

## **GLOBALIZATION’S EVOLUTION AND ITS EFFECTS<sup>1</sup>**

**Major General Gabriel GABOR\*, PhD**  
General Staff

*Globalization is a complex and extensive phenomenon, affecting all aspects of our existence, this being the socio-political reality in which we conduct our life. It is necessary to know every societal dimension in which globalization is present. In this perspective, the question that I will try to answer in this paper is whether or not globalization emphasizes the socio-economic differences (especially poverty) in already poor countries, despite its mission to ensure quality of people and communities’ life at a decent level around the globe.*

**Keywords:** globalization; globalization’s effects; globalization process.

In terms of common perception, globalization can be compared with weather. Paraphrasing the great American writer and humorist Mark Twain, I would say “Everyone talks about globalization, but nobody knows anything about it.” The stage of development reached at present by the world economy makes so that almost any study, work or article related to economic issues, but not only, to begin by referring to the current process of globalization. In addition, we can say that one of the most controversial topics of our times, if not the most controversial, is globalization. This word is more or less on the lips of everyone, from policymakers at the highest level to common people, sometimes aware of the effects of this phenomenon, but most of the times, using it just like any other another buzzword.

Globalization’s concept genesis and enforcing dates back to the '60s and '70s, hidden under the term “international”<sup>2</sup>, while the last decades imposed it by phrases like “global economy”, “global governance” and so on,

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<sup>1</sup> Translation by *expert Daniela Răpan*, Centre of Defence and Security Strategic Studies, “Carol I” National Defence University

\* e-mail: [gaborsmg@yahoo.com](mailto:gaborsmg@yahoo.com)

<sup>2</sup> Edwin A. Seligman (ed.), Alvin Johnson (associate ed.), *Enciclopedia of the Social Sciences*, Macmillan Company, MCMLVII, New York.

bringing it only after 1990 in the postmodern globalist sphere, under the current name, so intensely debated and publicized.

Being a process by which the world tends to become a single area, globalization is being challenged (by conservatives), promoted with courage (by Liberals) as a measure of universal prosperity, peace and freedom, or treated as a threat, from the angle of over-territoriality and planetary size of social relations (by critics)<sup>3</sup>.

Hyperglobalists place globalization in the economic field, treating it as a process of "denationalization" of economies, through the development of a borderless economy, the establishment of transnational networks of production, trade and finance, much stronger than states themselves. It is considered even that economic globalization creates and will create new forms of social organization that will eventually replace traditional nation-states<sup>4</sup>.

Followers of hyperglobalization, seen as a primarily economic phenomenon, forecast an increasingly integrated global economy, with a growing social polarization, with institutions of global governance and global expansion, in fact a new world order, in which sovereignty and state autonomy are continuously eroded.

Skeptics reject the idea of undermining the power of national governments or states' sovereignty by the economic internationalization or global governance, which has an illusory nature.

Transformativists see in globalization a powerful force transforming societies, institutions of governance and world order, a long historical process, contradictory and shaped by circumstantial factors<sup>5</sup> that leads to global stratification of societies and communities more and more involved in global order, and, on the other hand, of societies and communities increasingly marginalized, and to breaking the relationship between sovereignty, territoriality and state power.

Defined as a process of widening, deepening and acceleration of global interconnection, globalization is located in a space-time continuum of change, with the "binding and expanding of human activity across regions and continents"<sup>6</sup>.

By wanting to establish a difference between this process of globalization and the processes of localization, nationalization, regionalization and internationalization, globalization is defined not as a

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<sup>3</sup> Jan A. Schulte, *Beyond the Buzzard: Toward a Critical Theory of Globalization*, in Eleonore Koffman, Gillian Youngs (eds.), *Globalization. Theory and Practice*, Pinter, London, 1996.

<sup>4</sup> David Held, Anthony McGrew, David Goldblatt, Jonathan Perraton, *Transformări globale. Politică, economie și cultură*, Polirom Publishing House, 2004, p. 27.

<sup>5</sup> *Ibidem*, p. 31.

<sup>6</sup> *Ibidem*, p. 39.

single state, but as a non-territorial process or set of processes of global structuring and layering of social relations and transactions<sup>7</sup>, generating transcontinental or interregional flows and networks of activity, interaction and exercise of power.

