What is Globalisation and What Is Not?: A Historical Perspective[1]

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Abstract

Despite the widespread use of the concept there is neither a consistent theoretical construction nor a clear definition of globalisation. Although the debate between pro and anti globalisation scholars and activists is interesting, it largely fails to address globalisation as a fundamental structural transformation of modern capitalism from a historical perspective and tends to reduce it to a re-articulation of the old debate on states versus markets. The first aim of this paper is to provide a clearer definition of globalisation, which will be helpful in assessing the validity of various arguments surrounding the concept of globalisation, including whether such a process exists. Then an alternative interpretation of globalisation viewed from a historical materialist perspective will be introduced. It will be argued that internationalisation in the form of increased trade and foreign direct investment is the nature of capitalist accumulation process, thus, cannot be impeded. This accumulation process necessarily creates its own ideological climate to facilitate acceptance of the doctrine and to justify the economic and social problems it creates. Finally it will argue that there is a globalisation tendency since increased internationalisation inevitably weakens the role of nation states by transferring some of their functions to newly created supranational states that are created by the dynamics of this internationalisation process.

Keywords: *Globalization, Internationalisation, Historical Materialist Perspective*

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1. Introduction

Globalisation, as a concept, means different things to different people. Despite the widespread use of the concept, apart from a common agreement on the tendency of economic activity to expand beyond national borders, there is to date neither a consistent theoretical construction nor a clear definition of globalisation. There is a very interesting debate between pro and anti globalisation scholars and activists. Although this debate is interesting, it largely fails due to a terminological confusion over the closely connected but distinctive concepts of globalisation, internationalisation and liberalisation, which are often used interchangeably and hastily. The confusion results from the lack of a precise definition. One can read through this vast literature and often remain disorientated. The debate largely fails to address globalisation as a fundamental structural transformation of modern capitalism from a historical perspective and tends to reduce it to a re-articulation of the old debate on states versus markets.

An illustrative example comes from Singaporean Prime Minister Goh Chok Tong who said ‘September 11 [...] marks the conflict between globalisation and isolationism, between free trade and protectionism’ (BBC, 2001). In his view, it is implied that if one is against globalisation one must be favouring isolationism. Moreover globalisation is inaccurately associated with free trade and isolationism with protectionism. Such an unsophisticated approach to these concepts compels one to fall for such simplistic dichotomies that even the critics of globalisation willingly accept. In this confusion it is not uncommon for people to reject globalisation as a myth but characterize themselves as ‘anti-globalisation’ without realising the contradiction.

Moreover most of the arguments are rather descriptive, ‘portraying what is going on rather than a conceptual or theoretical attempt to explain why all these things are happening now and what to make out of all these changes’ (Khondker, 1994: 5). Globalisation is often seen as the totality of recent trends and events such as American hegemony, distance reducing technological changes, economic liberalisation and internationalisation.
In the absence of an accurate and commonly accepted definition, arguments for and against globalisation become obscure as writers define globalisation according to their ideological inspirations and what they intend to prove.

In this sense globalisation is an ideological term and like all ideological terms it is the subject of great controversy. The ever-increasing literature on globalisation proves that, in the absence of a clear definition, we will never know whether globalisation is a 'myth' or a 'fact' as there is no agreement on what processes constitute globalisation. Thus globalisation will always be seen either as an 'incontestable fact' or as a 'myth.'

The first aim of this paper, therefore, is to clarify the distinction between the concepts of internationalisation, liberalisation and globalisation. Globalisation will be defined as 'a *relative* decline in the nation state's role/power to implement *independent* domestic policies as a result of increased internationalisation'. This definition will be helpful in assessing the validity of various arguments surrounding the concept of globalisation, including whether such a process exists.

Later an alternative interpretation of globalisation viewed from a historical perspective will be introduced. It will be argued that internationalisation in the form of increased trade and foreign direct investment (FDI) is the nature of capitalist accumulation process, thus, cannot be impeded or reversed unless extraordinary events such as world wars or severe global recessions occur. This accumulation process necessarily creates its own ideological climate to facilitate acceptance of the doctrine and to justify the economic and social problems it creates. The over emphasis of the benefits of free trade arising from this ideological base, and the recent unprecedented domination of the neoclassical theory (despite all of its theoretical and empirical failures) can be better understood from this perspective. This paper rejects the ideas that draw parallel lines between globalisation and liberalisation. It will however argue that there is a globalisation tendency since increased internationalisation inevitably weakens the role of nation states by transferring some of their functions to newly created supranational states that are created by the dynamics of this internationalisation process. Moreover the ever increasing power of multinational companies (MNCs) means that nation states increasingly need to take their influence into account. In other words, international actors increasingly influence the policies of the nation state, and in this sense contemporary capitalism is experiencing an important structural change.

It should be made clear from the outset that defining globalisation accurately is not just a matter of academic curiosity; it also informs the direction of political action. An accurate definition of globalisation will determine its perception, therefore the nature of political action to endorse or confront it. The current confusion leads either to unqualified support or unqualified rejection of globalisation. The importance of defining globalisation accurately cannot be over-emphasised as it signifies the nature of contemporary capitalism.

2. Definitions Of Globalisation

Globalisation has been defined in a number of alternative ways but there are two commonly used broad based approaches. The initial approach perceived globalisation as the spread of market relations in terms of increased trade and FDI. A broader definition of globalisation is 'the integration of production, distribution, and use of goods and services among the economies of the world' (Otsubo, 1996: 1). In this sense globalisation is synonymous with internationalisation. Why are there two terms existing to describe the same phenomenon? Two reasons emerge. First, 'this sort of definition [...] proposes an 'original condition', a starting-point for the process' where a structural change, a radical increase in internationalisation is thought to occur (Radice, 1998: 3).[1] Second, globalisation is perceived as a 'deepening' of international economic relations as opposed to widening them in terms of the range of countries and other agents involved (Thompson, 1995: 199).

Furthermore, globalisation is usually associated with liberalisation firstly because pressures of capital mobility, technical change and increased market competition are assumed to have significantly reduced the role of the nation state; and secondly, liberalisation is seen as the most effective way to bring about globalisation. From this point of view 'a truly global economy is one dominated by trans-national firms and financial institutions, operating in world markets independently of national boundaries, national political objectives and domestic economic constraints' (Bairock & Wright, 1996: 3).

[1] This is what Weeks (1999) empirically tested and found no evidence. Thus 'the new era' thesis is rejected.

While this definition is broadly accepted by the 'hyper-globalists' (mostly neoclassical economists), and 'sceptics' (mostly structuralist economists), they disagree on the nature of globalisation and whether such a process is actually taking place. The hyper-globalists believe that capital is free from all constraints and has enough power to penalize countries that attempt to limit this freedom. In this view, globalised markets are very difficult to regulate, and governments are therefore at the mercy of unruly global market forces. Countries that pursue interventionist policies will pay a heavy penalty. Internationally mobile capital will fly away from countries that restrict their freedom and in doing so will disadvantage their economies. These developments are not only very well advanced and unstoppable, but also desirable. By reducing the seemingly arbitrary interventions of governments, globalisation will allow market forces to increase efficiency and productivity through competition, and better resource reallocation. This integration is seen as of particular benefit to LDCs as the result of the movement of capital is to facilitate the more even distribution of capital worldwide. Globalisation will lead to the elimination of all national differences. We are witnessing the end of the Third World.

