IDS Working Paper 141

Globalisation and the future state

Peter Newell

April 2002

INSTITUTE OF DEVELOPMENT STUDIES
Brighton, Sussex BN1 9RE
ENGLAND

ISBN 1 85864 392 9

Summary

This paper provides a critical overview of debates about the role of the state in development in a context of globalisation. It is argued that globalisation can best be thought of as a political project that has to be understood in the context of the historical setting in which it is evolving and at the same time helping to define.

Central to this project are narratives around state power and incapacity. Globalisation may have certain corrosive effects on the sovereignty and territoriality of states, but this does not render them politically impotent in the way many accounts suggest. The economic changes associated with globalisation in many, but not all, cases have been produced and continue to be produced by state actions and non-actions. Some parts of the state have internationalised more than others, and are more subject to the disciplines of global markets than others. While the menu of policy choices available to governments is clearly more à la carte for some than others, and questions of capacity and malleability to global economic forces are suggestive of a North-South dynamic, it is important to transgress such a distinction when thinking about winners and losers from globalisation. There are important gender, racial and class dimensions which mediate the relationship between globalisation and poverty. What does seem to be emerging, however, is a set of key dilemmas which all countries face, but which developing countries face more acutely. These centre on the reconcilability of competing pressures upon state managers, from nationally and internationally organised neo-liberal élites, to accelerate and consolidate processes of global market integration on the one hand, and on the other, divergent, but dissident, voices from the rural poor, micro-enterprises and nationalist elements calling for protection and, in some cases, a reversal of the logic of global integration.

The political implication of these choices and non-choices is what has been referred to in other contexts as a 'democratic deficit', which has key implications for responsive government. In so far as the possibility of, and nature of, state interventions in the economy are increasingly shaped by, and mediated through, global actors whose approval is sought and required, we are forced to ask 'who will the future state be accountable to?'

Acknowledgements

I would like to thank Professor Mick Moore for comments on an earlier draft of this paper, Tejbir Singh from *Seminar* for granting me permission to reproduce material from an article that appeared in a special issue of *Seminar* on Globalisation (Vol 503, July, New Delhi India) and Carol Spencer for help in editing the paper.

Contents

Managed wisely, the new wealth being created by globalisation creates the opportunity to lift millions of the world's poorest people out of poverty. Managed badly and it could lead to their further marginalisation and impoverishment. Neither outcome is predetermined; it depends on the policy choices adopted by governments, international institutions, the private sector and civil society.

(DfID 2000: 15)

1 Overview

The background to this paper is the inaugural meeting of the Development Research Centre for the Future State, in which many participants emphasised both the importance, and current neglect, of international challenges to the future state in our existing research programme. The purpose of this paper, therefore, is to provide a critical overview of what some of those challenges might be, from the perspective of developing countries in particular. The paper seeks to situate contemporary globalisation debates in a broader historical and more critical perspective in order to focus our attention on those changes that appear most relevant to state-based activities aimed at the alleviation of poverty. Toward this end the paper develops the following arguments:

1. Despite the prevalence of discourses around globalisation, it is not assumed here that the most significant challenges to the future exercise of state authority derive from changes in the global economy. It is possible to argue that the importance of global processes for the lives of the poor, is exaggerated, or at least pales into insignificance compared with other internal problems that many states face, such as civil strife, corruption and poor infrastructures, which on the surface at least, do not appear to be affected by global processes. It is also possible to argue that the key trends associated with globalisation are not shaped by the poor and in many cases do not directly affect them. However, these arguments can be squared with an analysis which posits that the processes by which states both produce/reproduce and contest globalisation carry enormous indirect implications for the livelihoods of the poor. The interactions between states and global markets affect the provision of state services for the poor and help to determine the contours of state action, even if many poor people do not confront globalised forms of exchange in their everyday lives.

2. Globalisation can best be thought of as a political project that has to be understood in the context of the historical setting in which it is evolving and at the same time helping to define. In this sense it has to be viewed as an ideological enterprise, rather than an objective description of global reality. Locating the process as the product of a particular historical and political moment helps us to understand for whom the discourse of globalisation works and how. It also draws our attention to the social forces that promote and benefit from globalisation and serves to delineate transformational possibilities.

3. Nowhere is the importance of ideology better revealed than in the construction of narratives around state power and incapacity. Globalisation may have certain corrosive effects on the sovereignty and territoriality of states, but this does not render them politically impotent in the way many accounts suggest. The economic changes associated with globalisation in many, but not all cases, have been produced and continue to be produced by state actions and non-actions. Reaffirming state agency is important for understanding globalisation historically and for engaging in debate about the future possibilities of state action for development. Challenging narratives that 'There is no alternative' (TINA) is important normatively and can be done with reference to ample empirical evidence which highlights the multiple forms that contemporary capitalism takes, depending on the social and political context in which it is embedded (Weiss 1998; Evans 1995).

4. The important point is that some parts of the state have internationalised more than others and are more subject to the disciplines of global markets than others. While this has been the case for some time with regard to ministries of trade and commerce for example, new challenges are created, where the traditional welfare functions of states are subject to global scrutiny and challenge. Structural adjustment programmes, debt relief initiatives and global accords, such as the WTO GATS agreement (General Agreement on Trade in Services) create the conditions for such surveillance.

5. While the menu of policy choices available to governments is clearly more à la carte for some than others, and questions of capacity and malleability to global economic forces are suggestive of a North-South dynamic, it is important to transgress North-South distinctions when thinking about winners and losers. There are important gender, racial and class dimensions here which mediate the relationship between globalisation and poverty, determining both the nature of impacts and patterns of influence on decision-making. State managers are often part of international élites, which include representatives from international organisations and key industrialists and financiers, that set the political conditions for the advancement of globalisation and which benefit, for example, from access to new goods and services, cheaper travel and technological advances. Many of those that are vulnerable to the shocks and crises that globalisation inevitably produces, on the other hand, are not politically powerful and may be further marginalised by processes of global integration (Mittelmann 2000). There may, therefore, be a strong disjuncture between the views of policy élites on the merits of globalisation and the people they claim to act on behalf of, who fear added insecurity. This is especially the case in developing countries that are still heavily dependent on agriculture and other sectors that have been consistently protected by the state, but which through global pressures, are being exposed to global market competition. While these challenges are clearly not unique to this period of capitalist economic development, they should at least temper our expectations about the likelihood of élites making interventions on behalf of the poor to reign in a process that they benefit from.

6. What seems to be emerging is a set of key dilemmas which all countries face, but which developing countries face more acutely. These centre on the reconcilability of simultaneous competing pressures upon state managers from nationally and internationally organised neo-liberal élites to accelerate and consolidate processes of global market integration on the one hand, and on the other, divergent but dissident voices from the rural poor, smaller firms and nationalist elements calling for protection and, in some cases, a reversal of the logic of global integration. What is interesting is that key development 'choices', such as decisions on the removal of subsidies and other trade 'barriers', privatisation programmes, whether to introduce GM crops, and a number of other issues of national importance, are increasingly being either settled in international fora, in which many developing countries are poorly represented, or determined by global financial actors. The state remains, in many ways, the vehicle through which these pressures are mediated, but decision-making autonomy is compromised through negotiation with a broader range of social and economic global actors than has traditionally been the case.

7. A broader political implication of the structure of these choices and non-choices is what has been referred to in other contexts as a 'democratic deficit', which has key implications for responsive government. In so far as the possibility of, and nature of, state interventions in the economy are increasingly shaped by, and mediated through, global actors whose approval is sought and required, we are forced to ask 'who will the future state be accountable to?' Which political constituencies will states seek to serve and prioritise in their decision-making when, to go against the wishes of global market actors risks isolation and deters investment, and to buck popular demands risks political suicide? Given that, within the state, some political interests and classes are more embedded within transnational networks than others, these tensions should not be portrayed as international versus national, but as a contest between different constituencies within the state pushing for and against different degrees of global integration. With the emergence of diasporic communities with global political loyalties which extend beyond their 'host' government, the traditional political support base of the state appears to be shifting. Questions of democratic accountability and state responsiveness, therefore, run through our consideration of how the future state can operate under conditions of globalisation.

