GLOBALIZATION AND THE NATIONS STATE

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Section 1
INTRODUCTION

The term 'globalization' is multi-dimensional. “A globalised world is one in which political, economic, cultural, and social events become more interconnected....by Globalization, we mean the increase of connectedness between societies” (Baylis, et al, 2008:8). As defined by Torres (2001) it is a process of rapid economic integration among countries driven by the liberalization of trade, investment and capital flows, as well as technological change. In other words globalization is intensification of economic, social and cultural relations across international borders. Therefore, globalization has led to the enhancement of interconnectedness and interdependence of countries. The interdependence is related to flow of capital and technology. The rapid dominance of globalization can be seen during the period of liberalism of the 19th century, the relative stability after the World War I and the golden years of the 1950s and 1960s. Towards this end, the WTO (World Trade Organization) was formed as a reincarnation of the ITO (International Trade Organization) after the World War II. With its formation, the principles of liberalism, multilateralism and nondiscrimination were achieved. This then shows a tendency towards globalism (Sugiura, 1999).

The globalization is generally conceptualized as a new economic order around the globe with an underlying assumption of merging all the economies in to a single economic order (Levy, 2005). According to the economics perspective, globalization is broadly defined as operation of businesses in a borderless world representing economy of the free markets. On the other hand globalization is also defined as a transformation of various political, legal, economic and social systems of world into a homogenous framework of capitalist economy. There is another perspective that further supports this homogenous frame work of capitalism as a new colonialism of powerful countries through Mega Corporation.

Historically, globalization can be traced back to international trade in the 15th century which gained further momentum and became a watershed moment after the post cold war era. There is an increasing consensus among the various forums of globalization that it is a new form of colonialism where superpowers are using their corporations to grab world’s resources and develop their influence in the policies of the states especially in the third world and developing countries (Dhanapala, 2002).

From this view point, the momentum of globalization is rooted in the capitalist logic of expanding markets by integrating capital to get hold of the production. The industrialized countries and international trade agencies after the Post cold war era introduced neoclassical economic paradigm with a slogan of free trade and unrestricted flow of goods and services in the world. Powerful countries exploited the weak countries for resources through wars which has now been replaced with globalization.

It is also believed that globalization affects states politically, culturally and as well as economically. Apart from being an economic phenomenon involving trade and investment, it also has many other cultural and social dimensions. Held (1999) argues that globalization is multi-faceted phenomenon. He defines globalization as: “the widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life, from cultural to the criminal and from financial to the spiritual” (p 2). As Held observes, globalization is not confined to economic life but also influences many other areas of society. In this scenario, and with so many dimensions of globalization, the institutions of the state cannot remain unaffected. Nation states are naturally dependent on themselves for different resources, it could be as a result of competition, power in the international arena, or simply, for sustenance to their own economy. Therefore, the connectivity of these states and their dependence on one another for political stability, economic growth and cultural modification or awareness is also due to Globalization.

As believed by some of the scholars that the most important effect of globalization is being felt on the basic characteristics of the ‘state sovereignty’. There are four different kinds and degrees of sovereignty (Dunning 1992) that play a role in the activities of a nation state: economic sovereignty reflects the ability of the state authority to manage country’s resources for economic activities, legal sovereignty means the right to impose rules and regulations independently, cultural sovereignty and finally the general concept of political sovereignty which includes all three preceding “sovereignties” and corresponds to the combination of external and internal sovereignty. In this regard it is considered that the nation state is being pressurized from ‘the above’ and from ‘the below’. Pressures from the above means pressures from global institutions like UN, WTO, IMF,MNCs and NGOs etc (some rules/regulations of these institutions are imposed which may not benefit the state) and pressure from below means from the citizens because due to unfavorable conditions the nation state may not be able to maintain social order, public services, national security and make economic decisions for the welfare of its citizens (Banerjee & Linstead, 2001). It is generally being felt that, the World Bank, IMF and other donor agencies are serving as a tool for fulfilling objectives of those powerful countries by offering funds for development at their own terms and conditions and consequently undermining the sovereignty of the funds receiving countries. The current debate on the role of these agencies and increasing interference of powerful countries in the world’s political order raises the question of role of Power and nation state when seen in the backdrop of globalization.

Globalization has a multidimensionality that eschews every attempt to enclose the heterogeneous meanings and concept in a simple paper. This paper, where it briefly sets to touch upon a number of related issues will focus on diverse nature of viewpoints and arguments about globalization and nation state.

In this back drop it is aimed to provide space for this initial issue with the ongoing debate on globalization. This paper will thus explore the various topics in the following sequence;-

- Globalization: its various facets, indicators and drivers
- Nation State: origin and characteristics of nation state and Multinational Corporations (MNCs)
- Globalization and the nation state: its impact by delineating on the divergent view points
- Conclusions

Section 2
GLOBALIZATION

As already highlighted, the globalization process involves the establishment of economic, political, social, and technological links among countries. Therefore, it is usually understood as a process in which barriers (physical, political, economic, cultural) separating different regions of the world are reduced or removed, ultimately resulting into exchange of goods, services, money, and people. This is called liberalization. Due to rapid growth of these exchanges, nations and the businesses became integrated and interdependent. Globalization can have many advantages for business i.e. new markets, choice of suppliers for goods and services, lower prices, cheaper locations for investment, and less costly labor. It can also carry dangers because dependence on foreign suppliers and markets leaves businesses vulnerable to events in foreign economies and markets outside their control. Currently, globalization is something of a misnomer because most foreign trade and investment takes place within and between the three great economic blocks:

- Western Europe dominated by European Union (EU) member states
- North Atlantic Free Trade Area (NAFTA) comprising USA, Canada, and Mexico
- Japan

They are called the triad. Other parts of the world tend to play only a minor role. The majority of world trade takes place either among the triad member or between the regional economies. However, NAFTA is not heavily dependent on trade with either the EU or with Japan. This situation is reflected in the strategies pursued by big multinational companies. These organizations focus their strategies on regional economies where they produce. More than 90% of cars produced in Europe are sold there and a similar situation exists in North America (more than 85%) and Japan (more than 93%) (Rugman, 2002)). This concentration of trade in their own block is largely due to the size of their markets. Globally, rich countries make up less than a fifth of the world population but consume more than four fifths of the goods produced (World Bank 2005).

