriers. The obvious target was state, so neo-liberalism invoked ideas of Adam Smith as justification for 'invisible' hand of market, not only as a mechanism of 'setting prices right' but as an alternative to state as regulator of society. ''The dominance of neo-liberal theory in 1980s was a step in the opposite direction. Its aim was to depoliticise the economy or, in Alfred Stepan's apt phrase, to ''marketise the state'''(Freidman 1993:83).

3. GLOBAL NEO-LIBERALISM ; FROM MAGIC OF MARKET TO MYTH OF GLOBALISATION :

"Once one understands Globalisation as recto to Colonialism's verso ,....then certain historical moments and topi stand out as particularly instructive and significant" (Siman During 1998:38). Spectacular innovations of sciences, during eighteenth and nineteenth centuries, transformed the agrarian feudal societies of Europe, into industrial-capitalist societies. Industrial revolution necessitated cheap raw materials, labour and market, which led to internationalisation of trade between Europe and rest of the world, ultimately resulting in colonisation of large parts of Asia, Africa and Latin America. British economist John Stuart Mill said in nineteenth century, "colonies should not be thought of as civilisations or countries at all, but as agricultural establishments whose sole purpose was to supply the larger community to which they belong" (cited in Madley 1992 : 7).

Thus, the pattern of international trade as it exists today , evolved in the colonial era and modern TNCs and MNCs can be seen as descendants of colonial merchant trading companies. Hirst and Thompson (1996:196) place the historical background of processes of globalisation in right

perspective,"....international financial penetration of UK and other economies (in terms of openness to capital flows) was greater between 1910 and 1914 than it was in late 1980s and similar results emerge for foreign trade as a percentage of GDP". Economic globalisation, however, in its current form was actively shaped by the geo-political economy of post-Second World war period , which witnessed restructuring of international economic system by "ending the regulated system of National economies formalised at Bretton Woods"(Leys 1996 : vi). By 1950s there was realisation in US foreign policy that "economic growth itself was possible in a world which was capable of both buying from United States as well as selling to it".(Gendzier 1985 : 28).

As the time went on, foreign trade joined hands with aid and assistance, which by 1970s and 1980s helped by the revolution in satellite communications assumed the concrete shape, of what we today call as globalisation .The oil-shock of 1973 and hyper-inflation of 1970s in North exposed the vulnerability of global capitalist system and plunged the world economy in deep crisis, which necessitated global economic restructuring . Accordingly, Bretton Woods system of fixed exchange rate was abandoned in 1973 and "free market monetarism" was envisaged as the way out of crisis for global capitalist system ushering in the process of economic globalisation.

The processes of globalisation, characterised by liberalisation, privatisation and internationalisation of trade and finance, emerged as the new myth of Neo-liberal orthodoxy, with OECD countries finally saying goodbye to Keynesian economic policies in 1979-80. Rist (1997 : 224) captures the essence of dynamics of globalisation, market and state in these words, "new rhetoric of globalisation focused on one main target, the state .....the mere possibility for banks to create token money out of nothing, overthrew the regal power over the currency, whose two sides symbolised the (seemingly indissoluble) link between the State and Market."

4. GLOBALISATION AND SOVEREIGNTY OF NATION-STATE; THE REAL-LIFE EXPERIENCES:

The question of political implications of processes of globalisation, on the sovereignty of nation-state, covers the whole gamut of interrelated institutions and mechanisms of modernity like, Sciences , State, Market, Civil Society, and Democracy. These Enlightenment meta-narratives have common *''universalising''* characteristics, disembedded from specific socio-cultural contexts and thus, have been making and unmaking the West and the Rest, since industrial revolution. Cold war alternative of Soviet model, had a check on the forward 'universalising global' march of these forces working together. However, with the fall of 'Berlin-wall', the world is 'one' again. Further, as elaborated in previous sections, continuing privileging of 'economy' over 'polity' in recent decades, has certainly altered the 'national' macro-economic management of nation-state. Sovereignty, however, as exclusive control of authority over territory, is itself a historical phenomenon and not a given essential characteristic of Nation-state. Accordingly, analysts differ widely on the issue of ''processes of globalisation'', as well as its impact on ''sovereignty'' of nation state. Views of a wide range of analysts, on the issue, is examined in the following paragraphs.

Era of Nation-State is Over:

Globalists like Ohame, Reich, Horsman and Marshall see erosion of state power, with role of state reduced to that of local municipalities, providing infrastructure and public goods for smooth operation of global market forces represented by TNCs. "...the era of nation-state is over and national level governance is ineffective in the face of globalised economic and social processes"(Horsman and Marshall 1994, cited in Hirst and Thompson 1996 175). Globalists' view of 'ungovernable world economy', is a celebration of triumph of TNCs and global market forces, presenting market as a substitute of government. However, let us see the views of other analysts, in contrast to this extreme 'dream' of neo-classical liberalism.

