

# GLOBALISATION'S INTERACTIONS WITH THE STATE AND CORPORATE GOVERNANCE

Simona Mihai Yiannaki, Ph.D., M.B.A.  
Lecturer in Banking, Finance and Economics  
European University Cyprus  
6 Diogenes St., Engomi, Nicosia, 1516, P.O. Box. 22006, Cyprus  
[S.Mihai@euc.ac.cy](mailto:S.Mihai@euc.ac.cy)

## **Abstract**

### **Purpose:**

This paper is an overview of the globalization and its interaction with the corporate and state governance, viewed as a transition from a system economy towards a network economy and then towards the world economy integration. Globalization is presented as a result of the American hegemony, a social and technical revolution of imposing 'universal' solutions to the economy's problems due to favouring multinational firms and most developed countries, challenging at the same time the Nation State's powers.

**Key Words:** *Globalisation, strategy, multinationals, Nation State, regionalism*

### **Design/ Methodology/ Approach:**

Following a review of literature reflecting the critical driving forces behind globalization, the state and the corporate governance reorganization. multidimensional methodology to be applied to state and corporate strategies in order to enhance their stakeholders' value sphere. Also, content analysis and collection of documentary evidence sustain the study and are backing the literature review.

### **Findings:**

It seems more relevant to look at the state and corporate powers simultaneously for an interactive involvement in putting together a common methodology of working for the individual and society.

For a more objective and effective sustainable solution, it becomes necessary to create new economic regions with transparency and predictability in their process of integration.

### **Implications:**

The study suggests a better solution in further developing the concept of 'globalization', such as placing it into a bi-dimensional perspective of causes and effects, together with a formulation of a multilateral link between the way this concept is defined and its practical implications in relation to the individual.

### **Originality/ Value:**

This paper addresses the demand for the changing nature of a more traditional state interacting with the global markets and today's challenges for such an interaction.

## **1 Introduction – Tracking down the globalisation notion**

While very present in today's existence, the 'globalisation' concept remains ambiguous due to its various definitions, but also because until now there is no delimitation with regard to which field of scientific research the term is associated to. And perhaps, due

to the lack of a viable universal belonging of the concept we have encountered contradictory reactions which raise a large spectrum of feelings; from trust and optimism for the formation of a new world economy towards street raids and organizational conflicts.

Globalisation is predisposed to multiple meanings and dimensions of which at least one economic/financial, one cultural, one political, one social, and a technological one, but the recognition of its economic origin as primordial has been always debatable. The concept was launched in the economic arena in the 1960's by Theodore Levitt, yet only after 1980's in America, among the most well-known business schools such as Harvard, Columbia, Stanford. The 'global' concept was spread also through specialized works such as the ones of Ohmae and Porter and was written in the spirit of neo-liberalism, which promoted the free trade among the world states. According to some authors the neo-liberalism was the main cause that triggered the globalisation (Luubers, Koorevaar, 1998). Robertson (1990), saw the course of globalisation as multi-dimensional, while Giddens (1990) locates the logic of globalisation as having interlocking 'institutional dimensions'. The five main elements here are capitalism, the inter-state system, militarism and industrialism.

Many studies dedicated to the concept of globalisation release the remark of intense interdependence/ interconnectedness/ interactions/ integration across borders/ states (as per statistics related to foreign trade exchanges or to foreign direct investment (FDI)), yet there are consistent differences to be noticed among its definitions. Thus, some discuss about an era of global competition played on a global market. Others stress the liberalisation role of capital movement, taking globalisation as a new stage of the capital internationalization. There is also the creation of the new geopolitics as result of the neo-liberalism winning over political trends and which externalize the state policies at global scale. Even the behaviour of the main institutional players changed drastically. Thus the Nation State, the transnational/ multinational corporations (TNCs/MNCs), the non-governmental organizations (NGO), the small and medium sized enterprises (SMEs) and ultimately the individual and the family modified their reaction to the global strategy.