8. If nothing else, looking at globalisation and state authority helps to reveal the importance of the relationship between state and capital in shaping development possibilities, and in so doing exposes questions of élite bias and the embeddedness of state managers in global policy networks. As a result, we are better able to comprehend the mechanisms by which international pressures are mediated by and through domestic actors and structures in ways that determine impacts upon the poor. This is important for determining opportunities for change.

2 Definitions of globalisation

The numerous definitions that have been created to capture the complex and dense interdependencies that increasingly exist across all levels of social interaction and between economic, political and cultural spheres, do not add a great deal of clarity to our investigation. Mittelmann (2000: 5), citing Berresford notes; 'The term globalisation reflects a more comprehensive level of interaction than has occurred in the past, suggesting something different from the word 'international'. It implies a diminishing importance of national borders and the strengthening of identities that stretch beyond those rooted in a particular country or region'. Often emphasis is placed on the increasing speed and intensity of exchanges (by implication in finance and communications). Giddens, for example, suggests 'Globalisation can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa' (1990: 64).

It is this construction of time-space compression that has given rise to popular notions of 'one-worldism', and has nurtured fears about the potential of globalisation to homogenise economic and cultural life, captured in references to the 'McDonaldisation' of society (Ritzer 1993). It is also this notion of intricate patterns of interdependency that is said to connect the fate of nations in an unprecedented way. Hence, while we have had debates about the organisation of world systems and the existence of dependency between North and South or core and periphery, what is notable about this latest stage of global capitalism is the potential for 'boomerang effects' where actions and decisions taken in one part of the world can have rapid, if not immediate, impacts elsewhere. The East Asian financial crisis underscored this new reality in alarming terms.

3 Globalisation and the state: the state of the art

There is now a large and growing literature on globalisation which is replete with claims about what globalisation might mean for the future nation state in particular. Before going into different aspects of those debates in order to filter out what may be relevant to the work of this centre and for development more generally, it is worth making several general observations about the literature on globalisation.[1] Firstly, it is very triad focussed. This partly reflects the realpolitik of where decisions about trade, finance and production get made and the arenas in which most of these exchanges occur. Hirst and Thompson (1996) argue, for example, that the world economy is not truly global at all, but centred in the Triad of North America, Europe and Japan. They sustain the claim that activities are concentrated in the developed world with reference to data on trade, Foreign Direct Investment (FDI) and financial flows. Mittelmann suggests a more complicated picture of global relations in which 'The mosaic of globalisation reflects a

1 Mittelmann identifies three broad characteristics of the globalisation literature; (i) a tendency towards economism, by which he means an over-emphasis on material factors to the neglect of the political and cultural aspects of globalisation (ii) state-centricity (iii) an over-emphasis within area studies on particularities and 'detailed descriptions about the transformations in a given locale without also grasping the linkages to evolving global structures' (2000: 3).

shift in the incidence of poverty from when three continents were most adversely affected by globalisation to the marginalisation primarily of a single region-Africa and of enclaves in other regions' (2000: 241).

The triad-centred approach to the study of globalisation partly also reflects a traditional bias within much literature from International Relations towards issues, actors and processes that impact directly upon the national interests of the US. The history of the discipline suggests, until very recently, it has been driven by the desire to explain (and to some extent justify) US foreign policy decisions. On one level this neglect of non-OECD countries may be justified by the fact that many of the vaunted trends that litter popular discourse on globalisation are not much in evidence in many parts of the developing world, even if the impacts of such processes do affect the poor. DfID's White Paper on globalisation notes, 'We must not forget that many of the world's poor people, living in remote or inaccessible rural areas of Africa and South Asia, have so far not been much affected by globalisation one way or another' (2000: 18).

While it is important to recall that many rural livelihoods in more remote areas of the world are not obviously and directly touched by changes within the global political economy, we should note the new forms of vulnerability that affect the rural poor as markets open up, and the shocks that reach distant suppliers when markets crash and financial crises unfold. Dauvergne's (1999) work on the impact of the financial crisis in South-East Asia upon livelihood choices of the rural poor is revealing in this regard. The work of Hoogvelt (1997) and Mittelmann (2000) also shows that the changes in trade, production and finance that have taken place in the global economy, over the last twenty years in particular, have changed the micro social and economic landscapes of many developing countries in profound ways. Critics allege that such changes have exacerbated existing inequalities and introduced new insecurities into the lives of the poor (Madeley 1999; 2001; Mittelmann 2000). Therefore, despite the methodological difficulties of identifying the causal connections between macro economic change and micro development impacts (Bird 1996), the neglect of the relationship between globalisation and development that characterises conventional work on globalisation is without justification. The Asian financial crisis and other 'events' which visibly connect 'first-world' decision-making with 'third world' livelihoods may serve to highlight the untenability of this neglect. The rise of debates about labour and environmental standards, the appropriateness of capital controls, the growth of ethical trade and continued calls for a WTO Development Round suggest that development issues may earn a more central place in future policy debates about globalisation, even if a neglect by mainstream academics endures.

A second general characteristic of the globalisation literature is a tendency to present the process as apolitical, natural and inevitable. Natural in that it is just a continuation of earlier periods of expansionist capitalism which have shown a trend towards internationalisation over the last century. Marxist political economists, in particular, propose that globalisation is just the latest chapter in the evolving history of capitalism and does not, as such, constitute a break with previous eras (Lewis 1996). Indeed, there is evidence in the Communist Manifesto that Marx and Engels foresaw the coming of globalisation as an inevitable by-product of capital's hunger to conquer new markets and territories and to find new consumers for their products. They note 'The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country . . . In the place of old wants, satisfied by the productions of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes' (1967).

There is also a tendency, in some strands of the literature, to argue that since globalisation is inevitable, states have no choice but to adapt to the new reality. Globalisation is represented as a driver-less machine that no actor can control. The question becomes one of accommodation and adaptation to that which cannot be controlled (Ohmae 1999). At a popular level, and in policy discourse, terms such as 'TINA' bear testimony to this ideology of impotence. Similarly, economists often frame the question in terms of how and not whether to engage, as if there is no choice, no agency (Kaplinsky 2001).

Other writers have challenged this view and have invoked Polanyi's ideas about the double-movement and attempts to re-embed market activities, that followed nineteenth century experiments with laissez-faire economic programmes, to understand the contemporary global political economy (Glover 1999; Newell 1999; 2000; Mittelmann 2000). Polanyi helped to explode the myth of the self-regulating market by showing how state actions are crucial to the creation and maintenance of market activities. In *The Great Transformation* (1957), with a clear resonance to contemporary trends in globalisation, he showed how unprecedented market expansion and social dislocation was followed by demands on the state to counteract 'the deleterious effects of the market' (Mittelmann 2000: 8). This frame of analysis provides us with the tools to historicise globalisation, to get beyond the temptation to view the contemporary as the inevitable model of the future, and to expect moves and counter-moves in the battle to define the direction of the global economy as ideologies of economic governance evolve and thinking about the appropriate role of the state in economic management is constantly re-appraised. The shifting attempt to manufacture a consensus around the state's role in development demonstrates this process at work. The evolution of thinking can be discerned from a reading of the World Development Reports of the World Bank over the course of the late 1980s and into the 1990s, where by 1997 the report *The State in a Changing World* reaffirms the centrality of the state for development progress, a notable departure from the anti-state neo-liberal rhetoric that preceded it.