According to Anthony Giddens, globalization is defined as a phenomenon that expresses social relations and economic development that extend throughout the world, in other words, as a next stage of the process of social, political, economic and cultural development of humanity<sup>8</sup>; according to Bernard Guillochon, globalization is defined as “all phenomena arising from the increasing openness of economies to foreign goods and capital”; we can see similarities between the two points of view regarding the impact of globalization on development and integration in global structures and regarding its deep implications in all fields of human activity. We can speak of an active and necessary opening of states and communities, as a useful response to the growing complexity of processes in an increasingly interconnected world.

The most synthetic expression of this complex process is given by the National Security Strategy of the United States. A New Era<sup>9</sup> (NSS 2002), defining globalization as a process of accelerating economic, technological, cultural and political integration, together with democratic governance, free market economy, respect for fundamental human rights, economic dynamism and communications revolution.

As for the need for globalization, in terms of territorial boundaries, it appears that sovereignty, state power and territoriality are, today, interconnected in a complex manner, by the emergence of new non-territorial forms of global economic and political organization –multinational corporations, international agencies, transnational social movements – forcing the nation state to be more dynamic in its relations with the outside world, or as transformativist J. Rosenau considers, to give some of its attributes from the center or main form of government and authority of the world.

In this respect, according to Elmar Altvater, globalization is the process to overcome the boundaries occurred over history, synonymous with the erosion of national sovereignty, which appears as a market economy “detachment” of the moral regulations and the institutionalized connections between societies.

Legitimized by the objective need of development and democracy, but also by the justification of “the desired changes in politics and economics”, by

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<sup>7</sup> *Ibidem*, pp. 40, 51-52.

<sup>8</sup> Anthony Giddens, *Sociology*, Cambridge, Plity Press, 1991, p. 727, apud Mircea Mureșan, *Globalizare, integrare, dezvoltare - pilonii unei lumi durabile*, in Impact Strategic nr. 1/2005, pp. 7-8.

<sup>9</sup> NSS 2002, <http://merln.ndu.edu/whitepapers/USnss2002.pdf>.

“staging political transformation”<sup>10</sup>, globalization systematizes in a process in which interdependence leads to enormous implications, requiring states to cooperate to achieve goals and serve their interests<sup>11</sup>.

Regarding the multiple causes of globalization, in American academia is crystallized the idea that globalization was triggered because democracies have emerged victorious in the twentieth century, after the prolonged struggle with totalitarian ideologies. The disappearance of the bipolar order of the Cold War paved the way for a successful international activity, in an environment in which representative governments, free markets, development of trade relations and multilateral cooperation have become a standard of progress in so many places. Causes of globalization consist, in practice, according to Robert Gilpin, in the technological process and in the interaction of forces on the market that increase global economic integration.

In a more concrete manner, globalization’s causes must be sought in customs barriers, transport costs, regional free trade, GATT / WTO, technological progress. According to R. Gilpin, economic globalization was driven by political, economic and technological changes.

Compression of time and space, because of developments in communications and transportation, has substantially reduced costs of international trade, causing industrialized and less industrialized nations to take steps to reduce barriers imposed to trade and investments.

According to many observers, among the causes of globalization, lies primarily the technical progress, the total amount of information, the cross-border nature of the economy, of the educational system, of social relations, in the offensive of the democratic border, overcoming political borders, which are limited, sectarian and especially totalitarian. Democratic politics best expresses the democratic interests of populations that are increasingly global, planetary.

Globalization also results from the imperative to combat threats, which are, in turn, global. The need for social solidarity is, at the same time, a question that becomes more and more a need for social solidarity for protecting the environment, human beings and human society as a whole.

A key question would be the existence of borders-line which separate and oppose political societies, states and the imperative of their transformation in lines identifying and connecting political identities.

Studying the relationship between globalization and reconstruction or reconfiguration of political, economic, cultural, military, alliance,

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<sup>10</sup> Ernst-Otto Czempiel, *Regionalisierung und Globalisierung - Herausforderungen der deutschen Außenpolitik*, in [www.dadalos.org/globalisierung-rom/grundkurs-2/regionalisierung.htm](http://www.dadalos.org/globalisierung-rom/grundkurs-2/regionalisierung.htm).

