



## **Globalise or Internationalise?**

**What sort of contemporary world do we live in at the moment?**

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Dissertation

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## **Chapter I Introduction**

Since the late 1970s, we have observed a fundamental change in the modern communication technological sectors. The combination of integration of global computer networks and the full introduction of new broadband transmission technologies such as fibre optics, satellites and microwaves have brought a dramatic decrease in the cost of communications and a dynamic increase in the efficiency of data interchanges throughout the world. (Ungerer 1990) This development along with the improvement of the international transportation systems has made people contacting and travelling to each other much quicker easier and cheaper. Now to spend £20,000 to travel around the world in eighty days just seems too expensive and too slow thanks to the modern technologies (here I refer to the famous novel of *Around the World in Eighty Days* by French writer Jules Verne). The technological revolution has a profound effect upon the economic, social and cultural changes around the world. It was all initiated by economic forces, financial flows now can almost instantly be made between far distant places, big transnational businesses therefore go to every different parts of the world, and those trends have brought the world economy closer than ever. According to the UN Human Development Report (2005, 114), in the past decade alone, the total value of the world exports of goods and services in the real terms has almost doubled. The establishment of global trade ties has increasingly made this world look similar. Today you can go anywhere and you could see people driving around in a BMW car, checking the emails made by the Dell computer and watching the movies on a Panasonic television etc. In the modern age, people living around the world have indeed been linked up by those commercial brands. “Everywhere everything gets more and more like everything else as

the world's preference structure is relentlessly homogenized.” (Levitt quoted in Scholte 2000, 23)

At a time when the world is becoming closer and looks more similar, it raises the question about its impacts on the current state system in international politics. Some scholars (e.g Kenichi Ohmae, David Held and Anthony McGrew etc) argue that nation states will no longer be a sovereign state anymore, part of their role and functionalities have been or will be replaced by this new global force and its associations (like NGOs and MNCs etc), they call the tendency towards this global integration in the economic, cultural, social and political spheres - globalisation and for them we are indeed live in a globalising world where nation states play smaller roles. Others (e.g Paul Hirst, Grahame Thompson and Linda Weiss etc) however argue that nation states will have been only slightly affected by this phenomenon and therefore it would remain as sovereign states. And for those scholars, there is not even such a thing called globalisation, the current trends on high and growing degree of across border trade and investments can only be best explained as internationalisation. Therefore for them we live in an internationalising rather than globalising world where nation states remain the same or still play a large role in our lives. The core argument thus turns around these two confusing terms: globalisation and internationalisation. The central difference between them is about nation states and is about the role and functionality that states play in contemporary politics. Therefore to understand our current world order, we have to understand those terms first. This is the purpose of this dissertation.

In order to do so, firstly it is important to define the term of globalisation and internationalisation as well as state sovereignty. Here I need to emphasise on why we

have to define the term of sovereignty as a part of our definition sections as well. This is because sovereignty is a term that is only possessed by the modern states, and to a large extent determines whether a state still acts as an independent and autonomous political entity in the current age. If the state still does possess the basic principle of sovereignty at a time when the countries of the world are becoming more and more connected to each other, we could certainly argue that globalisation largely remains as a myth and the current world order can only be described as internationalised rather than globalised. Otherwise it would be the other way around. Thus by defining those key terms it provided us a key criterion for the later assessment.

Once we have done that, we could move on to look at the different arguments put forward by the different scholars on this issue. I shall review exclusively on two of the most influential theories on globalism presented by Kenichi Ohmae (1990) and David Held (et al 1999) and two of the powerful counter arguments raised by Hirst and Thompson (1995) and Linda Weiss (1998).

After this stage, we shall then go on to compare and contrast between the theories of globalism and internationalism, analyse the differences and similarities between them. My conclusion will be based on the result of this discussion where I shall put it in the last chapter of this dissertation. In that chapter, we will find that globalisation largely remains as a myth; we are not in a globalise world yet. This is because today states still playing a central role in the world politics, still retaining their individuality and their national identity. All of these have made each state as a unique, distinct and separate place. Therefore internationalisation is the best word to describe our contemporary world.

## **Chapter II Defining Competing Concepts**

In this chapter, I shall define some key concepts. This is because they all look similar, therefore cause the confusion. Furthermore, by defining those key terms it provided us a key criterion for the later assessment. Let's start with globalisation, then move on to internationalisation finally we shall define the term of state sovereignty.

### Section One Defining Globalisation

In simple terms, globalisation refers to a process that to unify a set of social, economic and cultural activities across borders, and the result of this has shifted state away from being the central stage of world politics and into a global scale. (Baylis & Smith ed 2005, 22)

The phenomenon of globalisation is not new, it has been going on for centuries (Nye, 2005:194). I believe it started with the first movement of people out of Africa into other parts of the world. Travelling short, then longer distances by migrants, merchants, and others who have always taken their ideas, customs, and products into new lands.

However, as Nye (2005) described, the contemporary form of globalisation is very different from what it used to be in the past, mainly due to the decreasing costs of transportations and communications, supported by the rapid development and deployment of modern technologies. This has enabled people to travel and make contact between each other all around the world and has become much easier, cheaper and quicker. As a result, businesses which are seeking higher profits go to all different parts of the world and

financial flows are instantly made between far distant places. Thus the most important part of the differences between today's form of globalisation and to those of the past are closely linked to the information revolution and have a very strong network effect. Nobel Prize winning economist Joseph Stiglitz (quoted in Nye, 2005: 194) points out that "a strong knowledge based economy generates powerful spill-over effects, often spreading like fire and triggering further innovation and setting off chain reactions of new inventions..." This has enhanced the importance of relationships and brings in more interconnections and interactions than ever among different countries worldwide. Keohane definition of the term of 'Globalisation' (2002:193) is therefore "a state of the world involving networks of interdependence at multi-continental distances. " As a result, it has produced a multidimensional phenomenon in which have four different forms in total (Keohane 2002:193-195):

- Economically- involves long distance flows of goods, services and capital that accompany market exchange. It also involves the organisation of the processes that are linked to these flows. For example the organisation of low wage production in Asia for the US and European markets.
- Militarily - refers to long distance networks of interdependence in which force and the threat or promise of force, are employed. A good example is the 'balance of terror' between the United States and the Soviet Union during the cold war.
- Environmentally - refers to the long distance transport of materials in the atmosphere or oceans or of biological substances such as pathogens or genetic materials that affect human health and well-being across the boundaries. One of the many examples is the spread of the AIDs virus from central Africa around the world beginning at the end of the 1970s.