The effect of removing questions of power and agency from the study of globalisation is to present the phenomena as apolitical and benign. This makes it very difficult to determine the causes of change and the appropriate sites for reforms beneficial to the poor. Emphasising the inevitability and linearity of processes of globalisation serves to entrench the view that states have to adapt to, rather than direct, the changes taking place in the global economy. Hence, it performs an important ideological function. The de-legitimisation of some policy options on the grounds that they are no longer tenable, and the promotion of others, pushes the policy debate in a certain direction. The discourse of TINA, for example, absolves governments of blame for the consequences of reckless investment and irresponsible speculation, who can deflect the responsibility onto unaccountable market actors over whom, they allege they have no control. President Fernando Henrique Cardoso claimed that he does not rule Brazil, because globalisation is swallowing up less powerful states. He claimed both that the 'increase in inequality and exclusion that globalisation fuels is intricate and difficult to counter' and that 'globalisation is inevitable, as are its consequences, its disasters, exclusion and social regression' (quoted in Mittelmann 2000: 240). For

Mittelmann, his comments reveal 'that globalisation can be appropriated by political actors and used as an excuse for the lack of a project for political reform, a mark of the failure of the holders of state power to contest evolving global structures and to craft a political solution' (ibid).

Such claims of impotence also, to some extent, provide governments with a convenient alibi to make changes and impose social costs on society that would be difficult to justify by other means. In this way, political leaders can attempt to deflect blame for politically unpopular restructuring measures onto regional and international bodies or anonymous market forces. Similarly, preventing wage increases, curtailing the powers of unions, restricting public expenditure and resisting calls for higher social and environmental standards can be justified on the grounds that responding to these demands will lead to capital flight and loss of investment. Governments and other actors, therefore, benefit from constructing globalisation in a particular way. Differentiating between the constraints that globalisation actually imposes upon governments, as opposed to those they choose to emphasise for strategic reasons, is, of course, a difficult task, but as Mittelmann (2000 :224) argues 'It is important to de-reify the market and reveal the power relations behind this abstraction. For market forces to be an integral component of a modern economy, there must be a modern society which entails modern politics'.

Rather than presenting globalisation as an endpoint in the economic evolution of man, as discourses around the end of history tend to (Fukuyama 1992), it is important to understand how the alleged consensus on the desirability of market-led development has been achieved. It is necessary to recall, for example, the way in which many states have 'been adjusted' to the realities of the global market. Structural Adjustment Policies (SAPs), conditionalities, tied aid and the threat of retaliatory actions through organisations like the WTO, have been some of the mechanisms by which the North has been able to use its leverage to promote globalisation in the developing world. This underscores, once again, the importance of state capacity and resilience in determining whether globalisation provides a menu of policy choices or a medicine that has to be swallowed in order to survive in the contemporary global economy. Where changes are imposed from above, it becomes difficult to view the state as a buffer for its people against the destabilising aspects of global change.

4 Three dimensions of globalisation

In the following sections, I describe three inter-related aspects of globalisation, separated for analytical convenience, covering economic, political and socio-cultural dimensions.

4.1 Economic

The following are the most salient trends we associate with the economic dimensions of globalisation. In each case, the implications for the developmental activities of the state are discussed.

4.1.1 Trade

During the second half of the twentieth century the volume of world exports increased sixty-fold [from US$ 61 billion in 1950 to US$ 3,447 billion in 1990 (Khor 2000)], a single, dramatic statistic that clearly illustrates the pace and scale of economic globalisation. During the same period world output increased six-fold (Carr forthcoming). In other words, the increase in the volume of international trade cannot be wholly attributed to increases in output. Per unit of output there is a higher volume of international trade, associated with the increased movement of goods across the world and changing patterns of production in the global economy. For this reason Picciotto (1999) has argued that the core of globalisation is 'The Market, or at least ideologies of free trade and open markets . . . What seems to be more important is the increased potential for such flows [of international market transactions], resulting from the reduction of elimination of national and local barriers to all kinds of trade and investment'.

While trade has clearly brought both new opportunities and new challenges for different developing countries, what is often less discussed are the implications for state authority. One reading is that with the demise of mercantilist trade, and the growth of inter and intra-firm trade over which states have no control, states are no longer key players in trade. The counter view is that trade is only possible within certain rules and regulations aimed at reducing transaction costs, for example, removing barriers to trade, or enforcing the exemptions and special provisions that litter trade agreements, which all imply a role for the state. Even in the neo-liberal view of the state, governments are regarded as facilitators of market choices and the appropriate bodies to allocate property rights. In other words, states provide the infrastructure that makes trade possible.

It is also worth noting that the degree of liberalisation, the choice of sectors for liberalisation and the sequencing of liberalisation remain the prerogative of states, as the formal signatories to and implementers of trade agreements. This is not to suggest that states are not also subject to political pressure from export lobbies and protectionist interests with significant political clout, but the authority and responsibility for negotiating rounds of trade liberalisation rests with states, even if the volumes and speed of transactions are often, in reality, governed by inter and intra-firm relations. What often develops is what Strange refers to as 'triangular diplomacy' whereby states increasingly have to negotiate with firms, which in turn negotiate with other firms before an agreement is possible (Strange 1996). It is possible to see this process of triangulation at work, not just during trade negotiations, but during negotiations on a range of social and development issues. Business representatives often secure access to state delegations given their expertise on the issues being discussed and provide governments with advice on costs, time-frames and technological choices (Newell 2000a). What is problematic from the point of view of many developing countries, is that not only are they often poorly represented at trade negotiations and lack the legal expertise to shape the agenda, but often they lack the support and involvement of firms in bolstering their negotiating positions. The very way in which international trade negotiations are organised, with 'green room' discussions in which the key, mainly Northern, players are brought together to sketch the outline of an agreement which developing countries are then requested to sign up to, is disempowering.

The proliferation of private standard-setting bodies making rules which affect trade is a further source of concern for many developing countries. Organisations like the International Organisation for Standardisation (ISO) set social, environmental and workplace standards that are increasingly accepted as benchmark standards and a requirement for market access. Those involved in setting the standards tend to be larger firms and private accrediting agencies, whereas smaller and developing country firms are poorly represented (Finger and Tamiotti 1999). Many firms are struggling to adapt to these new requirements, especially those firms which are geared towards exports for European and North American markets. Even within public international organisations that set food and safety standards, such as the WHO/FAO Codex Commission, there is a lack of involvement from many developing countries. Here again, industries affected by the regulations are heavily involved in setting those rules, providing evidence for some of a gradual 'privatisation' of the UN (Lee, Humphreys and Pugh 1997). The shift towards such private standard-setting arrangements, or privatised forms of public decision-making, further erodes the little power developing countries have, to shape the trade rules which govern their role in the global economy.

In addition, while multilateral fora provide important venues for developing countries to articulate and defend their interests, the political economy of international trade means that multilateral fora are often not used in enforcing trade measures. The US's unpredictable and unilateral use of its Super301 provision to discipline states it believes are acting in a trade discriminating manner is a case in point (Martin 1994). Bilateral pressures are often used alongside multilateral bargaining to enforce outcomes beneficial to powerful states, as pressure on Thailand and India to bring their patent laws into line with the WTO TRIPS agreement makes clear (Sell 1999).