Eventually, one can notice the people's cohesion to issues of global interest such as the negative impact of pollution, global heating and diminishing the Earth's natural resources due to industrialization. It appears also the opinion that globalisation is a result of contemporary trends and it is a kind of continuous adaptation and change of the way things are run. In this respect, through globalisation one can understand the internationalization of production, the harmonisation of the customer's tastes and standards of quality, a higher mobility of capital, liberalisation, deregulation, technological revolution and new information channels, the tendencies of drafting a new culture worldwide and the erosion of the Nation State (Laxer, 1995). According to Mittelman (1994), globalisation as a phenomenon is characterised by: spatial reorganisation of production, industrial inter-correlation at global scale, financial markets dissemination, standardized consumption products, conflicts between immigrants and national communities and a global recognition of democratic principles.

The lack of a unitary acceptance of the term of *globalisation* is due to the difference between *mondialization* (a French embraced terminology) and *globalisation* (an Anglo-Saxon literature exponent). In the French economic literature, mondialization has a larger scope than globalisation, the last one being related to certain economic aspects such as the globalisation of commercial trade, globalisation of firms' activities, financial

globalisation; altogether globalisation being viewed as an intermediary step towards mondialization through its main actor, the corporation.

## **2 Globalisation and Multinationals in dynamics**

No matter the multitude of accepted terminologies, a strong change in the new world economy order started with 1970s. It flourished then into the transition from postmodernism towards post industrialism, while the Fordist production system based on automatisisation and economies of scale became redundant. Such a change did not happen overnight. It was a consequence of the mutations produced by the industrial era, which introduced through technological discoveries the first type of homogenisation within some structurally different economies and societies. It is what some authors call the two waves of the globalisation, the first one within 1820-1914 and the second one after 1960's (Baldwin and Philippe, 1999). Beyond the riskiness of this attempt to determine some historical stages of such an evolution, the globalisation stays a phenomenon much more emphatic for the second part of the 20<sup>th</sup> century.

Obviously, the MNCs have an important role in the acceleration of the process in terms of its spread and depth (Dunning, 1997). Due to the high degree of liberalisation of the international economies and financial markets, these corporations raised more FDI, moving faster capital around the world and expanding also their markets. Market expansion meant revision of strategies in order to enhance the acceptance of a higher degree of interdependence, path dependence (David, 2000) and integration of the external markets they conquered at global level.

Apart from this and the globalisation of the competition as well, the MNCs migrated towards the so-called global firms, acting now upon totally different principles than the ones during the 1980s (e.g. strategic alliances, subcontracting, networking their activities). Globalisation thus can be analysed from a historical perspective as the last stage of the process of enlargement of the economic activities' areas, which in a paradoxical way does not multiply the markets but creates a single global unique market. Due to all these tendencies, the world economy became structurally interdependent, integrated, simply what we call a *global economy*.

### **2.1 The dynamics of the multinational economy versus the global economy**

Beginning with Marx and Braudel, without forgetting about Smith and Ricardo, the fact that the capitalist economy cannot develop itself on national ground became obvious. Under the traditional view of the international economy, highly dynamic activities are given priority, such as the foreign trade, which brought the term of high specialisation, culminating in the "H.O.S." model. Friedman (2000) viewed in his opinion that those who specialize in a very narrow aspect of a problem, profession, technology or culture have an important role in the accurate drawing of the serious and totally professional view over the entire system.

The fact is that in various cultures and even as a recipe of successful stories of large corporations, the picture is not always accepted as international standard of beauty because of the exact details technically used. There is a huge difference between a Picasso and a Constable, yet their details make the picture worthy, some of them are very accurate, revealing the reality, others transform the reality through a deform mirror. Both pictures may be worth a similar value to art specialists and nothing to a hungry child from an African village. The issue becomes the need of specialists in identifying the strong interactions and crossroads between different dimensions and then to retranslate everything to the real world.

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Coming back to the “H.O.S” model, the production factors were fixed by the model’s hypothesis, bringing thus the comparative advantages and the Nation State in the centre of the analysis. The explanation of the capital’s international mobility was reduced to the balance of payments. The economic analysis of the MNCs started to develop only after 1960s, when the importance of production’s outsourcing for foreign direct investment (FDI) grew a lot mainly for a relatively small number of companies originally from USA and U.K.

The message of the model of the “*multinational economy*” can be understood as a cumulus of analyses that consider not only the international trade exchanges but also the phenomenon of production multinationalization. Such an attempt could not have been successful without introducing the hypothesis of the mobility of the production factors, the development of Euromarkets for financing foreign investments, and last but not least the workforce’ mobility, the one who bears the know-how, the technology and the final touch.