The Indicators of Globalization

There are three main economic and financial indicators of globalization:

- International trade in goods and services
- The transfer of money capital from one country to another
- The movement of people across national borders.

Of the three, international trade and foreign investment are the most important.

International Trade

International trade means that countries become more interconnected through the exchange of goods and services, i.e. imports and exports. Between 1950 and 2006, world trade grew 27 times in volume terms, three times faster than world output growth (WTO 2007). This indicates that importing and exporting is becoming an ever more crucial component of global and national economic activity. Multinational companies (MNCs) are major traders and account for a large proportion of international trade, with significant proportions accounted for by trade between subsidiaries within the same company. Some economies are particularly dependent on international trade. According to the World Trade Organization (WTO), exports and imports together amount to more than two thirds of China's Gross Domestic Product (the total value of a country's output of goods and services), more than half for the UK, but only around one quarter for the USA[1]. Furthermore, the UK depends on customers mainly in two countries, the USA and Germany, for almost a third of its exports of goods.

Financial Flows

Foreign Indirect Investment (FII)

The second main indicator is the transfer of money capital across borders. This can take two forms. The first, Foreign Indirect Investment (FII), occurs where money is used to purchase financial assets in another country. These assets could comprise foreign stocks, bonds issued by governments or companies, or even currency. This activity has been increasing very rapidly—in the 1990s such trading was expanding at more than 20% per annum, helping to bring about an increased integration of financial markets. Following the East Asian financial crisis (late 1990) the growth was reduced but it picked up again in the new century. The inter-linkages created by FII were demonstrated in 2006 when it was estimated that foreign financial institutions held more than 10% of the US$8 trillion in outstanding US residential mortgages in the form of mortgage-related securities (International Monetary Fund 2006).

Activity on the foreign exchange market is enormous. The average daily turnover worldwide in 2001 was US$1.4 trillion with most business taking place in the main financial centers of the triad: New York, London, and Tokyo. By 2007, turnover had more than doubled

[1] http://stat.wto.org

to US$3.2 trillion. Only a very small proportion of currency trading is associated with the financing of trade in goods and services—most goes on the buying and selling of financial assets (Bank of International Settlements 2007).

Foreign Direct Investment (FDI)

The second form of capital movement is Foreign Direct Investment (FDI). FDI occurs when a firm establishes, acquires, or increases production facilities in a foreign country. MNCs are responsible for FDI as the massive increase has occurred in FDI in the last 50 years. The distinguishing feature between FII and FDI is that in the second case MNCs not only own the physical assets but also wish to exercise managerial control over them. Countries can receive inflows of investment but they can also be sources of investment. The major recipients of FDI are the developed countries, mainly because of their large and affluent markets. In 2006, rich countries received around 60% of FDI inflows whilst they accounted for the vast majority—between 80 and 90% of the outflows (UNCTAD 2007; World Bank 2008a ;). FDI grew spectacularly in the 1990s but declined steeply after 2000 due to weak growth of the world economy. The decline was halted in 2003/04 but again by 2006 it was once again approaching the peak of US$1.4 trillion reached in 2000. In 2006 rich countries received just over 60% of FDI inflows with the USA being the most favored location, particularly for firms from Western Europe and Asia. Developing economies accounted for the remaining 40%—with China, Hong Kong, and Singapore being the largest recipients (UNCTAD 2007). FDI thus largely involves MNCs in rich countries investing in production facilities in other rich countries. The developing countries, having smaller and less lucrative markets, play only a minor part. It has been observed that if FDI takes place in poor countries it is often to exploit natural resources such as oil or other minerals, to take advantage of cheap labor or sometimes to penetrate a market. China is favored by foreign multinationals because labor is cheap and there is great market potential. Firms like Volkswagen, Toyota, Caterpillar, and Tesco have invested there to take advantage of cheap resources or to exploit the market ((UNCTAD 2007). The MNC aspect will be dealt in detail in section 3.

Migration

There is a dichotomy between the globalization of markets and liberalization of labor flows. Whereas, Globalization has enhanced in trade of goods, services, and capital, on the other hand barriers have been enforced to cross-border labor movements. Nevertheless, migration between developing and developed countries has continued. Flows of migrants are greatest to two triad members, North America and Europe—while Asia, Latin America, and Africa are major sources. The US authorities estimate that about 5 million people are living in the USA without permission, and the number is growing by more than quarter of a million each year. According to the UN, the number of migrants lies between 185 and 192 million— which is around 3% of the world's population. This means that the migrant population had almost doubled in 25 years. Europe had most migrants with 56 million; Asia had 50 million, and Northern America 41 million. Almost one of every 10 persons living in the more developed regions is a migrant. In contrast, only one of every 70 persons in developing countries is a migrant. This increase in numbers has occurred despite the fact that during the last 30 years of the 20th century migration had become steadily more difficult—particularly for people in developing countries wanting to enter Europe.