- Socially and culturally include movements of ideas and information, of and by people who carry them. For example the movement of religions or the diffusion of scientific knowledge.

Thus to be more precise, globalisation is a functional integration of all of these dimensions, initiated most of all by economic forces (e.g big multinational corporations etc) backed by modern technologies in communication, transportation, media, and production doing business in one single conceptual global space. The central feature is thus that geographical distance is a declining relevance and that territorial boundaries are becoming less significant (Dicken, 1999:5).

### Section Two Defining Internationalisation

The term internationalisation can look very similar to the term of globalisation, because they are both refer to a process of intensifying connections between nation states in some aspects. For globalisation, the result of these intensifying connections, as we have defined above already, has shifted away from states being a centre of human activity into one single conceptual global space where the geographical distance is in declining relevance and that territorial boundaries hence are becoming less significant. (Dicken, 1999:5).

Internationalisation on the other hand has not made this happen and states are still playing a central role in the world politics, still retaining their individuality and their national identity. All of these have made each state as a unique, distinct and separate place. Thus the phenomenon of internationalisation is not facilitated and shaped by the economic forces (e.g MNCs etc), but to a large extent, by the international agreements between



nation states. A state in this sense is still remaining largely sovereign. Just as was highlighted by Scholte (2000): the internationalisation is ‘a patchwork of bordered countries’ while the globalisation is ‘a web of trans-border networks.’ Thus the core difference between these two terms is about nation states and is about state sovereignty in a highly interdependent age.

### Section Three Defining Sovereignty

Constitutive rules assert state should consist of: territory, people and government. It also possesses constitutional independence which is linked to the notion of sovereignty under the international law. (Sorensen 1999, 599) Sovereignty thus formed one of the most important parts of a nation state throughout history. It provides the power and legitimacy to the state as an ultimate authority within its territory and is freed from any outside influence. Hoffmann (quoted in Keohane 2002, 746) therefore concluded that sovereignty is “subject to no other state and has full and exclusive powers within its jurisdiction without prejudice to the limits set by applicable law”.

Despite some disputes (e.g Wight 1992, 2-3), a lot of scholars (e.g Elsbain 1996 etc) argue that the modern sovereignty state first emerged historically from the Treaty of Westphalia in 1648 which directly resulted from the bloody thirty years war which “consumed nearly one-third of Europe's population”. (Rudolph 2005, 1) But indirectly it was produced because of the disappearing of the medieval restraints, thus each state felt that they needed new rules and procedures to legitimise and regulate their relations and practices internally as well as externally. (Watson 1992)

Indeed the Treaty of Westphalia was a turning point in the evolution of European society. It ended the feudal system and “consolidated political authority within a distinct territory that excluded external actions from domestic authority structures”. (Rudolph 2005, 2) Under this system, borders between states clearly demarcated "outside" from "inside" and established the "ultimate" state dominates society (Herz and Kratochwil quoted in Rudolph 2005, 2) by divine right. Westphalian sovereignty in practice therefore legitimized the state’s authority within a given territory internally; and externally it regulated the relation and practice between sovereign states (Watson 1992), which was the recognition of each other on the equal terms. The crucial point here is that sovereignty in this sense is of one piece; there is no supreme authority deciding over its affairs (Sorensen 1999, 593)

“This doctrine was later spread around the world through the process of European imperialism in the eighteenth and nineteenth centuries” (Spruyt quoted in Rudolph 2005, 3) and dominated much of the twentieth century.

However, today, we are living in a fast changing society and more towards to a highly connected world. When it comes to the issue such like global climate change, the national boundaries become meaningless. Therefore the Westphalia principle of state sovereignty is undoubtedly changing, and thus subject to the debate.

## **Chapter III the Globalisation and the Decline of Nation States**

In this chapter, we shall review exclusively on two of the most influential theories on globalism presented by Kenichi Ohmae (1990) and David Held (et al 1999). Let's go with Kenichi Ohmae (1990) and then move on to look at David Held (et al 1999).

### Section One: the Fate of States – an Extreme Version

Many scholars in the 1980s and 1990s often argued that the process of economic globalisation implied the 'decline of sovereignty of nation states'. Kenichi Ohmae (1990) was certainly one of the theorists who put forward this view. He claims that we are living in a shrinking world because of the modern technology revolution associated with the rapid flow of information that has made most national borders 'unnoticeably' but 'effectively' disappear. National economies therefore have been or will be absorbed into a larger global economy where international financial markets and trans-national companies dominate. National government thus is an anachronism and it will reduce to a regional or locally managerial role only in which it strives to cope with economic constraints that are beyond its control. It watches helplessly as the balance of forces swing towards the global markets. In contrast, the performance of territorial economy in turn depends on the choices of internationally mobile capital. Many state functions in control of their national economy have been or will be replaced by the supra-state authorities such as IMF, World Bank etc or inter-governmental bodies (e.g EU, G8 etc). Losing control over their economy will also make states less able to maintain their cultural homogeneity and therefore national distinctiveness. As a result, the national identity is becoming less important and loyalties are becoming increasingly both trans-national and regionally

oriented. Different cities within a region, different regions within a country and different countries within a continent would fight each other fiercely for the foreign direct investments (FDI). The national economic interest thus in reality has lost much of its meaning. (Ohmae 1990, 183) That's all due to today's customers are becoming 'less nationalistic,' "As information about products and services becomes more universally available, consumers everywhere will be able to make better informed choices about what they want. It will matter less and less where it all comes from." (Ohmae 1990, 183) This makes MNCs 'nationality-less' and force them to place their business where they can gain the greatest advantages possible. Thus the nation state's job reduces to only to 'making their countries an attractive enough location for the global companies' by providing those social and public services and infrastructure at the lowest possible cost. (Ohmae 1990)

Here Ohmae (1990) stresses that there are only two forces which play a significant role in the modern world economy: global market force and MNCs. None of them however are subject to the effective national governance. They are ruled by 'the logic of market competition' (Ohmae 1990) in the global system in which no national government could match the scale of this force, therefore their national economies are no longer in their controls by any means and nation states have no choice but could only accept a reduced role by providing the local public services to the MNCs as they are required to do so. Thus nation states will no longer operate effectively and absolutely independently as an ultimate authority within their territories. This implies the 'death of the Westphalia principle of nation state'.