The multinationalization stage was dominated though by the real economy mechanism in the context of Neo-Keynesian or Soviet socialism. Events like the fall of the monetary system established in Bretton Woods, the autonomous development of the capital markets, the banks’ internationalization and the creation of new financial products available all over the globe, the consequences of the debt crises, the progress of telecommunication means, made the 1980s the years of the financial globalisation. The globalisation term has origins in the financial world and serves to the identification of a new development stage of the world economy as hegemony of the neo-liberal concepts. Yet, globalisation should not be reduced to its financial dimension, as it is a multidimensional and strongly combinatory characterised phenomenon. The dynamics of globalisation may follow the same path as its previous stage. Just like the multinationalization integrated the trade exchanges and the production outsourcing, the globalisation puts together the financial operations with the FDI.

This combinatory dimension of this process has also a hierarchical character. To each stage it is attributed a primary activity, whose output sets the norm for other economic activities. It seems that the output of the financial operations in the full globalisation process in the 1980s set the norm of value creation. Such a norm obviously is the one aimed by all activities in the real economy, the one to which FDI and international trade should belong to. This is also another way of distinguishing between the process of multinationalisation and the one of globalisation.

Among other elements that make these two processes distinct there is also the fact that the economic globalisation focuses in a relatively small number of countries, the ones belonging to the “Triade” (USA, Europe, Japan) and little in the new industrialized countries or emerging markets, mostly situated in South and East Asia.

While the multinationalization’s dynamics seems to go for a planetary expansion, the one of globalisation is much tied up to a spatial aspect; it is more an intensive process rather than an extensive one. However, the time dimension is crucial as it obliges its players to rapidly react during negotiations, to choose the best opportunities when they arise, just like the financial specialist who transfer funds 24 hours a day 7 days a week from one market to another. From this point of view mergers and acquisitions (M&As), as value added methods are preferred to green field investments. Why is that? It is because such a method would shorten the reaction time to everything: instant acquisition of market shares in higher paced economies, faster consumption, hence

new need for production, hence new profits. In other words, nowadays the white-collar trump follows the principles of managing the portfolio of financial assets.

## **2.2. From Multinationals' to Global firms' governance**

The leap towards the global firms made in 1980s had as starting point the last paragraph's key ideas. The integration of these economic phenomena led companies to a new vision much broader than the previous one. These firms were the first to rethink their market strategies to adapt to a global market competition, aiming at applying global strategies, which regarded the market as a whole, and not as a multitude of markets it is made of.

Until mid 1980s, the cross-border investments operators used a variety of strategies, generally searching for: new raw materials, new markets for their products and lower production costs through outsourcing. In contrast, global strategies have broader scope and more characteristics, of which, one is the systematic use of the three above mentioned search strategies alternatively or simultaneously. All these were at the base of each decision the corporation had to make hereafter. Each decision now depends on the degree of development of the company's activities or the microeconomic constraints, but moreover they hinge on the most advantageous location of the supply and production sources, the cycle of the national and global markets.

Among the characteristics of the global strategy pursued by the "*new style multinational*" corporation, we can mention first the "*global vision of the markets and the competition*" (Dunning, 1988). The global activities and their correspondent areas of business are the ones having a competitive position in one country which is strongly affected by the competition from other countries and/ or the other way around (Porter, 1986) and eventually by their competitive position on the global market.

It seems the global corporation knows its rivals very well, its close competitors in the world economy; competition itself lost its own secrecy and a global interdependence emerged among all multinational firms within the same sector. Within this global interdependence, the MNC behaves as a "*global player*" (Dunning, 1993), almost like in the game theory. The more its economic performance and sometimes even its survival is questioned, the deeper it gets into the game of creating new strategies to escape the tough competition the other players of the global oligopoly use.

Technology becomes more and more important in the coordination of subsidiaries, FDI and in managing the global firm in order to be able to develop world-class products and services. Only by informational technology and flexible techniques of production, which add value at the same time in various locations worldwide along an integrated international value chain (Porter, 1985), a corporation can become regional or global. Hence, the global firm is able to spot its most profitable business locations and activities, benefiting of comparative/competitive advantages, good economic and political risk handling.