The Drivers of Globalization

In 1983 Theodore Levitt claimed: "Gone are the accustomed differences in national or regional preferences. Gone are the days when a company could sell last year's model—or lesser versions of advanced products —in the less developed world. Gone are the days when prices, margins and profits were generally higher than at home". This means that technology through communication and transport is driving the world towards convergence. In the business world the process of competition forces firms to reach out markets. Globalization has given a great boost to international business competition, FDI and international trade. The organization of trade is now between and within multinational organizations around the globe. The phenomenon is being facilitated by international organizations and agreements.

The other drivers or facilitators are:

Political/Regulatory

Governments have taken steps to facilitate trade and the movement of finance through international organizations such as General Agreement on Tariffs and Trade (GATT) and its successor organization, World Trade Organization (WTO). Moreover free trade areas, customs unions, or common markets are also in place.

- Free Trade Area: Member states concur to eliminate tariffs and quotas on goods from other members of the area. Members can decide on tariff to be imposed on imports from non-members of the area.
- Customs union: This is a free trade area but with the addition that members agree to levy a common tariff on imports from non-members.
- Common market: This is a customs union but with the addition that member states agree to allow free movement of goods, services, capital, and labor.

Governments assist to amplify economic and political inter-linkage by signing treaties and setting up regional trade areas (RTAs) such as NAFTA, by having no tariffs and quotas among the members. Other examples are, The Association of Southeast Asian Nations (ASEAN) incorporating 10 countries in South East Asia. The number of RTAs rose radically from 30 in 1990 to 380 in 2007.[2]

Technological

Improvements in communications and reductions in transport costs have facilitated the movement of goods, services, capital, and people. Modern communications technology makes it easier for businesses to control everywhere. It further enhances connectivity and interaction of people around the globe at a relatively low cost. The internet and cheaper telephone facilitate MNCs to control their foreign operations. Furthermore, it has also assisted in integrating the world's financial markets.

Economic

The amount of investment required for research and development (R&D) and production facilities means inability of a single domestic market to support that industry. The production of electronic components requires high levels of investment in both R&D and the manufacturing process, and this drives firms to go global, particularly when the product life cycles has considerably been shortened and on the other hand there is a pressure to recover the investment quickly. Competitive pressures on costs also forces firms to reduce product lines and to expand globally for possible saving from economies of scale in R&D, manufacturing, and marketing. Firms also globalize as they have outgrown their domestic markets. Logically, to maintain a rate of growth required by capital markets will push the world's leading companies to move out beyond their domestic borders.

Section 3
THE NATION STATE

Having elaborated the various facets, indicators and drivers of globalization, now it would be pertinent to first take a look at all the following questions and attempt to answer them in the proposed order;

- What is a nation state?
- What are its attributes?
- What role is being played by MNCs in the realm of a nation state?

The nation state is a state that self-identifies as deriving its political legitimacy from serving as a sovereign entity for a nation as a sovereign territorial unit. As per Tishkov (2000) the state is a

[2] www.wto.org

political and geopolitical entity and the nation is a cultural and/or ethnic entity. In other words, the concept of nation-state can be defined as a political unit based on contiguous territory usually with a single or dominant language, shared traditions, independent of outside forces. The idea of a nation state is associated with the "Westphalian system" in reference to the Treaty of Westphalia (1648). Grunwald (1999) argues that it came into being roughly 400 years ago with the collapse of the feudal order in Europe. These major changes in the interstate order originated a new, post-Westphalian era of world system built on existence of sovereign political units. The balance of power, which characterizes that system, depends for its effectiveness upon clearly defined, centrally controlled independent entities which recognize each other's sovereignty and territory. However, in recent years, the nation state's claim to absolute sovereignty within its borders has been much criticized (Hannah Arendt's The Origins of Totalitarianism , 1951).

According to the definition of Raii (2002: 49), the nation-state can be characterized by the four attributes: territory, population, a government being able to have jurisdiction over territory/population and finally recognition from other states. Territory refers to the clearly defined boundaries for which the nation-state claims its sole legitimate authority (Pierson 2004). Population refers to the people who share cultural, political and social values and are linked towards the nation-state through the concept of citizenship, which consequently gives them the right to participate in the life of political community. Finally, the concept of government is very extensive since it covers the control of the means of violence (monopoly of use of force), sovereignty, rule of law, administration and bureaucracy.

The most important attribute of the nation-state is the concept of sovereignty. As per Ruggie (1993: 151), sovereign states are the distinctive signature of the modern political world, being territorially disjointed, mutually exclusive, functionally similar. The sovereignty can also be defined as the power to choose between alternative courses of action or, in Krasner's (2001) words, two powers exercised by the nation-states in relation to other countries as well as exercised over its own members. This implies that, there are two dimensions of sovereignty: Internal sovereignty defining the legitimization of the state vis-à-vis the competing domestic interest groups while the use of force as an instrument to rule, regulate and govern, external sovereignty defines relations among other nation states in the international system. Moreover, there are four different kinds and degrees of sovereignty (Dunning 1992) that play a role in the activities of a nation state: First, economic sovereignty reflects the ability of the state authority to manage country's resources for wealth-creating activities. Second, legal sovereignty means the right to impose rules and regulations independently. Third, cultural sovereignty and fourth is the general concept of political sovereignty which includes all three preceding "sovereignties" and corresponds to the combination of external and internal sovereignty.