Ohmae (1990) presented us a business utopian model of globalization, however the idea that nation states are becoming marginal is shared by many theorists of cosmopolitan

governance (e.g David Held, Anthony McGrew etc) who believe that we have entered a new age, an age that “shifts away from purely state-centric politics to a new more complex form of multilayered global governance” (Held et al 1999, 85)

## Section Two: Multilayered Global Governance

Held (et al 1999) assert the concept of ‘Multilayered Global Governance’ in which they argue that the process of globalisation has shaken the very foundation of world politics in which nation states are not the sole player in the modern world anymore. They have to share their power somewhat in some ways with other political entities as well, notably the new non-governmental institutions (NGOs and INGOs), supranational organisations (WTO, UN etc) and regional blocks (EU and NAFTA). “...For the locus of effective political power can no longer be assumed to be national governments- effective power is shared, bartered and struggled over by diverse forces and agencies at national, regional and global levels...” (Held et al 1999, 447) Hence this change has “displaced the notion (traditional, Westphalia) of sovereignty as an illimitable, indivisible and exclusive form of public power” Thus the current world order can be best explained as ‘a post Westphalian order.’ (Held et al 1999, 441)

Held (et al 1999) recognise that the new NGOs and INGOs, the supranational organisations, and new regional blocks are playing an increasingly important role in the sphere of policy making at the domestic level as well as international level. That “has led to significant changes in the decision making structure of world politics.” (Held et al 1999, 53) This view has been affirmed by many other theorists of international politics who also found that “states have surrendered their national policy-making ability to

regional or international organizations for collaborating with globalization efforts.”  
(Farazmand quoted in Christensen 2006, 302)

## Part I [I]NGOs

Salamon (quoted in Christensen 2006, 284) defined NGOs are the “organizations that operate outside the state apparatus;” and it must also “be founded by private individuals; be independent of states; be oriented toward the rule of law; pursue public rather than private interests as an objective; demonstrate a transnational scope of activities; and possess [at least] a minimal organizational structure.” (Hobe quoted in Christensen 2006, 284) Moreover INGOs are not established by intergovernmental agreement and “are capable of playing a role in international affairs by virtue of their activities.” (Rechenberg quoted in Christensen 2006, 284)

There are many NGOs and INGOs, from the big ones to the small ones; and from the most famous ones to the most unknown ones, (e.g estimated of approximately 37,000 INGOs registered in 2000 by Anheier, Glasius, and Kaldor quoted in Christensen 2006, 286) they are also founded for the different reasons and purposes. The most prominent INGOs are for example the Green Peace- environmental protections, Red Cross- health and human life protections, Oxfam- poverty alleviation, and Amnesty International- for human rights. Ostry (1998, 10) points out that those NGOs and INGOs are “very diverse in nature but have certain characteristics in common.” First, they are flourishing based on the modern communication technologies and media such as Internet and Television. Second, they teamed up more by the rule of morality, interests and values and less by the rule of reasons; therefore their agenda is often at odds with other political (national governments) and economic (MNCs) players. (Ostry 1998, 10)

The influence of NGOs and INGOs can be identified from “seeding an idea in a populace, facilitating a minority voice, changing a political atmosphere, to ultimately having an impact on regulation and law. Depending on the emphasis, these influences manifest themselves in public policy at various levels of society and government including local and national sovereignties, and/or international governance bodies.” (Christensen 2006, 294)

Christensen (2006) specifically argued for the impacts of INGOs on the Westphalia model of nation states system.

The first impact of INGOs according to him is its influence on the international, national, and local policy processes through what he called the ‘soft law process,’ (Christensen 2006) where the soft law, Christensen (2006) categorises it as the third type of international law after the treaties (between states) and customary law (which is the rules based on long-standing behaviour that states accept as compulsory- Ratner quoted in Christensen 2006, 294), is a law that constitutes those “statements intermediate between law and the merely hortatory,” (Grant quoted Christensen 2006, 294) they are “deliberately non-binding in character but still have legal relevance,” (Skjærseth et al 2006, 104) and holding the potential to transfer into the proper law (‘hard law’). Good examples are the international plans of action or the code of conduct. (Skjærseth et al 2006, 104)

Christensen (2006) argues that many INGOs have the ability to shape the hard law by pushing the soft law agenda (consisting of statements and norms) at the international level. They usually do that by getting “frequently involved, and often demand a voice in international conferences and other world legal processes.” (Grant quoted Christensen 2006, 294) The implication of this action is to put the political pressure on the laggard

states and or other actors in international negotiations, providing first this soft law fuses with other important policies which all states in the group concern, second it must be backed by the scientific evidence and third it has a strong bargaining position. (Skjærseth et al 2006, 115) The example here made by Skjærseth (et al 2006, 115) was the North Sea and fisheries-subsidy cases. This was a typical case in which a soft law aimed to protect the North Sea from the pollution had been translated into a binding law. It was started as a declaration by the International North Sea Conference (INSC) and lately became an EU rule. During the INSC's negotiation stage, INGOs such as the 'Friend of Fish group', indicated by Skjærseth (et al 2006, 115) played an important role in forcing the laggard state to concede.