<sup>11</sup> Robert Gilpin, *Economia mondială în secolul XXI. Provocarea capitalismului global*, Polirom, 2004, p. 24.

multinational and power centers identities is extremely enlightening for the impact of this all-embracing process in a globalized world. Development of global networks triggers a state interdependency in certain industries. Financial markets are becoming globalized. Strategic alliances appear, as well as new players who want to become global competitors<sup>12</sup>.

The new political, economic, cultural identities lead to an increased awareness of the world as a whole, as Roland Robertson appreciates, perceiving at its real dimension global interdependences. Analysts accept nowadays, a polycentric world, according to Huntington's conception, but are also thinking of the non-centric postmodern version. We are currently located in universal space of humanity, developed on political, economic and socio-cultural levels, through political democratization, liberalization of economy and culture universalization<sup>13</sup>.

However, referring to the last part of the assertion, a global culture will have a vaguely defined identity, being artificially formed. It will be built, but will remain, as researchers deem, "an artefact"<sup>14</sup> as communities themselves, nation-states or ethnic groups, shall oppose, in an active identity spirit, dissemination of a global culture and identity.

Similarly, the new global economic identity, resulting out of convergence of values, institutions and economic policies, practically of national economic systems, towards a single model, proves, as renowned analysts show<sup>15</sup>, a significant homogenization of national economic and social institutions. This makes the very future of the global economy appear at the turn of the century, quite uncertain, considering the forecasted instability, due to economic regionalism, financial instability and trade protectionism, and to the lack the political foundations for a unified and stable world economy.

As the world's future political identity, it would be structured – with the U.S. contribution, the only superpower after the Cold War, which may represent, according to Zbigniew Brzezinski<sup>16</sup>, "either the catalyst for a global community, either for global chaos" – after a gradual evolution of power as "a global community with converging interests, formalized, with supranational arrangements to take security powers of, until recently, nation states".

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<sup>12</sup> Dan Nica, *Uniunea Europeană în era societății informaționale și globalizării*, [www.mie.ro/media](http://www.mie.ro/media).

<sup>13</sup> Daniel Șandru, *Globalizare și identitate din perspectiva postmodernității*, în [www.symposion/Sandru Symposion. I.pdf](http://www.symposion/Sandru%20Symposion.1.pdf).

<sup>14</sup> *Ibidem*, p. 35.

<sup>15</sup> Robert Gilpin, *op. cit.*, p. 241.

<sup>16</sup> Zbigniew Brzezinski, *The Choice: Global Domination Or Global Leadership*, apud Dan Dungaci, *America la ora opțiunilor majore: dominație sau conducere globală?*, in *Politica*, nr. 45, 16 dec. 2004.

A contemporary analyst<sup>17</sup> says that, like any hopeful word – God, freedom, communism, capitalism, etc. – the word globalization can be compared, as well, to a letter received by mail: you can not know, in fact, whether it contains good or bad news until you open the envelope. Simply because it is promoted by the rulers of the planet, and is accompanied by implied promises and optimistic scenarios, it is not enough for us to accept globalization as a panacea.

For the first time in history, there appeared a unique economic system, spread all over the world. Markets on every continent interact continuously. Communications allow capital to respond instantly to new opportunities or pessimistic expectations. Sophisticated credit instruments generate unprecedented liquidity.

Globalization has encouraged an explosion of wealth and a pace of technological progress which no earlier age could imagine. Based on interdependence, it contributed to undermining the nation-state as the sole determinant of a nation's welfare. Or, in other words, production is cross-border, credit is international and the market is global.

This phenomenon does no longer occur between states and is no longer international (with other countries), being simply “global” (with all states).

The almighty State, so much talked about, especially during the last two centuries, is one of the actors, but is not the main actor anymore. The result is an obvious decrease of state autonomy, although at least for now, this is not very obvious.