Hence while Hirst and Thompson (1996) claim that the term internationalisation, rather than globalisation, more aptly recognises the ongoing primacy of states in organising modes of economic governance through coordination and harmonisation of their activities, it is possible to argue that the organisation of global economic activity through multilateral rule-making bodies may also imply a loss of autonomy for states in areas of economic decision-making. WTO accords and attempts to negotiate a Multilateral Agreement on Investment, for example, restrict state autonomy by determining what is legitimate action and what is not. Their aim is to minimise the possibility of state interference in private investments and guard against a return to third world nationalism directed at multinationals. In doing this they go beyond the traditional approach of the Bretton Woods institutions that were set up as a guard against a retreat into the tit-for-tat nature of economic relations that characterised the period prior to the second world war. The degree of autonomy that existed in the late 1940s has not been maintained by many states, and instead of international economic obligations being of a tacit nature, they are increasingly contractualised in global accords.

4.1.2 Investment and production

Changing production patterns are reflected in the organisation of production. Production systems have become more international in their nature – with a growing proportion of raw materials, intermediate products and parts crossing national boundaries during the production process. Increasingly, international trade takes place during the production process rather than at the stage of end products. The share of intra-firm trading in world trade increased from one fifth in the early 1970s to one third in the early 1990s (Nayyer 2000). At the same time, there is increasing vertical integration in the production system and concentration of production in fewer and larger companies, as the popularity of mergers and acquisitions demonstrates. While the components of a product might be drawn from a greater number of countries, it is likely to have passed through fewer companies. In some cases the production process is entirely under the control of one corporation (e.g. petroleum products). In many cases production takes place within a number of contractually linked companies, but with the final buyer dictating quality and product specifications, and thus the technology used in production. For example, the detailed contracts set by Northern supermarket chains for goods supplied to them by Southern producers increasingly specify social and environmental production standards (Barrientos forthcoming). Sometimes this control is extended to marketing and distribution channels for consumer products. The influence of Coca-Cola, and others, upon the sale of their products extending to the smallest of vendors, would be an example (Carr forthcoming).

These changing patterns of production have important implications for employment and labour markets. With the decline of Fordist patterns of production and dispersal of the labour force, there is also a decrease in the unionisation of labour. The increased vulnerability of 'competition states' to the threat by multinational corporations of capital flight has resulted in attacks upon the unionisation of workers and allowed companies to play groups of workers off against one another. Greater flexibility in the labour market within developing countries and industrialised countries, has been brought about by deregulation in line with principles of economic liberalisation.

The impacts of these shifts in the organisation of production and employment create new political formations. What is problematic is that the flexibilisation of employment conditions has undermined the ability of the poor to organise to protect their interests. For example in horticultural markets for export, the poorest workers are often temporary, seasonal and women workers, which are neglected by unions and rarely covered in the codes of conduct which firms are increasingly negotiating (Barrientos, Bee, Mattear and Vogel 1999; Barrientos, McClenaghan and Orton 1999). Likewise concerns over child labour have come to the fore with the internationalisation of the garment and textile industry. Consumer pressures can be passed down to local Southern suppliers with disruptive and damaging consequences for the welfare of the children they were meant to benefit, who are often driven into more hazardous and exploitative forms of labour (Kabeer 2000). In this sense, the construction and operation of labour markets, in many sectors, at least, results not from the conscious interventions of government, but from the whims of global market actors and consumers of products. Globally integrated supply chains allow for the standards of social welfare and employment conditions to be set by foreign buyers and consumers rather than national governments.

Often, however, states are deliberately creating regulation free zones to attract capital. Export processing zones are an example of this where poor standards of social protection and environmental regulation are used to lure investors (Madeley 1999; Klein 2001). The issue here is the way in which governments position themselves strategically to appeal to the needs of different sectors, often by invoking particular cultural symbols or racial prejudices. The nimble-fingered, passive-natured, South-East Asian woman garment worker was a stereotype that firms and governments have used in the commercial press to attract investors (Kabeer 2000). Blanket 'race to the bottom' narratives are not helpful here, however, as governments which have export processing zones, such as India, are also promoting information and biotechnology parks, with infrastructures and facilities specifically designed to meet the needs of those industries and playing on the highly educated and skilled nature of their workforce.

States, therefore, continue to play a prominent role in defining their position within the global economy. The extent to which they create financial inducements or lower regulatory requirements to attract capital or accept (tacitly or explicitly) their function in the emerging global division of labour, reflects active policy decisions. It would be naïve to think, however, that the mobility of capital and the pressure on countries from the World Bank and other development actors to take a positive view of such investment, did not shape the matrix of choices within which decisions are made. Agreements such as the Trade-Related Intellectual Property Rights (TRIPs) and the attempted Multilateral Agreement on Investment (MAI), also provide evidence of what Gill (1995) refers to as the 'new constitutionalism', in which the rights of capital over states are enshrined in international accords. This has the effect of restraining the hand of governments vis-à-vis multinational corporations, albeit with their active endorsement. This shift in power from state to market can also be witnessed in the trend towards *regulation for* business, of the sort described above, aimed at facilitating business transactions and allocating property rights, as opposed to *regulation of* business, which has not progressed beyond declarations of intent and non-binding guidelines regarding the conduct of multinational enterprises (Newell 2001).

4.1.3 Capital flows

Few aspects of economic globalisation have generated as much concern as the volatility of capital flows. The East Asian financial crisis drew attention, in an unprecedented way, to the interdependency and interpenetrability of markets North and South. This was not just a case of the US 'sneezing' and the rest of the world 'catching a cold', as experienced following the Wall Street crash in 1929. Rather, it illustrated the potential for global boomerangs and the decimation of economies on the basis of the whims of financial speculators. Malaysia's Prime Minister Mahathir, decried the fact that in just a few weeks, 'primarily as a result of the lack of regulation and the ways in which global capital has spun out of control, Malaysia lost the economic gains achieved during forty years of independence' (Mittelmann 2000: 235). The development implications of this were devastating and the crisis demonstrated the potential for macro changes to impact the poor in direct and damaging ways.

Dauvergne (1999) shows how the crises both destabilised social and environmental reform programmes across South-East Asia and forced rural communities to abandon traditional livelihoods such as fishing and agriculture in response to plunging market prices. The post-mortem that followed has not surprisingly generated conflicting interpretations about the source of the problem. Rather than crisis and instability being viewed as an inevitable function of the operation of financial markets, attention focussed on 'crony capitalism' and the lack of transparency in family-run enterprises in South-East Asia. The IMF claims much damage could have been averted had states and firms been more willing to call for help in alerting them to the looming crisis and been more transparent about the problems they were facing, by allowing greater surveillance of their accounts and transactions. While many governments, in discussions about a new financial architecture, have agreed to share information and promote transparency, there remains a lack of consensus over the appropriate course of state action. The US is keen to promote its own guidelines on financial accountability and corporate governance as an international benchmark, though the recent Enron scandal casts doubt on their effectiveness. Others have called for more radical measures such as the introduction of a tobin tax aimed at taxing short-term flows of capital to deter their destabilising consequences and to generate much-needed revenue for the state. Opponents claim that the proposed tax would not be set high enough to deter short-term investors, is difficult to enforce, and would, therefore, not have the desired consequence. The utility and effectiveness of state intervention in capital markets is clearly disputed. The experience of using capital controls in Malaysia and Chile has generated conflicting conclusions. For some, used as a temporary measure, they can offer a much-needed reprieve from volatile flows at times of national instability. Others cite evidence of negative-long term impacts on FDI as investors tended to stay away in the wake of capital controls being imposed. It is also difficult to discern whether the changes achieved derived from the controls per se, or other policies shaping the overall economic environment (Griffith-Jones and Kimmis 1999; Coyle 1999).