With the accelerated pace of globalization, there is a concern as the nation state is losing its attributes and ultimately the power. Globalization is said to be one major cause of this attack on the state (Van Creveld, 1999) and can be defined as: A historical process involving a fundamental shift or transformation in the spatial scale of human social organization that links distant communities and expands the reach of power relations across regions continents. (Baylis et al.2008: 19)

It has been speculated by both proponents of globalization that the concept of a nation state may disappear with the ever-increasingly interconnected nature of the world ("Politics in Modern Science Fiction Syllabus" Ocf.berkeley.edu.& Power and International Politics, Social Education Victoria. 2008). These ideas are in line with the concepts of a World Government. Some assume the possibility of societal collapse resulting into anarchy or Zero World Government, implying that nation states no longer exist and governance on the local level based on a global ethic of human rights.

This supports the concept of internationalism, which states that sovereignty is an outdated concept and a barrier to achieving peace and harmony in the world. If, at all, the nation state begins to disappear, it may well be the direct or indirect result of globalization and internationalism. The two concepts state that sovereignty is an outdated concept and, as the concept and existence of a nation state depends on 'untouchable' sovereignty, it is therefore reasonable to assume that globalization especially has helped to bring about the discussion about the disappearance of nation states, as global trade and the rise of the concepts of a 'global citizen' and a common identity have helped to reduce differences and 'distances' between individual nation states, especially with regards to the internet (Power and International Politics. Social Education Victoria. 2008).

Multi National Corporations (MNCs)

Multinational corporations are important factors in the processes of globalization. Before proceeding further it will be logical to explain various terms in vogue. A multinational corporation (MNC) or multinational enterprise (MNE), (Pitelis et al (2000)) is a corporation/ enterprise that manages production or delivers services in more than one country. Corporations may make a foreign direct investment. Foreign direct investment is direct investment into one country by a company in production located in another country either by buying a company in the country or by expanding operations of an existing business in the country (Bishop, Matthew, 2004). A subsidiary or daughter company is a company that is completely or partly owned and wholly controlled by another company that owns more than half of the subsidiary's stock[3].

[3] 'The Economist', glossary of terms

A corporation may choose to locate in a special economic zone, which is a geographical region that has economic and other laws that are more free-market-oriented than a country's national laws. Governments often compete against one another to attract MNCs with the expectation of increased tax revenue, employment and economic activity. To compete, political entities may offer MNCs incentives such as tax breaks, pledges of governmental assistance or subsidized infrastructure, or relax environmental and labor regulations. A Transnational Corporation (TNC) differs from a traditional MNC in that it does not identify itself with one national home. Whilst traditional MNCs are national companies with foreign subsidiaries (Drucker,1997). However, the terms TNC and MNC are often used interchangeably.

Meir and Schier (2001) define a multinational corporation as an enterprise which possesses at least one unit of production in a foreign country. On the other hand , Andreff (2003) defines the MNC as an enterprise whose capital is acquired in the process of international accumulation. Meier and Schier (2001) while stating a strategic definition for an MNC call it an organization owing or controlling enterprises or physical and financial assets in at least two countries of global economy and opting for a multi-domestic strategy founded on social-economic differences of these countries (as a reply to specific local demand). One of the most common divisions of MNCs distinguishes between extraction, manufacturing and service corporations. MNCs can also be classified into three categories: horizontally integrated companies which acquire additional business activities at the same level of the value chain, vertically integrated corporations which are composed of a network of operations in upstream and downstream activities in the production process and the last category is referred to as a conglomerate structure when the corporate divisions operate as relatively autonomous businesses under a larger corporate umbrella and as such, constitute self-contained strategic business units while each of them produces a single product. This classification is closely connected to the theories providing framework for MNCs and their affiliates.

Relationships between Nation-states and MNCs

In the former section an attempt was made to provide an in depth information about the nation-states and MNCs. This section will deal their relationship and ensuing concerns. Relationships between the both have been like sea-saw due to constantly changing international political system during second half of the 20th century. Dunning (1992) identifies these into three distinct phases in the development of nation-states – MNCs interaction: The Honeymoon phase (early 1950’s – mid 1960’s), the Confrontation phase (mid 1960’s – late 1970’s) and the Reconciliation phase (late 1970’s till to date).The Honeymoon phase commencing in early 50’s has been observed with a positive approach towards multinational enterprises as the WW II had recently ended and countries required technology, capital, entrepreneurship, managerial and organizational skills. However, in this phase mainly Europe was the destination of MNCs. In 60's as the states were comparatively in a better position therefore, there was a tilt in the attitude. Economic results were compared with social values. In the meanwhile MNCs had also developed in terms of their organizational structure. In late 70's the MNCs were criticized for their unacceptable behavior resulting in uneven contribution to economic development and unfair distribution of world wealth. This led to the concept of bargaining power between State-MNCs negotiations and confrontations. The phase ended by the end of 70's with implementing more constructive solutions and effective instruments from both sides. In early 1980's international business became more politicized. The MNCs-States relationships became heavily influenced by social implications of their activities, such as environmental protection that soon after constituted influential part of political agenda. As Dunning (1992: 558) concludes that the 1980s witnessed the emergence of mature relationship between MNEs and governments. The nature of the interaction came back to the importance of mutual commitment, building trust and effective partnership.

However, Raymond Vernon's (1971) influential study on multinational corporations called "Sovereignty at Bay?" initiated a new debate on the relationships between MNCs and nation-states with a new dimension. It indicated that increasing economic interdependence; technological advances in communication and transportation have made the nation-state an anachronism. The state is no longer in control over its economic affairs because MNCs have proven that they are able to provide domestic economic welfare and organize effective production of goods on a much more efficient scale than the governments.