This interpretation of globalisation has been criticized and challenged by the sceptics. None of these writers deny the importance of increased international trade and FDI. They, however, challenge the implications of this trend. They argue that there is no clear evidence of globalisation and therefore it is a myth since: 1. The existence of highly internationalised economies is not unprecedented (which implies that it should be unprecedented). 2. Genuine trans-national companies (TNCs) appear to be relatively rare (which implies that they should be more common) 3. Foreign direct investment is highly concentrated among the advanced industrial economies (which implies that it should be more evenly distributed and include LDCs). 4. Trade, investment and financial flows are concentrated in the Triad of Europe, Japan and North America (which implies regionalisation but not globalisation). 5. Major economic powers have the capacity to exert powerful governance pressures over financial markets and other economic trends (which implies that global markets are not beyond regulation and control) (Hirst & Thompson, 1996: 2).[2]

[2] *Weiss (1997: 7) also makes similar points and argues that '[i]f such a [globalisation] tendency existed, one would expect to find evidence indicating that the changes in question conformed to at least three criteria: novelty, magnitude and distribution.'*

The sceptics rightly point out that we are living in a very disorderly and fractured world where the rule is uneven development. The liberal idea of integration with harmony and prosperity is untenable. All major indicators show that the income gap between rich and poor countries has never been so wide. There is no evidence of convergence and regional inequalities persist. The nation state is still the most important actor in international markets and will continue to be so for the foreseeable future.

This earlier debate lacked depth as it stemmed from the simplistic presumptions of the hyper-globalists. The sceptics rightly reacted to the inaccuracies of the hyper-globalists' interpretation but failed to engage in a deeper analysis of the structural changes in international capitalism. Therefore the debate remained fairly shallow. Hirst and Thompson (1996), for example, openly admit that they are dealing with the 'most extreme' or 'strong' version of the globalisation thesis and do not deny that there is a weak globalisation tendency which constraints certain types of national economic strategy.

In another article (Subaşat, 2005) we have argued that although valuable as a counter-position against hyper-globalism, the sceptics' arguments are essentially irrelevant to the globalisation debate and in some cases inaccurate. It is fairly easy to refute the hyper-globalists' thesis as their arguments reflect their ideology rather than the reality. However, the obvious naivety of such interpretations does not lend credence to their critiques. It is easy to compare the hypothetical expectations of their thesis with reality and argue that globalisation is a myth. Instead of an integration with harmony and prosperity for everyone, as hyper-globalists propose, another form of integration with greater inequality might be taking place, where the nation state might surrender some of its power to the new forms of supranational state structures created by the dynamics of this integration process.

An important problem in this debate derives from the fact that many researchers describe the characteristics of globalisation rather than define it. For example the above definition is, in effect, not a definition but a description, and is consequently rather tautological. If one defines globalisation as the spread of market relations in terms of increased trade and FDI coupled with liberalisation, this is a description of what has happened during the last 20-30 years, which is not refuted. Increasing international trade and international flows of capital are not *per se* evidence of globalisation. These are characteristics of internationalisation, and globalisation must refer to something different to have any analytical meaning. In other words, globalisation should refer to a new economic structure and not just to a greater intensification of internationalisation within the current international economic system. In the absence of an accurate definition and a clear separation of globalisation from internationalisation, the terms remain interchangeable even in the hands of the researchers who emphasise such differences in the first place. Moreover, due to its haziness, such a definition also fails to comprehend the permanent and transitory characteristics of the evolving world economy. Although, as will be argued, internationalisation in the form of the expansion of trade and FDI can be seen as the essence of capitalism and of capital accumulation, the future of liberalisation policies will be determined politically. In other words, liberalisation is not the only available policy framework for a more global world.

Based on the failures of this earlier debate, more sophisticated alternative approaches to defining globalisation have been developed, mainly by sociologists and international relations scholars. The 'trans-formationalists' have defined globalisation as the 'intensification of worldwide social relations' (Giddens, 1990: 64), the 'widening, deepening and spreading of global interconnectedness' and 'accelerating interdependence' (Held, McGrew, Goldblatt & Perraton, 2002).

Although more accurate compared to the earlier approach, defining globalisation in such ways is also problematical for a number of reasons. First of all, such definitions are rather vague and the authors often struggle to qualify their definitions by producing pages of explanations that only complicate the picture even further, and render them useless for policymaking and political struggle.

Secondly, interconnectedness and interdependence have been growing since the beginning of humankind and mapping the progress of globalisation since the time of Adam and Eve is not constructive as it does not help us in our endeavour to understand the current structural transformation that the World economy is going through.[3] Qualifying such definitions by ‘intensification’, ‘widening’, ‘deepening’, ‘spreading’ or ‘accelerating’ is not useful as this is not the first time that social relations have intensified, widened, deepened or accelerated. The domestication of the horse, the invention of the wheel or the steam engine must have contributed more to the intensification of social relations than recent developments. Thirdly, like the first definition, such definitions give a sense of naturalness and inevitability to these changes and fail to understand the permanent and transitory features of them. Finally, such definitions fail to comprehend the structural transformation the world economy is going through as they reduce changes to quantitative accelerations rather than qualitative transformations.

Scholte (2002) produces a slightly more sophisticated version of the transformationalists arguments and defines globalisation as deterritorialisation, or as the spread of transplanetary and, in recent times more particularly, supraterritorial connections between people. ‘From this perspective, globalisation involves reductions in barriers to transworld contacts. People become more able […] to engage with each other in ‘one world’’ (Scholte, 2002: 14). He argues that transplanetary relations refer to social links between people located at points anywhere on earth, within a whole-world context and supraterritorial relations are social connections that transcend territorial geography.

In the context of transplanetary relations, the world is seen as a single social space. Supraterritoriality, however, implies that territorial distance is covered in no time, and territorial boundaries present no particular impediment. ‘Distancelessness’ and the abolition of every possibility of ‘remoteness’ are the main characteristics of supraterritoriality. Scholte claims that although transplanetary connectivity has figured in human history for centuries, supraterritoriality is relatively new and the rise of supraterritoriality marks a striking break with the territorialist geography that came before. Contemporary transplanetary links are also much denser and involve the volume of transworld communications, diseases, finance, investment, travel and trade. Scholte gives a number of examples to qualify

[3] *The ‘novelty’ aspect of globalisation has been questioned by many ‘sceptics’. See Weiss (1998) and Hirst & Thompson (2003).*

globality-as-supraterritoriality:

[J]et airplanes transport passengers and cargo across any distance on the planet within twenty-four hours. Telephone and computer networks effect instantaneous interpersonal communication between points all over the earth […]. The global mass media spread messages simultaneously to transworld audiences. The US dollar and the euro are examples of money that has instantaneous transplanetary circulation, particularly when in digital form. In global finance, various types of savings and investment […] flow instantaneously in world-scale spaces. In the field of organizations, several thousand firms, voluntary associations and regulatory agencies coordinate their respective activities across transworld domains. A global conference of the United Nations (UN) involves delegates from all over the planet at the same time. Ecologically, developments such as climate change (so-called 'global warming'), stratospheric ozone depletion, certain epidemics, and losses of biological diversity unfold simultaneously on a world scale […] (Scholte, 2002: 18)

Given the above examples, the distinction between transplanetary and supraterritorial is blurred and puzzling. If we focus on supraterritoriality which, in his view, signifies 'current' globalisation, we can identify some weaknesses.