Aside from short-term impacts, in broader terms capital mobility is thought to constrain the menu of policy options open to states, validating some and undermining others. Mittelmann (2000: 235) refers to 'the ascendancy of the structural power of capital to discipline the state'. He uses examples such as IMF conditionality to demonstrate this ascendancy. In a similar vein, Stephen Gill (1995a: 273) shows how this structural leverage is legitimised and sustained by the dominant ideology of the transnational élite, what he terms as 'disciplinary neoliberalism', which incorporates a faith in market forces, privatisation, and a diminished role for public initiatives. Disciplinary power, drawing on Foucault, describes a mechanism of power by which legitimacy is created for some forms of social action and is used to invalidate others. Global market actors such as credit rating agencies, bankers and international financial institutions such as the IMF, because of their financial power, are able to set the conditions in which states operate, defining the boundaries of acceptable action. The analogy Gill uses, of a global panopticon, is a useful vehicle for understanding the mechanisms of surveillance over the actions and decisions of governments, that financial actors are able to construct. The verdicts they offer on the performance of economies and the 'seal of approval' they provide, can make or break the economic future of a country by strongly affecting investment flows and credibility in the market. The reporting and exposure of decision-making processes around sensitive financial questions, which these institutions engage in, lays states bare to the whims of investors and makes them sensitive, if not, subservient to their political demands in seeking support for their actions.

I would argue, however, that while international capital can exercise structural power over the state, increasingly it is more helpful to think of a state-capital nexus in which new alliances are being formed and new divisions of labour agreed for the delivery of the common goals of growth and employment. There are often tensions between the demands of national capitals, competing to represent their interests as those of capital-in-general and therefore synonymous with the state interest, and those of international capital. The dilemma for state managers is to determine whether their economic prosperity lies in gratifying the demands of international investors over domestic producers. In many sectors of course, the rise of mergers and acquisitions, strategic alliances and joint ventures serve to blur the lines between international investors and domestic firms.

There are important political and democratic implications of governments' responding to the whims of global capital markets at the expense of meeting domestic priorities. These implications do not just apply to developing countries. The Mitterand government of 1984 in France was forced to dilute its ambitious reform programmes after the markets reacted negatively and threatened to withdraw capital from the country. Keynesian programmes of public spending are no longer acceptable to key market actors (Cox 1994). One of the first things UK Chancellor Gordon Brown did on coming to power was to reassure the markets about Labour's intention to handle the economy in a conservative manner by handing control over interest rates to the Bank of England. We have already mentioned the way in which MNCs can use their mobility as a source of leverage to extract concessions from governments, as well as the use of political conditionalities on Bank and IMF loans. These examples tend to support the conclusion that international organisations, funded by the world's most industrialised countries, most especially of course the US as the largest shareholder in the World Bank and IMF, tend to act on behalf of capital and in so doing produce and reproduce the conditions for further globalisation.

There is little evidence to date that governments are able to sustain opposition to these pressures on the grounds of what is best for the poor. Where there is public outcry over a reform perceived to have been imposed from outside, there is greater scope for manoeuvre. The recent example of the pharmaceutical companies dropping their case against the South African government's decision to maintain access to AIDS drugs for the poor, is a case in point. IMF riots and protests against the speed of market reforms across the former Soviet Union, as well as issue-specific conflicts over water privatisation in Bolivia, for example, suggest that where the state is seen to be acting as a transmission belt for the demands of international financiers, opposition may be forthcoming, and political parties North and South are capitalising on popular discontent with policies and programmes thought to be a product of globalisation. This underlines, once again, the conflict within states between the drivers of globalisation, affluent classes and business élites, and those who have no say in the process, but are nevertheless affected by it. As Mittelmann notes 'the big losers in the economic downturn of the late 1990s are the vast majority of working-class people and an underclass in the countries most directly affected, where the distributional impacts have been profound' (2000: 236). Nevertheless, despite these moments of opposition, which occasionally get internationalised and publicised through global social movements, on a routine basis the evidence points towards the fact that developing countries wanting access to international capital, aid and investment, seeking to export to western markets and play a role in the international bodies which 'govern' the global economy, have little option but to play by the rules. The incentives for doing so are increasingly high and the disincentives equally strong.

4.2 Socio-cultural

4.2.1 McDonaldalisation and cyber-politics

While this aspect of globalisation is neglected in the literature on the subject, it remains important for our enquiry here, particularly the political consequences of changes in media and communications. It is almost a truism that global telecommunications have served to forge new connections between political actors. News of political crisis or economic disruption can spread rapidly across global media bringing international attention to specific locales. This is generally embraced as a new method of creating global accountability, such that the actions of tyrant leaders are subject to global exposure, and the complicity of multinational corporations in acts of social and environmental degradation are made known to consumers of their products (with damaging brand implications).

Global media and telecommunications are perceived by less democratic regimes as a threat to their authority in this regard. Attempts to regulate internet access in Singapore, China and parts of the Middle East indicate the extent to which global information flows and exposure to global news coverage are regarded as a destabilising influence. Where states have attempted to retain a monopoly over the types of information their citizens have access to, the growth of satellite has presented a serious challenge, as orthodoxies are subject to challenge and portrayals of life outside a regime can be rapidly undermined by the insights gained from global media. In this sense, access to, and use of, the media has become a site for the contestation of democracy. Attempting to control state organs of communication has of course featured in many twentieth century struggles, but access to global media, to gain support for political protest, and as a means by which people are able to perceive the global effects of decisions taken locally and nationally, carries significant contemporary political implications. Before the recent overhaul of the regime, opponents of the Taliban regime in Afghanistan risked their lives by operating a pirate TV station to provide an alternative source of news and to share with their viewers' video-tapes of foreign news coverage. Radio Free Europe performed the same role in providing alternative news material to audiences in Eastern Europe before the fall of the Berlin Wall, subverting the state's monopoly on citizens' access to information.

NGOs and social activists have been able to use global media networks to expose human rights abuses, environmental pollution and other crimes committed by states and corporations. The way in which the struggle of the Ogoni people in the Niger Delta, Nigeria with Shell oil company, over land entitlements and the impacts of oil drilling on their lands, caught the global imagination and ignited protests across the world, demonstrates this potential (Newell 2000). The internet has also become a tool for activists to communicate with one another, as well as disseminate news of political events and campaigns and to coordinate their activities. This has changed the nature of political protest for many groups and has made it more difficult for states to track and anticipate the organisation of protests against them, or contain news of them within national borders. The global campaign against the MAI was orchestrated through the internet and many anti-capitalist groups have used the internet to network and organise resistance.

Nevertheless, we should be clear that the hype about the 'information highway' is of course just that, when the majority of the worlds people do not yet have access to a telephone, let alone a TV or computer. It has changed the nature of political interactions for some, while bypassing others altogether. Clearly, information technologies are crucial in facilitating trade and the rapid transfer of money around the world. The growth of trade on the internet is also increasingly significant, where buyers and sellers communicate and trade in virtual marketplaces. We should also not ignore the role of media in the manufacture of consumer demands. Exposure, through television, to the lives of the rich can breed resentment and jealousy. It can also of course serve to reinforce nationalist sentiments and caricatures of other worlds. But the ability to see the world outside, to have a window into other peoples' lives and to be exposed to the impacts that our political and economic choices have on others, can be politically significant. It subverts the traditional role of the state as society's gatekeeper of what we need to know.

4.3 Political

4.3.1 Retreat or reconfiguration?

Much of the focus of work on globalisation and the traditional structures of political authority has not surprisingly focussed on the nation state. I have already referred to many of the camps within the debate around the relationship between globalisation and the state, from those arguing that the state is in retreat (Strange 1996) to those arguing that the notion of an increasingly powerless state is a 'myth' (Weiss 1998). This focus on elimination of state boundaries has been constructed in different ways (Scholte 2000). For Strange, the breaking down of boundaries has been seen in terms of the erosion of state power in the face of the globalisation of markets. From another perspective, Robert Cox argues that, from being bulwarks against global intrusions into national economies, today's states are becoming mediators, negotiators that adapt to change within the global political economy. To perform this changed role, state managers have to reconfigure the power structures of government, giving far more emphasis to ministries responsible for finance and trade rather than industry and labour, for example. The state's role, therefore, becomes one of helping to adjust the domestic economy to the requirements of the world economy (Cox with Sinclair 1996). Mittelmann also argues that neoliberalism 'is being advanced by both states and international agencies in economic reform packages that take neoliberalism down to penetrate the grassroots level' (Mittelmann 2000: 229).