Regarding socio-economic issues today that reflect this process, knowledge of (or at least listing) these aspects is very important; thus, several issues must be mentioned:

- *the global nature of science and technology*: even if the main sources of technical progress are concentrated in the developed world, research is based on global resources and implementation of technology concerns global aims;

- *global marketing*: companies' marketing strategy meets globalization requests and promotes this process: global brands, “Coca-colization” of consumption, advertising culture, which became a real industry, etc.;

- *global financial system*: the “symbolic” world economy relies on a network involving, at global scale, banking and capital market operators, national regulatory bodies, international financial bodies, etc.;

- *communication infrastructure*: technical progress has allowed the improvement of materials communications (transportation), achieving

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<sup>17</sup> Translation after D. Voiculescu, *Globalizarea din perspectiva doctrinei umaniste*, in „Jurnalul Economic”, Bucharest, year II, no. 4-5,1999.

worldwide media coverage (for example, the U.S. television channel CNN is about to reach such a status, as well as Fox News Channel) and, especially, the establishment of a global network of broadcast / reception of information (e.g., Internet), CNN, for example, has long been the only channel broadcasting in every corner of the world and “modeling” all its viewers.

- *global institutional framework*: a number of government organizations (first of all, UN itself) or nongovernmental organizations (NGOs) promote discussions and actions concerning global issues: pollution, crime, underdevelopment etc.

Globalization’s inevitability can be seen in the declaration of Paul-Marc Henry: That is what I spoke of the inevitability of globalization. It accompanies us. We can do nothing about it. We are not to retreat from the world market. We are not to cut the phone line, nor interrupt money transfer. It is not possible. Albania has tried to do this once and it did not work”<sup>18</sup>.

An interesting position has Jeronimo Moscardo, former Brazilian ambassador in Bucharest: “Most governments seem to be interested and involved in globalization. However, there is no enthusiasm from the part of people, citizens, men and women (...). To whom shall we render this attitude of the people? Shall it be the lack of propaganda or, in fact, *the citizen*, in a historical wisdom, understands that Governments are caught in this model by obligation, and not by devotion? They speak of the need of the market and not of the nation, of consumers rather than citizens. Do we not devote ourselves excessively to material construction, forgetting about the cultural, ethnic and institutional dimension in the architecture of globalization?”<sup>19</sup>.

“Globalization has emerged at supranational level, against national level. It is time now to focus the attention towards the human person, the citizen – and not just the consumer – as the central protagonist of the global process. It is also necessary to move attention from scenarios in which globalization occurs, moving from ideas of country, state towards the city, making the latter the main stage of globalization drama. In fact, the State is an abstraction, in the sense that no one lives in the State; people live in a city, in a street, in a neighborhood”<sup>20</sup>.

Usually, critics of globalization say that this is a positive process only for the *North*, which is strong and developed, and negative for the poor *South*. Moreover, they say it would be nothing but a continuation of the imperialist

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<sup>18</sup> Translation after Paul–Marc Henry, *Reflecții despre globalitate*, in Mileniul III, Bucharest, 1999, no. 1, p. 14.

<sup>19</sup> Translation after Jeronimo Moscardo, *Globalizarea: pentru ce? În căutarea unei etici*, in Mileniul III, Bucharest, 1999, nr. 1, p. 15.

<sup>20</sup> *Ibidem*, p. 18.

system of the nineteenth century and early twentieth century, under a false appearance of liberal democracy and free markets.

Globalization can be seen as an *evil process*, through the lens of the following aspects: job insecurity; undermining of unions; increasing income inequality (those with a high degree of qualification are sought and earn much better than the other categories); insecure employment contracts, due to the relocation of corporations and their subsidiaries; environmental damage from increased production and locating of production in developing countries; the increase of weapons trafficking, drugs, etc.; it is estimated that the turnover of drug exceeds the oil industry; terrorism.

On the other hand, it may also be a beneficial process: the *South*, or at least some countries in the South have much to gain from increased access to markets in the *North*; reducing unemployment, inflation, etc. due to (re)locating industries in Southern countries; abolition of outmoded industries and replacing them with new, profitable industries.

Anti-globalization movements have occurred, which, in the last 10-13 years, have manifested in a strong and even violent manner (Seattle, 1999, Genoa, 2002 etc.).