Vernon (1971) justified the idea on three accounts. Firstly, governments are reluctant to give up advantages that MNCs are bringing to their economy. Secondly, subsidiaries never respond single mindedly to the provisions of their home state's jurisdiction because they are bound by the global strategies of the MNCs. Finally, the MNCs global network serves as a channel of influence on other states. He also assumes that the viewpoint of the MNCs and nation states can be different and sometimes contradictory since neither of the actors possesses its own sources of power and means of influence to affect the other entity. Even though Vernon's studies were very influential in late 70's and early 80's but they also received heavy criticism. Nonetheless, the number as well as the scope of operations of MNCs has been increasing continuously since their first emergence and the debate is also still on.

SECTION4

GLOBALIZATION AND THE NATION STATE

As discussed in the previous section, an essential link between globalization and the nation state is the concept of sovereignty, a term dating back several centuries, well before the nation-state system was established in 1648. Originally intended in reference to the establishment of order within a state, sovereignty has since been interpreted by some as a legal quality that places the state above the authority of all external laws. Yet, whenever a state exercises its sovereign right to sign a treaty, it is also willfully limiting that right by the very act of undertaking an international legal obligation. States are also bound by other rules, such as customary international law. With these formal legal limitations, sovereignty stubbornly persists even in an age of globalization. It is manifested in such functions as the coining of money, the gathering of taxes, the promulgation of domestic law, and the conduct of foreign policy, the regulation of commerce, and the maintenance of domestic order. These are all functions that are reserved exclusively to the state.

Nonetheless, it is evident that States over the years have discovered that their interests are better protected and advanced within a broader system of binding rules than without such a system. Rules help to define rights as well as duties, including duties to do and not to do certain things. These rights and obligations depend on a whole complex of circumstances: political, economic, cultural, and technological. Presently, globalization is having a profound effect upon national and international rules i.e. influencing the norms that govern world commerce, transportation and environmental protection etc. Therefore, in western public policy circles in the mid-1980s term "interdependence" was introduced and was generally viewed in an economic context. Globalization simply referred to a largely commercial process involving rapid increase in the exchange of goods, capital and services across national frontiers. It figured particularly in writings about the role of multinational corporations with their global networks of vertically-integrated subsidiaries and affiliates. Expanded flows of commerce across borders accrued many benefits. They provided profits, jobs, efficiencies of scale, lowered unit costs and increased the variety of goods available for everyone to buy. This commerce was facilitated by important technological trends, like the increased speed and declining cost of long-distance transportation (both of passengers and of cargo) and similar developments in the field of telecommunications. In short, it was not just getting easier to do business across national borders, but highly desirable to the growing numbers of potential beneficiaries of this commerce.

Some scholars believe that unfettered trade would be the key to world peace. The argument is that states and the large economic interests within them would not like to go to wars to interfere with the cool logic of mutual economic gain. Journalists, social scientists and political leaders joined their economist friends in heralding a new age of interdependence because it promised a more rational way of world's business. Many of the writers were also keenly aware of another dimension of interdependence: its potential to make armed conflicts much more devastating. Distinguished observers like Norman Angell, Leonard Wolf, Francis Delaisi, and Ramsey Muir wrote extensively on this theme and questioned the adequacy of the nation state in meeting the economic and security challenges of the new century.

In short, the close interdependence of the world's economies did not only offer great benefits but also entailed great risks and great responsibilities for the state. Interdependence also entails cross-border exchanges of negative externalities, including environmental pollution, risks of international pandemics and thriving clandestine markets for arms, weapons of mass destruction, narcotics, and even illicit transfers of various forms of industrial wastes. We see that globalization is an ongoing process, not a completed condition. It has grown from a purely economic or technological concept and now implies evolutionary change on a political and cultural dimension as well. Information communicated through modern print and electronic media is not just affecting commerce but shaping world-views, relations and attitudes of citizens to the state. The process, however, has still not significantly touched an extraordinary proportion of humanity and hence has not yet truly earned its title, globalization.

Now we can see another dimension of globalization on nation states as observed by Ex U.N. Secretary-General Kofi Annan. He has spoken repeatedly about how unevenly the benefits of globalization have been distributed amongst various nations. He has noted the existence of a "digital divide" in which only 5 percent of the world is connected to the World Wide Web -- 80 percent of which is published only in English. He has repeatedly noted in his speeches that half of humanity has neither received nor made a simple telephone call. With respect to the economic benefits, he notes that almost half of humanity still lives on less than $2 a day and that over a billion people earn less than $1 a day. All the nations do not have availability of drinking water, sanitation, educational opportunities and other crucial facets of human development. Therefore, one can safely assume that, globalization per se has not provided all for humanity's welfare needs. If one looks towards the world peace, the globalization has not ensured it. Since the end of the Cold War, millions of people have been killed in armed conflicts around the world. Today, the world is spending much more on defense expenditures as compared to spent during the Cold War. There also remain an estimated 30,000 nuclear weapons that, if used in a global conflict, could eliminate all the various gains of globalization in just a few minutes.

Impact of Globalization on Nations State

Having seen the interconnectedness of globalization with nation state, one feels that a specter is haunting the world's governments: the specter of globalization. The study will reflect various divergent views while abstaining any judgments. An effort is made to put across all the pros and cons to the reader and inference drawn are left to his good judgment. Various scholars argue that predatory market forces make it impossible for benevolent governments to shield their populations from the beasts of prey that lurk beyond their borders. Others counter that benign market forces actually prevent predatory governments from fleecing their citizens. Irrespective of the arguments, one thing is evident that governments have become weaker and less relevant than ever before (Martin Wolf , 2001). The global institutions like UN, WTO, IMF ,MNCs and NGOs are all playing their role and have effects in one form or the other on the nation state (Banerjee & Linstead, 2001).