Apart from the participation in the creation of international law, INGOs also involved in the law implementation and or monitoring as an independent actor outside the nation states. It fulfilled a role that traditionally being reserved only for 'sovereign states under the Westphalian paradigm' at the cross border range. (Christense 2006, 292-293) A good example can be found in the Green Peace's global campaign for Stop Killing the Whale (see Green Peace International's website)

Christensen (2006) thus concluded that those aspects of INGO activity (on shaping, implementing and monitoring the international hard law) are "motivating a transition from the Westphalian, international society paradigm to a global society paradigm. As soft law is becoming a more prominent feature of international law, INGOs are affecting a worldview that accommodates and legitimizes non-state actors as global lawmakers." (Christensen 2006, 296)

This theory has been affirmed by Held (et al 1999) who using the term of 'cosmopolitan law' to describe the 'soft law,' which is an unwritten law that does not fit into the



sovereignty states but does have a universal influence, and could become the international law. For example the notion of human rights that turned into the Universal Declaration of Human Rights in 1948. Held (et al 1999 62-63) suggested three reasons why the 'soft law' ('cosmopolitan law') and growing power of INGOs in creating, implementing and monitoring the 'soft law' ('cosmopolitan law') have challenged the traditional idea of state sovereignty. First it challenged the traditional view that international law is a law 'only' and 'exclusively' between states (individuals are now also the subject of the law regardless of nationalities); second it is 'against the doctrine that international law is primarily about political and geopolitical affairs,' (now it also concerns the social economic and environmental matters) finally it denies the traditional legal view that the validity of international law has to get the consent by the nation states 'only.' (now it also needs to taken into account the "will of the international community", which can assume the 'status of law' or which can become the 'basis of international legal obligation' under certain conditions" cf Bull, Jenks and Falk quoted in Held et al 1999, 63) Therefore, the 'soft law' or 'cosmopolitan law' that was initiated and implemented by INGOs is becoming more like a universal law that concerns individual rights rather than state rights and lies above the law of sovereign states and INGOs. In this sense joint nation states become another 'global lawmaker.' (Christensen 2006)

## Part II Supranational Organisations

The second global actor on affecting the traditional sovereign states is the supranational organisations, such like United Nations (UN), the World Trade Organisation (WTO) etc. (Held et al 1999) Held (et al 1999) specifically mentioned about the current UN system, and its effects on the sovereign states.

UN was founded after the Second World War; its original aim was to prevent war by advocating of the UN Charter. This was based on the belief that war was a result of conflicts between sovereign states and old policy – ‘balance of power’ could not prevent the war but instead it encouraged the states to preserve their Westphalian sovereignty by engaging in the violent armed combat to prevent other states ‘from becoming preponderant.’ (Nye J.S 2005, 86) It was widely believed that this policy directly resulted in the First World War. Thus by creating an international institution which could limit the behaviour of sovereign states, many people hoped that it could avoid war. But over the years, UN has become an institution not only to prevent war, but most of all to seek the ways ‘to improve people’s lives around the world.’ (UN)

UN was created as a successor of the failed League of Nation, and its system was “designed partly to avoid the weakness that had been evident weakness” (Zimmern and Osiander quoted in Held et al 1999, 63) that caused the failure of League of Nation and “to accommodate the international power structure.” (Held et al 1999, 63)

Thus the core differences between UN and the League of Nation in promoting international security as according to Taylor (2003) is its ability to intervene in its member states by using armed force for the peace purpose.

Other distinctive features of UN system are: it also provided a channel to solve international problems between member states, and it provided a ‘formal framework’ for the international cooperation on global issues such like control of HIV disease as well as “elaborate system of governance for the provision of ‘international public goods.’” For example global telecommunication system (Held et al 1999, 65)

All of those features, “helped engender an extensive system of global governance.”  
(Held et al 1999)

### Part III Regional Blocks

The third global actor on affecting the traditional state power as pointed out by Held (et al 1999) is the emerging of regional blocks. This was a result of development of ‘political regionalism’ which by definition is “a geographical cluster of contiguous nation states which share a number of common attributes, have significant levels of interaction, and which enjoy institutionalised cooperation through a formal multilateral structure.” (Held et al 1999, 74)

EU is a best example, it is “neither as an international regime nor as a federal state, but as a network of states involving the pooling of sovereignty.” (Keohane and Hoffmann quoted in Held et al 1999, 74) As a fact, the EU was founded based on a series of ‘intergovernmental bargains,’ (Held et al 1999, 74) such like Treaty of Roman in 1957, Maastricht Treaty in 1992 and Amsterdam Treaty in 1997 etc, over the years, it has evolved into a regional supranational entity in which member states “are no longer the sole centres of power within their own borders” (Held et al 1999, 74) They have surrendered part of their Westphalian model of sovereign rights to a unit institution above them. EU law now has the ‘direct effect’ on member states’ national law both ‘horizontally’ and ‘vertically.’ One of the examples which can be found is that of the EU Working Time Directive 1993 in which has limited maximum working hours for the workers in most sectors and roles across union. UK was the only country which opposed this legislation during the voting process in the fear that it could damage the British economy, but had failed to challenge its validity at ECJ (Fairhurst 1999) and has been forced to introduce it as a national law in October 1998. (Anon 1998, 4)

### Section Three Summary

In this chapter, I have reviewed exclusively two of the most influential mainstream political theories on globalism. Both of them claiming that the process of globalisation is eroding the Westphalian model of national sovereign states. The one presented by Kenichi Ohmae (1990) claimed that the phenomenon of globalisation is undermining the state's sovereignty and will lead to the eventual disintegration of the sovereign states system in international politics. Instead, the national government will become more like a local government and their job will reduce only to serve for the MNCs.

The other one presented by Held (et al 1999, 85) argued that the contemporary political order can be best understood as “a highly complex, contest and interconnected order” in which “the interstate system is increasingly embedded within evolving regional and global political networks.” It has thus ‘transformed the conditions under which state power is exercised,’ and limited traditional “notion of sovereignty as an illimitable, indivisible and exclusive form of public power.” (Held et al 1999, 441) New political actors with growing powers also count.