Cerny (1990) develops the notion of a 'competition state', whose chief functions are to facilitate market transactions and prevent market failure. For Mittelmann the consequences of this are that 'the autonomy of the state is reduced, constrained and disciplined by capital. The capacity to provide social protection against market shocks is also lessened, evidenced by the diminution of the welfare state in diverse contexts. In fact, the state itself adopts corporate logic, embracing variants of neo-liberal ideology to justify the socially disruptive and polarizing consequences of its policies and subjecting its own agencies to cost-cutting measures' (2000: 17). Many of these claims have been discussed above, but it is worth noting that some of the evidence invoked to support them has been contested. The work of Rhodes (1996), for example, on globalisation and welfare states suggest a greater resilience and in many cases an expansion of welfare provision in states which are also key globalisers. Interestingly his analysis is heavily focussed on Europe and not the developing world where many of these concerns are more pronounced.

Clearly, claims about the end of the state are exaggerated and many of the challenges confronting states have either been faced before, or have been faced for some time. There remains a tendency in the globalisation literature to exaggerate the novelty of such challenges, even in accounts which take a generally sophisticated view of the changes taking place. Mittelmann, for example, in an otherwise sober assessment of processes of transformation and resistance, claims 'Contesting the interstate system are the properties of new technologies – interconnectivity and lightening speed – as well as massive concentrations of power, particularly in the global capital market, dwarfing the resources of many national units as well as challenging the principles of sovereignty and territorial jurisdiction' (2000: 232). As discussed above, new technologies have created new political opportunities for dissident movements, they have undermined state authority in some cases, and they have undoubtedly facilitated global exchange, but do they contest the inter-state system in any substantive sense of the word? I do not see much evidence of this. Similarly with the transformative potential of capital, I have attempted to show that the state-capital nexus has to be at the heart of any enquiry into the origins and contemporary manifestations of globalisation, but capital relies on the division of states into discrete sovereign units. This, indeed, is the source of capital's power; to play states off against one another in order to secure the best deal. Moreover, states have assets that capital requires, notably the ability to enforce property rights, create the infrastructure necessary for investment and the legal systems supportive of their rights.

Hence a reconfiguration of power provides a better description of the contemporary nature of state power than 'retreat' or 'decline', power sharing rather than power loss, depending on the part of the state in question. As Mittelmann argues 'Not all states suffer from power deflation . . . it would be a mistake to portray global processes and the state as locked into a zero-sum relationship, for with globalisation, some elements within the state gain power, while others lose'. The winners are said to include government departments dealing with economic issues and administrative agencies dealing with external affairs, while 'offices charged with responsibility for social policy are reduced in scope'. Nevertheless, he notes, 'to varying degrees, all states are losing autonomy in a multi-level system' (2000: 232). While aspects of the state system endure, therefore, 'Increasingly market power disciplines the state, as with IMF conditionalities and currency speculation' (Mittelmann 2000: 232). In addition, we have already noted the importance of private standard-setting agencies and actors such as credit rating agencies which can strongly affect a country's ability to attract capital. Credit-rating agencies such as 'Moodys' and 'Standard and Poors' make evaluations that enable borrowers to raise money or prevent them from doing so and influence the terms of loans. As Mittelmann notes, 'This power can make or break some developing countries' (2000: 234).

We need to be careful with this notion of loss of autonomy, however, when it is recalled that states themselves relinquished the capital controls that created capital mobility, established off shore banking and continue, in most cases, to oppose capital controls (Helleiner 1994). We return once again to the state-capital nexus, where capital is afforded certain privileges and freedoms, in terms of access and protection, and states enjoy the benefits of investment including tax and employment. Viewing the state and capital in opposition to one another is inadequate. We need to view shifts in state power as part of an emerging set of deals with the private sector and civil society, in which active state choices are exercised about which governance functions should be performed by other actors and which remain the core responsibility of the state. This is not to suggest that these choices are made in isolation from global pressures and the structural realities of the global economy. I have shown above that they are heavily influenced by these things. Merely, that once we locate the process of state transformation within a global context we are better able to understand why some parts of the state appear to be losing power, while others gain. This is a function of the purpose served by a state agency (whether it is commerce or welfare for example) and the extent to which pursuing that goal requires cooperation and alliance-building with global players. Once we view the state, not as a unified actor, but as a set of competing bureaucratic jurisdictions, we are able to see the links with ministries, businesses and civil society actors elsewhere, which extend state power in new directions through the consolidation of a transnational managerial class (Cox 1987).

4.3.2 De-regulation or re-regulation?

The shifting formations of state authority described above help to explain the pattern towards *regulation for* business rather than *regulation of* business, with, for example, trade and commerce ministries seeking to set rules for enhanced market access, while agriculture and environment ministries seek to promote regulation of the worst effects of liberalisation. Hence, despite concerns about de-regulation and a race to the bottom, what is emerging is rather a dense set of public and private rules and regulations, some of which promote de-regulation while many others which advance re-regulation. While some view the relationship between deregulation and re-regulation as cyclical, whereby periods of deregulation (such as in the 1980s) are inevitably followed by periods of re-regulation, often in new forms, such as the recent growth in forms of private and civil regulation (Bendell 2000), it is perhaps more likely that deregulation and re-regulation co-exist simultaneously. For example in relation to business regulation, while there has been a failure to advance the regulation of multinational companies at the international level, there has been a growth in industry codes of conduct and other voluntary agreements (Picciotto and Mayne 1999; Drahos and Braithwaite 2000). Regulation for business, in terms of regulatory arrangements that facilitate transactions and exchange, and that affirm the entry and exit options of businesses, has increased. This is the basis of concern that there is a mismatch between the rights that business actors have acquired through regional and global trade arrangements and the lack of corresponding responsibilities that they are expected to exercise (Newell 2001).

Where states sign up to international agreements, their regulatory capacity is also enhanced. The Biosafety Protocol on the regulation of the trade in GM crops, for example, explicitly contains provisions aimed at enhancing the capacity of governments to implement and enforce its rules (Newell and MacKenzie 2000). Environmental agreements, in general, demand greater monitoring, state-level regulation and bureaucratic oversight (Clapp 1997). In other words, they demand an expansion, not a retraction of state power. Whether there is an incongruence between the expectations we have of state capacity, and the reality of ground-level implementation is another question, but the point is that certain forms of supranationalism, rather than being a threat of the power of states, may actually strengthen their capacity and add to their legitimacy on the world stage.

Conflicts over sovereignty are in many cases played out in these multilateral institutions. Rule formation at the international level, just as at the national level, has to accommodate competing pressures. Such rules are likely to be a product of tensions between the desire of some to see common rules, harmonised procedures and centralised procedures for rule-making, and the concern of others to preserve autonomy, diversity and difference in national economic and social strategies. These tensions are, in part, configured along North-South lines and are manifested, for example, in the Biosafety Protocol to regulate the trade in GMOs, which seeks to reconcile the interests of GMO exporters with the demands of many African nations, in particular, for the right to exclude imports on the basis of detrimental socio-economic impacts they may have (Stabinksky 2000). At stake is the conflict, manifested in many issue-areas revised in this paper, between pressures to create common rules for global integration and the desire of many countries to protect their autonomy of decision-making in areas of key social and economic importance.