With the exception of computer networks, which increase not only interpersonal communication but also facilitate the 'international' circulation of finance, the above examples are to a large extent misleading. The world is not a contiguous terrain and territorial distance is far from 'covered in no time', and territorial boundaries do present impediment. If supraterritoriality as 'distancelessness' signifies globalisation, apart from telegraphs, telephones and computer networks, it does not and probably will not exist. Supraterritoriality in the form of telegraph and telephones have been around since the middle of nineteenth century and airplanes since the early twentieth century and, although international travel has expanded to unprecedented levels, this does not prove supraterritoriality. A truly global money existed in the form of the gold standard which collapsed during World War One. Since the advent of nuclear technology the possibility of a global ecological disaster has existed and the possible impacts of global warming are far from uniform and free from territorial geographical boundaries. Widespread epidemics that transcend national borders have existed for centuries.[4] Even within computer networks where 'distancelessness' is a reality and supraterritoriality is evident, the importance of geographical divisions remain as most people, particularly in the third world, do not have access to such technology.

Scholte recognises these facts but claims that most manifestations of supraterritorial connectivity have reached unprecedented levels during the past half-century. There is no doubt that technological changes have reduced the distance factor considerably and increased social links between people. It is also true that contemporary 'transplanetary links' are denser than those of any previous epoch. Hirst and Thompson (2003: 17), however, claim that it is untrue that the spread of transplanetary and supraterritoriality has been faster than ever before.

The 50 years between 1950-2000 are not remarkable when compared with the period 1850-1914 – in that period flows of merchandise trade, capital investment and labour migration were all comparable to or greater than those of today. Technological change in the form of international telegraph cables unified markets and led to price and interest rate convergence of a kind that has never been equalled since. Financial integration was far greater, and levels of capital export from the major lender countries unprecedented. (Hirst and Thompson, 2003: 17)

Whoever is right about the speed of change, the fact remains that Scholte reduces globalisation to a decline in distance factor and in consequence to the technological changes that facilitate it. By doing so he simply restates the obvious. Such technological factors certainly play a part in 'globalisation' but globalisation cannot be reduced to distance reducing technological factors alone. Once Scholte's approach is accepted, globalisation must be happening by definition, as it is difficult to refute the distance reducing technological changes. Such a definition of globalisation effectively removes politics from the debate and, in this view anti-globalisation has no real meaning. As such, although it may have a political impact, the concept is fairly apolitical. The definition implies a sense of technological evolution that is politically neutral.

[4] One can only remind the outbreak of the plague in Europe between 1347 and 1353 that killed 25 million people, approximately one-third of the population.

Finally, with the exception of internet technology, there is very little supraterritoriality in the process of technological change and even if the speed of technological change is faster, it is a continuation of on-going changes rather than a qualitative breakthrough. Scholte (2002: 17) states that '[u]nlike earlier times, *contemporary globalization*[5] has been marked by a large-scale spread of supraterritorialism' which implies that in his view globalisation is not a new process but the continuation of an old process.

3. How Can Globalisation Be Accurately Defined?

One obvious way is to define globalisation as a process that propels an international economy towards a truly global economy. It is then possible to deduce a definition of globalisation by identifying the most fundamental characteristics of a truly global economy. A truly global economy, as apposed to an international economy, would equate the world economy with that of a single country. Although one can stretch the limits of imagination, the following would be some of the most important characteristics:

There would be no national borders and people and capital would be free to move wherever they want and settle down, work and invest. There would be a single global state and global laws that all people would obey. The nation states would either disappear or diminish to the level of local authorities. Nationalism as the ideology of the nation state would disappear. Although differences would exist, there would be a cultural convergence, including perhaps a common global language. Politics would be organised globally. There would be global elections and political parties. Some non-governmental organisations would also organise globally.

The existence of supranational states, and the disappearance or a radical transformation of the nation state, describe and distinguish a global world from a non-global (international) world. From this narrative it is possible to deduce a definition of globalisation as 'a *relative* decline in the nation state's role/power to implement *independent* domestic policies as a result of increased internationalisation'. According to this definition, globalisation is a political process driven by economic incidents. A relative weakening and transformation of the nation state, combined with the emergence of transnational states defines globalisation.

[5] *My emphasis.*

It is important to emphasize the word ‘relative’ since the weakening of the nation state is not a uniform process and there will always be some states more powerful than the others in terms of their ability to implement *independent* policies, and the part they play in the globalisation process. As will be explained later on, countries experience globalisation according to their own specific circumstances. A reduction in the role of the nation state may or may not mean a reduction in the ‘power’ of the nation state. The nation state may be coerced into reducing its role or voluntarily surrender some of its power to other international institutions or perhaps initiate this process. In this sense the nation state is an integral part of this process. There are significant differences between developed and developing countries facing globalisation as well as within these broad categories. Developed countries tend to lead the globalisation process while developing countries respond more passively to the changing environment. It is also important to note that a *relative* decline of the ‘nation state’ does not mean, as liberals often believe, the decline and disappearance of the ‘state’, or ‘statelessness’ which is inconceivable. Although the ‘state’ has existed for thousands of years in many different forms, the ‘nation state’ as a specific state form is relatively new and linked to the emergence of industrial society and capitalism. As the importance of the nation state declines, transnational states undertake some of their functions.

Moreover, the ‘independence’ of the nation state to implement domestic policies refers to its independence from outside influences, such as international capital and supranational states. Nation states are not ‘independent’ institutions and their policies are determined by complex social interactions. Even though Murray (1971) accepted that internationalisation tends to reduce the power of nation states in general, Poulantzas (1975) argued that nation states had no power of their own, but instead expressed and crystallized class powers. Both arguments are consistent with our definition. Nation states increasingly need to respond to the demands of international capital as well as newly created supranational states. The relative autonomy of the nation state from classes is a very controversial issue that will not be analysed here. See Fine & Harris (1979: 158) for the details of this particular discussion.

In this definition the core difference between globalisation and internationalisation lies in the role of the nation state. 'A truly global economy is one [...] in which distinct national economies and, therefore, domestic strategies of national economic management are increasingly irrelevant' (Hirst & Thompson, 1996: 1). In its extreme form, a truly global world is one where the nation state has no decisive role or power.[6] Globalisation, then, must be defined as a process (not an event) where the nation state's role/power relatively declines in the implementation of national policies. In this sense, globalisation does not require a complete disintegration of the nation state. Rather it requires a reconstruction of the nation state as an empowering instrument of international capital.

This definition will clarify a number of confusions in the characteristics of globalisation. First of all, to argue that the nation state loses power as a result of globalisation is contradictory since globalisation is now defined as the loss of the nation state's power.

Secondly, an increase in international trade or FDI does not automatically imply globalisation (it implies internationalisation) unless it also reduces the nation state's power. It can be argued that internationalisation may contribute to globalisation since, for example, an autarkic economy is by definition easier to manage within the boundaries of a nation state. From this perspective, however, the correlation between globalisation and internationalisation is weaker. As Weiss (1997: 20) persuasively argues, strong states may well be facilitators of internationalisation rather than 'victims' of it. Trade and FDI are usually promoted by strong states as in the case of the so-called East Asian Miracle countries.

