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THE IMPACT OF NON-STATE ACTORS ON DEMOCRACY IN DEVELOPING COUNTRIES.
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CHAPTER 1

Introduction

This study will critically examine the establishment and emergence of non-state actors\(^1\) at international, regional and national levels. These governance and coordination mechanisms were established to globally manage the political, social and economic relations of nation states.\(^2\) The necessity of such coordination is irrefutable, given the ongoing need by dominant actors to control and direct world affairs to serve narrow interests. As coordinating mechanisms, non-state actors have tended to replace or assume the responsibilities of nation states in that they develop and manage governance regimes\(^3\) and rules which undermine the state and the exercise of sovereignty.

Non-state actors have introduced norms, standards and rules which impact on the exercise of democracy by nation states. These rules have assumed the status of some form of law or conduct which states follow and adhere to without seeking the consent of those that they govern, i.e. the nation states' citizenry. Nation states are characterised by local governance through democratically-elected representatives. However, non-state actors are often seen as imposing their rules and norms on democratically-elected government and in this way impacting on the exercise of governance.

The emergence of these governance mechanisms has not been unchallenged, even in the dominant Western sphere\(^4\) from which they originated. Their extension to developing countries has resulted in the imposition of foreign governance mechanisms, with the states often unready to engage with this form of governance. In the process, these states could lose the exercise of their sovereignty and be seen as lacking legitimacy and accountability to their citizens.

Non-state actors tend to take on the responsibilities of the state. They often impose their agenda through the co-option of the local governing elites and the institutionalisation of these governance mechanisms within nation states themselves.

\(^1\) T.McGrew A (1992) 7-8
\(^2\) Armstrong D (etal) (2013) 21-22
\(^3\) Castells M (2004) 14
\(^4\) Agnew J (2009) 10-13
The existence of transnational governance has evolved over time. It is traceable to the pre-imperial era where China and India were dominant actors in international trade. However, this international trade was largely in artefacts which were exchanged by means of a bartering system. The influence and extent of these early civilisations has dwindled with time and their impact has not been as profound compared to the newly established internationalism first introduced in Europe in the form of colonial empires.

Economic development, the accumulation of wealth and the drive towards industrialisation propelled some European states to search for new markets to source and develop raw materials from other regions of the world. The new sources of raw material were regarded as underdeveloped or uncivilised, and their role in international trade was to serve as centres of provision for the European markets.

The emergent European state, therefore, established empires throughout the world as spheres of dominance and economic exploitation. This resulted in the establishment and imposition of the European nation state in newly acquired colonies.

The early development of empires was informed by the need to obtain raw materials from colonies. No consideration was given to establishing an integrated mechanism at an international level in order to coordinate efforts in the economic and political management of the world. As a result, empires operated largely as sole domains of sovereign states in Europe, which extended their influence in the colonies.

In this regard, Britain, Portugal, Spain and some other European countries played a dominant role in colonising and exploiting the underdeveloped world. Another result of this domination was the extension of religious influence to the colonies. Colonialists thought it important to civilise pagan and non-believing spheres of the

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5 A trading system whereby goods are exchanged for the same value of goods usually from foreign countries. The exchange does not involve money.
6 Krasner SD (2001) IPSR 233-234
8 Under-developed world referred to the lack of both economic and political development in Europe before the industrial revolution. Subsequent to this period, it refers to countries at the periphery of centres of industrialisation. Such countries are characterised by a lack of economic development and political governance.
world through enlightenment\(^9\) processes, largely driven by the need to establish new forms of government and economic systems. As a result, parallel to the extension of economic influence, was also the need, as expressed by empires, to bring about civilisation to parts of the world that did not experience the modernising effects of industrialisation which were underway in Europe.

The extension of the European national state to distant parts of the world was faced with difficulties of coordination, coherence and resistance by local populations. To a large extent, this was addressed through the Peace Treaty of Westphalia of 1648 which granted monarchs some form of sovereignty to conduct their own affairs within their own territories. The Treaty of Westphalia introduced an incipient form of internationalism and interstate relations.

The expansion of Europe to overseas markets, therefore, should also be regarded as a way of introducing the nation states to colonised countries. How these countries reacted to and interacted with this form of state differed from continent to continent. The colonies were not only inadequately prepared to deal with the colonisation of their territories, but were also ill-prepared for the introduction of forms of governments that did not take into consideration their own national peculiarities. The 1648 Treaty of Westphalia introduced and developed state sovereignty in the 18\(^\text{th}\) century that continues to dominate even in this period. Most notably, it introduced new forms of interstate relations\(^10\).

Westphalian sovereignty simply meant that states had the exclusive right to exercise power and legitimate force within their own territories and could protect this sovereignty against intrusion by other states\(^11\). In this way, the territoriality and exclusiveness of nation states was a characteristic of how nation states developed after Westphalia.

However, with time this conception of territory as sovereignty was affected by globalisation to the extent that it had to adapt and respond to the emergent globalising effects of technology, communication, transportation and innovations.

\(^9\) The enlightenment refers to a view in which the laws and workings of natural phenomena and human relations in the world were made sense of through observation. The enlightenment criticised religion as a basis of explaining and understanding the world and emphasised reason as a basis of thinking.

\(^10\) Agnew J (2009) 78 - 79

\(^11\) Agnew J (2009) 78
This form of state sovereignty, therefore, has not only been able to endure with time, but has also been able to adapt itself to new international conditions. It has done so by occupying a niche in the international sphere of economic and political globalisation while shedding some of its important characteristics, such as total and exclusive control of the economy.

The globalisation of the world economy and internationalisation of political governance introduced new rules, norms and institutions which evolved in line with this development. These were introduced separately by independent operating institutions which did not recognise the spheres of governance of nation states.

These autonomous institutions operate across borders and tend to determine hegemonic rules for nation states. In some instances, nation states were compelled to conform to these norms and standards. However, states did not lose their sovereignty as a result of their interaction with these new forms of economic and political governance. Instead, states continued to be resilient in the face of the emergent regimes of world governance, particularly with the intensification of globalisation in the late twentieth century. While states have been confronted with the reality of losing some aspects of their statehood and sovereignty, they have demonstrated that they are able to retain their territorial sovereignty, the integrity of their own domestic processes and the ability to defend themselves against external pressure introduced and driven by globalisation.

The question that arises is whether norms and standards governing the world have diminished the influence of the state in the international arena. I will argue that, although the Westphalian form of sovereignty has been affected, states have not been significantly influenced in a negative manner by this process. Nation states interact with these processes in a variety of ways, even though the imposition of new rules has constrained the states’ autonomy to take decisions at a macroeconomic level in relation to their domestic economies.

In the past, it was the state that regulated almost all spheres of the political and economic lives of citizens. However, it is now clear that states, as organising units of the political order, are not the only actors and players in the setting of norms and

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12 McGrew A (2009) 222 - 224
regulations. Emerging actors challenge the autonomy of states and reduce their privileged status as sole actors in the rule generation and management of national economies. They operate at global, regional and sub-national levels, as well as within and across states, without regard for the central role that is played by the state.

Critical questions to be examined are as follows:

1) How do the competing theories of realism, liberal pluralism and Marxism conceptualise the emergence of global governance?

2) Did the Treaty of Westphalia (1648) introduce a sustainable form of sovereignty, and how did it give rise to nation states?

3) How do developing countries respond to and interact with the emergent global governance, and are they ready to receive the Westphalian concept of a nation state?

As background to the argument developed in chapters 2, 3 and 4, I aim to demonstrate that a global polity has evolved, facilitated largely by the participation of the state in interstate relations and international institutions. Even though the state played a pivotal role in originating norms and regulations that govern these institutions, these institutions have acquired the autonomy and independence to regulate the states themselves. Despite the development of this regulatory regime, states have been resilient and are important players in these relationships.

A number of theories have emerged in an attempt to explain and understand developments at an international level.

The realist theory of interstate relations posits that nation states or states act in their own selfish interests in the international arena. They are informed by this selfish interest in interactions with each other and therefore do not necessarily support relations that do not meet this objective.

Liberal pluralism recognises the multiplicity of actors in the international arena and

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13 McGrew A (1992) 15
the impact of these interactions among all the actors\textsuperscript{14}. A liberal agenda emphasises the fundamental role of markets in designing and apportioning opportunity to citizens.

Marxists suggest that the evolution of the international system is a reflection of the development of the capitalist state and in fact represents the domination and superiority of capitalist classes\textsuperscript{15}. It asserts that in international relations, the domination of classes, particularly the capitalists over proletarian classes, is reflected\textsuperscript{16}.

All the above theories accept the reality of the existence of an international governance regime and recognise the benefits thereof. Each theory, however, emphasises different aspects in relation to their basic assumptions and how they deploy these theories to explain international governance.

Political governance at international level challenges the Westphalian notion of territoriality and the state’s exclusive domain of influence within and beyond its borders. In essence, the political global world serves to coordinate political and economic aspects of the international system.

Forms of international governance may lack democratic practices which maintain accountability, transparency and legitimacy within nation states. They have a legitimacy and accountability gap in agenda-setting and decision-making processes within the execution, implementation and monitoring of their norms. However they are constituted, they are do not appear to operate democratically and often are not held accountable for their actions.

At the same time, globalisation has localised and embedded forms of governance within states that have previously been exercised at an international level. Nation states are implicit in the generation of rules and laws that protect private property, intellectual property and patent and copyrights of multinational companies and the private sector. They have provided a legislated macro-environment for the

\textsuperscript{14} McGrew A (1992) 15
\textsuperscript{15} McGrew A (1992) 17
\textsuperscript{16} Pierson C (2011) 61-63
deregulation, privatisation and corporatisation of major aspects of the economy\textsuperscript{17}.

This has been driven by the demands of Bretton Woods\textsuperscript{18} institutions as conditions for interventions in adjusting macroeconomic policies of recipient countries. Thus, states have largely lost the economic initiative to harness economic opportunities in the international market to their advantage. However, some nation states have taken advantage of the positive aspects of globalisation by integrating themselves with the global economy.

What is clear is that the international economy has produced forms of inequality between and within nation states by ensuring that local elites become beneficiaries of globalisation effects, whilst the majority of the population remains marginalised. At international level, this is reflected in inequality in the dispersion of economic power between developed countries located and in those countries that are in the periphery of globalisation at an economic level. However, developing countries have constituted themselves as a coordinating and implementing body which seeks to leverage on their economies and assert influence globally\textsuperscript{19}.

In Chapter 2, I critically examine the conceptual framework for the emergence of an international world order. The chapter will focus on three theoretical concepts – realist, liberal pluralist and Marxist – which attempt to interpret and understand the emergence and development of global interconnectedness and interrelations. These theories seek to critique the role of the state and sovereignty in the global world and how modernity has influenced or informed their formulations. Included in that analysis is an examination of how the globalisation of technology, information and culture plays a role in shaping the nation state.