With Ohmae (1990) and Held (et al 1999)'s theories together, we could draw a full picture of this controversial argument which has dominated the academic literature over two decades. What plays roles in this argument are: modern technologies which has enabled MNCs to do business on a single global basis, consumers thus are increasingly become nationality-less, this was combined with the growing power in supranational organisations and (I)NGOs. As a result, nation states could no longer operate effectively within their territories; they have to share their power somewhat in some ways with all of those newly arising political and economic actors. Therefore it means a decline in the sovereignty of nation states.

## **Chapter IV Counter Arguments – Questioning the Globalisation**

In this chapter, we shall look at the two of the powerful counter arguments of globalisation raised by Hirst and Thompson (1995) and Linda Weiss (1998). First Hirst and Thompson (1995) and then Linda Weiss (1998).

### Section One the Nation State- a Pivotal Player

Rejecting Kenichi Ohmae's (1990) simplistic idea of the 'death of sovereignty' Hirst and Grahame (1995, 408-409) argue that the modern economic processes rather than globalised are still largely national based and the world economy is best understood as 'internationalisation' rather than 'globalisation.' For Paul Hirst and Grahame Thompson (1995, 424) "there is vast difference between strictly global economy and highly internationalised economy," in which "a world economy with a high and growing degree of international trade and investment is not necessarily a globalised economy." A globalised economy is defined by them as "economic outcomes determined wholly by world market forces and by the internal decision of trans-national companies," thus the "national policies are futile." (Hirst and Thompson 1995, 424) But there is no reason to believe that this is happening. Through the investigations they have done in 1992 1994 and 1996, Hirst and Thompson (1995 424-425) assert that the majority of companies are still operating within the national boundaries, the MNCs have suffered from "lack the unity of ownership and hierarchical control." Both the foreign trade and foreign direct investments (FDI) are highly concentrated on the advanced and newly developed industrial countries and there is still need for regulating the world financial market. Thus

nation states have a 'un-replaceable' role in governance at the both national level as well as international level. This is because according to Hirst and Thompson (1995), first nation states act as a 'social organiser,' is the only and the most reliable source to create and sustain a stable and secure environment which is needed for by the most companies who are doing business nationally and internationally. "Commercial societies require a minimum of certainty and constancy in the action of administrators and economic actors that the rule of law implies" and state "as a source of constitutional ordering, limits its own and others' powers, and guiding action through rights and rules, is central to the rule of law." (Hirst and Thompson 1995, 435) Second nation state acts as a 'co-ordinator' along with the market to co-ordinate and mesh the 'distinct and often remote activities' that is required by today's international economy. (Hirst and Thompson 1995, 423)

Despite arguing that nation states would continue to operate in the world of economic internationalisation, Hirst and Thompson (1995) admit that the state is not a source of governing. The modern world involves complexity and multiplicity of governance at all levels, in which 'a wide variety of public and private, state and non-state national and international institutions and practices' all could perform some sort of the function of governance. (Hirst and Thompson 1995, 423) But there is a need to establish a well integrated system and nation states are central to this process: "the policies and practice of states in distributing power upwards to the international level and downwards to sub-national agencies are the sutures that will hold the system of governance together." (Hirst and Thompson 1995, 423)

Hence at the international level, state governance through signing up and supporting the major agreements between nation states, creating international regulatory agencies for

“specific dimension of economic activities” (e.g WTO) and participating in the major trans-national blocks (e.g EU and NAFTA), to secure and stable the international financial market and to promote for the free trade. At the national level, state governance through “balance co-operation and competition between firms and the major social interests, producing quasi-voluntary economic co-ordination and assistance in providing key inputs” to “enhance national economic performance and promoting industries located in the national territory.” At the regional level, state governance through providing the best public goods and services possible at the lowest cost for the firms in order to ‘augmenting their international competitiveness and providing a measure of protection against external stocks.’” (Hirst and Thompson 1995, 429-30)

Finally, Hirst and Thompson (1995) point out that nation state remains the control over its territories. That is to regulate their citizens. This is because “people are less mobile than money, goods or ideas, in a sense they remain ‘nationalised’, dependent on passports, visas, residence and labour qualifications.” Thus the “state’s role as the possessor of a territory, in that it regulates its populations, gives it a definite legitimacy internationally in a way no other agency could have in that it can speak for that population.” (Hirst and Thompson 1995, 409)

Thus for Hirst and Thompson (1995), nation states in the age of internationalisation continue to be sovereign. Not in the sense like we have seen in the Westphalian model where the state acts as an ultimate authority within its borders, no other supreme authorities deciding over its affairs, but to a large extent that today the state acts as a representation of its citizens. Therefore Hirst and Thompson (1995, 431) argue that the meaning of sovereignty has changed, it has transferred from Westphalia principle of ‘one

piece' and 'un-divisible' to today's 'alienable' and 'divisible.' "Regulatory regimes, international agencies, common policies sanctioned by treaty, all come into existence because major nations have agreed to create them and to confer legitimacy on them by pooling sovereignty." (Hirst and Thompson 1995, 431)

All in all, Hirst and Thompson (1995) concluded that the nation state is still central and has a pivotal role to play in the modern world governance system. It is "a source of legitimacy in transferring power or sanctioning new powers both 'above' it and 'below' it: above – through agreements between states to establish and abide by forms of international governance; below- through the state's constitutional ordering within its own territory of the relationship of power and authority between central, regional and local governments and also the publicly recognized private governments in civil society." (Hirst and Thompson 1995, 431) Thus the role of state has changed too. It should not be seen as a 'governing power' anymore, which is "able to impose outcomes on all dimensions of policy within a given territory by their own authority," because "such institutional arrangements (at the international national and local level that state has granted its sovereignty to support for) and strategies can assure some minimal level of international economic governance," (Hirst and Thompson 1995, 430) but rather seen as a source to propose, legitimize, and monitor forms of governance, "but as loci from which forms of governance can be proposed, legitimated and monitored." The nation state therefore is "only one class of powers and political agencies in a complex system of power from world to local levels, but they have a centrality because of their relationship to territory and population." (Hirst and Thompson 1995, 430)



## Section Two the Nation State- Still a Centre

Like Hirst and Thompson (1995), Linda Weiss (1998) also questioning the phenomenon of economic globalisation and argue that 'internationalisation' is the best word to describe the modern world economy in which "national economies in some ways are highly integrate with one another." (Weiss 1998, 187) But the national differences still largely exist and the national government remains strong control over its economy.

