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Response to Sassen

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Response

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When we speak of "state sovereignty," we tend to imagine a homogeneous "equal" playing field of international relations. While this is true in theory, in practice the playing field is less than egalitarian. Although, *legally speaking*, there is no difference in the rights to sovereignty of China, the United States, Ghana, Colombia, or Russia, *in practice*, sovereignty rights are less than equally recognized. Simply put, when was the last time you heard Colombia threaten to withdraw Most Favored Nation status from the United States because of human-rights violations? Probably not recently, if ever. This raises an important question: If sovereignty rights are unequal in practice, what happens when globalization confronts this inequality? An initial answer is that globalization might disproportionately affect the exercise of state sovereignty, given the characteristics and experiences of a particular nation-state.[1]

Although Dr. Sassen argues convincingly that globalization causes a transfer of sovereignty from the state to private entities as opposed to signifying its wholesale loss, her treatment of the "new normativity" of the capital market and her discussion of the concentration of administrative and legal functions in the highly industrialized nations (Japan, the United States, and the nations of Western Europe) give me pause. To be certain, the current intensity and visibility of globalization are relatively recent phenomena, but it is imperative that we ask questions about what the world will look like in the wake of globalization. Dr. Sassen begins this process of questioning as she discusses the second agenda of her ongoing research project. She focuses this agenda "on equity and distributive questions in the context of a globally integrated economic system with immense inequalities in the profit-making capacities of firms and in the earning capacities of households."[2] Dr. Sassen suggests room for discussion regarding which actors gain "the legitimacy for governance of the global economy and the legitimacy to take over rules and authorities hitherto encased in the national state."[3] In terms of globalization, I would like to see a more explicit and detailed discussion of these actors in their attempts to perform certain state functions and in the way they act regarding nation-building.

It is probably too late to derail the "globalization bullet express," but it might not be too late to install speed zones and switchbacks to be used when circumstances demand — that is, when individual nation-states deem them necessary. Certainly, the events of the past two years dramatically underscore the need for cautious, thoughtful progress in shaping the new normativity of the capital market. Discussing the changing notions of sovereignty, then, demands cognizance of what we mean for each of the international actors. Given the constraints of time and space, I will limit my focus to the region not highlighted by participants at this year's Roundtable: Latin America. First, however, I will establish a working definition of sovereignty with respect to its creation and differing levels across the world. Having established a point of reference, I will then examine the impact of globalization on Latin American nations. I will conclude with an analysis of the implications of Dr. Sassen's argument that globalization implies a denationalizing or deterritorializing of sovereignty.

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Many international relations theorists believe that state sovereignty originated with the Peace of Westphalia in 1648. The rough idea of the settlement was that states would be able to pursue their own domestic policies, and would settle disputes with one another under a continuously evolving international law. Diplomacy was born, though perhaps it did not approach maturity until after the Congress of Vienna in 1815, following the final defeat of Napoleon. According to the general principles of the international system — sovereignty, nonintervention, self-help, and the peaceful settlement of disputes — the state exercised control over its populations and prevented foreign nations from infringing upon its external borders. It is important to note, however, that not all countries were sovereign entities. After 1492, a legal hierarchy among states was born; "state" referred only to the already established nations of continental Europe. To illustrate, at its pinnacle, the constitutional framework of the British Empire included colonies, protectorates, mandates or trust territories, and "condominia." Although the legal implications for each differed, the common denominator for all such designations was the legal subordination to a foreign power and the denial of sovereignty.[4]

The current constellation of sovereign states came into existence following World War II. Although many Latin American nations gained independence in the nineteenth century, formal empires in Africa and Asia persisted at least until India gained its independence. In the

1990s, therefore, some nations have existed for centuries, others for a century, and still others for mere decades. This disparity in nation-building experience prompts many authors to write about the impact of the colonial age upon the world system of states. Several suggest that although the time of its (re)birth as independent may not directly affect the strength of a particular state, certainly these two characteristics are strongly correlated. Mohammed Ayoob is one such author. In his 1995 work, *The Third World Security Predicament*, Ayoob argues that this time differential between the industrialized nations of the North and the industrializing nations of the South is one critical reason for the much-discussed North-South conflict. He calls the situation a lack of an "adequate state," by which he means a lack of "demonstrated centralized control over territory and population, monopoly over the means of violence within the state's boundaries, and the capacity to significantly permeate the society encompassed by the state."[5] He further refines his definition to include the lack of a societal consensus on fundamental issues of political, social, and economic organization and the lack of unconditional legitimacy for state boundaries and institutions.