The source of this conflict is that, increasingly, key decisions concerning global economic processes are being made at regional and international levels, generating worries about representation and the emergence of democratic deficits when the demands of domestic electorates are subservient to decisions reached between unaccountable decision-makers. This resonates with fears, discussed above, about the democratic (and developmental) implications of governments being more responsive to the demands of international capital than to the needs of domestic constituents they claim to represent. The growth of regionalisation has meant that an increasing number of areas of social and political life with important development implications, (especially in regions where this process is most advanced such as Europe), are governed by what is best for the achievement of full market integration. The imperatives of market access and creating 'level playing fields' have been the guiding principles for areas of policy which have nothing to do with trade, such as the environment (Grant, Matthews and Newell 2000).

Regionalisation can act as both a buffer and a transmission belt for further processes of integration, depending on your view of the relationship between globalisation and regionalisation. Regional blocs can be important both for articulating and amplifying national and regional needs in global fora and for protecting and defending interests. If the European model is the path to be followed, then we might expect that advanced forms of economic and particularly trade interaction, such as we are witnessing in ASEAN and Mercosur, may lead to the development of programmes of social welfare, for example. Functionalist arguments support this assumption, that where cooperation has been possible in areas of technical agreement and economic interaction aimed at reducing transaction costs, where there is both a zone of political consensus and corresponding lack of political conflict, fuller forms of political cooperation tend to evolve. In the European context, creating a single market has required infrastructural development and the creation of a cohesion fund, following the Maastricht Treaty, in which funds are provided to improve the infrastructure of poorer European states.

Clearly, however, regionalism will be harder to evolve in some parts of the developing world, especially where military conflict reigns, such that this aspect of globalisation may not touch many of the very poorest. Underpinning the possibility of European, North American and South-East Asian regional cooperation is an absence of conflict between key powers. This would be much harder to achieve in parts of sub-Saharan Africa. At the same time, it should be noted that addressing security issues is often the catalyst for other forms of cooperation. The desire to banish conflict from the European theatre was the key impetus for early forms of cooperation in Europe. The creation of the European Coal and Steel Community, for example, was a venture designed to encourage cooperation between previously warring parties, in this case France and Germany, by getting them to share coal and steel production, a resource both countries were heavily dependent on at the time. The impetus for intra-regional trade within South-East Asia was also investment from the US aimed at preserving regional unity and prosperity as a guard against Communist influence. That conflict and levels of economic interdependence are so closely intertwined will not come as a surprise to those familiar with the liberal peace doctrine of Michael Doyle (1997), which suggests that wars do not occur between liberal states, in which trade is a crucial vehicle for cementing cooperation, and making the costs of going to war prohibitive.

4.3.3 Implications for good governance and development

The DfID White Paper on Globalisation and Development raises a number of interesting issues around the relationship between governance and globalisation. Rather than looking at how globalisation changes the state, much of the focus of DfID's attention in the section on governance and globalisation centres on what governments can and should be doing to capitalise on the opportunities that globalisation presents. The familiar tenets of the good governance agenda are rehearsed toward this end. The paper notes 'Effective governments and efficient markets are both essential if developing countries are to reap the benefits of globalisation and to make the process work for poor people.' In meeting this challenge, governments are expected to be `both competent in carrying out their basic functions and more accountable, responsive and democratic, with a bigger voice for poor people in the determination of government policy' (2000: 23).

It is expected that many of these changes in governance structures will be driven by market actors. It is alleged that global market actors are demanding, in return for their investments, the rule of law, transparency, predictability, cooperation and pluralism in financial affairs. (Friedman, cited in Mittelmann 2000: 247). While aid clearly helps to structure governments priorities, FDI now far outstrips flows of official aid, such that states' relations with foreign capital increasingly form the context in which economic decision-making takes place. Again there is a need to be specific about which parts of the developing world we are referring to. Many parts of sub-Saharan Africa are still heavily dependent on aid flows rather than FDI. There is good reason to believe, nevertheless, that the scope of social regulation and the degree of protection afforded to the poor will be shaped by investment patterns in many areas of the world. I discussed above, in the section on investment and production, debates about upgrading standards of social and environmental protection and how these are often exported along supply chains in developing countries. There are also debates about the extent to which investors do drive good governance or whether, in some cases, they benefit from systems of corruption and patronage, and the absence of rule of law, and through inappropriate investment practices, serve to exacerbate civil conflicts (Frynas 1998; Christian Aid 2000). The operations of oil and diamond companies in countries such as Nigeria, Colombia and Sudan have been highlighted in this regard.

What is interesting in both the DfID White Paper and the tenor of many other agenda-setting reports on governance in development, such as the WDR, is the renewed emphasis on the importance of the state. This is perhaps a reflection of the fact that neo-liberals have struggled to explain the economic success achieved by East Asian countries that adopted strong state-based models of development which squarely contradict the anti-state prescriptions of neo-liberalism (Wade 1990). This step back from the assault on the state, associated with the height of neo-liberal Reagonomics, helps us to understand the renewed interest in the importance of [good] governance. This interest is driven not only by a belated recognition that activist states are important for creating and sustaining market activity, but that good governance is important both for creating an attractive investment climate and for targeting poverty (WDR 1997).

To the extent that good governance is associated with democracy, it is worth noting that the relationship between globalisation and democracy is not always clear cut. The examples of Bolivia returning, in 1997, a former dictator to power amid turbulent economic circumstances, or the rise of the far-right in Germany in response to global patterns of migration, and the re-emergence of support for Communism in Russia, suggest the potential for an antagonistic relationship between globalisation and democratisation. There have been reactions to perceived homogenisation and the threat to traditional political and cultural values that globalisation represents. Farmers movements, such as the KRRS in Karnataka, India, play on such threats in their demands for Gandian self-sufficiency. Unions across the world are protesting the ability of capital to uproot and relocate to more areas where labour is cheaper. Community self-help schemes and local forms of exchange and transaction have proliferated as a self-defence mechanism against economic dislocation (Glover 1999). All such 'moves' in a Polanyian sense, react to global economic securities and call for political interventions to re-bed market activities within a framework of state-society control (Mittelmann 2000).

4.3.4 Security

A final, often neglected, aspect of the political story of globalisation is security. This is surprising in that International Relations, as a discipline, remains preoccupied with questions of security and the maintenance of international order. Despite attempts by critical theorists to question whose interests are served by this effort to explain and validate the contemporary world order (Cox 1987), the mainstream literature in this area continues to be guided by the search for balance (of power) and equilibrium in the international system, even when these are sustained through coercive and anti-democratic means. Increasingly, however, there is evidence of a strong and durable link between the structure and process of the international political economy, on the one hand, and the content of the international security agenda, on the other' (Buzan 1994: 99). The question that is relevant here, however, is 'to what extent is the provision of security by the state in defence of its citizens, assumed traditionally to be its prevailing raison d'être, being affected or compromised by changes within the global political economy?'

There is clearly a sense in which the provision of national security is increasingly globally provided. The growth of multilateral efforts in the area of security, in relation to humanitarian intervention and UN peace-keeping, means that the international community increasingly assumes for itself the right to determine how security is to be provided, eroding rights of national determination in this area (Diehl 1997). An important link with processes of globalisation is the fact that, according to some, the rationale for interventions and non-interventions in the affairs of sovereign states, while consistent with many doctrines of liberal internationalism, is largely driven by the pursuit of the geo-political preoccupations of larger powers. The title of a book edited by John Rees (2001) captures this fear: *Imperialism: globalisation, the state and war*. Different authors, discussing events in Afghanistan, the Middle East and Colombia, provide evidence that behind global discourses of responsible citizenship, propagated by those advocating intervention, lie cynical commercial motivations. Rather than viewing 'Plan Colombia' as a drug eradication programme, Gonzalez (2001: 86) argues that it should be seen as 'the latest chapter in a long narrative of counter-insurgency . . . whereby the US protects the interests of its home based capital'. Similarly, the intertwined nature of security and commercial imperatives explains, for Rees, why 'The stability of Saudi Arabia and the other Gulf states, still a far greater reservoir of oil than anywhere else, has been a central concern for the imperial powers for more than a century' (2001: 14). The 'revolving door' between business and government in the current US administration helps to account for ongoing interest in the region. Vice-President Dick Cheney is an oil executive and the former Secretary of Defence, Condoleezza Rice, is the director of a transnational oil company (ibid).