The global firm has to develop its activities within a network system and outside it as well, as network externalities. It has to organise its subsidiaries and green field activities abroad into an integrated international network able to dialogue or integrate itself with other global firms' alliance networks.

During the era of MNCs, the firms' strategy was mainly based on the access to the local market through subsidiaries. Such subsidiaries had the disadvantage of paying "rent" abroad and reflecting it on the selling price without being afraid of the external

competition due to protectionist policies or regulations. The global strategies are no longer compatible with these protectionist policies or the ones focused on the internal market dictated by the host country's government. Their organisational structures cannot function without the organic interconnections among each country's subsidiaries belonging to the same group of companies. This new type of subsidiary has now a very specialized production, which's intermediary or final goods are totally committed to the global market.

The MNCs' participation to the transnational trend of M&A of companies grew by mid 1980s (UNCTAD, 1994) and thereafter in several waves. This is only one narrow side of the corporate governance of global firms, which allows them to diversify their businesses faster than any other mean in order to achieve higher efficiency in countries or regions outside their original spectrum. Through M&As there is a continuous increase of the firm's market share at global level no matter the industry trend in some countries or regions. Such activities take over the competitor's production, narrowing the competition at global level especially if the respective industry produces in excess of the demand.

Mergers among MNCs not only became an immediate expression of their global strategies, but also conferred a global character to competition, amplifying thus the mutual inter-mix of the markets belonging to the Triade countries. The strategic alliances between MNCs (mother companies) have progressed since 1980s to a similar effect on the competition. They have facilitated the global networking between the MNCs activities, reducing even more the anonymity of the competition and thinning out the borders of oligopoly. The final effect of MNCs' global strategies and governance is to be found in a triple consequence, very important in the analysis of the economic relationship between such firms and the Nation State, the ultimate guardian of the public authorities which define the rules and the policies to be observed over a particular territory. Such a triptych, called: *global networking, global switching, global focusing* (Howells, Wod, 1993) expresses the global firms' world networking in respect with business and information search as result of the commuting and outsourcing of production at global scale. Thus this triptych confirms the continuous prospecting of MNCs for better markets for implanting their FDI and especially the core functions (research and development, finance etc) (UNCTAD, 2005).

The criticism of this analysis is its narrow focus on only some of the largest corporations in the world. The argument is partially accurate, if we take into account that industrial MNCs which globalised their activities have profits exceeding some country's GDP or that they are nowadays a few hundreds of the total of 44500 recognised by U.N.O. (UNCTAD, 1997). Yet, at the microeconomic level for a firm, a global strategy can only be applied temporarily and that firm can also return to its previously practiced strategies or reformulate a new one. However, such an argument loses its powers if we consider the macroeconomic view, which integrates all factors which induced the globalisation of strategies and of other sectors apart from the industrial ones, such as banking and services.

Although economies of scale still play an important role in the formulation of a TNCs' strategies, nowadays, the new flexible techniques of production and communication have prevailed for the global firms. The 1980s' mark the end of the Fordist production type and the new demand for customised products and services, always reigned by fashion, creating thus a demand for smaller series and a flexible limited production range. Global firms have introduced new technologies based on programmed and flexible automatic machines, used by computerized remote control or special

telecommunication, creating thus room more for economies of scope rather than economies of scale. Moreover, most advanced knowledge related to research and development areas and specialized information became essential in global firms' competitive advantage internationally, their coordination of networks and efficient supply to the demands of the global customer.

In fact, the globalisation of the firms' strategies and governance represents a reply to the growing share services got in the economy. The weight of the services sector in the GDP of most of the Triade countries exceeds two thirds; the FDI made were over 50% in the service sector, while M&A activities within the service sector went over 60% of total M&As (UNCTAD, 2005). Thus, we can notice the increased interest of industrial MNCs to invest in the service sector. This is how we can explain the intensive M&A activity across industries in the detriment of FDI (UNCTAD, 2003) and there, where there is a tall demand for *high technology* (over 80% of a computer's value is its intangible value) and for *multi-faceted modern services* (Andreff, 1999) versus simple services (hotelier or health sectors). Maybe the best terminology to use in such a context would be that of *industrialized services*.