Thirdly, globalisation does not necessarily imply liberalisation. Liberalisation, by definition, refers to a reduction in the nation state's intervention and in this sense (hypothetically speaking) a truly liberalised world would also be a truly globalised world. A non-liberal (or interventionist) form of globalisation, however, is possible as long as the

[6] When the nation state does not have any power, it may cease to exist or reduced to the level of local authori ties. In this case, a truly globalised world is where there are no nation states and no national borders. A truly global economy cannot be created as long as the nations state exists. As long as the nation state exists it will have some power/function. Globalisation is in this sense 'does not mean that national boundaries are disappearing. Far from it. There are more nation-states in the world today than any other time previously' (Drache, 1996: 31).

role of the nation state is replaced by the supranational states, which may implement interventionist policies. The binding rules of various forms of international institutions and regional integration activities do reduce the sovereignty and role/power of the nation states to implement independent national policies. As will be elaborated on in section three, the creation of strong (stronger) supranational states to absorb and reduce the power of the nation states should be seen as a sign of globalisation. Such state structures, however, can implement interventionist policies.

Fourthly, the decline of the nation state can take seemingly contradictory forms: centralisation and decentralisation, integration and disintegration, internationalisation and localisation. These are in fact complementary processes. In other words, the creation of the supranational states does not reduce the importance of the local. Even in a truly globalised word, local differences will exist. In the USA, for example, the federal states have substantial powers over economic and social policies such as taxation, employment, economic development, transport, education, policing, justice and health. The nation state may give way to both supranational and subnational institutions, which involves the distribution of power from central to local levels. Most countries are both integrated into the world economy and devolve power to local governments and communities.

Fifthly, although imperialism can be defined in a number of alternative ways, whichever definition is adopted, there is little doubt that globalisation is an imperialistic process. This article will not explore the imperialistic nature of globalisation as many radical writers have already done this. However it is important to separate these two concepts, as globalisation is not a euphemism for imperialism. Imperialism has a long history whereas globalisation is relatively new. Although imperialistic trends may take new forms in the globalisation process, it is a mistake to equate them.

Finally, unlike the mainstream definitions, this definition does not presume globalisation and allows room for caution. Although the creation and increasing power of the supranational states indicates a tendency to globalisation by reducing the role/power of the nation states, this may not be a permanent feature of the contemporary capitalist world economy and may be reversible. Indeed, many writers, while recognising the structural changes in the world economy, have argued that nation states are capable of finding ways to adjust to and deal with the challenges that the new conditions bring about. Therefore, they argue there is evidence of adaptability, but no real weakening in the capacity of nation states to manage their own affairs.

Moreover, even if globalisation is taking place, it may be a reversible process. As will be argued in the next section, one important objective behind the formation of the supranational states (that in our view identifies globalisation) is to moderate international rivalries that are provoked by increased internationalisation and competition between international bourgeoisies (as well as establishing stronger domination over the working classes). The inner-rivalries of the international capital that the supranational states are supposed to moderate may however easily spiral out of control and damage the system itself. The unilateralist US policies followed by George W Bush, for example, are reflections of increased international conflict that may damage globalisation as a process. As Engler argues,

Particularly since September 11, 2001, Bush's globalization policy has been quite different from what characterized the Clinton years. As in its military actions, the current administration has shown a penchant for go-it-alone nationalism in its economic negotiations. This has led to a type of bare-knuckles promotion of U.S. interests distinct from the multilateralist model of global capitalism advanced in the 1990s. As a result of this shift, as well as a concurrent global economic downturn, trade talks in recent years have been combative, tense, and often unproductive (Engler, 2004).

Unilateralist US policies may legitimise and encourage similar policies worldwide and damage EU-US relations. The recent US steel tariff dispute and the deadlock in Cancun due to a lack of willingness by the US to open up its markets are two important examples. Such policies are clearly in conflict with globalisation and reflect its reversibility. However, once we accept that globalisation is an uneven and unlinear process, it becomes evident that more time is needed to reach such a conclusion.

4. A Political Economy Interpretation Of Globalisation

In response to the weakness of the hyper-globalists' and sceptics' arguments, an alternative literature has burgeoned based on the idea that 'the nation-state is neither retaining its primacy nor disappearing, but becoming transformed and absorbed' into a larger transnational state system (Robinson, 1998; Radice, 1998). In other words, globalisation denotes a transition process from the nation state phase of capitalism to a qualitatively new transnational state phase where the nation state is transferring some of its power to those newly formed transnational states.

Internationalisation in the form of trade and FDI is the nature of capital accumulation. The rapid quantitative increase in internationalisation, particularly in the form of FDI, at this particular juncture in capitalist history requires a qualitative structural change and necessarily creates transnational states to regulate this process. These transnational states remove part of the nation state's functions and create globalisation trends. The increase in the number and role of these new state structures are directly linked to increased internationalisation in a dialectical process. In other words, although the speed of these changes may or may not be greater compared to previous epochs in the history of capitalism, the spread of internationalisation has reached a point that requires qualitative structural changes to manage this process. In this sense globalisation can also be defined as 'a process of transition from the nation state phase of capitalism to a qualitatively new supranational state phase where the nation states are transformed and absorbed into a larger supranational state system'.

Capital accumulation necessitates the expansion of capital beyond national borders and produces the process of internationalisation. Marx argued that the centralization of capital is the nature of capital accumulation.[7] When possibilities for expansion in the domestic markets are exhausted, capital quickly expands beyond national boundaries to seek new market opportunities. As Marx and Engels wrote in the Communist Manifesto, capitalism is a very expansionary and aggressive system. In one of their most widely quoted lines, they said 'the need of a constantly expanding

[7] *Centralization means monopolization of huge mass of means of production in the hands of smaller number of capitalists. Marx explains the logic of concentration in Capital as follows: 'The battle of competition is fought by cheapening of commodities. The cheapness of commodities demands, caeteris paribus, on the productiveness of labour, and this again on the scale of production. Therefore, the larger capitals beat the smaller.'(Marx, 1990: 777)*

market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere' (Marx and Engels, 1977: 83). Internationalisation in this sense is rooted deep in the nature of the capital accumulation process. Through internationalisation, domestic economies of nation states integrate into the world economy. The more a country integrates into the world economy, the more it influences and is influenced by it.

The internationalisation of capital takes three different forms: that of commodity, money and production. Commodity capital was the main form of internationalisation in the 19th century. Financial capital also internationalised by the end of the 19th century with the development of the credit system. Although it existed to a limited extent earlier, the real expansion of productive capital came after the Second World War with the birth of the MNCs, and significantly intensified during the 1980s and 1990s.

The sequence of internationalisation of these three forms of capital is determined predominantly by developments in the forces of production and a number of political changes. International mobility of capital is a technical issue as well as political one. Recent developments for example, should be seen in the light of a number of technological and political changes. New production techniques and rapid developments in the electronic and telecommunication sectors, as well as a dramatic fall in transport costs, played an important role in this process. They enhanced the ability of productive capital to move and organize itself internationally without the need to consider the distance between different production units. In addition the end of the Cold War, the failure of the Keynesian policies to manage the international economic crisis of the 1970s and 1980s, and a general fall in the political power of workers and their organizations have facilitated this process.