Globalization is, in fact, the subject of criticism of various kinds: the Church (religions) reacts against a universalist ideology that it does not dominate, even more, by which it is exceeded (let us not forget that all religions are / tend to be "universal", therefore global). Nationalists fear the loss of state sovereignty in favor of superior or occult political entities. Unions see their position threatened and go on and on with increasing unemployment rate. Environmental movements consider globalization as a threat to world balance.

We live in a world of continuous change; in the multitude of current societal and global challenges, we try to understand what is happening around us; as social and political actors, we would like to confer meaning and significance to the world and give our trajectory a direction. And yet, in this complex process, we sometimes overlook how important our perceptions of the world are, and that they can change it in unexpected ways. Every day, we have to learn how to orient ourselves in a world in full era of globalization, although some authors, such as the historian Harold James, believe that we are witnessing its extinction. In the maze of guidelines offered by old and new concepts, it is often difficult to realize the way in which nation-state reports itself to the civil, political, economic, social, global society, if we need this society or if we must maintain our state sovereignty, what are the advantages and disadvantages of redefining sovereignty in the context of the new international order, where the concept of nationalism is currently placed. For

some countries of the world, globalization is seen as a way to wealth and prosperity, to other countries – just the opposite.

From the rich, democratic countries’ perspective, globalization, acting as a huge system of connections between economic markets, states and ideas, represents the visible part of the beginning of XXI century, in which we all live, at the dawn of an era in which respect for human rights will have to distinguish between civilization and backwardness, between development and underdevelopment. Human rights international regulations and institutions are on an ascending path, never reached before in history.

I believe that globalization is a complex, extensive phenomenon, affecting all living aspects of each of us, this being the socio-political reality in which we conduct our existence. It is necessary to know every societal dimension in which globalization makes itself felt. In this perspective, the question that I will try to answer in this paper is whether or not globalization emphasizes the socio-economic differences (especially poverty) in already poor countries, despite its mission to ensure quality of people and communities life at a decent level around the globe.

Globalization has a considerable amount of effects, both positive and negative. As *positive elements*, there can be highlighted the amplification and liberalization of trade, investment and financial flows, extending of democratic values, individual identity protection, environmental protection and the “free movement” of security.

We must agree with the analyst Hans Blommestein arguing that, for the first time in history, today, a global technology market transforms the financial, the business, the political world and psychology, making them unrecognizable. From the perspective of free market<sup>21</sup>, globalization will lead to unprecedented prosperity, as more and more nations will participate in the global economy, and technological and financial flows from developed countries to least developed ones will lead to an equalization of wealth and a development of the whole world. John Gray emphasizes that globalization, which he sees as a technology-supported interconnection between world political, economic, cultural events, has the effect of hybridization of cultures, preservation, renewal and development of cultural identities upon the world.

Globalization extends communication bridges between communities. To this end, it holds enough ways, such as multinational companies, NGOs, education, Internet, which, in the information age, are of great use to international migration and to increase human contacts.

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<sup>21</sup> Lowell Bryan, Diana Farrell, *Market Unbound: Unleashing Global Capitalism*, John Wiley, New York, 1996), apud R. Gilpin, *op. cit.*, p. 221.

But globalization also has *negative effects*, such as: safety decrease in all indicators, globalization of chronic local and regional phenomena, globalization of the organized serious crime (trafficking in weapons, drugs, people), radicalization of ethnic and religious fanaticism, of terrorism.

On a cultural plan, according to Jean-Pierre Warnier, globalization fragments cultures in "subcultures", such as rap, homosexuality, third age people, football fans etc., or "niche" cultures which do not provide integration solutions for individuals composing them. Globalization's multiple negative aspects reside in the fact that it is a process without control, leadership, or government.

Without political control, economic globalization leads, for example, to economic chaos and ecological devastation in many parts of the world<sup>22</sup>. We shall note here the influence of globalization on democracy: according to Joseph Stiglitz<sup>23</sup>, it seems to replace national elites' dictatorship with the dictatorship of international finance. Aspects of concern are, for example, the phenomena of fragmentation and weakening of social cohesion, of localism, in large areas of the globe<sup>24</sup>.

Basically, through globalization, income distribution deteriorates, financial and economic crises multiply, with large effects on social and political life, including the danger of state disintegration.