An electronic banking service is a good example of providing information about interest rates, currency exchange rates all over the world and they became vital in today's banking activity and any activity. Such services require a high level of investments in computers, software and satellite transmission to allow for rapid update of information and its transmission worldwide. Another example is biotechnology as a relatively new industry which comprises ancient specialized knowledge in biology with high-tech to sort out some new flagella of globalisation such as the diminishing food resources, biological viruses or incurable diseases etc. Other example of data transfers, directly integrated in the production stage are more frequent in the industrial sector and they always require a high level of investment in technology. The production of such high technology goods and highly industrialized services is nowadays called the *tertiary-industrial complex*, which calls for a global support and force of delivery, high multimedia support and large databases and services obtained from the previous ones.

The vast majority of industrialized services are instantly transferable anywhere else in the world, where they can be immediately reassembled in the productive, cognitive or informational part of a subsidiary's activity abroad. The international transfer of industrialized services opens a multitude of technical opportunities for flexible outsourcing of any productive activity in the most cost effective areas of the world. Thus, the differences in the production costs of various locations on the globe tend to disappear, creating a sort of homogeneity of the global productive processes.

### **3 The corporate governance and the Nation State tandem**

It seems to be a very debatable subject, when we approach the relationship between the global corporations and the Nation State. This started once MNCs were able to control the world economy primarily because they treated it as a single global market or an international pool of resources for them to use wherever and whenever they wanted.

In addition to this, global strategies have determined the isolation of the competitive advantage of a firm from the natural and specific factors of production of each country (Dunning, 1997) against the new configuration of the OLI parameters. The neoclassic economists advance a vision beyond the relationship between the Nation State and the global corporations. According to them we have experienced a transformation of the Nation State's role. This transformation is concerned with the actual fight for attracting as much as possible FDI through the proliferation of special economic policies from the

Nation State to support the increase of the number and the types of incentives for the TNCs/ MNCs.

During the “*multinational economy era*”, these economists stated that the competition among firms was for gaining the right to implant their investments abroad, while the host state was imposing its own rules and restrictions in this respect (e.g. higher taxation for MNCs versus the national firms).

Nowadays the global firms have overcome all these aspects. They have their own bargain power; they can subordinate national states in certain situations (from what taxation should be used to when to start or to stop a war). From the relationship MNC-Nation State many SMEs and/or the citizens can benefit or lose a lot, let alone an entire educational system of a state or even a whole region.

In fact, one can conclude in this respect that global firms have emancipated themselves against the Nation State, being able to transgress any economical and political dimension as a variable easy to manipulate, compared to more rigid factors such as fixed capital and unrecoverable costs or work force and its social costs.

The neoclassic economists promote the image of a ‘footloose’ firm with absolute freedom of movement of its productive activities. Yet, this idea is only partially true, as the competition thrives now among the weak Nation States to bring in investments, especially the new accession countries to the European Union and the states from East and South Asia. These countries will fight therefore for obtaining as much investment as possible from almost anywhere. The context however is unfavourable to smaller states, as the flow of investments is heading towards the Triade zone, where the Nation States can handle tough negotiations with TNCs. Then, what do we notice these smaller states do? They tend to get together in certain so called “regional trade organization” and later on political and fully economical regions (APEC, NAFTA, E.U. etc).

Sticking to the two terms of multinationals and global corporations, the term of transnationalization will point us to the phenomenon of broadening the international activities of firms. It means that *global corporations* are the firms characterized by the internationalization of their production functions, owning at global scale aggregated human, material and financial resources and acting upon the rules of global competition on the world market. Such a corporation may be deemed the modern form of a MNC, enriched with a larger range of markets and diversified strategies to conquer such markets. *Global corporations* have now specific networks of activities with integrated strategies at world scale and a more flexible organisational structures making use of strategic alliances, subcontracting, M&As, which confer sometimes the characteristics of a virtually borderless firm, unlike the Nation State.

As in the case of globalisation, the issue here is whether the rising strength of corporate governance or global corporations leading to the end or weakening/retreat or adaptation/mutation or neither weakening nor end of the Nation State; or is it producing imperialism of the developed capitalist state over the rest; or is it both a victim and catalyst of the Nation State?