I argue that however different the understanding, interpretation and explanation of the emerging global order are within these theories, there are also similarities. All theories emphasise the important role played by nation states. Nation states have been resilient in the wake of practices that affect the manner in which they govern

\textsuperscript{17} Holton RJ (1998) 72 - 79

\textsuperscript{18} The Bretton Woods Institutions are the World Bank and the International Monetary Fund (IMF). They were set up at a meeting of 43 countries in Bretton Woods, New Hampshire, USA in July 1944. Their aims were to help rebuild the shattered postwar economy and to promote international economic cooperation. The original Bretton Woods agreement also included plans for an International Trade Organisation (ITO) but these lay dormant until the World Trade Organisation (WTO) was created in the early 1990s: Bretton Woods Projects.

\textsuperscript{19} Chaturvedi S (ed) (2012) 4 - 7
territories in traditional democracies.

Chapter 3 reflects on the political governance of the world and traces the development of sovereignty and nation states in the context the Treaty of Westphalia. The emergence of a global world and its introduction of actors other than the state mean that the exercise of sovereignty will be affected by these processes. The nation state is a creation of processes founded in Europe as a response to changing power relations between the monarchy and a growing established population. This form of state was introduced throughout the world, particularly in developing countries, at a time when it was in decline and being challenged in Europe.

Nation states have been affected by the emergence of regional and institutional governance mechanisms which have, at times, appropriated to themselves the exercise of state power. In some cases this happens with the consent of the states themselves. The emergence of networks which function within states and the government has also challenged the democratic exercise of power by nation states. They find themselves compliant in processes which do not necessarily emanate from their governance policies, but which are formulated and derived from external bodies. However, this agenda is reflected by states in how they govern their populations.

Chapter 4 concentrates on critical observations of how the Westphalian state was introduced to developing countries through colonisation and other subjugation processes. Developing states were not ready to receive the Westphalian notion of nation states and this was reflected in how their governments continued to experience difficulties and failures in trying to adapt democratic principles associated with Westphalia. These principles included separating the state from the monarchy and constituting the people as bearers of state sovereignty.

The imposition of colonialism on developing countries meant that these countries had to adapt to foreign forms of governance that imposed new laws and processes. Failure of governance has been a recurring result of linking development to conditions imposed by donor countries and agencies which dictate norms and rules

20 Slaughter A M (2004) 159-161
that must be adhered to before aid is provided. For example, developing countries have struggled with the doctrine of the separation of powers and the rule of law, and have only recently adopted the developed world’s version of what human rights mean\textsuperscript{21}. The capacity and administrative readiness of these states to implement rights is limited to a large extent.

With regard to economic integration, developing countries continue to be dominated by the West and serve as recipients of conditional funding, structural adjustments and shock treatments by international institutions. They do not have the capacity to control the activities of multinationals within their own territories. Therefore, financial markets are not regulated properly by developing nations. This has led to situations such as the surrender of macroeconomic competencies, resulting in massive unemployment, deregulation and the privatisation of important aspects of national economic assets. The consequences include neglect, the relegation of social expenditure to alleviate poverty and a lack of focus on those that are marginalised in these systems.

Developing economies, therefore, find themselves in the same situation as they were when colonialism existed. The only difference is that in the new system, elites that have come to power continue to benefit from economic policies at the expense of large sections of the population.

The exception to this has been the emerging countries of the East Asian world. These countries are developmental states\textsuperscript{22} that have used the production of manufactured goods as economic leverage and have geared areas of their industrial sectors towards international competitiveness. Although they did this under autocratic conditions and the suppression of dissent (particularly those of worker interests by ensuring that only neoliberal perspectives of economic development prevail), they have been able to establish dominance in their own regions and are now establishing economic dominance in new markets.

\textsuperscript{21} Joseph R (1999) 21 - 41

\textsuperscript{22} There are many definitions of a developmental state, however, Boleta A (2007) China as a Developmental State; offers the most appropriate definition. He defines the developmental state, firstly, as a state in which the authorities’ objectives are to achieve fast socio-economic development. Secondly, these objectives are achieved via the process of industrialisation. Thirdly, although the strategy and goals might be drafted by the ruling elite, the state’s transformation is facilitated by a competent bureaucracy. State administration is structured largely independent of the democratic choices of society. Fourthly, the process takes place in the institutional environment where the state dictates not only the norms and rules of social, political and economic existence, but also the direction of development. Hence the state is interventionist in nature. Fifthly, although it is an interventionist state, the economic environment is capitalist and the private sector plays a crucial role.
The decline in influence of the United States and Bretton Woods institutions has seen China exploit the gaps created by the negative impact of grant conditionality in developing country economies. China is emerging as an alternative to Bretton Woods institutions and as a direct funder of infrastructure development in developing countries\textsuperscript{23}.

I am inclined to agree with Marxists, who assert that capitalist logic informs the emergence of this globalisation effect. While capitalism can develop and will churn out advantages of economic growth in some areas of the world, it largely neglects and bypasses other regions of the world. This creates relationships of dependency in economies of the emerging world on the North Atlantic region of economic influence. In my view, capitalism in all its variants informs the emergence of economic globalisation. The political management of this is necessary for international organisations that seem to act independently of the dominant capitalist countries.

\textsuperscript{23} Chaturvedi S (ed) (2012) 151 - 163
CHAPTER 2

Conceptual Framework

This chapter will explore the theories advanced to explain, interpret and understand the global world, and conclude that despite the differences of the various theories, there are common themes among them which must be emphasised without denying the individuality of each theory. The reality is that a global polity exists which, through the creation of supranational or international bodies, seem to be threatening the sovereignty of the nation state.

Theoretical explanations have been formulated in an attempt to explain global political and economic situations unfolding in the world. Realists, liberal democratic and Marxists each attempt to provide an explanation of this emerging global order based on premises and assumptions that emphasise the role of state and its interests; the role played by markets in defining social and political life with minimal interference by the state; or the role played by the development of capitalism in utilising the state to serve the interests of classes. They respond to the global political order by providing reasons for its existence.

Globalisation has been driven by increasing interconnectedness and interdependence around the world. Despite the fact that there is an emergence of international governance, it is also clear that the nation state as an expression of territory, politics, economic and social life, demonstrates resilience against forces that propel globalisation. Whilst it is true that the nation state has lost some aspects of its territory and relinquished elements of its sovereignty, it continues to play an important role in interacting with driving forces attempting to create a global polity.

Globalisation and its impact on the sovereign state require a rethinking of developments in the global world. This is so because the distinction between the national and the global is blurred.

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24 McGrew A (1992)15
Due to a rise in the interdependence and interconnectedness of nations around the world, there has been a deepening, stretching and widening in political and economic decision-making processes in the world. In this context, the sovereignty of the nation state is challenged as it is losing the autonomy it originally held to direct political, economic and social aspects of the state. In the process, sovereignty is assumed by or delegated to supranational bodies, agencies and actors not associated with the state. These institutions act as autonomous bodies which generate or originate norms, rules, and standards which in turn bind the nation state.

Anthony G. McGrew and others assert that the modern nation state and its future viability is increasingly challenged by the existence of an interdependent world system. The emergence of an interconnected and self-conscious global community has brought about an international society. However, the world is still organised into sovereign nation states which are supreme, territorial, administrative and political units.

In the post war period after 1945, the role of the nation state expanded alongside the existence, function and scope of international institutions, agencies and regimes. This expansion was engineered by the states themselves as they realised that, to achieve domestic goals, enhanced levels of international cooperation and integration are required.

The globalisation of the political arena has led to a decline in the significance of territorial boundaries as a defining feature of the nation state and an organisation of political life within a country. Politics as a social activity of the nation can no longer be isolated from the consequences of what happens throughout the world. This requires a re-conceptualisation of the global world by, some suggest, doing away with the distinction between the domestic and international. Politics should be conceived as, firstly, an activity which stretches across space and time rather than as a social activity which is confined within the boundaries of the nation state. Secondly, it should be viewed of as an activity which is not only confined to or guided

26 McGrew AG (et. al) (1992) 3-4
28 Ibid at 2
29 Pierson C (2011) 145-146
30 Tooze R or McGrew AG (1992) 3-4
by treaties between governments and nations\textsuperscript{31}.

Political activity, including the exercise of power and authority, no longer define the national, legal and territorial boundaries of a particular country\textsuperscript{32}. As indicated earlier, there are three ways in which this process is unfolding. Firstly, there is a stretching of political processes, decision-making and actions, which impacts on various parts of the world simultaneously. There is also a deepening of the political process, where developments in one jurisdiction may have consequences for other jurisdictions. Thirdly, there is the broadening of political processes, where a growing number of issues on the political agenda combine with a broad array of political decision-making processes at all levels, from local to global\textsuperscript{33}. These processes tend to relocate decision making to institutions and bodies which have no direct link with democratic institutions within nation states.

Therefore, the nation state cannot operate in isolation from other global processes. It requires interaction, cooperation and collaboration in international relations. Global politics impact on the exercise of state sovereignty through processes which ignore or challenge the significance of territories and domestic political processes while privileging the role of international organisations and institutions. The deepening, stretching and broadening of political processes at international level compels nation states to respond in a manner that asserts their sovereign autonomy.

George Modelski\textsuperscript{34} (1974) proposes a model of global politics which serves as a basis to explain how the globalisation of politics happens. The model consists of three distinct but interrelated layers that inform each other. The layers are:

- Local – this refers to sub-national or local governance
- National – this is usually represented by a distinct territory with overall coordinating responsibility which at times co-governs with local governance and interacts with global governance
- Global – this represents the entire world’s economies and political

\textsuperscript{31} McGrew A (1992) 3
\textsuperscript{32} McGrew AG (1992) 3-4 or Cusimano MK (2000) 23-31
\textsuperscript{33} McGrew AG (1992) 3
\textsuperscript{34} George Modelski or McGrew AG (1992) 3
relations

Each layer of the global politics model constitutes a defined political community with its own particular aspirations and needs. The model identifies a set of political processes and institutions which govern and facilitate the taking of authoritative decisions.

The model distinguishes between two particular forms of politics or political interaction, namely interstate relations and transnational relations. Interstate relations refer to interactions between sovereign national states. Nation states in this situation are regarded as similar to the national governments which govern them and are largely responsible for domestic and foreign policies.

Transnational relations, on the other hand, refer to networks and associations which cut across national societies, creating links between individuals and groups with different strategies and agendas. They bypass government because they operate within societal dimensions beyond the reach of government. This view is explained by Anne-Marie Slaughter in her concept of networked governance.