The sceptics often argue that the contemporary internationalisation process is not unprecedented and trade and capital flows before 1913 were not dissimilar in size to flows in the post-war period (Weiss, 1997). They claim that for a number of industrialised nations trade intensity is only marginally greater in 1991 than in 1913. Hirst and Thompson (1996: 2) claims that '[i]n some respects, the current international economy is less open and integrated than the regime that prevailed from 1870 to 1914'. This is an important argument, which, if true, could negate our arguments. In other words, if the nature of the current internationalisation process is not fundamentally different from the old one, one would not expect any significant structural changes in the management of this new process. The nation state would remain as the prime actor, there would be no need for transnational state structures and therefore no case for globalisation as we have defined it. These arguments, however, are mistaken and can be criticized from a number of perspectives.

Firstly, the level and speed of trade integration mainly depends on whether the figures are calculated using constant or current prices. The above arguments are based on a calculation of trade intensity using current price export and GDP. van Bergeijk & Mensink (1997), in contrast, argue that any historical comparison should be based on constant prices since service dominated GDP price index tends to increase much faster than the manufacture dominated exports price index. This means that 'a historical comparison of a nation's trade ratio that is based on nominal values suffers from the fact that the price increase for services persistently exceeds the price increase for manufactures' (van Bergeijk & Mensink, 1997: 164). They show that when calculated with constant prices, the world trade ratio in 1996 (13.5%) is much higher than the 1820s (5%). Kitson and Michie (1995) also calculated the trade ratio using constant prices and found not only that trade openness today is much higher than during the pre-war period, but that it increased dramatically after the 1950s. Maddison (2000: 363) produced more significant results. The world trade ratio increased from 4.6 percent in 1870 to 17.2 percent in 1998. The same figures are 4.9 percent to 28.7 percent for France, 9.5 percent to 38.9 percent for Germany, 0.2 percent to 13.4 percent for Japan, 12.2 percent to 25.0 percent for the UK, 2.5 percent to 10.1 percent for the USA. Whichever measure is used, trade integration is continuing and there is no sign of a slow down.

Secondly, trade integration can only expand until all tradable commodities are traded. This implies a structural limit to internationalisation through trade integration. Therefore the increase in trade intensity is expected to slow down and even stop once the peak has been reached. Moreover, it is often argued that a gradual decline in the share of manufacturing (and agriculture) in total GDP may mean less trade integration as the share of 'less trade-intensive' services rises.[8] International trade, however, is only one of many different forms of internationalisation and there is a complex and dynamic relationship between them.[9]

Capital market integration is another major form of internationalisation. During the last few decades, the international flows of financial capital has increased so dramatically that globalization is often characterised by this massive transfer of money. Every day trillions of dollars are traded on foreign exchange markets which amount to many times more than the total value of world trade and GDP. Whether the phenomenal internationalization of capital markets signifies a permanent or transitory feature of internationalisation process is not clear,[10] its impacts on national economies are obvious. As Stiglitz (2000) argues '[o]ver the last 20 years, financial crises have become more frequent and more costly'. As the recent crises in Mexico (1994), Asia (1997), Argentina (2001) and Turkey (2000 and 2001) indicate, the internationalization of financial capital makes national economies more vulnerable to short term capital and money movements.

A further form of internationalisation is the 'non-equity forms of cooperation' which is less visible but still very considerable.[11] Moreover,

[8] *Figures suggest that the share of services in total trade is substantial and has been increasing. World Bank data suggests that world service exports to merchandise export ratio was 18% in 1980 and increased to 22% in 1995. Not only financial capital but also many business services have become internationally tradable as transaction and communication costs fall (Nunnenkamp & Gundlach, 1995:2). Services can also be exported indirectly without being registered to the official export figures when people are mobile. This means that services are no longer isolated from the international markets. Tourism is one of the very well known cases of indirect export of services. Services such as health and education can also be exported indirectly. The biggest barrier restraining people's mobility is the transport cost that has been declining substantially. People are indeed more mobile domestically as well as internationally.*

[9] *For example an increase in FDI may have a negative or positive impact on exports depending on whether FDI and exports are substitutes or complementaries.Trade policy itself may have impacts on FDI in different ways. For example the threat of protection had a substantial impact on Japanese FDI in the US in 1980s. For more detail see Nunnenkamp & Gundlach (1995) and WTO (1996). The International Chamber of Commerce (ICC) however suggests that '[t]he conventional distinction between trade and investment no longer reflects business realities; presence in a local market is now frequently vital to be able to compete. Companies trade to invest and they invest to trade' (ICC, 1997).*

[10] *The growth of international financial flows was largely triggered by the deregulation of financial markets and the abandonment of capital controls, which are reversible policies. See Pettit for (2003) for further details.*

[11] *'NEC covers a broad and heterogeneous range of cross-border activities of companies. They include in particular: R&D cooperation; joint ventures with minor foreign equity stakes; the supply of technology or trademarks through licensing agreements; production sharing arrangements, international subcontracting that involves firms with a local majority stake; as well as contracts on franchising and turnkey projects'. (Nunnenkamp & Gundlach, 1995: 4)*

non-tradable commodities are integrated into the internationalisation process through FDI which involves not only the tradable commodities but also non-tradable. Although there might be structural constraints on trade, there are no such limits on FDI, which can expand absolutely and relatively without any boundaries.

The predominant form of the current internationalisation process, however, is FDI. A very strong upward trend in FDI is observed in almost all relative and absolute indicators of international production, and this now exceeds trade as the other major form of internationalisation. The internationalisation of productive capital and the formation of extremely large MNCs are relatively new phenomena which have been so profound that some have suggested that globalisation, as opposed to internationalisation, should be identified by the rise of MNCs and FDI.[12] MNCs are immensely powerful institutions and their production capacity now has reached record levels. The following facts, produced by the World Investment Report (2000 and 2003), will be helpful in assessing the importance of MNCs and FDI in this new internationalisation process.

FDI inflows have increased steadily throughout the post-war period and more rapidly during the 1980s. Since 1980 FDI has grown many times faster than world trade and output. The annual global inflows increased dramatically from $55 billion in 1980 to $1393 billion in 2000, and declined to $824 billion in 2001 and $651 billion in 2002 due to slow economic growth in most parts of the world (WIR, 2003). The ratio of world FDI inflows to global gross fixed capital formation increased from 2.3 percent in 1980 to 20.8 percent in 2000, and declined to 12.8 percent in 2001 and 12.2 percent in 2002. The inward stock of FDI continuously rose from $699 billion in 1980 to $7123 billion in 2002. Its share in world GDP increased from 6.7 percent to 22.3 percent. In developing countries the same figure was nearly 33 percent in 2001. There are now some 64,000 transnational parent firms (about 7,000 at the end of the 1960s) with around

[12] *For example Costello et al (1989: 39) argues that 'globalisation trend which is clearly new, post-war phenomenon is the growth of transnational corporations which organize a growing division of production between plants in different countries.' Kozul-Wright (1995: 135) also argues that '[t]his rise of the TNC, on many accounts, mark a transition from the Golden Age to a 'globalising age'. In these accounts, the role of TNCs as long-standing organizers of a broad range of cross-border economic assets and activities has been transformed by new technologies and the relaxation of regulatory controls; free from their national setting and with a fully internalised governance structure these firms can now pursue global strategies of production, marketing, and profit seeking.'*

870,000 foreign affiliates. FDI is more important than trade in delivering goods and services internationally. In 2002, global sales by TNCs reached $18 trillion, which is significantly higher than world exports of $8 trillion. The sales figures for foreign affiliates worldwide increased from $3 trillion in 1980 to $14 trillion in 1999. This figure would be significantly higher if subcontracting, franchising and licensing were to be included. The gross product associated with international production increased from about 5 percent of global GDP in 1982 to 10 percent in 1999. On the technology side an estimated 70 per cent of the global payments of royalties and fees constitute transactions between parent firms and their affiliates. Two-thirds of world trade is controlled by MNCs through intra-firm trade among MNCs and MNC exports to non-affiliates.