To support this argument, Weiss (1998, 170-175) has presented us some counter tendencies toward economic globalisation. First despite undeniable high levels of international investment and trade, the figures of the world's trade in the early 1990s was actually quite similar to those of prior to the World War One. This shows that the allegation of global economy characterized by the unprecedented level of international investment and trade flows is not new at all. Second FDI does not directly relate to the 'globalisation of production.' "Indeed, a major proportion of world FDI is directed towards technically 'non productive' assets or speculative ventures such as golf courses, real estate, hotels, department stores and so on." (Weiss 1998, 173) This means that the integration of the world economy based on the formation of production networks is not really there yet. Third there is a strong 'inter-regional' rather than global investment patterns being heavily focused on the East Asia and Latin America. Fourth the levels and types of FDI really depend on the individual state policies, in other words the state has the control over the FDI. Weiss (1998, 176-177) also points out three trends in the distributions of trade and investment patterns that are inconsistent with the economic globalization: First it was the tendency of nationally based production in which international trade only counts small percentage of the national GDP in the major

economies. Second was the North-South divisions and the global economic activities are highly concentrated in the rich North. Third was the regionalization, for example the trade in Europe among EU member states constituting large proportion of European FDI. In the financial sectors, Weiss (1998, 178-184) asserts that the global financial sectors are far less integrated. The capital mobility which is crucial for the globalists in undermining the nation states' capacities on managing their economies is much lower than advocates of globalization expected. The money flows across borders are still subject to different exchange rates, the national government still has the ability to set the saving rate and the borrowing rate for its own nations and this has encouraged the national diversity rather than equalization of the price of capital, savings and investment rates worldwide. Finally Weiss (1998 184-186) argues that rather than becoming multinationals, MNCs are best described as trans-national in which remain most of their value added activities at their home country instead of moving abroad.

All of those tendencies have convinced Weiss (1998) that the world economy is actually becoming more internationalised. That led her to challenge the globalist assertions of 'powerful' global market force dominate over the 'powerless state,' and argues for the continuing importance and relevance of national institutions.

At first, Weiss (1998, 190-191) argues that the traditional state power tends to be exaggerated by globalists. She states that 'there is little compelling evidence' to show that 'Keynesian demand management' was really effective. She also notes that, on the other hand, "many of the difficulties national policy makers have experienced with macro-economic management would seem to have more to do with internal *fiscal* difficulties caused by the recession than with globalization." (Weiss 1998, 191) Second, Weiss (1998,

191-192) points out that not all national governments “following fiscally restrictive measures.” She presented Germany and Japan as the good example of state with strong institution to show us that they could find their own ways in adapting to the external environment and this also applies to the weaker states.

Finally, Weiss (1998, 193) suggests that it was largely by the politician who politically constructed the concept of ‘helpless government’ in order to justify “their policies of retrenchment to the electorate as being somehow ‘forced’ on them by ‘global economic trends’ over they have no control.” (Weiss 1998, 193)

Therefore Weiss (1998) emphasizes the variety of degree of ‘state capacities’ for domestic adjustment strategies and the adaptability of states in the highly internationalising world.

Weiss (1998, 195-211) argues: First “state adaptation rather than decline of functions” (Weiss 1998, 195) in the sense that the state does not lose its ability to control over its macro-economy, but the ways and nature that state approaches to its macro-economic policy has changed and there are much more to do in governing the national economy than just macro-economic policy, for example the state’s industrial policy; Second states play as ‘facilitators’ not victims of internationalization as can be seen in East Asian countries where governments acting as ‘catalysts’ in pushing their countries to be internationalised. Thus “globalization must be seen as a ‘politically’ rather than a technologically induced phenomenon.” (Weiss 1998, 208); and third “the emergence of ‘catalytic’ states consolidating national and regional networks of trade and investment” (Weiss 1998, 196) in order to create more real control over its national economies (and security as well) through ‘collaborative power arrangements’ (e.g. NAFTA and APEC) at the regional and international level and ‘state-business alliances’ at the domestic level. Thus for Weiss (1998) the nation state is ‘constantly’ seeking power sharing arrangements which give it scope for remaining an active centre, hence we cannot be classified as a

‘devolving’ power to other power actors, though different states have different capabilities in adopting to it.

Based on all of those arguments, Weiss (1998) concluded that the phenomenon of economic globalisation is more like a myth and nation states remain as a power centre in the age of economic internationalisation.

### Section Three Summary

Different from the previous chapter, both of Hirst and Thompson (1995) and Weiss (1998) in this chapter arguing that the modern world economy is becoming more internationalised rather than globalised where nation states are still the centre of politics.

But they are holding a slightly different view on the role of states played in the age of internationalisation.

For Hirst and Thompson (1995), nation states cannot be seen as a ‘governing power’ but rather seen as a source is to propose, legitimize, and monitor forms of governance: “the policies and practice of states in distributing power upwards to the international level and downwards to sub-national agencies are the sutures that will hold the system of governance together.” (Hirst and Thompson 1995, 423) Nation state thus is “only one class of powers and political agencies in a complex system of power from world to local levels, but they have a centrality because of their relationship to territory and population.” (Hirst and Thompson 1995, 430)

However, for Weiss (1998), the effects of economic internationalisation on nation states are small. Nation states remain strong and national government is still in control much of

its economies. This was largely due to the 'state capacities' in domestic adjustment and the adaptability to the internationalising world.

## **Chapter V Analysis**

In this chapter, as I have mentioned in the introduction, I shall compare and contrast between the theories of globalism and internationalism, analyse the differences and similarities between them. My conclusion will be followed by as the result.