Modelski’s model of politics enables us to locate the nation state and its economic and political activities in the national, local and global space of both interstate and transnational relations. In this way, we are able to observe the impact of international relations on state sovereignty and how nation states participate in and cede aspects of this sovereignty to international arrangements.

Global politics takes place in the context of the globalisation of various activities across boundaries which impact on nation state sovereignty. This involves an increasing amount of processes which take place within and outside of state borders. The model serves to explain the impact of locating decision making in bodies that have not been properly mandated, to decide both domestic and international issues affecting nation states. The process of deepening, stretching and widening is further reinforced through the model because non-state actors marginalise the state and reduce its capacity to decide on matters faced by its population.

35 Opello WC Jr (1999) 249-254
36 Slaughter AM (2004) 164-171
Understanding globalisation and emerging global requires an exploration of the following theories:

2.1 The realist theory

According to realists, the world is in a state of disorder. Realists acknowledge this does not mean that the world is perpetually in conflict, as states do cooperate and recognise each other based, albeit primarily on their own national interests. States also network in relationships that resemble some form of government or rule-governed behaviour\(^{37}\).

Cooperation between states takes place within the framework of hegemonic states, which create and maintain a particular form of order in the global economy and politics. However universal it may seem, the global order is created in the interests of the hegemonic state.

For realists, the basic units in the globalised world which fulfil the role of actor and agent are nation states\(^{38}\). Realists place greater emphasis on the narrow interests of states as actors in international relations. When transnational corporations are created through foreign direct investment, they serve as an extension of the hegemonic state power, or as additional foreign policy instruments through which the policies and standards of the hegemonic state are furthered throughout the world.

The global economic and political governance owes its structure and processes to the national political framework, as well as to the separate economic and technological forces that are generated at hegemonic state level. This reinforces patterns of hegemony, that is, long cycles of dominance by a single state and imperialism. This ensures increasing cooperation between imperialist states for common economic benefits\(^{39}\).

Roger Tooze\(^{40}\) asserts that the goal of economic activity within the realist approach is the maximisation of national wealth. For realists, the relationship between the global economy and politics is clear because politics determine economics. This is manifested by the zero sum approach, where states represent their own narrow

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\(^{38}\) MGrew AG (1992) 180 - 181

\(^{39}\) McGrew (etal) (1992) 234-238

\(^{40}\) Ibid at 234
interests at the expense of other states’ interests. Generally the hegemonic state gains in all processes without equal benefits to others.

Realists assume that the state is central to all processes and, for national and international purposes, is larger than the sum of its constituent parts. This assumption imposes a particular framework in global, political and economic relations. Firstly, it builds an international economy in a globalised world. Substantive economic relations are between the most powerful and wealthy states. Such relationships exclude less developed countries whose roles are confined to supplying raw materials and labour.

The purpose and direction of this international order is determined by the dominant state, largely in accordance with the requirements of its domestic political objectives, but also in accordance with its national economic requirements. For example, in the 1945 post-war period an attempt was made by the United States to externalise its domestic political and economic structures and processes, and impose these in international relations. Britain had done the same in the imperial period of approximately between 1890 and 1900.

Secondly, an assumption of the centrality of the state includes an associated assumption of the autonomy of both national politics and the economy. This assumption reinforces the distinction between the national and international spheres. It denies not only the existence of transnational relations, but also that these spheres impact on the autonomy of nation states. Realists recognise the importance of internationalised money networks but assume sufficient political autonomy of the nation state to enable control of the consequences of such structures and processes. This, they assert, is done through collaborative action (such as policy coordination or policy initiatives by heads of states), or by acting through in collectives of states while prioritising national narrow interests.

Therefore, for realists, the global economy is determined by state power and the way in which this state power is externalised through hegemony over economic and political systems at a global level. As a result, the changes in the relative power position of the hegemon have an impact on every aspect of its national and

41 McGrew AG (1992) 183 - 185
international sphere\textsuperscript{42}.

\section*{2.2 Liberal pluralism theory}

For the liberal pluralists, conceptions of economic relations are, in essence, harmonious. Within the national economy, individuals pursue their own self-interests. Within the framework of the free market and based on the liberal nature of the state and government, they collectively increase the amount of wealth available in their society. In this way, they convert their individual selfishness into a general good. The process of converting self-interest is facilitated by the market\textsuperscript{43}.

Emphasis is placed on the principle of the free market, which is a structure focusing on individuals and individual freedom in economic relations among nations. Therefore, trade is important and should happen in a harmonious manner, nationally and internationally. The greater the amount of trade, the greater the specialisation and the greater the wealth of the world is generated. The global economy acts as a natural limit as it provides greater opportunities for efficiency gains through global production. Increased integration of states in global economic systems challenges the realist perspective of states driven by their own interests. Liberal pluralism emphasises communities of interest which are transnational.

Within the global economy, firms and households expand their relations harmoniously through market action. The key but limited function of the government is that of providing security and ensuring the maintenance of law and order domestically, as well as in relation to other states which may impede national sovereignty\textsuperscript{44}. Their actions are defined by the extent to which these interests are either provided for or advanced by the relationship. In other words, supranational mechanisms are supported and relevant only to the extent to which they serve a political and economic interest of participating states. Where this objective is not met, participation is either neglected or amounts to minimal involvement.

\textsuperscript{42} McGrew AG (1992) 236 – 237
\textsuperscript{43} Ibid at 236
\textsuperscript{44} McGrew AG (1992) 200 – 201
There exists a plurality of actors as a necessary function to prevent one group from being dominant over the other. There is a clear separation between economics and politics, with politics playing a lesser but still important role. The state ensures the specific political conditions necessary for the efficient running of economic activity. Economic activity in and of itself is not political, but is broader than politics and is reasonable. Efficiency demands minimal political intervention from the state and other political actors. In other words, markets operate according to their own logic to ensure wealth distribution.45

The assumption of the liberal view is that economic behaviour is inherently reasonable, as compared to political behaviour. Liberal theorists see political responses to economic challenges as unreasonable interference, bringing about inefficiencies in the economy. The role of politics should be to minimise disruptions and duplications in the economy and provide a stable political environment for economic activity. Politics ought to help manage the transition to a world market and world production. Beyond this limited activity, the market and individuals govern.46 The state plays a facilitating role. Politics is an enabling structure and a set of processes, but the goals of the whole global economic system are set by the market.

This theory downplays the role played by society because it emphasises the atomic role of individuals. Karl Polanyi47 describes this as an economic fallacy. The assumed separation of economics from other aspects of society requires a closer examination of its history. From primitive times to the current era, economic activity has always been a part of the community in which it takes place. Accordingly, economic systems are a result of particular periods in the development of society and are regarded as deliberate constructs of that society. Human action and interaction is required to bring about a unique economic system48.

45 ibid at 239
46 ibid at 234
47 ibid at 239
48 ibid at 266 - 267
2.3 Marxist theory

Marxist theorists assert that the global economy is essentially conflictual. The economy is structured within the context that economic interaction among states is shaped by the perpetuation of capitalism. For Marxist theorists, global capitalism works within a framework of dominance and dependence. Patterns of dominance are sometimes subtle, involving language and consciousness over material expectation. The global nature of capitalism is the logical result of historical processes which are driven by economic requirements of largely dominant and well-resourced countries.

The global level reproduces and intensifies the conditions of capitalist production with classes as the key actors. Economic relations are structured for the benefit of class needs and interests, including the maintenance of power relations. Marxists assert that global capitalism is multi-structural and exists at high levels of economic integration. It is also a polity with a built-in dynamic which continuously brings about change as the system expands or faces crises.49

For individuals, groups and states, wealth and economic growth are determined by the positions which they occupy within the structure of the global capitalist economy. Such a position is not only determined through membership of national economies but also as potential members of the international capitalist economy. This produces a vertical structure of dominance and dependence between the core and the periphery.50 It also produces a horizontal structure of class relations, whereby under-developed countries are co-opted into the system, and their national economies are structured by and depend on the global capitalist system. The concept of global politics describes this as transnational relations, where the hegemonic state dominates relations and creates both political and economic dependence, with the aim of serving its narrow interests and class requirements.

In Marxist terms, the relationships in the global economy are clear. Politics is a reflection of economics and of global capitalism, rather than an expression of the immediate needs of the national class interests. Economics ultimately determines politics.51 Political institutions and relations exist only as an extension of economic

50 McGrew AG (1992) 264 – 265
51 Agnew J (2009) 82-85
relations, although the framework of these relations is global rather than contained within national states. The structural economic forces of capitalism determine the nature and the structure of political relationships\(^{52}\).

The scope for political autonomy of the state within the capitalist system is limited by the structural features of global capitalism. It may seem as if the state and other groups have extensive autonomy, but there are boundaries for their actions determined by the capitalist system. The role the state plays is assigned to it by the needs of capitalism\(^{53}\).

The state, the interstate system and the institutions of this system reflect the interests of an international capitalist class and the contradictions that these institutions attempt to resolve. It is important to observe how all these theories respond to the modernisation\(^{54}\) of the state in the global arena. The state has not remained static, but has evolved and adapted to modernisation practices.

2.4 Evaluation of theories, similarities and differences

While there cannot be a single definition of what the modernisation of state means, it is important to explain the processes related to the evolution of the state. There are basically two approaches to state modernisation. One focuses on what states do. In this administrative, functional approach, focus is laid on the day-to-day activities of the state and how this affects domestic and international interactions. The second approach is one which emphasises what states should be doing. This idealistic perspective seeks to locate the state in the dynamics of change taking place both within and outside of state borders\(^{55}\). This approach not only takes into consideration internal developments which influence state action and activities, but also recognises that the state is impacted by globalisation, new economic and political governance mechanisms and various other international activities. These two approaches are at

\(^{52}\) McGrew AG (1992) 26 – 27
\(^{53}\) Holton RJ (1998) 103
\(^{54}\) Transformation of a society from a rural and agrarian condition to a secular, urban and industrial one. It is closely linked with Industrialisation. As societies modernise, the individual becomes increasingly important, gradually replacing the family, community or occupational group as the basic unit of society. Division of labour, characteristic of industrialisation is also applied to institutions which become more highly specialised. Instead of being governed by tradition or custom, society comes to be governed according to abstract principles formulated for that purpose. Traditional religious beliefs often decline in importance and distinctive cultural traits are often lost;
The Webster Dictionary
\(^{55}\) McGrew AG (1992) 260 -261
the centre of the modernisation of the state.\textsuperscript{56} Michael Smith\textsuperscript{57} summarises the main responses to modernisation as follows:

Realists are concerned with a predominantly state driven approach to modernisation, while modernists focus on a more complex and pluralistic set of factors that influence processes of change. Realists focus on the important role played by the nation state in ensuring national security and independence, while the modernist sees economic issues and welfare as paramount in the process of the state’s adaption to new conditions.