Analysts conclude that the intense progress brought by globalization in various areas is uneven. Moreover, globalization makes economic and social structures that do not adapt quickly to get extremely tensed and cause major conflicts. The ones that have economic, social or other nature frustrations may use various means of protest, with the support of modern technologies. Romanian economists<sup>25</sup> believe, in this respect, that the greatest challenge for mankind in the era of globalization is to reduce sources of social cohesion weakening, the frustration of groups and communities, misunderstandings between civilizations.

From a nationalist perspective<sup>26</sup>, globalization increases economic inequality and unemployment in the industrialized economies, producing restriction and even collapse of the welfare state and social programs, on behalf of international competitiveness, destruction of national cultures and national political autonomy, illegal migration, crime etc.

After September 11, 2001, we all found that globalization favors the emergence and proliferation of asymmetric threats and risks whose negative effects are felt in countries on all continents. Terrorism suddenly becomes a

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<sup>22</sup> Vaclav Havel, *Lecțiile comunismului*, in [www.ziua.net/display.php?id=31887&data=2004-11-16](http://www.ziua.net/display.php?id=31887&data=2004-11-16).

<sup>23</sup> Joseph Stiglitz, *La grande desillusion*, Fayard, 2002.

<sup>24</sup> Daniel Dăianu, *Globalizarea: între elogia și respingere*, [www.cerpe.ro/pub/study51ro.htm](http://www.cerpe.ro/pub/study51ro.htm)

<sup>25</sup> *Ibidem*.

<sup>26</sup> R. Gilpin, *op. cit.*, p. 221

global threat. If globalism cancels, practically, the possibility of war between great powers, terrorism, organized crime and proliferation of weapons of mass destruction, ethnic and religious extremism are behind armed conflicts.

Transnational organized crime is considered as a residual phenomenon of the globalization process. From uniting globalizing and localizing tensions, glocalization results – a term belonging to Roland Robertson.

Transnational organized crime expresses very well the new concept of glocalization: it speculates opportunities offered by the revolution in communications<sup>27</sup>, in order to grow their networks, to proliferate their actions and consolidating their position in several countries. If one starts from the fact that industrial civilization, extended throughout the world today, has its origins from Europe, than the Europeans' specific target should be, as Vaclav Havel appropriately remarked, that the united Europe should be an example for the world about how combat various threats and errors besetting us (from the angle of globalization, of course), a genuine achievement of the overall responsibility of the continent.

### **TNC's - pillars of globalization**

It is estimated that the main processes that maintain the trend of globalization manifest in production and services fields (mainly financial), and the fundamental driving force is multinational or transnational corporation "States can well be the arena, scene or dome of the circus in which they play, but that does not mean they are still the main actors". (TNC's). Transnationals are one of the main forces of economic globalization.

TNC's strategy was, in recent decades, very good, at least for them: better capitalization of the opportunities offered by global economic space. Basically, they have passed, since the 1960's and 1970's to the strategy of production rationalization, aiming mainly at exploiting differential costs (labor, primary resources etc.) in implantation areas: location of production in developing countries where are available raw materials and cheap labor or in countries / areas that provide a secure market to sell their products. In addition, since the early '80s, their strategies have diversified, global business strategies have emerged (big business – TNCs basically – make agreements, strategic alliances and international cooperation).

Lately, we see the supremacy of transnational companies. Significantly, in this respect is the fact more than five years ago, more than 50

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<sup>27</sup> Emil Hedeşiu, *Crima organizată transfrontalieră - sursă de risc cu implicații asupra securității naționale a României*, in the volume *Surse de instabilitate la nivel global și regional. Implicații pentru România*, National Defence University Publishing House, Bucharest, 2004, p. 124.

TNCs controlled over 40% of world trade. Such corporations control virtually all aspects of finance, research and development, production, marketing, management etc., all of which are globally coordinated, over the powers and, sometimes, over the interests of the nation state.