In the backdrop of role being played by various organizations/institutions, it is safe to say that international organizations or institutions have become the defining factor for most nation states in their global relations. The United Nations is the only international organization that has the authority over a state's security and economic developments "encompasses the protection of human rights and.....the environment" (Taylor & Curtis in J. Baylis et al, 2008: p.314). The World Trade Organization (WTO) created in 1995 is usually affiliated with trade and economic activities. The organization has support from some of the wealthiest economies in the world such as the nation states in the EU, the United States and Japan. Developing countries would argue that some of these international organizations do not favor them and tend to support the already developed countries in terms of these economic activities.

The Bretton Woods Conference in 1944 had a prominent effect on the world today. Out of this conference, two very important institutions: The IMF and The World Bank emerged (O'Brien & Williams: 2007, pp. 209-210). The IMF was the regulatory body that nation states had to apply to be part of the "gold standard" policy. This policy meant that the dollar would be the world's currency and would be exchange for gold to determine its worth. The policy did not hold but the IMF is still the body in charge of global exchange and interest rates (O'Brien & Williams: 2007, pp. 86-89). More nation states were trading with each other therefore, it became necessary with time to have exchange rates. The decision on what a dollar is to a pound is based on the outcome of what the IMF has concluded not the nation states.

The World Bank on the other hand is known as "the lender of the last resort". Although, it claims to benefit nation states in crisis by bailing them out, there are also strict rules governing this procedure. The World Bank has the final authority on which countries are benefitting from whatever money it would lend. The Nation States are entirely under their control and do not play any significant role. Their only "role" is to fulfill all the rules set by the World Bank. Ngaire Woods (2006) describes the IMF and World Bank as "The Globalizers". She says that they have inculcated a good number of nation states into world economy by advising the governments of these states to be more open to investments and capital, and to allow for global trade. She also states that "they have presented globalization as a solution to challenges they have faced in the world economy" (2006, p3).

It is pertinent to mention that the nation states with the most powerful economies have the most amounts of Multi National Corporations. MNCs find their ways into different nation states with thriving economies to make profit. A survey shows that the top twenty five MNCs in the world consist of nine in the United States, thirteen in the EU countries and two in Japan. Twenty four out of the twenty five largest corporations (by revenues) are for the wealthiest states (O'Brien & Williams, 2007: p175). This shows how relevant these MNCs are to their nation's economy.

Nexus to above following aspects need deliberation:

- Effects of globalization on the primacy/sovereignty/autonomy of the nation-states.
- Power shift from national governments to the evolving systems of regional and global governance.
- Transformation of power relations in the post-Cold War era.
- Is maximization of power is driver of globalizations and the world is entering into a new form of colonialism?
- Are we moving towards a single political community with a particular system of power sharing and decision-making, by the means of (inter/trans-) national organizations?

Having raised the aforementioned queries, it will be prudent to put across the views of various groups for and against globalization. Globalists argue that globalization has undermined the sovereignty of nation-states due to the growing number of powerful supranational/supraterritorial forces as well as global problems (like the climate change, MNCs, terrorism, international non-governmental organizations, new communication technologies like Internet). On the other hand Skeptics would argue that nation-state is still important and we still live in an international system rather than a truly global one where nation-state is expected to be diminished. The rise of China, the rise of nationalist sentiments in Europe, the significant role played of the G8/G20 in forming the international relations, conflicts of interest between the US, Russia, Iran, North Korea and China all point to the importance of nation-state. Transformationalists hold a moderate position and while acknowledging the challenges of global problems they do not see a decline in the importance of nation-state. Instead, they believe nation-states are transforming in response to the requirements of globalization and its complexities. However, they believe that in dealing with global problems, a system of global governance with a democratic covenant (i.e. cosmopolitan democracy) is needed. According to a transformationialst point of view, globalization is both founded on and produces the transformation of state. Globalization must not be considered as opposite to nation-state system. The structure of modern state and national citizenship systems have been globalized in the last few centuries and have been evolving (Hosseini.A,S,2010) .

Globalization and Autonomy of the Nation-State

Having discussed the various facets of globalization and its effects on nation state and different schools of thought, the aspects will now be dilated in detail. Scholars have categorized globalization categorize under five main criteria: internationalization, liberalization, universalization, westernization and deterritorialisation. Internationalization is where nation states are considered less important as their power is diminishing. Liberalization is the concept where numerous trade barriers have been removed, creating 'freedom of movement.' Globalization has created a world where 'everyone wants to be the same,' which is known as universalization. Westernization has led to the creation of a global world model from a western perspective while deterritorialisation has led to territories and boundaries being "lost."

There are other perspectives that have arisen over the concept of globalization; these are "hyper-globalists" who believe globalization is everywhere and "skeptics" who believe globalization is an exaggeration which is no different from the past. Also some believe that "globalization is a process of gradual change" and "cosmopolitan writers" think the world is becoming global as people are becoming global. There are also people who believe in "globalization as imperialism," meaning it is an enrichment process deriving from the western world and there is a new perspective called "de-globalization" where some people conclude globalization is beginning to break up.

The hyper globalists argue that the nation states have lost their power completely in this era of globalization. The fact that the world is globalised means the end of the nation states especially through what is termed the “Borderless World” (Ohmae, 1990:172). For the complex globalists, although the international organizations are powerful, the nation states haven't completely lost their powers. (Held et al, 1999: p27). The hyper globalists and the complex globalists are classified as the liberalists or the globalists as they accept the concept of globalization, believe in the reduction of the nation state's powers, view the world as “being governed globally and conceptualize globalization as a reordering of the frame work of human action” (Held et al, 1999: p10). They believe that globalization is being spread through the technologies arising every day.