The main challenge now is what can the Nation State do to protect its unity and ultimately its citizens from the decisions global corporations may take in order to increase their shareholders’ value? Are there any other potential competitors of these global firms and how could they help the Nation State keep its bargain power? Could



these competitors be the SMEs and entrepreneurs with innovative business ideas, willing to make cross-border investments? How can the Nation State help them or who else may help them? Or should the Nation State orientate itself towards copying the global corporations' strategies or creating a new public management? Is this movement also part of the globalisation process?

### **3.1 The Nation State's New Public Management and its stakeholders**

It is known from ancient times that Greeks and Romans used to do a lot of planning before any battle, especially an important one. A significant study about planning, despite its inspiration from private sector practices, seems to bring relevance to government's attitude versus globalisation, as presented above. It was argued that under rapid change, planning must be continuous and incremental (Mintzberg, 1994) and although highly technocratic, it responds nowadays more to client's expectations, intuition and aspiration (vision of future State) (United Nations, 2000). It actually responds to the slalom between bureaucratic closure, a top-down approach that usually suppresses initiative and limit participation.

Success in the modern government in developing countries and countries in transition has about five main areas of attention, applicable generally to any organisation:

<i>Information</i>	<i>Management of change and learning</i>	<i>Reform of the administration</i>	<i>Human resources development</i>	<i>Capacity building</i>
On line availability of relevant, reliable data for policy making and its securitization, information transparency, get expatriate expert advice and know-how, create a framework for collecting internationally comparable data via Internet, develop an appropriate system of indicators to sense any type of undue economic and political crises.	Taking proactive measures for the use of updated technologies, performance and evaluation systems, in the design of policy, continuous learning from global experience, past mistakes, failures, building cognitive capacity at least in human, financial and informational resources, acceptance of a high degree of uncertainty and handle it, get used to the public rights to know, the need for performance standards and benchmarks, allow cultural differences and use them.	Dedicated /specialized think-tasks for policy making, decentralisation, active experience learned from the interaction with businesses, NGOs and the civil society, managing diversity, maximum adaptability and total participation, social and organizational cohesion, eradication of corruption and intricate administrative structures as well as of the frustration of best intended personnel, promoting professional ethics	Need for educated top-level leaders/ managers and specific skills development, build new career structures based on mobility, professionalism and flexible communication, integrity, the overriding claims of merit in promotion, adoption of reconciliation differences and promotion of consensus in an effective manner (team building, inclusion, integration and participation, learn how to acquire the mindset, develop it and internalize it, equalizing	Expansion of existing capabilities qualitatively and quantitatively, especially in the reform of the conduct of human resources and their development, build cost effective management and especially through complementarity and mutually reinforcing in a sound integrated and synergized organizational framework; build problem solving capacities; obtain critical mass of expertise in government.

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Table 3.1 The five directions of governance success. Source: adapted from United Nations, (2001), pp 97-111.

Except for these five main directions, the Nation State should understand its tendencies towards becoming more of a service provider for the individual and the business community, which in itself overlaps with the trend prior to the globalisation: the tertiary economy- the tertiary government. The way the government implements such new orientation becomes key in its development, strength or even survival. For this reason the New Public Management (NPM) or "reinventing government", its Northern American alternative has been demonstrated to bear considerable weight. It seems that the NPM has promoted a powerful technological revolution, and spread a set of values among the public services of Nation States, sub-national units, international and supranational bodies, eliminating thus the "supraterritoriality" (Jan Aart Scholte's (2000) definition of globalisation).

NPM has significantly enriched the language of management with a few new terms and lifelike expressions. Here are some of the most current: *Results over process; Downsizing, now "rightsizing"; "Lean and mean"; Contracting out, off-loading or outsourcing; Steering rather than rowing; Empowering rather than serving; and Earning rather than spending* (Frederickson,1996). Hence, according to Cable (1995), the Nation State has given up its sovereignty towards regional and international institutions and markets, but it has gained new areas of control, such as the promotion of national efficiency.