The above figures are impressive but they may not reflect the real significance of internationalisation in the form of FDI since they record only the initial entry of a firm into a foreign location and subsequent expansions by affiliates often involve little or no FDI. MNCs advance capital from different sources such as commercial banks, local and international equity markets, public organizations and their own corporate systems in the form of internally generated profits for reinvestment. When these different sources are considered, investment into foreign affiliates are estimated to be four times bigger than FDI flows (WIR, 1997: 5). Even this figure does not capture additional investment controlled by TNCs via various non-equity measures, including corporate alliances.

Therefore, even if trade flows before 1913 were not dissimilar in size to flows in the post-war period, there are events that are substantially different that are relevant to and important for the globalisation debate. These are the creation of massive MNCs, which control not only FDI but also two third of world trade, and the formation of supranational organizations.[13] By controlling international trade, MNCs may be able to impose substantial constraints on nation states. The creation of supranational organizations such as the UN, IMF, WB, WTO, EU, and NAFTA is also relatively new and very relevant to the debates on globalisation.[14]

[13] *'The intra-firm trade among MNCs accounts for about one third of world trade, and that MNC exports to non-affiliates account for another third of world trade, with the remaining one third accounting for by trade among national (non-MNC) firms.' (WTO, Annual Report, 1996: 44)*

[14] *UN and its sub-agencies such as UNDP, UN Commission for Human Rights, UN Environment Programme, UNESCO, Save the Children, FAO, ILO, WHO; and other NGO's such as Green Peace, Friends of the Earth, Amnesty International, Oxfam, Christian Aid, Red Cross, etc.*

There are several technological factors driving this process. 1. The centralization process is intensified by the growing economies of scale and scope, particularly the initial fixed cost of research and development. 2. '[T]he flexibility that comes from reprogrammable capital equipment means that these large units can serve smaller, specialized niche markets' (Costello et al, 1989: 39). 3. Standardization of production and production techniques has made it possible to expand production beyond national borders. 4. The introduction of new technologies which make productive capital more light and mobile, and developments in telecommunication technology which reduced the importance of the 'distance' factor. 5. A substantial fall in transport costs. 6. International advertising and marketing strategies that helps consumption patterns to converge. Because of these technological developments it is now easier to locate production in different parts of the world. The requirement of supervision and enforcement of standards previously required the production process to be carried out within a single production unit. Today the manufacture of components in the production process can be dispersed across the globe or sub-contracted to other firms, prior to assembly.

The large MNCs are the driving force and the biggest beneficiaries of this new economic order. As MNCs grow in size, they increase their relative economic and political power, and their strategic influence, which helps them to gain concessions and better deals in the bargaining process with workers and nation states. There are two ways through which MNCs can exert influence on state policies.

Firstly, as a result of increased flexibility MNCs '[c]an relocate production internationally, wielding immense power over trade unions and national governments' (Costello et al, 1989: 39). In this case MNCs can passively respond to the policies of the nation state simply by not investing. Such a threat may be significant enough to persuade governments to pursue more pro-FDI policies and give significant concessions. However, as many researches have shown, the determinants of FDI are complex and multidimensional which allows the nation state a great deal of flexibility to negotiate the conditions of FDI with MNCs. Although MNCs may benefit from lower levels of labour costs, taxation, regulation, unionisation and a flexible work environment, they also require access to large domestic markets (both total and per capita GDP), political stability, good infrastructure, a skilled work force and membership of an economic and political grouping within which to function. Therefore there is a trade off between the functional requirements of the MNCs and the operating environment that the nation state can offer.

A number of countries, such as China, have been able to exert robust conditions on FDI.[15] Moreover, FDI is not a pre-condition for economic development and countries may prefer not having FDI rather than having to comply with their demands. Many countries, such as Japan and South Korea, have successfully developed despite having very rigid policies that limit FDI inflows. The positive and negative impacts of FDI are also far from being uncontroversial. Therefore, although a significant tool in the armoury of the MNCs, withdrawing investment or declining to invest is not the most effective way in which MNCs can exercise influence over nation states. If it were, the sceptics would have been more accurate in their arguments. MNCs, however, are much more aggressive in their pursuit to control world markets. They do not passively respond to government policies, they aim at shaping them. Therefore, the second way through which MNCs can exert influence on the state policies is more important and relevant to our debate. Although there is a clear tendency to exaggerate the power of MNCs and the powerlessness of nation states in the relevant literature, it is obvious that big businesses have increasingly stronger influence on governments through lobbying activities domestically, as well as through international organizations.

At international level, MNE representatives are active in lobbying the World Trade Organization, the European Commission, the International Standards Organization, the UN Commission on Sustainable Development and many other bodies concerned with regulatory matters and corporate behaviour. [...] The US has been particularly effective at this, using the threat of trade sanctions to pry open new markets for American business in films and TV, motor vehicles, tobacco, agricultural products, pharmaceuticals, etc. (Understanding the Global Issues, 1997: 1)

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[15] Needless to say the ability of the nation states to negotiate with MNCs are country specific and not all countries can be as successful as China.

MNCs actively lobby international organisations such as the WTO for investment agreements focused on investors' rights through their representatives such as the International Chamber of Commerce (ICC), the Business and Industry Advisory Committee to the OECD (BIAC), the European Round Table of Industrials, the European American Business Council, the United States Council for International Business, the Fédération Bancaire de l'Union Européenne, European Union's Foreign Trade Association, the European Services Forum, the Union of Industrial and Employers' Confederations of Europe (UNICE), the International Organisation of Employers, and the World Business Council for Sustainable Development

As MNCs control two-thirds of international trade, they are the major beneficiaries of WTO rules. Encouraged by MNCs, the WTO, however, is not limited to international trade and increasingly covers international investment rules.

The ICC foresees a growing agenda for the WTO since it is no longer sufficient to focus on barriers to "trade", in its traditional sense, as the primary impediments to doing business across frontiers. The emphasis today must be on a wider conception of market access - on the international rules for doing business on a global scale. […] The ICC urged the first Ministerial Conference of the WTO to aim to build a solid consensus for work to begin within the WTO to establish a truly global framework of rules and disciplines to govern cross-border direct investment. (ICC, 1997)

The WTO agreements which were established during the Uruguay Round of (GATT) trade negotiations (1986-1993) such as Trade-Related Investment Measures (TRIMs), the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and The General Agreement on Trade and Services (GATS) are powerful instruments to promote MNCs' interests and limit the ability of nation states to manage their economies.
In 1997, OECD governments negotiated a Multilateral Agreement on Investment (MAI), which aimed at removing the remaining restrictions on foreign investment. The MAI was an attempt to establish the absolute domination of MNCs over states, which was defeated in 1998 as a result of worldwide mass protests. Renato Ruggiero, the Director-General of the WTO, in an October 1996 speech presented to the United Nations

Committee on Trade and Development said '[w]e are no longer writing the rules of interaction among separate national economies. We are writing the constitution of a single global economy' (UNCTAD, 1996).