The Skeptics on the other hand disagree with the theories of the globalists that see the “end of nation states”. For Hirst and Thompson, the nation states are still very much in control in fact, they have the most power and there is no such thing as the word “globalization” (Hirst and Thompson, 1999: p256-280). The Skeptics are classified as the realists who believe that the word should not be “globalization, rather it is internationalization and regionalization” (Held et al, 1999: p10) and this “internationalization depends on state's acquiescence and support” (Held et al, 1999: p10).

Now we can have a view of the basic attributes i.e. State Sovereignty, State Autonomy and Primacy of the state

State Sovereignty:
As the entitlement of a state to rule within its own territorial space; From a transformationalists view, globalization processes have challenged the sovereignty of different states to different degrees, but one can hardly argue that they have totally eroded the sovereignty of any state; states still have significant sovereignty but this is less bound with their territorial space. During the last fifty years, the world has witnessed a significant increase in the number of intergovernmental organizations (like EU, ASEAN, G7, G8, G77) and international non-governmental organizations.

State Autonomy or self-governance**:**
As an internationally recognized right given to a state to rule without interference from other states. Challenged by recent global transformations, states are sandwiched between demands from within to protect the interests of different groups of society against global challenges and from without to collaborate (or comply). This can have more severe consequences for the autonomy of powerless states compared to powerful states.

With regards to Primacy of the state:
Modern states are given the most important authority in exercising power over their citizens. However, the growing number of new centers of public authority above and below the state as well as private authorities (like MNCs) and civil societal authorities (NGOs, INGOs, and transnational social movements) have challenged and transformed such primacy.

It is also generally believed by many that globalization has led to inequalities around the world and reduced the power of nation states to manage their own economies. Mackinnon and Cumbers state "Globalization is one of the key forces reshaping the geography of economic activity, driven by multinational corporations, financial institutions, and international economic organizations" (Mackinnon and Cumbers, 2007, page 17). Globalization is seen to cause inequalities due to the polarization of income, as many laborers are being exploited and working under the minimum wage whilst others are working in high paying jobs. This failure of globalization to stop world poverty is becoming increasingly important. Many argue that transnational corporations have made international poverty worse (Lodge and Wilson, 2006).

There are those who argue that globalization creates "winners" and "losers," as some countries prosper, mainly European countries and USA, whilst other countries fail to do well. Some believe globalization has no significant consequences for less-developed countries' income.

Neo-liberalists believe that since the end of Bretton Woods in 1971, globalization has generated more "mutual benefits" than "conflicting interests". However, globalization has also caused many so called 'prosperous' countries to have huge inequality gaps.

Nation State's Role Diminishing

Globalization led to a significant rise of multinational corporations which many believe undermined the ability of states to manage their own economies. Multinational corporations integrate national economies into global networks; therefore nation states no longer have total control over their economies. Multinational corporations have expanded drastically, the top 500 corporations now control almost one third of global GNP and 76% of world trade.

Since 1960 new technologies have developed at a rapid rate, compared to the previous fundamental shifts which lasted for two hundred years. These current shifts mean that states can no longer successfully manage the changes caused by globalization. Trade blocks, such as NAFTA, reduce nation state's management over their economy. The WTO and the IMF have a huge impact on a nations' economy, therefore weakening its security and independence (Dean, 1998).

Some are of the opinion that overall, globalization has diminished the nation state's ability to manage its economy. Globalization within the neoliberal agenda has provided nation states with a new, minimalist role. It appears that nation states have little choice but to give away their independence to the demands of globalization as a competitive environment has now been formed. Whilst one can argue that the nation state's role in managing its economy is diminishing, some reject this and believe the state still remains the most dominant force in shaping its economy. Nation states implement policies to expose their economies more or less so to the international financial markets, meaning they can control their responses to globalization

Therefore, it can be said that strong, efficient nation states help 'shape' globalization. Some believe nation states are 'pivotal' institutions' and argue that globalization has not led to a reduction in nation state power but has altered the situation under which the nation state power is executed (Held and McGrew, 1999). However, overall, the nation state's power can be said to be diminishing in order to manage its economy due to the effects of globalization. Furthermore, some could question if the nation state has ever been fully economically independent. The answer to this is hard to determine however, it could be said that globalization has not lessened the power of nation states but changed the conditions under which their power is executed (Held and McGrew, 1999). "The process of globalization, in the form of both the internationalization of capital and the growth of global and regionalized forms of spatial governance, challenge the ability of the nation-state effectively to practice its claim to a sovereign monopoly" (Gregory et al., 2000, pg 535). This increased the powers of multinational corporations, which challenge the nation state's power. Ultimately, majority

believe that nation state's power has diminished but it is wrong to state that it no longer has an influence over the impacts of globalization.
While looking the pace at which capitalism has flourished one can say that Liberal capitalism as a form of economic systems is indisputably dominant on a global scale (Fukuyama, 1992). Its final breakthrough was possible due to modern information technology and eventually after the Cold War with its expansion towards the East. Strong evidence for the enormous degree of transnationalization can be found in the financial markets. It is the dispersing ideology of capitalism which is also causing the spread of international corporations. Multinationality is the most significant feature of bank-organization nowadays (Datamonitor, 2009). Furthermore, multinational firms dominate not only financial corporations, but many other industries. Laws and regulation of the economic sphere tend to become transnational as well: IMF, WTO and the World Bank, for example, are trying to control their spheres of influence on a global level (Went, 2004: 345). Altogether, power in this way is shifting away from the nation state to global corporations and institutions. The economy is no longer only in the hands of the nation-state, but the ‘rules of the game’ are partly made by non-state actors. Today´s economics can in sum be described as a “national/transnational duality” (Mann, 1997: 479). The trend is towards transnationality, though, strengthened by the enduring dominance of global problems.