First of all, as we have defined before and it is important to emphasise again that in the traditional view, state should not only consist of: territory, people and government. It should also possess constitutional independence in which 'closely' linked to the notion of sovereignty under the international law. (Sorensen 1999, 599) It was widely agreed by the Western scholars that the notion of sovereignty was developed from the Treaty of Westphalia in 1648 after the brutal Thirty Years War in Europe. The most important point of this treaty is that it has legitimized state as a highest authority within a given territory internally; and externally recognized by other states. Hence there should no supreme authority deciding over its affairs. This doctrine was later spread around the world and dominated much of the twentieth century until the end of cold war. With the end of the war, "it is no longer a matter of war and peace, or of class conflict. It is no longer a matter a mass mobilization for common life death national efforts." (Hirst and Thompson 1995, 415) 'High' politics (e.g military affairs etc) became less important and 'low' (e.g economic issues etc) politics became more important. Hence highly nationalised politics seems to be pointless, what has replaced it quite likely was the municipal politics. Based on this idea along with the development of technologies, Kenichi Ohmae (1990) asserted

the notion of 'death of state sovereignty,' arguing that as the world is becoming more and more connected to each other, he predicted that this will eventually pushed all national economies somehow in some ways subsumed into a new single based global economy. And the ruler of this new economy will be the invisible but powerful force of global market and MNCs. As a result, national government will definitely loss its ability in controlling economy and will reduce to a role that only to serve for MNCs. Ohmae (1990) called this new world a 'borderless world' (or a globalised world in other words) and believed that it implies the 'death of Westphalia principle of nation state.'

Based on Ohmae's (1990) theory of 'death of Westphalia principle of nation state,' David Held (et al 1999) developed the idea of 'Multilayered Global Governance' in which they argue that the process of globalisation has shaken the very foundation of world politics in which nation states are not longer the sole player in the modern world, they have to share its power somewhat in some ways with other political entities as well, notably the new non-governmental institutions (NGOs and INGOs), supranational organisations (WTO, UN etc) and regional blocks (EU and NAFTA).

These two theories together formed a basic starting point for the globalists who are arguing that we have indeed entered a global age where nation states are no longer act as a sovereign state anymore, part of its role and many of its functionalities have been replaced by a new global force and its associations (like NGOS and MNCs etc). The driving force of this phenomenon of globalisation is the economy.

Similarly, the counter arguments have also arisen. Paul Hirst and Grahame Thompson (1995) and Lina Weiss (1998) are the representatives. They are both arguing that the

modern world economy is becoming more internationalised rather than globalised where nation states are still the centre of politics.

But they are holding a slightly different view on the role of states played in the age of internationalisation.

For Hirst and Thompson (1995), nation states cannot be seen as a 'governing power' but rather seen as a source is to propose, legitimize, and monitor forms of governance. A nation state thus is "only one class of powers and political agencies in a complex system of power from world to local levels, but they have a centrality because of their relationship to territory and population." (Hirst and Thompson 1995, 430)

However, for Weiss (1998), the effects of economic internationalisation on nation states are small. Nation states remain strong and national government is still in control of much of its economies. This was largely due to the 'state capacities' in domestic adjustment and the adaptability to the internationalising world.

You could see the summary of their similarities and difference at the table 1.

All of those theories within two different camps have got good starting points and have given readers a clear impression where the nation state is going to be in the contemporary world: either it will be declined as a result of globalisation or continuing in its importance. But they all seem to be based upon either idealism or materialism thus it has reduced the complexity of the real world and forces readers to choose between two separate options: globalise or internationalise. Thus, despite the richness of their empirical and theoretical studies, such positions make readers difficult to understand exactly where the nation state

is placed in the reality. However with some of their brilliant insights together, we could form a full picture of what sort of world we live in at the moment. Therefore it is worth trying to examine them one by one. Let's start with Kenichi Ohmae (1990) as he was one of the first scholars who asserted the idea of globalism.

Ohmae's (1990) version of globalism is a business dominated utopian world where only the economy matters and everything-else was all irrelevant. He was right in the sense that the economy in today's world is playing a more important role than ever. One lesson that we have learnt from the failure of the Soviet regime is that despite the fact that they had maintained a large and strong military force throughout its history, but they failed to manage its own economy and that eventually buried them. Ohmae (1990) was correct in the prediction that the post-cold war world would become more inter-linked to each other as the political ideologies no longer divide the world into two (even the last remaining 'communist' countries today like P.R China and Vietnam have now become much more capitalised) and rapid development and deployment of modern technologies have helped to form a global capital market where gamblers and investors can transfer huge amount of money from one country to another literally in a moment through the electronic communication network and this is also enabled big MNCs to go every different parts of the world where they could make money from. That is true: today we are indeed linked up each other more by the technologies and big international brands, everywhere you go you could see people driving around in a BMW car, watching news on a Panasonic television and eating food at a McDonald or KFC's restaurant. It is hard to think of places where you can't find those things. According to McDonald Annual Report published in 2007, by the end of 2006, the company was doing business in more than 31,000 locations around the world (Anon 2007, 3) and what strikes us is that this number is continuing to grow.



Based on Ohmae's (1990) approach, David Held (et al 1999) has also successfully noticed the second main challenger to the modern state, which is rising numbers and growing power of [I]NGOs, trans-national bodies and regional blocks. We cannot deny that many of [I] NGOs (e.g Green Peace's global campaign for Stop Killing the Whale) behave increasingly like a government and most of international organisations or regional bodies do have some power lie above the nation state (e.g the effects of EU law on its member states).

But I would argue that there are some fundamental flaws in their theories. First for Ohmae (1990), he has wrongly over-estimated the power and role of market force and MNCs played in the world economy but under-estimated the power that state held in regulating it. Throughout his book 'a Borderless World,' Ohmae (1990) kept emphasizing how powerful the MNCs and world market are and how powerless the nation states to act in this face. For him, the world could 'governance without government.' But he has forgotten one crucial point mentioned by Hirst and Grahame (1995) which is that the most MNCs have a strong interest in the social and political stability to reduce uncertainty in their planning of investment, production and marketing strategies. But stability can neither be achieved by the invisible but powerful market nor by MNCs due to a lack of power in regulating. Therefore it can only be achieved by states since the state is only the source of legitimated power by the Treaty of Westphalia to impose the regulations at domestic level and to agree on common objectives and standards of governance at international level.