Foreign trade and growing international flows of capital are not *per se* processes of Globalisation; State as relay between international and local power centres:

Hirst and Thompson (1996) contest the extreme view of Globalists and have challenged the very notion of 'Globalised Economy' by contrasting it with ideal type of 'International Economy'. They trace the current characteristics of internationalisation of financial markets , technology, important sectors of manufacturing and services to 1870s not 1970s. Further capital mobility, is not creating any shift in investment and finance, from the First World to the Third World and 80 % of world trade is confined within OECD countries. They argue that TNCs, are grounded in culture and ethos of particular countries and depend a lot on respective nation-states for day to day operations. Hirst and Thompson, therefore, don't find autonomised and socially disembedded characteristics of truly *Globalised Economy* ; at the same time admitting some erosion in powers of nation-state. But as international economic, environmental, and social governance expands, ' State as source and implementor of international rules remains intact'. Hirst and Thompson, therefore, visualise key role of nation-state as relay between Global and local levels of governance, particularly in view of control over population and land, despite mobility of capital.

Strong Interventionist States, globalise economy of East Asian countries:

Neo-liberal theorists have been claiming 'East Asian Miracle', due to implementation of neo-liberal prescriptions of free market economy with minimalist State. But Wade (1990) in a study of Taiwan , Chang (1991) in case of South Korea and Smith (1994) in analysis of relationship between State and international trade and free market economy, in South Korea have established *interventionist* role of State in so-called East Asian miracle. For example South Korea , a Japanese colony till 1945, was no where near neo-liberal prescriptions of 'take-off', in 1960. But due to radical land reforms, education, decrease in fertility rate, increasing agricultural productivity, promotion of indigenous industry,

efficient tax system, carried out by nation-state, South Korea could achieve per capita income of more than 7% during 1965-1995. Smith says “South Korea poses a strong challenge to neo-classical counter revolution models.....nation-state was highly interventionist at home and in international trade”(Smith 1994 : 124).

Harmony not dichotomy between State and private market economy in Japan; Neo-liberals’ Minimalist State is a fiction:

In Japanese system, there is co-operation between ‘state’ and ‘industry’, with the result that it has led to high public investment, planning and support to globalisation of trade and finance of indigenous industrialists. State has heavily invested in human capital, producing competent executive, engineering, managerial and labour force. Galbraith (1987 : 293) says, “ In Japan the state is indeed, as Karl Marx held, the executive committee of the capitalist class; this is normal and natural”. Japanese experience of strong State, as facilitator and catalyst of globalisation of economy, proves the Globalists’ antinomy between ‘executive’ (*minimalisation*) and ‘economic’ (*marketisation*) functions of State as fundamentally flawed. In case of China also, economic liberalisation and globalisation is being brought about by intervention of strong State. Friedman (1992:83), rightly says, “ minimalist state of neo-liberal theory is a fiction”.

Globalisation deepens polarisation between Centre and Periphery; Productive capital is immobile and confined in Centre:

Contrary to Globalists’ rhetoric, the major portion of productive capital remains confined to First World. Hoogvelt (1997) and Kiely (1998), argue that globalisation of world economy, is widening the gap of the core-periphery relations between the First World and Third World. Today, the preference of Multi National Companies (MNCs), for investment is shifting from developing countries to advanced countries. Hoogvelt (1997:77) states that, “ In the colonial period,

right upto 1960, the Third World had received half of total direct investment flows; this percentage had declined to one-third in 1966, and to one -quarter in 1974. By 1988-9 it had dropped still further to 16.9 per cent." As a result of this, globalisation can be termed as the 'deepening' phase of capitalism. The phase of deepening capitalism within the First World is encouraged by the supportive role of States. National governments in the First World make deregulation policies in order to conform to international standards of price and quality. Meanwhile, States in the Third World act as a provider for TNCs to encourage them to invest in their countries. States lower standards (wages, conditions, and so on) and create special areas, often called export processing zones (EPZs), to attract foreign investment. Although states in the Third World strive to attract First World's TNCs, TNCs remain confined to First World, which offers well-facilitated infrastructure, highly skilled workers and a large internal market. Kiely (1998:52) concludes that "much productive capital investment is relatively immobile, and this is a major reason why much of the Third World is marginalised from global capital flows"

Globalisation, as "end of coincidence of spaces'' between space of economic management of capital accumulation and space of national management of political and social dimensions:

Samir Amin (1997) considers the question of globalisation and sovereignty of nation-states, as a result of internal contradiction between ''global'' dimension of economic management of crisis of capitalist accumulation and ''national'' management of its socio-political dimensions. The expansion of capitalism and growth of nation-state, coincided within the space of 'nation', during era of mercantilism and industrial revolution. Post-war global economic restructuring, by ending the system of 'national economies', has created the current crisis of nation-state. However, " the erosion of the effectiveness of the national state produced by capitalist globalisation is not decisive and irreversible determinant of the future" Samir Amin (1997:15). Further, Amin considers globalisation as a positive fact and argues that the current crisis of nation-state,

is not irreversible. Rise of centrifugal forces of ethnicity, fundamentalism, racism call for 'reversing' the polarisation caused by crisis of global capitalism, by creating alternative vision of globalisation based on Socialism. Some other observers of globalisation like Group of Libson (GOL), in their work " Limit to Competition" have also expressed the need and possibility of reshaping the course of globalisation by global policy intervention, and accountable global governance.