Modernists and realists also disagree on political processes and collaboration. Realists emphasise interstate capitalism, while modernists focus on transnational activities, which are often outside of the control of states. There is also a disagreement about the extent of the global politics. Realists believe that the state plays an important role in the composition of power and the balance thereof. Modernists concentrate on the complexity, uncertainty and demanding new mechanisms of management in international politics. For modernists, global politics and economics are in a state of continual transformation, unavailable to fixed entities such as the nation state.\textsuperscript{58}

Realists do acknowledge developments in the world and are able to adapt to them. Realists have reformulated their approaches to state-centric positions. This means that they have come to recognise that the state is modernising in a rapid way. Realists have therefore sought to adapt the role of the state by enabling it to address new developments. While they adapt to the new world situation, they maintain that the nation state is primary and acts in its own interests in international relations. For them, the state is a driving force and the only political unit recognised to carry out international activities.\textsuperscript{59}

For the realist, the transformation of global politics has not eroded the influence of the state. Rather, it has greatly extended the state’s influence, both domestically and internationally. The modernisation of the state has not changed its principal role as states continue to serve their own interests.

\textsuperscript{56} McGrew (et al) (1992) 254
\textsuperscript{57} Ibid at 255-256
\textsuperscript{58} McGrew A (et al) (1992) 2-3
\textsuperscript{59} Ibid at 261
The liberal pluralist paradigm agrees with the modernisation of states in terms of theory and politics. Modernists welcome participants in global politics from a wide range of sub-national, transnational and other groups that agree with their views. The liberal pluralist paradigm shares the following with modernist revolutionaries:

- a view on welfare problems
- a view on the political processes of bargaining and collaboration
- accommodation rather than coercion and force
- the proliferation of international and transnational organisations
- the need to maintain order in an uncertain and unpredictable world through regulation and global processes

Both modernists and liberal pluralists recognise that states can no longer maintain control on some of the most important functional systems and features of sovereignty. The limited power of national authorities is inadequate to deal with issues confronting them as a result of the expansion of global politics.

States are increasingly unable to meet or suppress the expectations of their citizens in dealing with complex international issues. Due to the impact of technology, these expectations eventually find expression in decentralised processes at sub-national level. State-centric processes coexist with the institution of modernisation or collaboration, and therefore create a situation in which modernisation processes are legitimised.

Global politics evolves as a result of a variety of different actors or participants, rather than as a result of deliberate actions by the state and their representatives. This leads to the emergence of a mixed actor system in the global world. The mixed actor or complex system is characterised by overlapping and coexisting relationships between actors. The complex system is hegemonic, harmonious, dynamic, and tends towards resilience and autonomy. David Held argues that it can serve as a basis for durable global order in both political and economic management.

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60 Wilkinson R (2005) 45 – 48
61 Holton RJ (1998) 63-72
and co-ordination. The climate of overlapping systems produces a basis for a legitimate global order. The global order produced is not as a result of state action or dominance but rather as an expression of mutual responsiveness of all the actors involved in the process.

For many liberal pluralists, the state is an obstacle to the realisation of basic human values such as justice and equality. The world does not always conform to state boundaries. The creation of institutions or structures that enable better reach of economic and humanitarian objectives cannot always be found within states. Therefore, this process of modernising the state has led to the birth of non-state actors and processes at global level. Modernisation establishes, maintains and enriches new global regulatory regimes that render nation states irrelevant.

Finally, Marxists view modernisation as an assertion that capitalism and means of production combine to create a particular societal or political form. The world economic order and its political existence reflect the development of capitalism. Marxists emphasise different challenges that confront the modern state, which they believe either accelerate the state’s role or serve as a basis for a proletarian system. In this way, challenges help ensure justice and equality by putting issues that face the proletariats of nation states on the global agenda.

Marxists respond to modernisation in three ways. A feature of the modernist state is how it facilitates the transnational nature of capital through organisations such as transnational corporations or multinational corporations. The interests of capital and those of the state do not always coincide, particularly in underdeveloped states. Marxists believe that states can serve as a common shell for the growth of national competition.

Secondly, unlike the realist or liberal pluralist theories which emphasise the autonomy of the state and non-government actors, Marxists emphasise the autonomy of transnational capital which leads to the exploitation of both state and non-state groupings. As a result of underdevelopment and modernisation, the world is fundamentally unequal. This produces varied benefits and disadvantages to different classes and nations and leads to inequality gaps between nation states in

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64 McGrew AG (1992) 264 – 265

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the developed and developing world.

There are basic contradictions within the global system which inform the possibilities of achieving order and ensuring stability and justice. The contradictions are driven by the modernisation of the state, which enhances the efficiency of capital. This leads to inequalities and contradictions within the system itself, which are transferred from dominant to exploited parts of the world. As these contradictions intensify, the possibilities for working class action increases.65

Through the creation of the global economy, its capitalist structures, and the context within which the state and all actors operate, global capital and its transnational expression raises questions about the political management of the global economy. In this way, the growth of transnational and global political structures is opened for critical examination.

Thirdly, the growth of transnational capital questions the role and adequacy of the state to either propel or contain the forces of capital. The owners of capital require the creation of enabling conditions for themselves and transnational capital to flourish. The global political order performs certain functions which enable the growth of capital. These functions are performed by global economic organisations that are tied to dominant capitalist and developed countries.

For Marxists, the global order is informed by objective conditions produced in the period of transnational capitalism. The global order reflects the interests of capitalists, to whose objectives it is created. This order is linked to the distribution of economic power and the contradictions inherent in global capitalism.66 The global situation reflects the spread of transnational economic advantages in the system itself. However capitalism still expects the performance of state functions by the global political order. Any actors who act above the state and determine global governance should do so in the interest of capital itself.

Marxists assert that the various participants, states and groupings are incorporated in the transnational capitalist system. This system liberates some while oppresses others within and beyond the borders of nation states. The world economy’s order

65 Smith D (1999) 25-30
66 Ibid at 30
reveals relationships of domination and dependence within the exploitative nature of transnational capitalism\textsuperscript{67}.

The different theories discussed above do not provide a definitive explanation of the emergence of global governance, but they do attempt to explain changes in international governance. The existence of international governance mechanisms are brought about by non-state action and the multiplicity of actors in the international arena. The roles and responsibilities of these actors undermine governance processes, role players and other systems which tend to disregard the nation state. Marxists provide an explanation which comes close to reflecting reality and the theories of realists and liberal pluralists also attempt an explanation within their paradigms. However, I believe that none of these theories provide a conclusive basis for an accurate interpretation and explanation of developments in a globalised economy.

\textsuperscript{67} Holton RJ (1998) 72 – 79; 92 – 102
CHAPTER 3

Nation states and Westphalian sovereignty

In this chapter, I continue to make critical observations on the emergence of the global world and governance mechanisms. The globalisation of the world economy led to the creation of institutions which assume state responsibilities. These non-state actors are largely based in the developed world and influence and direct integration through a variety of mechanisms. Financial and corporate coordination and management mechanisms underlie the operation of the non-state actors.

Western countries are generally able to better interact with this process because of higher levels of development in these countries. On the contrary, developing countries are less ready to interact and integrate\(^68\). Thus they find themselves assisting non-state actors in processes that undermine their state’s sovereignty. As a result, unequal power relations exist where the developing countries are confined to the periphery and require the implementation of new liberal programmes within and across their territories.

The development of society has always revolved around the need to establish political and economic communities. In founding these communities, organisational forms of authority and control, such as nation states, were established over time\(^69\). The modern state has characteristics that either explains its means organisationally, or in terms of its goals and objectives in national or international settings. Many political sociologists and scientists have attempted to theorise the nature of states based on the above. However, German political sociologist and economist Max Weber (1864-1920) contributed the most fundamental and enduring definition of the state. He emphasised that the state cannot be characterised solely by its goals or objectives, but that it must be understood in terms of its distinctive capabilities.

According to Weber:

\(^68\) Opello WC (1999) 14 – 27
\(^69\) Cusimano MK (2000) 255
The state cannot be defined in terms of its ends. There is scarcely any task that some political association has not taken in hand, and there is no task that one could say has always been exclusive and peculiar to these associations, which are designated as political ones. Ultimately, one can define the modern state only in terms of the specific means peculiar to it, as to every political association, namely the use of physical force.  

Max Weber emphasises the distinctive character of the modern state as the sole and exclusive possession of the right to use physical force or violence to assert its authority and ensure compliance with its laws and directives. As a result, the modern state was for him a particular form of state distinguishable from the general category of political associations. He further wrote:

A compulsory political organisation with continuous operations will be called a ‘state’ in so far as its administrative staff successfully upholds the claims to the monopoly of the legitimate use of physical force in the enforcement of its order (it) possesses an administrative and legal order subject to change by legislation, to which the organised activities of the administrative staff, which are also controlled by regulations, are oriented. This system of order claims binding authority, not only over members of the state, the citizens, most of whom have obtained membership by birth, but also to a very large extent over all actions taking place in the area of its jurisdiction. It is thus a compulsory organisation with a territorial basis. Furthermore, today, the use of force is regarded as legitimate only so far as it is either permitted by the state or presented by its use of force as essential to it as its character of compulsory jurisdiction and continuous operation.

Accordingly, the above identifies the most important features of the state as:

- Monopoly control of the means of legitimate use of violence
- Territoriality
- Sovereignty
- Constitutionality
- Impersonal power

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70 Weber M (1978) 54-56
- The public bureaucracy
- Authority and legitimacy
- Citizenship

The discussion on the modern state identifies these characteristics and addresses them at length in accordance with the ideological, political or economic orientation of the analysts. There is also much difference among these analysts and they each emphasise a single or a combination of the above elements to support their theoretical stand points.

Sovereignty is generally regarded as the most important of the above features. Sovereignty has been conceived of in history in various ways. The classical view of the state is associated with Max Weber’s emphasis on the exclusive control on the legitimate use of violence, which is regarded as the highly significant feature of state sovereignty. According to Anthony Giddens, the state serves as a site for the formulation of ideas and policies of the collective to the exclusion of all other institutions of states existing internationally.

Nation states are therefore political units of organisation with the authority to exercise supreme power within a specific territory. This political unit is also a member of the global community and is shaped by dynamic relations between states. Discussing this within the context of globalisation means we must avoid a definitional approach to globalisation, but emphasise that there have been tremendous changes which fundamentally affect the manner in which states act in the international economic arena.

World markets and transnational corporate players as non-state actors are generally regarded as more important than states in a fundamentally changed arena of economic integration. Privatisation and anti-statism in international markets for goods and capital provide a basis of not only healthy economic life, but also of good governance.