Some scholars argue that globalization alone is not causing the decline of the nation-state. A single ‘trend’ is not able to reduce the power of the sate, rather, different developments need to be taken into account when examining the situation of the nation-state. So one can argue, that the nation-state is indeed ‘under attack’ but not solely because of globalization. The nation state has to cope with a changing nature and differing tasks.

Future of Nation State - Another Perspective

Dr Keith Suter in his article (the future of the nation state in an era of globalization) gives another dimension to the future of the nation state. He gives four alternative scenarios: Steady State, World State, Earth Inc and Wild State. The four worldviews are drawn from the intersection of two axes. In determining the driving forces of change, for "strength or weakness of the nation-state” axis and "strength or weakness of international social cohesion” axis (that is, level of international co-operation). This gives four quadrants which then become four worldviews:

- Strong nation-state/ weak international social cohesion. In this scenario national governments remain in control of their destiny and are unwilling to work together on common problems: "Steady State". This is based on seeing the current global order while accounting with all its problems) is the best that can be devised.
- Strong nation-state/ strong international social cohesion. Here national governments, while they remain in control of their destiny, are willing to work together on common

problems and this evolves gradually into some form of global governance. "World State". This is based on there being no purely national solutions to transnational problems. Therefore, governments have to work together through some form of global governance to solve common problems.

- Weak nation-state/ strong international social cohesion. In this case national governments lose control over their countries and transnational corporations fill the vacuum. "Earth Inc". With the decline of the nation-state, the only organizations capable of driving the pace of change are transnational corporations, which then knit the world together into one market as they fill the governmental vacuum.
- Weak nation-state/ weak international social cohesion. National governments lose control over their countries and there is no organization to fill the vacuum and so there is increasing chaos. "Wild State". This is the "nightmare" scenario, in which nation-states fall apart. There is an increase in "failed states", mass movements of peoples and increased environmental and health problems.

SECTION 5
CONCLUSIONS

Having dealt the issue in depth it would be logical to put across some valid conclusions. However, acceptance is left to the reader. Drawing concerns from globalization is crucial to the nation states. Globalization's effect on nation states underscores need for an immediate attention and scrutiny. The resultant systems out of globalizing are entirely not fair. One needs to be observant that, who are those governing in these international organizations and MNCs? Who are those in power making all these decisions? They are the people with hegemony, with power and wealth who are able to control nation states and make them puppets. They are the capitalists whose ultimate goal is to make profit, so we should definitely be concerned since it affects us globally. Every nation state should be able to benefit from the spread of globalization, but at the moment, the powerful states are only getting more powerful, sapping resources form the developing countries by situating MNCs strategically. Nation states now go out of their way to create a more suitable business environment because these MNCs chose the best possible location involving cheap labor to situate their business.

There are valid concerns that some nation states are being treated with more advantages than others. The nation states played a huge role in policy making which affected their people but due to globalization, states roles became limited and less conspicuous in these political arenas. Territorial boundaries are becoming less important because of flows of technology such as the internet and satellite which makes views and news more global; thereby restricting in determining what its individuals are exposed to, movements became globalised such as the NGOs, INGOs.

It is clear that nation states are now being governed by external forces, whether it is the MNCs, the International Organizations, the NGOs or INGOs and it is important to note that most organizations are in business for profit making so the best possible state with the least possible labor would be a recipient of their businesses.

World politics today is a hierarchical field of contention, competition and collaboration which includes MNCs and transnational networks of elite that pursue their political-economic interests through the trans-nationalizing power relations (e.g. integrating national economies into a capitalist system). There are also forces that re-actively pursue nationalism or other alternative agendas (like socialism or fundamentalism) in order to protect their endangered interests and/or to disturb the hegemonic expansion of Western/capitalist values. Besides, there are hegemonic (inter-governmental forces (like the US, Russia, China, G8, OECD and the EU) that use their (inter-nationally based sources of power to influence global relations and thereby take the maximum advantage of such relationships like trade and investment for maintaining their supremacy. However, there are also independent players who struggle for the democratization of global governance and the realization of justice in both economic and political relationships.

Notwithstanding above, many arguments may arise over the concerns of globalization and how it affects nation states. Some may argue that it has enriched their nation's economy; others may argue that it has given their nation states more exposure on the international scene. But a nation state that cannot make its own decisions because of a “governing body” is almost powerless. Decision making, governing its people, security for its citizens and most importantly, culture of a nation's people should be overseen by its government.

An interesting aspect of globalization is that the nation state is pressurized ‘from above’ and also ‘from below’. Pressure ‘from above’ means pressure from global institutions like (UN, WTO, IMF etc), MNCs, NGOs (e.g. Greenpeace) etc. Pressure ‘from below’ means that citizens of a state now are able to connect and identify with their counterparts in other states more easily and intensely. Technology has rendered geographical borders redundant. Though experts debate about the pros and cons of the effects of globalization, there is one impact that is indeed remarkable. Globalization has brought into sharp focus the quality of governance in nation states.

In sum, there cannot be a denial of globalization. It is a true phenomenon which affects every society and state. The main question lies in how the states use globalization to deliver good governance and achieve the goal of welfare state.

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