State as Facilitator not Victim of Globalisation:

Linda Weiss (1997) argues that the very rhetoric of Globalists' myth of 'powerless state' is premised on the 'casino' effect of speculative flows of 'money markets'. Otherwise, globalisation is " often the by-product of states promoting the internationalisation strategies of their corporations, and sometimes in the process 'internationalising' state capacity (Weiss 1997:4). Strong states like Germany, Japan, South Korea and Taiwan, for example have developed symbiotic relationship between state and private market economy and thereby ''taken the bull by the horn''. Besides speculative money markets, another strong factor, which gives effect to uniformity in the policies of macro-economic management of national economies, is the 'common responses to the inflation and perceived policy errors of the 1970s'. Weiss, therefore, finds states exhibiting strong 'adaptive' capacities to 'internationalisation' of world economy and visualises increasing role of states in future, instead of diminishing.

5. THE SOVEREIGNTY OF NATION-STATE ALTERED ; NOT UNDERMINED:

In view of the discussion and analysis, in the previous sections, corroborated by real-life experiences; it is evident that the relationship between globalisation processes and sovereignty of nation-state, is dialectical, multi-dimensional and historical. Therefore, dichotomisation and separation of economic sphere of life, from overall historical, political, social and geographical

contexts by globalists, is ethnocentric construction of fragmented reality, characteristic of reductionist methodology, which blurs the analysis of political implications of globalisation. Linda Weiss, (1997:16) rightly says, " Globalists have not only overstated the degree of state powerlessness. They have also overgeneralised it."

In my view, Globalisation is the new myth of the New Age of post-communist world of 1990s. Demise of 'state-driven' socialism of erstwhile Soviet-model has created the euphoria of TINA(There Is No Alternative) formula of globalisation, as if it is a creation of 1990s. As discussed earlier, internationalisation of trade and finance was integral part of colonial era. Therefore, globalisation should be seen as a consequence of Modernity, Science, State and Market making and unmaking the world since industrial revolution. Thus, globalisation, as 'accelerated' phase of late-modern high capitalism, has been actively shaped by nation-state and in turn, has been shaping the contours of nation-state. Further transnationalisation of trade and finance, has been responded to differently by different nation-states. While Strong states have taken ''the bull by the horn''; the weak states, say of sub-Saharan Africa, have succumbed to the 'debt-trap' of Structural adjustments.

Thus, more than 'weakening' or 'erosion' of powers of nation-states, it is the homogenising 'uniformisation' of neo-liberal models of governance, across the globe, which has emerged as the major characteristic of our age. Fukuyama (1989), celebrates, the 'end of history' by proclaiming, ''liberal democracy as the final form of government, with America as the 'achieved utopia' of classless and egalitarian society" (Toye 1993:6). Therefore, it can be summed up that despite growing impact of transnational forces, supranational institutions, and 'out of scale' flux, flows and fluidity of 'capital'; the sovereignty of nation-state has been altered, but not undermined.

6. CONCLUSION:

Globalisation, has become a catch word of the late-modern world, we are living in today. If the '*spirit*' of 1990s, could be captured in one word, it was globalisation. Following post-modernism, globalisation is the new discourse of post-industrial societies. However, key metaphors of industrial-capitalism i.e, State, Science and Market have working in tandem, in their common 'universalising' characteristics, created the phenomenon of globalisation. Globalisation in its overarching reach, has emerged as the logic of 'borderless' 'one' world, disembedded from socio-cultural and historical contexts. Further, the myth of 'power less state' may itself be a creation of *'global upper-class'* ensconced in ''corporate houses'' and ''Five Star hotels'' operating from '*the metropolitan cities'* of the world, cutting across the 'borders' of nation-states. But for the majority of the 'global under-class', nation-state with its 'bulldozers', is very much visible on the pavements below these ivory towers. Globalisation thus, as the 'logic of late-modern deregulated high capitalism' has, also emerged as the 'pulverising' polarisation between rich and poor countries as well as between rich and poor people within each country. Giddens, rightly captures the impact of globalisation in these words, "one of the fundamental consequences of modernity is globalisation...which...fragments as it co-ordinates....introduces new forms of world dependence in which once again, there are no ''others'' ''(Giddens 1990:175).

Further, in view of the analysis and discussion in this article, it is evident that the post-war character of 'welfare state' in the North, 'socialist state' in the ex-communist block, and 'developmental state' in the South, has definitely undergone fundamental changes. But, it is nowhere near Globalists' rhetoric of 'withering away' under the onslaught of 'irresistible' and 'invincible' global market forces. In the final analysis, globalisation, basically, marks the phase of *'conflict'* between 'global' space of economic management, and 'national' space of socio-political management of late-modern capitalism. Further, the 'conflict' is being effectively managed by the *'adaptive'* capacities of Nation-state, by

'*internationalising*' its economic functions. To conclude with, thus, globalisation and marketisation, may be seen, as the new processes of hegemony of post-modern nation-state.

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