The neo-liberal agenda is driven by the need for competition, capital accumulation and technological imperatives. The neo-liberal view is that the state should pave the

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72 Smith DS (ed) (1999) 7
way for more efficient private entrepreneurs to maximise social welfare in order to increase production. However, this view is challenged by focusing on peculiarities of state responses to its own conditions in different parts of the world. It is clear that states still matter in domestic and world governance. It makes no sense to denounce or remove states from global politics, either physically or conceptually.\(^73\)

Economic policies often reflect the political choices made by state authorities as a response to domestic and international pressure for ideological conformity. Markets are social and political constructs created by human beings. They are not natural things that assert the abstract laws of capitalist economies but are embedded in social relations. The state is necessary to keep markets in check, to prevent them from self-destruction and to avoid economic and social upheavals.\(^74\)

Globalisation, where it has occurred, has not necessarily eroded state sovereignty. Instead, state leaders have mostly opted for integration and in doing so, shaped the direction of globalisation. States play a pivotal role in the creation of financial and legal instruments that lead to global integration. States are embedded in specific social relations often with extensive capacity, their own rationale, and are channelled by entrenched interests and practices.\(^75\)

States play a pivotal role in maintaining economic dynamism. They maintain order, enforce rules, cooperate and collaborate with capital owners by guaranteeing property rights and other forms of economic support. States need to respond to the contradictory demands of seeking to promote economic growth or accumulate capital while striving to maintain their political legitimacy in the eyes of the citizenry they govern.\(^76\)

According to Immanuel Wallerstein,\(^77\) there is a historical relationship between states and capitalism. States create the legal, social and political conditions for capital to accumulate and convert things into commodities for market consumption. Modern states direct this convergence by subsidising certain participants and by allowing and legitimising monopolies such as patents, copyrights and certain property rights. In

\(^73\) Holton RJ (1998) 81 – 99
\(^74\) Smith DA (et al) (1999) 56-88
\(^75\) McGrew AG (et al) (1992) 256-257
\(^76\) Held D (1995) 127 – 134
\(^77\) Smith DA (et al) (1999) 22-28
this way, they empower non-state actors.

Stephen Krasner\textsuperscript{78} emphasises a historical look at states using concepts of sovereignty in relation to capitalist accumulation. He disagrees that globalisation undermines sovereignty and notes that, historically, states have not enjoyed complete sovereignty. Krasner identifies structural features of recent times as evidenced by technology, deregulation and the decline of the macroeconomic autonomy of states and asserts that these are challenges that states have always faced. He also draws attention to the unravelling of the territoriality of the state and asserts that this constitutes that this may constitute a possible argument by those who assert that globalisation is undermining the state.

Saskia Sassen,\textsuperscript{79} emphasises that currently evolving global institutions are concentrated in North Atlantic spheres of influence, such as New York and London. Globalisation involves the decentralisation of national territories. It also involves the creation of complex institutions which mediate and regulate financial exchanges between states and countries. Economic reforms are often socially constructed with the assistance of states by corporate specialists in law, accounting and finance. Global capital requires the state to help regulate and legitimise corporates.

When states find themselves in global situations characterised by intense competition for limited resources, they sometimes seem to compromise the control and authority they have over their territories.

3.1 Capitalism and the growth of global politics

The present structures of world economy, known as the modern world system, have evolved since the 16\textsuperscript{th} century and are divided into the following three distinct but related periods:\textsuperscript{80}

- The period of original creation (1450-1650) includes most of Europe and certain parts of the Americas.

- The period of great expansion (1650-1850) incorporates the Russian Empire,
the Ottoman Empire, southern parts of South-East Asia, large parts of West Africa and the rest of the Americas.

- In the period of the last expansion (1850-1900), East Asia and large parts of Africa as well as the rest of South-East Asia and the Oceania were incorporated into this division of labour.

In the period of the last expansion, the world capitalist system became truly global for the first time. It became the first historical system to include the entire globe within its geography. My assertion is that globalisation is not new, as commonly thought. It has always existed in different forms and to different extents but it only began to manifest itself in concrete terms from the 1970s.

The past 500 years of capitalism has seen extraordinary developments. Neoclassical economists\(^1\) claim that that economic growth and technological accomplishment are a result of capitalist entrepreneurial activity. Transnational value chains have played a significant role in the development of the capitalist world economy. Technological change has fundamentally altered the structuring of commodity chain operations in the twentieth century by enabling the easy transportation of goods and services across the globe\(^2\).

However, the capitalist flow of goods and services has not been as smooth as is argued. We have to examine how capitalist entrepreneurs were able to accumulate commodities and ensure economic growth. It was often made possible through the violent annexation of territories and the suppression of other civilisations.

As a result, what we observe in the modern state system is reciprocal activity. In the past, state forms exercised sovereignty within their territories without difficulty. However, this is not what always happens. Inward sovereignty of the state is sometimes resisted and it therefore becomes necessary to institute legal limitations by way of constitutional law. Outward sovereignty is also subject to interferences by other states. International law is invoked to limit the outward sovereignty of states.\(^3\)

The political system of sovereign states is beneficial for capitalist entrepreneurs.

\(^{1}\) Ibid at 21
\(^{3}\) Held D (1995) 85-95
Sovereign states are required to protect the property rights of the capitalist classes, both nationally and internationally. Furthermore, the state protects capital. It delegitimates confiscation by establishing property rights and the rule of law, such as corporate and patent rights.\(^{84}\) Where confiscation is inevitable, there is usually compensation for the loss of property rights.

Sovereign states, therefore, are also required for the control of the markets. The free market is, by and large, not free at all. States need to police monopolies. This prevents the free market from allowing a few parties to over-accumulate wealth. The state maintains a monopoly of capital by ensuring that it assigns to itself a monopoly of the use of power and order. When the state maintains order, it ensures that the working class does not rise against authoritarianism of the markets and the capitalist classes. This is done through force, deception and/or concession\(^{85}\).

There is no legal system which is class blind. However, post-1945, worker action has ensured that evolving class interests have been catered for in the new system, largely through the application of pressure and hard bargaining. Since the 1970s, conservatives have attempted to reverse gains made by the working classes after 1945 by launching attacks on the welfare state\(^{86}\) and demanding a minimal and non-interventionist state.

A liberal capitalistic economic system seemed to work for some time, particularly in the aftermath of 1945. Self-determination offered little prospects and wealth redistribution put enormous strains on the accumulation of capital. By the 1970s, liberalism was no longer viable as it was not seen as addressing problems that faced people of the world.

Reform programmes did not offer the masses or working classes what they actually wanted. What they wanted was framed in the slogans of the French Revolution – liberty, equality and fraternity. However, conservatives believed if this demand was fully realised, there would be little to accumulate and therefore no world capitalist economic system\(^{87}\).

\(^{84}\) Smith DA (etal) (1999) 24-25
\(^{85}\) Ibid
\(^{86}\) Pierson C (2010) 119-120
\(^{87}\) Held D (2007) 95 - 95
The liberals offered very little for sharing and distribution. The little that was offered attempted to end revolutionary revolts. Liberalism offered calming hope to the masses and this was accepted even by leaders of the anti-systems movement of the world. Anti-systems claimed they would achieve a good society through revolution and mobilisation on the promise of hope. A good society was to be achieved by gaining the levers of power, but once these anti-systemic movements ascended to power, they implemented the reform agenda of liberalism in a more rigorous manner, often with brutal force. This was witnessed in newly liberated countries of the developing world.

Globalisation has not significantly affected the ability of states to function and capitalists do not intend that globalisation achieves such. However, for the first time in 500 years, states are on a downward slide in terms of both their inward and outward sovereignty. Sovereignty, within the framework of the world capitalist system and the interstate system, is fundamental. If this form of sovereignty falls, capitalism is in danger. If a state’s sovereignty is declining, this indicates a crisis of capitalism. However, the dilemma for capitalism is whether to accelerate the decline of the state or to look for an alternative system.

3.2 Global Politics and City Regions

Saskia Sassen asserts that the geopolitical context of globalisation is a highly specific economic and political project which is represented by neoliberal politics of the Western consciousness. This Western consciousness is represented by what is referred to as the Washington Consensus. This consensus is based on deregulation, privatisation and the monitoring of fiscal stability. Globalisation constitutes more than a growing interdependence and formation of global institutions. The global polity is present in the national. It is reproduced by the central role played by the state and reinforced by other role players within and outside of the state.

The fact that a process or entity is located within the territory of a sovereign state

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88 Held DA (2007) 88 – 89
89 Held DA (et al) (2007) 88-89
90 This refers to a list of ten policy reforms originally proposed by Mr John Williamson which addressed developmental issues. Later the term came to mean a set of economic policies advocated for developing countries by international financial bodies such as IMF, WB and the US Treasury since 1999. This view associates the Washington Consensus with neo-liberalism and its emphasis on the minimal role of the state in the economy.

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does not necessarily make it national. It may represent the localisation of global processes or global institutions of governance and regulation within nation state territories. The assertion that the global is embedded in the national requires a reorganisation and renegotiation of the national concept to account for global processes operating with the national borders of sovereign states. Such processes may result in the denationalisation of state institutions and processes of governance and regulation\textsuperscript{91}.

Being embedded represents a factoring of norms into the gradual stabilisation of components of national law. In global cities and in the process of introducing new norms there is a renegotiation that denationalises certain aspects of national institutions without the process being driven purposefully by a global institution. In other words, global cities become the principle drivers of the practice of regulations and other economic and political features of international institutions. As such, the focus is not so much on the presence of global institutions in national territories, but on the restructuring of the national insofar as it is transformed by the global\textsuperscript{92}.

The presence of the global in the national introduces a range of processes and conditions which denationalise the national, as viewed from a historical basis. This denationalisation cannot be immediately observed because it is represented, coded and experienced as a national. In this regard, the study of the national state as the enactor and legitimiser of what has historically been produced at global level means that the state participates in the process of globalisation, even when it regulates its own withdrawal from the domain of national economy. In this way, global processes become synonymous with national processes\textsuperscript{93}.

The argument that an emerging, incipient form of a state authority which entails a partial denationalisation of the nation state consists of several elements, including the re-orienting of national agendas by means of the articulation of private agendas inside the state ones. These are presented as public policy not necessarily contained in the legislative and policy mandate of governments and institutions and are drawn

\textsuperscript{91} McGrew A (et al) (1992) 188 – 189
\textsuperscript{92} Held DA (et al) (2007) 90-92
\textsuperscript{93} McGrew A (et al) (1992) 255
from international regulatory regimes\textsuperscript{94}.

In this process, the privatisation of law-making capacities which were previously part of the state authority and the enactment of private norms in public domains is done by the state, instead of directly by supranational bodies. Implicated in the concept of the nation state is the location of the global in central banks and increasingly specialised regulatory agencies, such as those concerned with finance, telecommunications and competition policy. This has implications for the national sovereignty of states as it can determine whether or not there is a decline in the significance of the state.