Other figures show that especially but not only the economic power of TNCs is impressive: international production currently achieved by the over 60 000 TNC (with no less than 820 000 foreign subsidiaries) contains all countries and areas of activity; global sales of TNC are more than twice of the world exports. They control about 40% of all existing private sector assets worldwide and account for one third of the goods produced in the world economy; a relatively large number of corporations have annual sales of goods and services exceeding \$ 100 billions, such as Mitsubishi (Japan), Exxon, General Motors, Ford, IBM, Mobil (U.S.), Royal Dutch Shell (Netherlands and UK), Daimler-Chrysler (Germany, U.S.); the turnover of some corporations exceeds the GDP of many countries with advanced economies. General Motors has higher sales than the GDP of Denmark, Ford – than Norway, Exxon – than R. of South Africa, Royal Dutch Shell – than Turkey's; the top 100 TNC in terms of turnover have their headquarters in an economically developed country, 89 of them belonging to the triad U.S. – Japan – European Union.

### **The weakening of nation-state power**

All studies on globalization make references to the weakening of nation-state power or to the diffusion of state authority, but almost none explains this.

The weakening authority of all governments, felt at present, is due to financial and technological exchanges and to accelerated integration of national economies into one global market economy (these being the fundamental factors of globalization). But, actually, before that, it was governments' failure that led to market liberalization. Willingly or unwillingly, governments that had failed in the attempt to govern national economy, to maintain a low unemployment rate and sustain economic growth, to reduce the deficit in balance of payments with other countries, to control interest rate or foreign exchange rates, opened their national markets, thus giving up to the pressures made by international financial institutions.

Not incidentally, one of the best analysts of globalization, British Susan Strange, has titled one of her recent books *The Retreat of the State*. The state basically provides a legal framework of rights and duties, but within these, there are others which increasingly influence the results. Or, how "States can well be the arena, scene or dome of the circus in which they play, but that does not mean they are still the main actors"<sup>28</sup>.

<sup>28</sup> Susan Strange, *The Retreat of the State. The Diffusion of Power in the World Economy*, Cambridge University Press, 13.11.1996.

To conclude this idea, states are no longer the only “players” on the stage of international relations, and sometimes not even the most important. They are no longer homogeneous actors. They are not, most of the times, a united front based on consensus in the national interest. They negotiate with other governments and at the same time or especially at home with their social constituents, in order to stay in power. As a result, governments that have weak internal position cannot act as decisively, externally, as a solid government. States’ positions in international negotiations can be determined, largely, by the balance of political forces inside the country.

The fact that state authority is going through a period of diffusion is not new. Let us not forget that the nature of the state was subject to change on the occasion of major social revolution or war, for example. The novelty is that in a relatively short period of time (20-30 years), the overwhelming majority of states pass, at the same time, through the same kind of substantial changes. It was Susan Strange that identified four major assumptions that support the assertion that TNCs and not states have come to play a major role in determining *Who-gets-what* in the world system. *Who-gets-what* is the equivalent of the way in which produce and distribute / distribute wealth.

*The first hypothesis:* states have collectively withdrawn their former participation in the ownership and control of industry, services and trade and even in the guidance on research and innovation in technology. Decision on what is produced, how, by whom and where, is moving away from state, approaching TNC (*Note:* let us remember that these powers were characteristic to, even exacerbated by the communist state).

*The second hypothesis:* regarding the significant role played by transnational companies in the power structures, it says that the investment made by them have contributed more than programs of international organizations (financed by states) to integrate economies under development in the global economy network, to the development of these countries and raising the living standards of their inhabitants. And this is mainly due to FDI (Foreign Direct Investment). The best example is the spectacular economic growth of the countries in Southeast Asia (Asian “tigers” and “lions”).

*The third hypothesis:* in the extremely important area of management relations - employees, TNCs took from governments the role of solving or at least monitoring conflicts of interest.

*The fourth hypothesis:* transnational firms, by internalizing market, evade from tax and other nature policies of states. Or, as you know, taxation is the most direct intervention between government and citizens, between state and economy. Moreover, since immemorial times, leaders (governors) have sought ways to make people pay for governance costs, and they, in turn, have tried – and not few times have succeeded! – to avoid being taxed. So did TNCs.

The power of transnational companies has long been limited to indirect, informal, discreet actions.

Lately, their influence is being institutionalized through formal legitimacy or is exercised more and more in the sphere of direct, open action. Americans were the first, in government delegations for negotiations within GATT (General Agreement on Tariffs and Trade) and its successor, the WTO (World Trade Organization, 1995), and then in other cases, to include representatives of large corporations.

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