Obviously, NPM is intended to continue to use its influence on administrative developments and have impact on all categories of businesses including SMEs and small entrepreneurs. In effect, the main push comes from the increasing role of the 'insiders' (managers and employees) especially for the transition economies. NPM is bound to play a role in the ongoing endeavours to improve the cause of good governance, particularly in the least developed countries. It is important, therefore, to understand the context, the strengths and the limitations of NPM in order both to reap the full yield of its benefits, but also to avoid repeating the mistakes of earlier attempts to spread its ethics to different parts of the globe.

### **3.2 The Regionalisation as an attempt to regain the Nation State's control over the Global Civil Society**

The introduction of a new concept of the global civil society (GSC) is an important step aside. The main economic benefit of regionalism seemed to be the transaction cost reduction through lowering the trade barriers and the effect of scale and scope economies.

Yet, now the new concept's definition Anheier *et al.*( 2003) provide for GCS is 'a set of public interactions which involve but not exclusively self organize groups autonomous from the state, market and family that operate or are linked across state territorial borders'. What is GCS role now?

Apart from the 'reformists', who are at their turn either incrementalist or radicals, there is a special category very pervasive. This category, part of the GCS comprises nationalists and even religious fundamentalists, who consider globalization harmful and obviously oppose it completely due to its 'transformative' character. They reject it because they look backwards to an idealized version of the past and sovereignty rather than transformation into something new (Anheier *et al.* 2003).

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Globalisation scope: Economy	<i>Supporters</i>	<i>Regressives</i>	<i>Reformers (Activists) (ecological experiment)</i>	<i>Rejectionists (protecting the local) or (Activists)</i>
	<i>For:</i> As part of economic liberalism and neoliberalism, e.g. The Economist, Thomas Friedman, Ohmae K., Naisbitt.	<i>Mixed:</i> If beneficial to own country or group and leading stakeholders, e.g. French farmers; British fuel protest, U.S. Administration; Orthodox religious communities	<i>Mixed:</i> Supporting civilizing or humanizing globalization. If leading to greater social equity, e.g. ATTAC, Fair trade cooperatives, Novib, Jubilee 2000;	<i>Against:</i> Greater protection of national economies, e.g. Ralph Nader, Walden Bello.

Table 3.2 Globalisation scope and the participants' type. Source: (Choudhary, 2004, p.7)

The presented typology requires some fine-tuning on the wings of radicalism or reformation required at certain levels, activities, cultures or regions. In search of finding a compromise between the Nation State interests and the global corporations interests, the NPM concept uses first the NGOs as service providers and instruments of privatisation (Choudhary, 2004), creating the so called '*corporatisation of NGOs*' or the civil society organization partnering with companies.

<i>Forms</i>	<i>Main actor</i>	<i>Primary interest</i>	<i>Example</i>	<i>Approach of regionalism (Keating, 1995)</i>
New Public Management- (Structural Adjustment Programs)	NGOs and devolved government	Supporters Reformers	Oxfam, World Vision, Save the Children, UNICEF	Top-down, professional
Corporatisation	NGOs and TNCs	Supporters Reformers	Nike and Green Peace, Starbucks and World Wildlife Fund	Top-down, professional
Social capital or self-organization (through networking)	NGOs and associations; alternatives	Reformers, Rejectionists, Regressives	Community building organizations, faith-based communities social cohesion build	Bottom-up
Activism (civil society monitoring and challenging power-holders)	Movements, transnational civic networks	Reformers Rejectionists	Global Witness, Corporate Watch, Social Forums	Bottom-up

Table 3.3 A synthesis of society reform. Source: adapted from Anheier *et al.*( 2003).

Being on one side or another is rather futile, the economic interests usually shape any other interest, yet there is a deeper analysis of these categories of forms. The combinatory effect of the actions the main actors take is often mistaken for another and thus we may have protests against animal testing, sometimes raising the sales of fur producing companies. Sometimes, the changes introduced by globalisation do not only

ease the restrictions the regionalist mobilization had to face in the past, they do also provide some new incentives to strive for regional autonomy, creating thus new types of conflicts.

The regional perspectives show that by reducing the role of the State in the economic sphere and making public administration more efficient has achieved positive results in many cases. The strategic value of the relationship with the authorities of various countries and the importance of knowing the local regulations has substantially diminished once the new regional rules were imposed. The new regional rules come though from each country's input or from the most advanced experiences, which at their turn get applied internationally and become later on global standards. So, regional agreements can pass through faster than international ones, thus becoming a sort of '*experimental laboratories*'.