In conclusion, when forms of global processes are located within national institutions, such as in legislative processes and public policy, globalisation has the effect of denationalising specific forms of state authority.

\textbf{3.3} \hspace{1cm} \textbf{Globalisation and nation states}

While neo-liberalism will welcome the continued diminishing of the role of the state and its replacement with global institutions of governance, the unhindered role played by international institutions themselves is dubious. They play a role of not only facilitating but directly implementing norms, rules and regulations that allow the further expansion of capitalism. It is sometimes assumed that the nation states will be driven to extinction by the development of transnational organisations and processes, but the nation state has proven to be more resilient than expected in economic and social matters. Transnational entities must still recognise and acknowledge states and national governments if they are to succeed\textsuperscript{95}.

Globalisation has not overrun the state. Individual governments have harnessed global process to serve their own national interests in various ways. Globalisation therefore is not the only major trend currently defining global processes. A few emerging counterrtrends point to the continuing development of the nation state and the revival of ethnicity, nationalism and other tribal categories. The emergence of ethnicity and strong nationalist sentiments can be seen as a reaction towards the homogenising tendency and inequalities of power produced by globalisation through

\textsuperscript{94} Holton RJ (1998) B1 – B3
\textsuperscript{95} Holton RJ (1998) B7 – B9
economic and political regulation. \textsuperscript{96}

Globalisation is not a recent phenomenon, although it has been presented or has presented itself as such, largely because of the speed of communication and ease of transition towards cross-border trade. \textsuperscript{97} Before 1945, there has always been a notion of state interaction through the flow of goods and services, the movement of people and the transfer of knowledge and technology. The difference now is that post-1945, the globalisation process has intensified, becoming much more complicated and thus posing a challenge to national state sovereignty.

Countries and nation states with resources and capabilities have been able to interact with and initiate globalisation processes better than nations that are weak, particularly post-1945. Colonial states and emerging developing states have had to deal with sovereignty in a different manner. Sovereignty for them has just been a law in theory, but in terms of effective autonomy, it did not exist for some. \textsuperscript{98}

The sovereignty of states has been affected by global processes. Nation states facilitate global processes, such as the creation of multinational corporations which require a state governance mechanism and infrastructure to establish and continue their economic activities and processes. Some believe global capitalism negatively affects the economic and social autonomy of nation states because it undermines the state’s capacity to maintain welfare states and secure, decent lives for its citizens. This argument needs further clarification. \textsuperscript{99}

Economic globalisation does not necessarily lead to the replacement of the welfare state and redistributive reforms by market-oriented national policies that are regulated to suit multinational corporations. The continued injection of foreign direct investments (FDI) continues to be a central economic role facilitated by the state. While the state plays an economic role both domestically and internationally, this role does not diminish its capacity to ensure the provision of welfare and the pursuit of redistributive reforms. However, from the 1970s, the welfare state has come under criticism for its expansive policy initiatives. Several market reforms and policy imperatives were introduced that undermine the state’s ability and capacity to

\textsuperscript{96} Ibid at 89
\textsuperscript{97} Smith S & Baylis J (eds) (1997) 6-11
\textsuperscript{98} Smith DA (ed) (1999) 60 -61
\textsuperscript{99} Ibid at 61 – 63
provide welfare on a sustainable basis. This led to Marxists asserting that the welfare state is under attack from neoliberal agendas developed in the North-Atlantic region of dominance. In facilitating the new liberal agenda, nation states are in a powerful position compared to multi-national enterprises (MNEs). MNEs act within the regulatory framework of the state and they generally negotiate the implementation of their strategies with the government.

Globalisation, which is driven by the private sector, in turn drives economic interdependence. This has narrowed the distances between sovereign nations and necessitated closer macroeconomic cooperation among public sector actors. Constitutional forms of international law-making are no longer appropriate. Treaties and customs as traditional instruments of regulating interstate cooperation are also now inappropriate in shaping the relationships of various actors who are essential parts of the international or globalised era.

Non-binding international legal instruments operating as soft law are lately gaining ascendency and prominence. States agree to pool their sovereignty to exercise public power in a global government environment mostly shaped by the private sector. It is therefore clear that neither interdependence nor globalisation have challenged the legal or formal sovereignty of the state in a substantive manner. States are active participants in the creation of a global world. However, in some processes, globalisation does pose a challenge on the operational sovereignty of a government, that is, its ability to exercise its sovereign power in the conduct of its public policy, both nationally and internationally.

According to John Hoffman:

States live a double life, with sovereignty having two dimensions. One, the internal Max Weberian dimension of monopoly of legitimate use of power and force in its relationship with civil society and other states, and externally between the state

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100 Held D (1995) 79 – 80
102 Smith DA (1999) 22 “Sovereignty as it has been defined since the sixteenth century is a claim not about the state but about the interstate system. It is a double claim looking both inward and outward. Sovereignty of the state, inward-looking, is the assertion that within its boundaries (which therefore must necessarily be clearly defined and legitimated within the interstate system), the state may pursue whatever policies it deems wise, decree whatever laws it deems necessary and that it may do this without any individual, group or sub-state structure inside the state having the right to refuse to obey the laws. Sovereignty of the state, outward-looking, is the argument that no other state in the system has the right to exercise any authority, directly or indirectly, within the boundaries of the given state, since such an attempt would constitute a breach of the given state’s sovereignty.”
and some obscure authority of international institutions that continually challenge its autonomy to take decisions on its own.

In this regard, the state has responded through policies that are important instruments in ensuring that its sovereignty is asserted. However, policy responses have, at times, been influenced by international organisations themselves. The state legitimises these policy processes through various internal mechanisms.

3.4 The Treaty of Westphalia (1648) and the global order

The international order which defines the nature of the interstate system can be referred to as the Westphalian model. It is named after the 1668 Treaty of Westphalia which ended the German phase of the 30 year war and entrenched, for the first time, the principle of territorial sovereignty in the interstate system. This model covers the period 1648 to 1945 and is characterised by the development of a world community consisting of sovereign states which tend to settle their differences privately and often by force. These nation states engage in diplomatic relations, but otherwise pursued minimal cooperation; they place their own interests above other nations’ interests and believe that, eventually, the use of force is acceptable.

According to Falk (1969), the Westphalian model is ultimately based on the following:

- The world consists of, and is divided into, sovereign states which recognise no other superior authority.

- Processes of law-making, the settlement of disputes and law enforcements are largely in the hands of individual states.

- International law is oriented to the establishment of minimal rules of coexistence. The creation of enduring relationships among states and peoples is an aim, but only to the extent that it allows national political objectives to be

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103 The Thirty Years’ War (1618–1648) began when Holy Roman Emperor Ferdinand II of Bohemia attempted to curtail the religious activities of his subjects, sparking rebellion among Protestants. The war came to involve the major parts of Europe, with Sweden, France, Spain and Austria all waging campaigns primarily on German soil. Known in part for the atrocities committed by mercenary soldiers, the war ended with a series of treaties that made up the Peace of Westphalia. The fallout reshaped the religious and political map of central Europe, setting the stage for the old centralised Roman Catholic empire to give way to a community of sovereign states: Cowley R (ed) The Reader’s Companion to Military History (1996)

104 Held D (1995) 78-83
met.

- Responsibility for cross-border wrongful acts is a private matter concerning only those affected.

- All states are regarded as equal before the law. Legal rules do not take account of lack of alignment of power among states.

- Differences among states are ultimately settled by force. The principle of effective power holds sway. Virtually no legal limits exist to prevent the resort to force. International legal standards afford minimal protection.

- The minimisation of impediments to state freedom is the collective priority.

The principles of the Westphalian system translated into a concept of international order, although within this there were irregularities of power which operated among states, irrespective of the principle of equality among nation states. This imbalance gave rise to alliances among powers which sought to mould the international order to their own advantages\textsuperscript{105}.

After the Napoleonic wars\textsuperscript{106} there were attempts to create a system of peace which would include the whole of Europe. This was referred to as the concert system.\textsuperscript{107} It sought to create equilibrium of power through the redistribution of people and territory. The arrangement was informed more by strategic rather than ethnic or nationalistic considerations.

The norms of the settlement included the following:

- Respect for the new territorial balance of power.

\textsuperscript{105} Held D (1995) 82
\textsuperscript{106} The Napoleonic Wars were a series of conflicts fought between France under the leadership of Napoleon Bonaparte and a number of European nations between 1799 and 1815. They followed on from the War of the First Coalition (1793 – 97) and engaged nearly all European nations in a bloody struggle; a struggle that also spilled over into Egypt, America and South America. During the Wars (for during this period of fighting was not constant) warfare was to change and move towards modern warfare leaving behind forever the idea of war as a sport for kings and moving towards the concept of Total War and nations in arms. Weaponry also evolved though at a much slower rate than the ideas of the nation at arms and conscription. By the end of the period most European armies had riflemen and the British made the first large scale use of Congreve Rockets in a European war. The period of starting with bright uniforms but by the end of the period dark blue or green uniforms had become common for skirmishers, the beginnings of military camouflage. The period also saw the British Army under the leadership of Duke of Wellington become renown as the best in Europe: Doyle W (2003) 496

\textsuperscript{107} David Armstrong [et al] (2012) 61-64
• An emphasis on self-restraint and mutual consultation in the event of possible conflict.

The balance of power in the concert system sought to maintain a network of great states and empires which continued to determine the fate of other lesser nations on the basis of their own interests. The establishment of the modern state system did not happen smoothly. Its execution within and beyond Europe was uneven it and caused autonomy and independence in smaller states. The modern state system has been characterised by hierarchy. Hierarchy represents the structure of political and economic globalisation as well as its domination by a concentration of nation states located in the West and the North108.

The hierarchical nature of globalisation has placed leading Western and Northern countries at the centre of global economic power. This imbalance explains the irregular effects of political and economic globalisation on the life opportunities and wellbeing of people, classes, ethnic groups, movements, states and gender relations. The effectiveness of a state within the hierarchy depends on the resources that nation states can muster109. Resources and what a state can mobilise within the polity depend on its position in the global structure of economic relations and its place in the international division of labour.

For developing countries, the struggle against colonialism was expressed as a need for *de jure* (legal) independence and sovereignty, but this sovereignty is not the same as *de facto* (effective) sovereignty. *De facto* sovereignty refers to the practical ability to take autonomous decisions in directing one’s own affairs and making choices in the international environment. The often weak and debt-ridden nation states of the developing world are dependent on economic forces and relations over which they have little or no control. Countries in the lowest positions of the globalisation hierarchy are the most affected by the unevenness of the system110.