Among the more significant reasons for *in*adequate stateness is that the political boundaries of most colonies were drawn for administrative convenience, irrespective of indigenous precolonial establishments.[6] As such, the decolonization period left governments with artificially constructed boundaries within which existed a broad cultural diversity, differing understandings of civil society, and differing levels of allegiance to the new government. The economic distortions introduced by colonial rule only complicated matters: colonies had existed largely to create wealth for the mother country, rather than to spur domestic industrialization. The end of colonization thus revealed multiple obstacles for newly created sovereign entities to overcome in a hurry.

Some of the problems of state-building faced by industrializing nations today resemble somewhat the problems European nations faced in the 1600s and 1700s—but with an additional element. In his 1990 book, *Quasi-States*, Robert H. Jackson discusses the evolutionary process of sovereignty in Europe, noting that several former European states were eventually phased out of existence—Burgundy, for example, and Castille—because they lacked internal cohesion, whereas the current system essentially froze colonial boundaries in place irrespective of their historical viability. He refers to many of these former colonies as quasi-states, states that demonstrate statehood in name but possess few empirical qualities of sovereignty. *Quasi-states* are supported by relatively high levels of international assistance (bi- and multilateral aid flows, technical assistance, international borrowing, debt relief, refugee assistance, humanitarian aid, monitoring of government practices, human rights watches), whereas *states* are capable of offering this international assistance. Jackson does not intend the term quasi-states to be a standard designation, but has coined it to allow the development of positive and negative sovereignty concepts, which are instrumental in analyzing the general impacts of globalization upon sovereignty.

Whereas all sovereign states enjoy negative sovereignty (freedom from outside interference—or legal sovereignty), positive sovereignty entails a government "which not only enjoys rights of nonintervention and other international immunities but also possesses the wherewithal to provide political goods for its citizens...and reciprocate in international commerce and finance."[7] Although negative sovereignty is an absolute, positive sovereignty is a matter of degree: some states are more positively sovereign than others, meaning they are better able to negotiate in the world system of states.[8] The implications of such a division are enormous. For example, negative sovereignty can be easily protected by international law, while positive sovereignty can only be developed by individual governments over time. The logic is simple: influence *beyond* national borders depends on prior exertions of significant influence *within* the borders of a given state. But just as Rome was not built in a day, neither can the creation of civil society be rushed. Ayoob is pessimistic about the likelihood of simultaneously creating state apparatuses and cohesive civil societies, characterizing success as a near impossibility, especially considering the time frame and financial resources available to most industrializing nations.

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Armed with an understanding of the evolution of sovereignty and the tasks facing governments of many industrializing nations, let us apply this framework to Latin America. Although Latin American nations achieved independence earlier than those of Africa and Asia, there is convincing evidence that state-building exercises are still underway and that Latin American nations face pressures similar to those of other industrializing nations. At last year's Roundtable, titled "Nature, People, and Globalization," Dr. Danilo Antón presented a paper called "Latin America: Five Centuries of Globalization," in which he detailed three waves of globalization. In historical order, these are: first, the invasion of the Spanish and Portuguese and the subsequent establishment of their empires; second, the economic development of Latin American nations following independence; and third, the current wave, which he terms "cultural globalization." Dr. Antón argues that each wave of globalization deepened the dependence of Latin America on the industrialized world, a dependence that takes many shapes, including trade relationships and economic-development assistance. Dr. Antón also said something germane to the topic at hand in contending:

> The main consequences [of globalization] relate to the weakening of national governments as a result of their loss of control on borders, of the decreased control of information flow and of the fast flow of financial assets through new "virtual" channels. . . . [T]his . . . has resulted in stronger roles for multilateral banks and transnational companies, which have become still more influential in policy- and decision-making.[9]

The creation of "adequate stateness" in Latin America is a somewhat contradictory process. While national governments build cohesive civil societies, the demands of globalization work as simultaneously countervailing forces, replacing the legitimacy of the state with the legitimacy of the multilateral bank and the multinational corporation.