The MAI included not only FDI but also intellectual property and portfolio investment. The agreement would have given MNCs' extraordinary rights over governments including protection against social unrest and the ability to take states to an international court. Clearly, MAI represented an attempt to create a world governed by, and for, MNCs. MNCs and their representatives were obviously behind the proposal. The ICC for example stated that,

The ICC calls upon the G7 governments to take the lead to ensure that the MAI negotiations are concluded as soon as possible and to reject pressures to link the Agreement with environmental and labour standards. […] Most of the problems addressed under the agreement occur outside the OECD membership. It is thus crucial that as many non-OECD countries as possible accede to the agreement. (ICC, 1997)

Although the MAI was defeated in 1998, it would be too naïve to assume that what MAI intended to achieve is off the agenda. Many writers believe that developments included in existing agreements, particularly TRIMS, are attempts to resurrect MAI. There is little doubt that MNCs will keep on working until they achieve the complete liberalisation of world markets which will allow them to expand their business. The WTO rules go far beyond mere liberalisation. They aim to restructure the whole world economy in line with the demands of MNCs.

The 'tendency of concentration and centralisation of capital' argument employed by Marx implies that one can only expect a few large MNCs to increase their domination over world markets. As the size and power of MNCs increase, their ability to influence policies at national and international levels also increase. Economic power always brings some degree of political power. Through lobbying or other practices, governments have to take big business into account when they produce their economic policies. It is not a secret that in many countries, large companies make substantial donations to political parties and often use illegitimate strategies such as bribery, and support for oppressive regimes.

The above arguments may explain the nature of globalisation as a contemporary phenomenon. The difference between the old internationalisation process, which was mainly based on international trade, and the new current internationalisation, which is based on FDI, is substantial. Although internationalisation through trade integration can be managed by the nation states, internationalisation through FDI requires supranational states. Earlier internationalisation required larger markets, which could be achieved through colonisation. Production was done locally and goods were traded internationally. The new process of internationalisation, however, requires world markets to be integrated into larger entities. This is achieved by creating supranational states, particularly through regional integration activities.

The concept of the state is at the heart of the globalisation debate. The role of the state can be approached from two broad perspectives. One is concerned with the effectiveness and the power of the nation state in the management of economy. The discussions between neoclassicals and structuralists have traditionally been based on this criterion. Many hyper-globalists insist that the power of global capital undermines monetary and fiscal policies and forces all governments to adopt similar neoliberal policies. With national economies more open than ever, governments seem to have lost control over their economies and have less ability to pursue independent economic policies. The sceptics contested these ideas by arguing that

'[t]he problem with 'powerlessness' argument is not that it is wrong about the new constraints on government capacity to make and implement policy. Rather, it is the assumption that such constraints are absolute rather than relative [...] rather than an evolving history of state adaptation to both external and internal challenges' (Weiss, 1997: 13).

The trouble with this debate is that it isolates the nation state from its social and historical context, and relies on purely technical arguments. In this sense the logic of both positions are very similar. Both views are based on the state versus market dichotomy and both views see the relationship between the market and the state as a power struggle to dominate each other. Thus, a weakening role for the nation state represents a defeat on the part of state in its struggle against market forces. The core of this debate is, then, whether the nation state is actually losing this struggle.

The alternative political economy approach claims that the 'state versus market' debate is irrelevant to globalisation and economists on both sides display an inaccurate understanding of the concept of state. In this view the functions of the capitalist state are determined by the need to accumulate capital and to control the pursuant class struggle that represents the conflict between capital and labour, and to regulate the competing interests of capital. 'The primary function of the state-in-general is to guarantee the reproduction of capitalist social relations - relations which pertain to the existence of capital-in-general' (Fine and Harris, 1979: 146). This view of the state provides a powerful device to the understanding of the structural changes the world economy is going through, and the new forms of state structures that are associated with it.

It is clear that at certain junctures in history one can identify different types of state and different degrees of state intervention, which are determined by a complex set of influences. For example, while the period after the WW2 can be characterized by the increasing internationalisation of productive capital; strengthening of the labour movements and the increased role of the nation state in economic management, the 1980s and 1990s are characterized by an erosion in the role of the national state; dis-empowerment of the labour movements and a drastic increase in the internationalisation of productive and financial capital. In the words of Hirst and Thompson

'[t]he relative internationalisation of economic relations since the 1970s has appeared to strengthen the economic liberals' case, giving rise to the widespread belief that global markets are ungovernable. [...] [T]his is far from being the case, and, even in a period of economic liberal ideological dominance, structures of market regulation have been built up or maintained at the international level.' (Hirst & Thompson, 1996: 123)

The idea behind this argument is the possibility of transferring part of the nation state's functions to other supranational state bodies. In other words, although the nation states may be declining in their power/role in managing their domestic economies, new types of supranational states are being created by the dynamics of this new capital accumulation process.

Hirst & Thompson (1996) identify five levels of economic governance in the international economy: 1. Governance through agreement between the major nation states, particularly the G3 (Europe, Japan and North America); 2. Governance through a substantial number of states creating international regulatory agencies for some specific dimension of economic activity, such as the WTO[16] to police the GATT settlement; 3. Governance of large economic areas by trade and investment blocs such as the EU or NAFTA[17]; 4. Governance through national-level policies that balance cooperation and competition between firms and the major social interests; 5. Governance through regional-level policies.

The debate on the possibility that internationalisation may weaken the nation state as an institution is not new. A number of writers have analysed this issue from a political economy point of view.[18] Although there are important theoretical differences between them regarding the nature and functions of the state (and nation state), there is a broad consensus that the nation state may lose/transfer some of its functions to other forms of supranational states and thus there might be a reduction in its power/role to implement independent national policies. As it was noted in section three, the nations states, particularly in developed countries, are an integral part of this process. They are the facilitators, rather than the victims. They do respond to the needs of the capital accumulation process and do what is required to guarantee the reproduction of capitalist social relations in a changing environment by creating supranational states and transferring significant powers. Therefore this approach radically differs from both hyper-globalists and sceptics.

There are two important objectives behind the formation of these supranational state apparatuses. One is political and the other is more technical. The political one is related to the national class structure, which is also carried through to an international domain by the internationalisation of capital, which reflects the struggle between workers and international capital, and the struggle between different segments of capital. Given that the nation state fulfils the fundamental role of guaranteeing social reproduction, an international state system may also perform a similar

[16] *And perhaps the WB and IMF*
[17] *And many others such as Afta, Efta, Andean Pact, UEMOA, SADC, SAARC, Apec, Mercosur.*
[18] *Murray (1971), Warren (1971), Rowthorn (1971), Poulantzas (1975), Fine & Harris (1979). See Fine & Harris (1979) for a comprehensive exposition and critique of this debate.*

function for the resolution of international rivalries by organizing cooperation to moderate the effects of the increased competition provoked by internationalisation. ‘In addition the working classes of all national states can be disciplined and moderated in class struggle by the economic control exercised by those bodies, a control that is remote from the struggles at the point of production’ (Fine and Harris, 1979: 153). There is, then, an important incentive for international capital to create these supranational states, in as much as their inner-rivalries allow.