The governance of international systems has suffered from an accountability gap. Accountability takes place when an individual, group or entity demands that an agent reports on the impact of their activities and when one is able to impose sanctions on

108 Keohane RO (2002) 12 - 16
109 Keohane RO (2002) 18 – 22
110 Ibid at 23 – 24
or costs for the agent. There is an authorised or institutionalised accountability relationship when the right to sanction is mutually understood and accepted by both parties. Contestation about accountability relates largely to what entity should be accepted as a principal\textsuperscript{111}. Democratic accountability in constitutional systems represents a relationship where power managers are accountable to the broader public. Democratic accountability may be viewed as a hypothetical system in which agents whose actions impact on the lives of others have to report to those people and be subject to sanctions from them for their actions.

In a democratic pluralistic system, accountability is essential to maintain public confidence and in any state system, accountability is required to maintain the credibility of the acting agent. In the international system, internal accountability is strong but external accountability is weak. Where the plurality of interests is pronounced, the dictates of powerful states will not subject themselves to their adversaries\textsuperscript{112}. For example, the United States would refuse to be held accountable to the Al Qaeda or others it regards as terrorist organisations.

Unequal relations of power weaken accountability. The demands for external accountability continue to be made for intergovernmental organisations, corporations and other entities operating at an international level and regarded as powerful. Once established, these international organisations assume a life of their own and therefore find it difficult to meet the accountability requirements that national institutions may be subjected to. Whether they can measure to the accountability framework as outlined above is subject to continued debate.

Traditional international organisations are accountable to states on the basis of authorisation and support. Because they are created and financially sustained by states, they are required to report back to them. However, externally, they experience serious accountability gaps. For example, many people in societies affected or impacted by the decisions of the International Monetary Fund (IMF), World Bank (WB) and the World Trade Organisation (WTO) have no capability to hold these organisations accountable\textsuperscript{113}.

\textsuperscript{111} Ibid at 24  
\textsuperscript{112} Smith DA (ed) (1999) 22 – 23  
\textsuperscript{113} Chaturvedi S (ed) (2012) 4 – 7
There is a realisation of the fact that the marginalised must be heard and therefore, over time, these institutions have developed mechanisms that engage with and receive input from organised communities such as non-governmental organisations (NGOs) and specialised interest groupings. International organisations are subject to accountability demands from all stakeholders. They are also accountable internally to states that are responsible for their establishment and financing. However, organisations such as the IMF and WB are unable to demonstrate how accountable they are to constituencies in developing countries affected by their policies.¹¹⁴

The issue seems to be whether the balance of internal and external accountability is justifiable and whether multilateral organisations are accountable to the correct groups. In most instances, there is tension between internal accountability to the government that provides financial support and legitimacy and external accountability demands of would-be principals whose lives are impacted by decisions of the international organisations. International organisations are targets of demands for accountability because they do not have constituencies and are regarded as insensitive to order.

It is clear that the nation state in a globalised arena is both required and compromised by the process of economic globalisation. The state is instrumental in creating conditions for the establishment of non-state actors, which then usurp state responsibilities, thus undermining sovereignty both internally and externally. While the developed world is able to interact at a global level and even direct and serve the interests of neo-liberals, developing countries find themselves marginalised and unable to influence the direction of world affairs. Their responsibilities are overtaken by non-state actors which implement projects and programmes that undermine their sovereignty. This results in unequal power relations, with the developing world kept continuously subservient to the developed West.

CHAPTER 4

Implications for developing countries

This chapter will concentrate on international world governance mechanisms; the role played by non-state actors in advancing the agenda of the developed world; and how the developed world has responded to these processes.

The developing world was thrust into economic difficulties by colonisation, which imposed the Westphalian nation state on them\textsuperscript{115}. Because of such impediments, developing states were incapable of fully integrating into the globalised world. They remained confined to the economic periphery, and later became recipients of conditional programmes to address their economic struggles. However, developing countries are beginning to forge links and relationships among themselves which aim to address their lack of capacity and ensure their integration in the global economy as equal partners\textsuperscript{116}. In this chapter, I examine these issues and conclude that while the nation state remains resilient in the face of international political and economic governance, it is transformed from its Westphalian conceptions.

The emergence of economic and political governance internationally has implications for nation states as it has transformed governance. This transformation is largely driven by changes in technological and informational transmissions. Nation states tend to lose their sovereignty or certain elements thereof in this process. However, the nation states continues to be resilient as they either assert their autonomy in directing their affairs, or they engage with and adapt to these processes.

States lose autonomy when they have to adhere to and implement decisions based on regulatory governance mechanisms which were established out of their control. International institutions established to govern and manage political and economic relations assume autonomy of their own and become beyond the influence of national states. These institutions can dominate nation states through regulatory

\textsuperscript{115} Held D (et al) (2007) 80 - 81
\textsuperscript{116} Castell M (2004) 9 - 10
mechanisms which produce norms, rules and standards that apply internationally and are often a reflection of dominant Western ideologies\textsuperscript{117}. Both political and economic regulatory mechanisms are produced in the North Atlantic region of influence, which is dominated by developed industrial countries\textsuperscript{118}.

International institutions face challenges of democracy and accountability as reflected in their decision making and agenda setting. These bodies are viewed as being insensitive to the actual economic, political and even cultural situation of recipients of their financial and developmental intervention programmes. The institutions suffer from a crisis of efficiency, legitimacy, identity and equality.

Nonetheless, nation states are not disappearing. They interact with international institutions and multinational forums by building increasingly dense networks of influence and decision-making or by decentralising power and resources to sub-national and horizontal institutions. The emergence of the networked state means that sovereignty is shared – there is flexibility in procedure and processes. Challenges faced in his context include coordination, ideological differences and the dominance of geopolitics\textsuperscript{119}.

Whether a truly cosmopolitan world exists is an issue that requires critical assessment. The international world is far from establishing a universal political sovereign with shared values, politics and ideologies. Despite the promise of a new economic development path after 1945, developing countries were not included in economic processes that rebuilt world economies. The reconstruction process was deliberately biased to countries of the North Atlantic region of economic and political dominance. Upon their decolonisation and independence, dominated countries had to deal with the Westphalian notion of the nation state, which was already declining in Europe. The processes of globalisation, modernity and interacting political and economic transformation eroded the influence and role of the state by giving rise to a new interstate and international system\textsuperscript{120}.

\textsuperscript{117} Chaturvedi S (ed) (2012) 139 – 162
\textsuperscript{119} Slaughter AM (2004) 171-175
\textsuperscript{120} Pierson C (2011) 177-182
In this context, developing states were ill-prepared. They became subject to economic models which continued international divisions of labour based on inequalities produced by the capitalist system, resulting in poverty, unemployment and more inequality. Developing countries were recipients of prescriptive measures from the IMF, WB and later the WTO in the form of structural adjustment programmes; demands for economic reform; and the adoption of economic dispute settlement mechanisms based on Western values.¹²¹

Developing states have had to find different avenues of ensuring their development in the wake of their indebtedness. They have increasingly looked to China to provide economic and development support, although often the relationship largely favours China. The effectiveness and prospects of global politics and multilateralism depends on the distribution of power in the international systems.

The issue is to determine whether institutionalised multilateralism can offer a viable basis for international order in the wake of a global configuration based on unipolarity. Multilateral institutions are prone to the hegemonic or unilateralist power of those that determine the content and direction of policies and decisions at this level. For example, the United States’ invasion of Iraq on the pretext of the existence of weapons of mass destruction revealed how the hegemon can direct institutions towards attaining its own narrow national objectives.

Difficulties arising from the legitimacy of these institutions do not necessarily stem from the distribution of power, but relate to structural changes that have occurred in these multilateral institutions since their inception after the Second World War. The policies of individual states in these configurations have much influence in the direction of the multinational institutions. This is challenged by many who see that the hegemons of the world have always determined the content and direction of multilateral institutions, irrespective of the autonomous life that they have assumed as non-state actors. The process in the context of capitalist globalisation is characterised by the following¹²²:

- The global interdependency of financial markets

¹²¹ Slaughter AM (2004) 164-171
¹²² McGrew A (1992) 185
• Internationalisation of production, management and distribution of goods and services around a core of multinational corporations and their networks.

• International trade as a key component of economic growth

• The internationalisation of science and technology as a source of production and competition among firms, regions and countries

• A segmented internationalisation of the labour force which impacts the ability of states to control and govern processes within their domestic terrain

However, according to Manuel Castell,\(^\text{123}\) this form of globalisation faces the following problems:

• A crisis of efficiency: Problems such as the internal regulation of finance markets and counterterrorism cannot be adequately managed.

• A crisis of legitimacy: Political representation based on democracy in the national state becomes a vote of confidence in the state’s ability to manage its interests in the global web of policy-making.

• A crisis of identity: As people see the nation and culture increasingly disjointed from the mechanisms of political decision-making at a global level, the claim to autonomy takes the form of resistance and cultural identity as opposed to political identity and integration.

• Finally, a crisis of inequality: Market-led globalisation produces inequality between countries and between social groups within countries because it induces economic growth in certain areas, while bypassing others. In the absence of a global regulatory mechanism that compensates for growing inequality, existing welfare states come under pressure as a result of economic competitiveness and countries without welfare have greater difficulty compensating for the structurally-induced inequality.

\(^{123}\) Ibid
The emergence of the networked state\textsuperscript{124} is characterised by the idea of shared sovereignty and responsibility; flexibility of government procedures; and greater diversity of times and spaces between governments and the people or those with an interest in international governance.

Networked states face ideological problems of coordination, such as policy sequencing; language barriers; a potential lack of shared values; market fundamentalism; the regulation of markets; and agreement on the role of sustainable development in global politics. Networked states also have a geographical problem in that nation states still see networks of governance as a negotiating table on which they impose their interests. The intergovernmental decision-making process can result in a stalemate due to cultural differences and lack of cooperation\textsuperscript{125}.

Broad principles are still dominated by national or political social interests in the highest decision-making structures of these organisations. Each nation wishes to dominate and push its own agenda in global governance. Importantly, global governance requires a sharing of sovereignty and a minimising of disagreements in order to allow for bargaining and negotiation of control, with feedback from all dimensions, be it political, organisational, procedural or technical\textsuperscript{126}.

Since there is no global government or constitution, global governance involves the strategic interaction among entities that are arranged in formal hierarchies, and the entities that wield power and make rules are often not authorised to do so by general agreement\textsuperscript{127}. As a result, their actions are not regarded as legitimate by those the actions affect. Rules are only legitimate if they conform to broadly democratic principles, appropriately adopted for the context.

In a democracy, individuals are accorded rights, and political power is given or granted to officials by people through an electoral process, who may withdraw from this authority according to their constitutional arrangements. The legitimacy of an official’s action depends in part on whether the official is held accountable. Global governance involves types and practices of accountability which are appropriate for this level and at this scale. It is important to reflect the reality of the world society.