The recent economic history of Latin America provides a rich source of information regarding the interaction between global-market capitalism and the state. During the 1970s, Latin American nations generally pursued policies of high state involvement in industrialization, to varying degrees of success. Dani Rodrik asserts that had the world ended during the mid-seventies, the state would still enjoy a prominent role as the main promoter of growth.[10] Following the debt crisis of the 1980s, however, the tide of public opinion turned against high levels of state involvement in the economy, and many Latin American nations began what is sometimes referred to as a "fire sale" of state-owned industries in the rush to privatize and liberalize their economies.[11] Although these decisions, which opened the doors to the international market economy, are now perhaps irrevocable, it is still important to examine the logic behind such a swing in economic development policy. Rodrik argues that the growth rates between Latin America and East Asia in the 1970s and 1980s differed not because Latin America pursued import-substitution policies as relatively closed economies while East Asia opened its markets to international trade, but because "societies that benefit the most from integration with the world economy are those that have the complementary institutions at home that manage and contain the [social] conflicts that economic interdependence triggers."[12] Simply put, during the 1970s and 1980s, East Asian nations had better institutions in place at the time of liberalization than did the nations of Latin America. Interestingly, Rodrik's conclusion — that the opening of a national economy to the global market must be accompanied by simultaneous efforts at domestic institutional reform — is now the commonly made suggestion to the "tiger economies" of East Asia.[13] The inference from all this is that, as state apparatuses become more "adequate," globalization has a less destabilizing impact.

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If we take the previous inference as a given, we can begin to discuss the implications of Dr. Sassen's arguments. Many authors seem to agree that globalization is, at least initially, a socially destabilizing force. After all, jobs are lost domestically as firms transfer to places with lower production costs, fewer regulations, and larger markets; international lending institutions make development aid contingent upon various fiscal austerity measures; and national economies are subjected to the fleeting fancies of the capital markets. Given these destabilizations, Jackson's notions of positive and negative sovereignty and Ayoob's discussion of the "adequate state" provide a useful framework for analyzing the impacts of globalization upon nation-states with disparate experiences of state-building. Whereas globalization cannot diminish *negative* sovereignty, it can and does greatly affect the enhancement of *positive* sovereignty, or the creation of the "adequate state." Although neither Ayoob nor Jackson deals explicitly with the phenomenon of globalization, both are explicit about the impacts of economic dependence.

The lack of industrialization due to colonialization is exacerbated by the postcolonial world order. To quickly develop positive sovereignty, industrializing nations to some extent depend upon the transfers of political, economic, and military aid from the industrialized nations.[14]

These transfers, however, illustrate only half the story. If Dr. Sassen is correct in her argument that globalization entails a transfer of state functions to multinational corporations, industrializing nations face contradictory demands: to build a strong state and enhance positive sovereignty while simultaneously transferring some of these recently acquired sovereignty "rights" to multinational corporations. It appears to be a no-win scenario, as real alternatives to the current world system seem to be lacking. Ayoob maintains that if an industrializing nation wishes to remain on good terms with industrialized nations and thus continue to receive development assistance, it is obligated to uphold the status quo. Specifically,

> The demands of competition with established modern states and the demonstrated effectiveness of socially cohesive, politically responsive, and administratively effective states in the industrialized world make it almost obligatory for Third World states to reach their goal within the shortest time possible or risk international ridicule and permanent marginalization within the system of states.[15]

Permanent marginalization means being "left out of the loop" of the global economy, the world security system, and the chance to industrialize quickly. The implication for industrializing nations as a whole is that if one of the nations decides not to play the globalization game, that nation is left behind. The new normativity of the market serves as an incentive to create a strong state as fast as possible. There is also, however, a drive to attract foreign investment and multinational industries. Industrializing nations are locked into competition with each other to create the "most favorable climate for investment" by rapidly liberalizing, largely in conformity to the norms of the marketplace. As an interesting side note, at the IMF meeting on 7 October 1998, the economic minister of Nicaragua, Noel Sacasa, spoke about the state of domestic affairs, arguing that although the global crisis is affecting *other* Latin American nations, Nicaragua has implemented serious reforms and is on its way to economic stability. Reuters News Service reports him as saying, "It is very important for financial markets to differentiate between markets."[16] This situation is entirely different from the one faced by already industrialized nations, which merely have to tinker with previously existing financial institutions that already accommodate globalization to a great extent.