The technical objective is related but separate to the political one. As the International Chamber of Commerce (ICC) states,

[...] governments and business must work more closely together, at national and international level, to design the multilateral rules for the worldwide marketplace which will be increasingly necessary for the smooth functioning and good management of globalization. Globalization is a business-driven phenomenon, and business has now become a natural partner of governments to help them in this task. (ICC, 1997)

Whether it takes the form of trade or FDI, international economic integration is not as a result of individual actions of firms and firms neither individually nor collectively can manage all the consequences of this dynamic process (Kozul-Wright, 1995: 138). Since not all parties benefit equally, the integration process has always been a matter of rivalry that seeks a resolution through negotiation, consensus building, co-operation, compliance and intimidation in varying degrees. Internationalisation has always been a regulated process. ‘[M]arket economies need to be appropriately governed if they are to perform effectively in meeting the substantive expectations of a wide range of economic actors’ (Hirst & Thompson, 1996). Thus, appropriate rules and regulations must be established to manage this complicated process. ‘[S]upervisory authorities [should be] created to ensure the process of international integration is managed effectively. [...] Ideally, the spread of TNCs needs to be matted by transnational state structures’ (Kozul-Wright, 1995: 138). The creation of such institutions is also necessary to reduce transaction costs and to coordinate cross-border activity.

As noted earlier neither internationalisation nor globalisation need to be liberal processes. Many writers have rightly argued that the internationalisation of capital does not necessarily require an association with liberalisation (Weiss (1997 and 1998), Hirst & Thompson (1996), Evans (1997), Bairock & Wright (1996)). Liberalisation of trade, for example, may in fact stall the internationalisation process by creating economic, political and social crisis. On the other hand, as some of the East Asian countries have undeniably demonstrated, it is possible to stimulate exports through state intervention. Bairock & Wright (1996) argued that before WW1, trade liberalisation was not a major factor in the internationalisation process. In fact, 'rapid export growth in this period occurred against a tide of rising protection Bairock & Wright (1996: 20).' Furthermore Cameron (1978) and Rodrik (1996) affirm a positive correlation between the trade ratio and the size of government in economic activity. Evans (1997: 67) concludes that 'a look at the nations that have been most economically successful over the last thirty years suggests that high stateness may even be a competitive advantage in a globalised economy.'

The same logic is applicable to globalisation. For example, if one takes the EU as a 'miniature' form of globalisation, it is obvious that the nation states in the EU have lost/transferred considerable power as a result of the integration process. Particularly in the wake of monetary unification, the nation state's power to implement independent monetary and fiscal policies has been reduced substantially. This reduction of power, however, does not necessarily imply liberalisation. As the role of the nation state declines in the EU, another super state is being created. It is obvious that the EU does not inevitably require liberalisation and it can implement interventionist, or even socialist economic and social policies. Thus, as long as the relevant international state structures are created, globalisation does not necessarily require liberalisation. The reason why liberalisation is perceived in association with internationalisation is the fact that the best established effective argument for governed and socially embedded markets, the theory of the 'mixed economy', was developed for national-level economic management. We need a new equivalent type of theory which recognizes that many aspects of economic activity are no longer under direct national control and that a changed international environment needs new strategies and institutions. (Hirst & Thompson, 1996: 123)

The liberal ideology plays an important role in this process. There is an obvious relationship between the structural changes in the world economy, domestic and international class relationships and the dominant ideologies that were produced to support them. From this angle the recent rise of the anti-state ideology should be put in perspective. Economic theories are ideological constructions and their popularity is determined by the dominant processes of capital accumulation. The debates over the role of state, and namely if the state (or how much state) is required to facilitate economic development, cannot be reduced to a technical issue. Thus, the recent popularity of neoclassical economics should be approached from the viewpoint of its ideological base, rather than its intellectual superiority over the alternative structuralist and political economy perspectives.

Globalisation should be seen as an uneven process through time and space. Through time, as a complex process, globalisation will be unlikely to make continuous progress but will experience many upswings and setbacks. It is obvious that the creation of supranational states is not a simple matter since 'international capital' is not a homogenous category and the divergent interests and power structures that characterize the international economy are absorbed into the political struggle in the process of constructing such institutions. However, the destructive nature of this struggle itself necessitates and facilitates this process. For example recent US policies, although damaging to globalisation process, may be seen as temporary setbacks.

In the same manner globalisation is an uneven process through space as not all countries influence or are influenced by the globalisation process uniformly. Nation states represent different segments of international capital as a truly transnational capital yet does not exist. Therefore countries continuously reposition themselves and revise their policies in the light of internal and external circumstances. The discrepancy between developed and developing countries is particularly worth emphasising. Developed country states, which account for most international capital, are active and leading participants in this process, whereas the states of developing countries, perhaps with the exception of large and powerful countries such as China, India and Russia, are integrated into a process over which they have very little control. Most developing countries are marginalized and disadvantaged in this process as they have lost considerable power over their own economies. For example, the rules of WTO and policies of the Bretton Woods institutions prevent them from implementing the industrial policies that all today's developed countries employed in their earlier development processes.

5. Conclusion

Arguably the internationalisation of capital is predominantly a technical process whereas liberalization is predominantly a political one. As we argued earlier, a separation of these two developments is essential to understanding the nature of globalisation process, particularly what is permanent and what is temporary. The internationalisation of capital is a permanent feature of capitalism and expected to continue, unless there are extraordinary events like world wars and/or severe international crises. As Robinson (1998) argues such processes cannot be reverted as such, as they are not projects conceived, planned and implemented at the level of intentionality, but they can be influenced, redirected, and transcended.

The big international capital 'insists on being free to operate on a world stage' (Radice, 1998: 19) and prefers a liberal globalisation process. Through a liberal globalisation process, international capital increases its bargaining power over popular classes worldwide. The future of the liberalisation process, however, will be determined politically by the ability of its opponents to take up this new challenge and organise themselves nationally as well as internationally. It has long been argued that the policies of the nation state are in general determined by 'the internal forces generated by class struggle and external forces imposed by international capital and class antagonism on a world scale' (Fine & Harris, 1979: 153). What is new in this process, however, is that as its volume and mobility grows, capital increasingly engages in production on an international scale and enjoys an unprecedented structural power, while labour stays predominantly within national borders. The marginalisation of the working classes and their political organisations can partially be explained by this phenomenon.

There is no doubt that the creation of supranational states has been initiated by, and serves the interest of international capital. The same supranational states, however, create opportunities for the poor and oppressed people of the world to engage in the political process more effectively. There is a need for progressive forces to try to influence the policies of supranational states. Such strategies could take many different forms. Although some 'anti-globalisation' movements have already emerged, the labour movement has been slow in taking up this new challenge. Nevertheless there are encouraging signs. For example the collapse of TWO talks in Cancun due to resistance by developing countries, could be considered as symbolic and an important victory for them. Civil initiatives such as the World Social Forum are promising developments in the opposition to neoliberalism and the domination of the world by powerful companies. As John Weeks (1996) argues, regional integration could potentially be a way to regain policy autonomy for developing countries from multilateral organisations. The same logic can be extended and interpreted more widely for developed countries as well. Through regional integration or by the formation of other supranational states, populations in DCs can also regain policy autonomy from international capital through working class struggle. Initiatives like the UN's Global Compact, although it has failed to become a code of conduct, could be a useful device to control and limit the damaging impact of MNCs. Increased international cooperation and even the unification of trade unions, for example throughout the EU, could potentially provide an important power base to counter the influence of MNCs. In other words, the ability of the labour movement to influence supranational state policies will be determined by its ability to organise itself internationally.

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