More broadly, those on the Left allege that the inequalities and forms of social dislocation that processes of globalisation produce and heighten, create the conditions for civil and international insecurity. In his essay on globalisation and imperialism, Rees argues 'The cumulative effect of this process is to create economic turmoil, social dislocation and political conflict. And in this soil the seeds of war are sown' (2001: 6). He continues 'Those nations impoverished by globalisation and excluded from the élite clubs of the major powers can react by forging a nationalist response. This has been a constant motif in Russian politics and in the politics of the Balkan successor states ever since the collapse of Stalinism, in

China, in Iraq and in Indonesia since the fall of Suharto' (2001: 7). Alexander (2001) also regards the Middle East crisis as a product of the scramble for resources between great powers, projected by Lenin's imperialism thesis, combined with the imposition of free market policies by the World Bank and IMF.

The liberal peace doctrine of Doyle (Doyle 1997), however, suggests that economic interdependence is a key factor in reducing the likelihood of war because the costs of conflict with valued trading partners become too high. This is the logic that drove post war attempts at economic reconstruction through the European Coal and Steel Community that forced Germany and France to work together in the co-management of these natural resources, as well as the Marshall Plan for European recovery. It was also apparent in the calculations of the architects of the Bretton Woods order, who viewed the second world war, in part, as a product of the erection of trade barriers, capital controls and other 'beggar-thy-neighbour' measures that allowed countries to isolate themselves economically. At a populist level, the same narrative runs through contemporary claims that no two countries with a McDonalds restaurant have ever gone to war with one another! It may certainly be the case that the internationalisation of production and more integrated patterns of investment have altered the strategic dilemmas that states face. As Strange asks rhetorically, ' If the wealth of a developed state depends more and more on the investments made by its banks and corporations in other countries, and less and less on its industrial productivity at home, will not its government be aware that its wealth is even more vulnerable than its industry and is more directly jeopardized by war?' (1994: 55). She argues elsewhere that technological change and capital mobility during the 1980s 'raised the economic and social risks and costs of making war against other states. These changes enhanced the benefits of peaceful competition for world market shares while raising the costs of competition for command over territory' (1994: 62). This indeed may be the key to peace between wealthier states and the absence of such conditions may play a part in explaining continued conflicts between developing countries. It does not of course account for the interventions by western powers in many parts of the developing world which concern the writers referred to above.

While development writers continue to press the importance of notions of human and food security in these debates (Thomas 2000), it remains the case that economic prosperity is key to containing internal unrest and for funding global security interests. It is no coincidence that periods of US isolationism are also periods of economic slowdown, if for no other reason than international obligations and the prospect of foreign entanglements are less appealing and politically more difficult to sell to domestic electorates at times of economic hardship. Buzan notes, 'As illustrated recently by the demise of the Soviet Union, although states are more than just economic units, their security is deeply entangled with the logic of relative economic performance' (Buzan 1994: 92). Unsustainable levels of arms expenditure associated with the Cold War may have put in place the conditions for collapse by draining the economy of much needed reserves. On the other hand, Mary Kaldour (2002) argues that, at least part of the reason for the scale of the US government's response to the events of September 11th, was a perceived opportunity to boost production in the armaments and associated sectors amid fears of a looming recession.

Underscoring the importance of socio-cultural factors to contemporary notions of security, there is increasing emphasis on what many people refer to as 'new wars'. These refer to the escalation of sub-national and civil conflicts as dissident groups seek to express their identifies and political demands in new ways. Many interpret these as evidence of a re-assertion of cultural identities in the face of an intrusion of global economic and cultural forces that are perceived to be threatening to religious values and cultural practices. Examples would include Basque separatism and Palestinian nationalism. At a systemic level, it is alleged that these same processes are breeding a conflict between Islam and the West, captured in Huntington's notion of a clash of civilisations (Huntington 1992). While religious-based violence appears to be on the increase, even recent events are hard to present as evidence of this clash in practice, despite rhetorical efforts by Islamic fundamentalists and Hawkish individuals within the US administration to construct it in that light.

Global interconnectedness also heightens the potential for boomerang effects, where events in one part of the world can magnify tensions elsewhere. Taking a recent example, global communications have facilitated a process by which protests and violent clashes can develop in the Islamic world on the basis of instant coverage of US-led air strikes against Afghanistan. At the same time, advanced communication technologies and the integrated nature of global banking have created the conditions in which global terrorist networks such as al-Qaeda, overseen by Osama Bin Laden, can finance their activities and spread news of their operations. We have already noted how the internet has been an important tool for social movements and guerrilla activists alike to connect with global audiences and recruit new members to their cause.

There is also an emerging debate within the policy and NGO community, in particular, regarding the role of global economic actors, especially TNCs, in aggravating and even fuelling situations of domestic conflict. Extractive industries such as oil, diamond and mining companies have been criticised in this regard for their role in exacerbating civil conflicts in Sudan, Angola and Nigeria (Christian Aid 2000). In disputed territories access to land and resources often means paying warlords for their acquiescence. The capital they receive is then ploughed back into arms. Firms have also come under attack for encouraging the privatisation of security services, whereby state police services are supplied with arms to protect investment sites or paid to see off attacks and acts of 'sabotage' from those disputing the right of corporations to operate in the area. This has been the case for British Petroleum in Colombia and Shell oil company in Nigeria for example. Contrary to popular assumptions, therefore, that investors tend to demand and benefit from good governance in the form of minimal corruption, transparency in transactions and respect for the rule of law and human rights, a growing body of literature suggests that for some firms, weak forms of governance provide them with a degree of freedom of manoeuvre and discretion that would not otherwise be possible (Frynas 1998).

To sum up, therefore, increasingly we find a perplexing situation in which efforts to promote global security are increasingly being conducted and orchestrated at regional and international levels and through multilateral institutions, while many of the threats which states find most threatening, and least able to confront, originate in decentralised, sub and transnational entities over which many states are able to exercise little control.

5 Conclusion

Institutions clearly both react to, and drive, the process of globalisation. We know from Polanyi that market activities are shaped by the social and political institutions that create and maintain them. The World Bank and IMF, for example, have clearly played a significant part in creating the conditions for market expansion and globalised transactions by moulding the policies of states in a neo-liberal guise. But we have seen how states too, play a crucial role in creating and redefining processes of globalisation. The claim here then is that many global processes continue to be mediated through national structures and vice versa. Increasingly one cannot be viewed in isolation from the other. Claiming that even the most autarkic regimes are not immune from global economic forces (Keohane and Milner 1997) is not inconsistent with an argument that holds that states exercise choices, albeit within constraints that depend on the state in question. The plurality of capitalisms and structures of state-market relations, despite governments facing similar global pressures and structured choices, testifies to both the enduring resilience of the state and a residual autonomy and capacity to determine the organisation of the economy.

Globalisation is a contested process with outcomes that affect people well beyond the principal decision-making centres of the global economy. This inevitably means that future forms of globalisation and the extent to which they benefit the poor, will be a product of political organisation and institutional design and the outcome of conflicts between competing social and economic forces over who sets the rules and for whom.

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