\textsuperscript{124} Slaughter AM (2004) 164-171
\textsuperscript{125} McGrew A (1992) 36 – 39
\textsuperscript{126} Ibid at 41 – 44
\textsuperscript{127} Ibid at 7 – 44
World politics as a whole lacks universally accepted values and institutions. Many societies in the world hold views which are contrary to those of others; however they want others to conform to their own rules\textsuperscript{128}.

A truly global society is an ideal that cannot be reached. There is indeed a global society (common values or common institutions) which are not geographically bound. However, the global society in which we live is not universal. It excludes those who do not subscribe to common values or institutions, and still others who are marginalised by the movements of world economics. Developing countries constitute those at the periphery of an integrated political and economic world order.

Even a universal global society would pose a challenge to global governance. If globalisation is a public authority available for a few citizens, it would have to meet stringent measures of accountability for its behaviour. Developing countries at the periphery of economic development continue to battle with issues of sovereignty in that they are latecomers to European models of state sovereignty and nationhood. At the time of their decolonisation and independence, the state in the form in which it was established in Europe had begun to decline\textsuperscript{129}. Developing countries experimented with rumours of a declining state which was withdrawing from their colonies personnel, influence, structures and apparatus. Therefore, developing countries had to deal with a largely illegitimate state form that was being challenged throughout Europe itself\textsuperscript{130}.

Developing countries also had to contend with imposed economic conditions that arose due to colonisation. In this relationship, they served as producers of raw materials and labour for more economically developed North Atlantic regions. They have also served as repositories of internationalised culture, ideologies and theories of development that did little to address the specificities of their levels of development at the time. Newly developing countries, therefore, faced a different early development path and were not equipped to deal with their state’s economy and resources in a manner that put their interests and objectives on the agenda.

Once the elites who were protagonists of self-determination and emancipation came

\textsuperscript{128} McGrew A (1992) 33 – 41
\textsuperscript{129} Smith DA (et al) (1999) 21 – 24
\textsuperscript{130} Holton RS (1998) 92 – 105
to power, instead of using the state resources at their disposal to develop their countries, they in turn assumed this power and used it to defend the interest of private capital and developmental objectives of the North Atlantic region. In doing so, they neglected the needs of the people in their own countries. This occurred through the liberalisation of national economies; the adoption of prescribed demands for privatisation; and the withdrawal of the state from developmental economic responsibilities\textsuperscript{131}.

Again, developing countries were unable to integrate into the international, political and economic sphere as equals. They did so as second-class citizens or as secondary political actors, in most instances begging for assistance from the North Atlantic zone of influence. It is in this context that conditions were imposed to ensure structural adjustment in their economies\textsuperscript{132}. To a large extent, this led to a gross neglect of necessary social expenditure. Expenditure areas such as infrastructure development, investment in education and health were disregarded or funded to a limited extent. Investments in helping large populations of such countries out of poverty were inadequate. Structural adjustments and conditional agreements also led to the relinquishing these states’ sovereignty and their capacity to manage their own macroeconomic situations.

In this context, the autonomy of these states to determine the direction and nature of their country’s economic development was greatly reduced. Today, these countries exist as appendages to European and North American economic interests. They continue to serve as repositories of manufactured goods for the developed world and their roles in the division of labour at an international level has not changed for a long time\textsuperscript{133}.

Despite this, many states remain in the global society, accepting common institutions and rules. This is an option if they want to receive political recognition or be allowed to trade freely and attract investment. In the absence of a common set of values which are universally accepted, the world must continue to strive for a truly global society.

\textsuperscript{131} Smith DA (et al) (1999) 22 – 31
\textsuperscript{132} McGrew A (et al) (1992) 222 – 225
\textsuperscript{133} Ibid at 222 – 224
For developing countries, developmental aid has focussed on the improvement of infrastructure. Modernisation, through electrification, planned towns, processed steelworks and entirely revised farming methods became ambitious, so a degree of failure was envisaged. As such, what was proposed by the conditionality of the IMF and the World Bank became something that could not be attained in a limited time period.

The commitment of the United States and other governments to build dams, bridges, towns and factories was not fully realised in developing countries, because state authority had collapsed or was non-existent. The Westphalian form of the nation state was not workable in the conditions of the developing world as it did not adequately appreciate the peculiarities of colonised nations.

In the context of international developmental aid, China had come to replace the United States as a leading investment country in terms of infrastructure development on the African continent and in South America. It may be said that China has imperialist visions for injecting financial capital in the developing world. However, the conditions China imposes usually have little to do with the economic influence or direction of these countries. It appears that China contributes towards developing countries in the genuine interest of building their economies. Others have contested that the investment China has injected in these developing worlds is tied to their expected dominance of the world economy in the future.\(^{134}\)

Where China provides funds without conditions and clauses associated with the IMF and World Bank, it becomes a preferred source of financing for infrastructure in developing countries. Therefore, China stands in contrast to world institutions that offer trade and financial interventions. For now, China has emerged as an alternative that may replace the United States and the Bretton Woods institutions in the developing world.

This demonstrates the extent to which the institutions founded post-1945 have deteriorated and are unable to drive the new liberal agenda imposed by the United States. As countries in the developing world look to the East for economic development, it creates a crisis for the Washington Consensus and establishments

\(^{134}\) Chaturvedi S (ed) (2012) 44 – 60
such as the IMF and the World Bank\textsuperscript{135}.

However, the Bretton Woods institutions have existed for a long time and have demonstrated in the past their ability to change and adapt to new conditions. Evidence in this regard is provided by a number of institutional economists who question the economic prescriptions of these institutions for developing countries and the impact of the conditionality of their interventions. Various structural adjustment programmes linked to other non-economic factors like NGOs now seek to incorporate marginalised economies by acknowledging the need to rid these countries of their debts.

In this regard, the Washington Consensus is seen to have mostly collapsed, but it is also possible that this consensus continues to be embedded in the economies and the responses of developing nations to their own situations. Developing countries may be trapped in the conditionalities first imposed when they were in deep crisis, and are unable to repay the debt extended to them despite measures to rebate these debt burdens.

The United States recognises that the emergence of China as an alternative to itself and the Bretton Woods institutions poses a threat in terms of its own strategic needs and goals in the developing world. As a result, the presence of military apparatus of the United States has increased in many of these emerging economies. There has also been an injection of large-scale investments in the developing world, particularly in Africa, although this lags far behind to that of China.

South-South cooperation\textsuperscript{136} between countries of the developing world versus the North has been characterised by the emergence of coordinating bodies at an economic level which aim to place on the agenda of the Western world problems faced by developing countries, as well as the uniqueness of interventions that are required. South-South interrelations have not focused on requesting aid from the North, but have focused on exploiting their economic capabilities to ensure that these are leveraged to uplift both parties and to encourage more South-South trade and development. BRICS (Brazil, Russia, India, China and South Africa Development Co-operation Agreement) is an examples of forums that seek to

\textsuperscript{135}Chaturvedi S (eds) (2012) 44 – 60
\textsuperscript{136}Chaturverdi S (Eds) (2012)
leverage the strategic interests of countries of the South.

Developing countries are increasingly taking the initiative to address their unique problems, without dependency on developed countries. However, only the developed world is capable of directing the forces of globalisation. So far, developing countries have been unable to respond as equal partners in this relationship and continue to serve as marginalised and economically irrelevant peripherals in the North Atlantic region of influence. Recently, the developing world has been attempting to act autonomously by leveraging its capabilities and coordinating resources among its constituent parts. In this way, it demands reform in global economic governance and the need to engage as an equal partner.
CHAPTER 5

Conclusion

In this study, I critically traced and examined the emergence of non-state actors in the international sphere. The role of these in generating norms and standards which are beyond the purview of nation states was also examined in the context of global coordinating mechanisms that govern political, economic and social relations at regional levels.

These non-state actors are thought by many to have replaced the nation state as a territorial expression of democratic governance and representation. However, others believe that despite the emergence of an international world order, nation states still exist as the only organising units of the global world and in fact are active participants in globalisation.

The nation state in the form of the Westphalian state still exists in various forms, particularly in the West. However, this form of state was not well appropriated in the developing world. As a result, it was met with resistance and largely ignored as a colonial imposition which ignored rudimentary forms of indigenous governance and knowledge systems existing in these countries. The Westphalian form of the nation state, with its aims of introducing civilised governance in developing countries, was found wanting in that it promoted elitist democratic ideals which were insensitive to indigenous peoples.

Democracy in this context was alien and not embedded in newly formed independent states, which battled to manage their territorially defined entities both politically and economically. This failure was further compounded by the integration of these democracies in the global economy which occurred due to the pressure of economic globalisation, as propelled by the spread of technology and information systems.

In the global arena, developing countries found themselves competing with international governance regimes which operated without recognition of territorial sovereignty. These non-state actors needed the state only as a coordinating
mechanism and limited its role to policing politics. In the meantime, norms, rules and regulations were implemented in various spheres in the state without being democratically mandated through electoral or policy processes.

The imposition of structural adjustment programmes and other forms of conditionality demonstrated the extent to which the Westphalian form of nation state was inappropriate and inadequate in ensuring economic development and sound political governance. Westphalian statehood was itself in decline in Europe when it was imposed with all its imperfections in colonised countries. Its essence as a hegemonic and harmonising vehicle for sovereign nationhood was dubious and many questioned its ability to fully represent diverse and even contradictory cultures, economics and political views.

A number of theoretical tools were adopted to understand and interpret the international order and the role of the nation state therein, such as realism, liberal pluralism and Marxism. These theories define the role of the nation state in the international order differently, such as privileging the state as a pivotal unit which acts in its own self-interest; recognising only the market as the organising force in society and economy; or seeing the nation state as an extension of capitalist domination.

In the wake of a modernising world driven by globalisation, these theories do not provide a conclusive means of interpreting the global world. At best, they complement each other in providing tools to analyse and critically evaluate an internationalised world which privileges non-state actors over territorially-defined nation states as prime movers in global governance.

I believe that the Marxist theory of interpreting the world comes close to providing a basis for understanding why developing countries remain on the periphery of economic development. Developing countries are regarded as sources of national resources and therefore as suppliers of raw goods to developed economies. This subservient relationship is sustained due to the inability of these states to fully introduce democratic governance through proper electoral systems. Such systems are often alien to them and designed in such a way as to further marginalise developing countries.
In an attempt to remain relevant in a globalised arena, developing countries have to redefine their position and role in globalisation. They need to enhance their economic capacities through the development of industries that are based on their rich resources. Parallel to this should be serious attempts to re-interpret and locate democratic practices among indigenous knowledge systems and communities, as well as adopt what is useful and beneficial from the West.
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