Yet, the retreat of the State from the social area and the weakening of state institutions have not allowed people to fully benefit from globalization for a number of reasons. Apparently, globalisation reduces the risk of regionalism, yet at the same time through the new structural forms of NPM, corporatisation of NGOs, activism and the GCS' need for control, the globalisation brings back the need of security. Such a need of security is emphasised by regrouping into new elite subgroups based on particular ideology, politics, economic characteristics, language etc. Regionalism seems in this situation to be the least damaging scenario. The economic disparities that explain the regionalism in the 1960s do remain important variables, but their logic changed. Instead of having many global corporations gaining power over relatively smaller, yet developed states, the regrouping of the Nation States in regional unions (NAFTA, APEC, European Union, the CSI etc) makes the economic war be conducted among fewer players. Therefore, their powers become much stronger versus the global corporation's bargain power.

Supra-national integration and membership in international organisations can also support regionalism in a more constructive way. Multi-level governance could be discovered by individuals as well as collective political and social actors as being functional to their interests and avoid institutional path-dependencies there where they cannot be feasible. Moreover, collective identities are always social constructions; the sense of belonging can more easily be redirected on other entities such as regions. Hence, other collective entities than those associated with the existing Nation State are more likely to be mobilised. This movement supports the neo-liberalism and the deconstruction of the welfare system that makes values like solidarity and traditions more attractive provided regionalist actors manage to incorporate them into their construction of the regional collectivism.

At the same time, when a relatively poor Nation State loses control over its economic affairs and seeks to get in a regional block for the sake of securing its citizens' security and collective goods, such internationalization has ruthless costs for the integrity of the national political community. The reaction would be to vote for the right-wing extremist and nationalist parties. In this way, globalization can support nationalism at the state level and sub-state nationalism. Then regionalization is perceived as a step towards globalization. Examples of regionalism provide both economic advantages and disadvantages for the participating nations, some of them creating regional welfare and economic boosting, others being obstacles to modernisation.

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#### 4 Conclusions

The most obvious impact of globalization is seen upon the reaction of the Nation State, which becomes more interested in joining regional economic spheres in order to reduce risk of losing markets. Also, there is no doubt about the Nation State power diminishing in front of TNCs/ MNCs or global corporations, with the exception of the Triade countries, which are still able to cope in the negotiation with these global corporations. As a result of a slump in the power of the Nation State, the NPM and the GSC emerged as solutions of control, bargaining tool in negotiations and intermediaries between the two main competitors in the globalisation process.

Regional or endogenous development strategies can support regionalist and integrationist mobilisation especially where the political tradition had relative prior success through NPM implementation and GSC control. The remaining question would be if the regionalist movements could use globalisation to induce changes to mobilise the population for their goals in economic and social welfare.

The relationship between globalisation and regionalism will remain thus an imbalanced one. Most economic, political and cultural variables will always stay the same; the only dynamic factors are linked to the global corporations' strategies and governance policies as response to the switch of the Nation State new administrative reforms, new strategic alliances, regionalist integrations and network externalities, all in fact subject to a certain degree of path dependence.

The Nation State in today's international context is subject to the inevitable transfer of authority, which does not represent the marginalisation of the state, yet they force a new approach in their governmental administration from a larger set of networks perspective.

The multilateral approach remains a basic principle for the world economy and becomes part of the contemporary politics.

Just like in Friedman's (2000) *The Lexus and the Olive Tree*, people will always rely on their identity and emotional values, yet at the same time the desire of development, prosperity and modernisation which characterises today's globalisation phenomenon follows naturally and irrevocable. The issue stays that both worlds exist at the same time, yet most of the times they are in contradiction. The pervasive reason is one harming the other through the deprivation of their fundamental principles.

Globalization represents in fact a new territorial battle for whatever the players have: natural resources, human resources, money, intangibles, prestige, climate, know-how, control, power and the list continue. Whoever uses the toughest negotiation skills in all areas of control, will win the right of imposing its own policy. Until then, we shall assist to a continuous battle among the participants to the globalization process; so far the score is still nil-nil, but at the same time the *triumph of the civilization* will not cancel the multitude of *historical cultures*.

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