Similarly for international organisations and regional blocks, they all sanctioned by treaties, and they all come into existence because member states have agreed to create

them and to confer legitimacy on them by pooling their sovereignty. So the nation state maintains the freedom to choose either to obey it or not to. This aspect is well illustrated by some surveys (see the ICJ website) on the case of the International Court of Justice (ICJ). These surveys point out that all members of the UN are automatically parties to the Statutes of ICJ, but do not need to accept the court's jurisdiction. It has been calculated that only around a third of UN members accept ICJ's jurisdiction. This was largely due to international legal bodies' lack of the capacity in military to force recalcitrant nations to accept the outcome of judicial process. Therefore it has proved that in the most times nation states still choose to regulate themselves rather than being coerced to change direction by the international force unless there is a clear evidence this is in their national interests.

From this point of view, Paul Hirst and Grahame Thompson (1995) are correct. They assert that the meaning of sovereignty in the modern world has changed; it has transferred from Westphalia principle of 'one piece' and 'un-divisible' to today's 'alienable' and 'divisible.' But there are also some limitations in their theory, for Hirst and Thompson (1995), they stress the state's role as a power distributor, provider and monitor in distributing, providing and monitoring powers upward to the international level and downward to sub-national agencies in order to keep a system of international governance together. Therefore for them state is "only one class of powers and political agencies in a complex system of power from world to local levels." (Hirst and Thompson 1995, 430)

Here, Hirst and Thompson (1995) has successfully noticed one particular aspect of the state's role in the world politics, which is 'a power distributor, provider and monitor' in the international governance system. But they have ignored a fact that the state also acts

largely as a governor within its territories as well. Governor here means that the state is still holding the power of decision making on whatever strategies they use to approach this increasing complex world. As pointed out by Linda Weiss (1998) that some nation states (e.g many P. R China, Japan and South Korea etc) have taken an active international strategy while many others remaining a passive medium. As a result, Hirst and Thompson (1995) could not maintain the importance of nation states apart from 'one class of power and political agency' in the international governance system and therefore it became difficult for them to capture the structural and unintended effect of complexity of modern world.

For Weiss (1998), her version of state is still being a central. She argues that nation states are still much in control and maintain a strong influence over their economies. This version is not much better either. Because Weiss (1998) has overemphasised the state's autonomy and economic management capacity, thus it may easily neglect the impacts of international capital force on the national economy. The 1997's South East Asian Financial Crisis is a good example in which nation state looked so powerless.

Overall, Kenichi Ohmae (1990), David Held (et al 1999), Hirst and Thompson (1995) and Linda Weiss (1998) all have examined the role of state in the modern world from one particular aspect, and have brought us some valuable but not perfect insights. Because of this, it needs us to synthesize them all in our conclusion section.

## **Chapter VI Conclusion**

Based on all of those valuable theories suggested by various authors we have examined above, it is now possible for us to conclude. First we have to admit that the contemporary world is indeed becoming more inter-linked to each other by the trade and MNCs due to the continuously development and deployment of the modern technologies. As a result, the tendency towards interdependence among nation states is inevitable. But we have to understand that this process is a contradictory process in which naturally allows contradiction, inconsistency, and contingency of different, intersecting forces rather than to a reducible process.

The impact of this tendency on the Westphalian model of nation states varies from country to country with specific and concrete circumstances required. Therefore it is difficult to generalise as a result. For instance, as Weiss (1998) points out that in some countries, state has actively taken a role as a facilitator of the aggressive strategies in approaching to this more towards an interdependent world, thus gained a relatively successful position whereas some other countries, state has chosen a passive strategy, thus they are not so success and they look like being taken over by a global force. For some people, this is called globalisation where states lost control within their territories.

But we cannot agree with that. For us, globalisation is a movement to shift not some but all states away from being the central stage of world politics and integrate into a global scale. However, we do not see this is happening and we believe it cannot happen only based on the economic integration. There are two crucial points here. First there is a significant different degree in relating to the penetration of international capital into

national economies and politics of each nation. Second foreign capital does not directly participate in the national politics of class struggles and interactions as a relatively autonomous social force; rather its political presence is mediated through its linkage (both alliance and contradictions) with fractions of the domestic bourgeoisie and through the structural constraints associated with the penetration of foreign capitals into the domestic circuit of capital. (Poulantzas 1975: 75) Thus nation state cannot be simply replaced by the economic force.

Similarly international organisations and regional blocks could not replace the nation states as a governing body either. This is because they all sanctioned by treaties, and they all come into existence because member states have agreed to create them and to confer legitimacy on them by pooling their sovereignty. At the same time the member state maintains the freedom to choose either to obey it or not to, depending on their national interests. As long as states reserve the freedom of choice in participating the international organisations and regional blocks, you could certainly say that states are still largely being sovereign. This point is also apply to [I]NGOs, because they are also subject to rules set by the states.

As long as states are still playing a central role in the world politics, are still retaining their individuality and their national identity. As long as each state is still remaining as a unique, distinct and separate place. We cannot say we are in a globalise world. Globalisation therefore remains as a myth. Internationalisation is the best word to describe our contemporary world.

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## Table

Table 1 Compare and Contrast Kenichi Ohmae (1990), David Held (et al 1999), Hirst and Thompson (1995) and Linda Weiss's (1998) Theories

Name of Different Theorists	Kenichi Ohmae (1990)	David Held, Anthony McGrew (1999)	Paul Hirst and Grahame Thompson (1995)	Linda Weiss (1998)
Current World	Globalised	Globalised	Internationalised	Internationalised
Role of States	Nation State Reduces to More Like a Local Government	Nation State is only One Class of a Multilayered Global Governance	Nation State is the Central Class in International Governance	Nation State Remains the Same and Unchanged
Governors of Current World	Global Market & MNCs	Nation States, [I]NGOs, Supranational Bodies & Regional Blocks	Nation States, [I]NGOs, Supranational Bodies & Regional Blocks	Nation State Remains as the Main Governor in the New World
Forms of Governance	Global Governance	Multilayered Global Governance	A Top-Down International Governance	Nation State is Still the Central Governance