Dr. Sassen contends that deregulation (or the transfer of some state functions to the multinational corporations) is "not simply a loss of control by the state but a crucial mechanism to negotiate the juxtaposition of the interstate consensus to pursue globalization."[17] Her premise, which I find both interesting and troubling, conceives of the state as "representing a technical administrative capacity which cannot be replicated at this time by any other institutional arrangement."[18] The crucial aspect of this conception is that there are particular models of state building that attract more investment and multinational corporations than others. The attractiveness of a nation to investors is, in this case, dependent upon what Dr. Sassen calls "the new normativity of the market." If industrializing nations truly model the Western nations, this new normativity will not only shape the economies of industrializing nations but will also affect the process of state creation. This is a sobering concept indeed. Would nations currently dedicated to the establishment of the "adequate state" define "adequacy" in terms of the ability to attract transnational firms? What does that signify? Because there is no true historical precedent for such an event, the progress of globalization must be accompanied by answers to some very sobering questions. If globalization does not diminish state sovereignty but merely transfers it from the state onto multinational corporations and deterritorialized entities, the wins and losses will not, in all probability, be egalitarian. Rather, this effect will disproportionately benefit the industrialized nations of the North, those that have had more time to strengthen internal institutions that maintain social cohesion in the face of the dislocating impact of the new normativity of the market. Asking whether the system is fair is futile. But asking how we should allow the globalization juggernaut to continue may prompt answers to some penetrating questions about inequality in the world and the responsibilities of governments and corporations.

Notes

1. A charge has been leveled against the use of "taxonomic labels" or the "taxonomy of sovereignty" in analyzing the mapping of the state, the global city, and the new normativity of the market and its effects. The validity of such a charge relies upon the argument that globalization changes the ways in which the state interacts with its citizens and with the market. Although this is true, historicizing the concepts of "sovereignty" and "the state" provides a valid tool for analyzing globalization's effects. If the world system of states is changing, then the preexisting system no doubt will not only significantly influence the transition to a "new world order," but will also be a lingering presence in the system to come. This transition period underscores the importance of

understanding the Westphalian system, so as to better anticipate the emergence and solidification of the globalized economy.

2. Saskia Sassen, "Embedding the Global in the National: Implications for the Role of the State," Macalester College Roundtable, October 1998.

3. Ibid.

4. See Robert H. Jackson, *Quasi-States: Sovereignty, International Relations, and the Third World* (Cambridge: Cambridge University Press, 1990). For a discussion of changing notions of sovereignty and intervention, see Gene M. Lyons and Michael Mastanduno, eds., *Beyond Westphalia?: State Sovereignty and International Intervention* (Baltimore, Md.: The Johns Hopkins University Press, 1995).

5. Mohammed Ayoob, *The Third World Security Predicament: State Making, Regional Conflict, and the International System* (Boulder, Col.: Lynne Rienner Publishers, 1995), 27.

6. Ibid.

7. Jackson, 29.

8. Ibid.

9. Danilo Anton, "Latin America: Five Centuries of Globalization," *Macalester International* 6 (Spring 1998), 35.

10. Dani Rodrik, "Globalization, Social Conflict and Economic Growth," *The World Economy* 21, no. 2 (March 1998).

11. Albert Fishlow, "The Latin American State," *Journal of Economic Perspectives* 4, no. 3 (Summer 1990).

12. Ibid., 149.

13. For a relatively detailed discussion, see Steven Radelet and Jeffrey Sachs, "Asia's Reemergence," *Foreign Affairs* 76, no. 6 (November/December 1997). Dr. Meredith Woo-Cumings also alluded to this policy prescription while discussing her paper and answering audience questions at the Macalester College Roundtable, October 1998.

14. Both Ayoob (1995) and Jackson (1990) develop this theme of dependence in detail. The reader is also encouraged to examine Arturo Escobar, *Encountering Development: The Making and Unmaking of the Third World* (Princeton, N.J.: Princeton University Press, 1995) for an extensive discussion of classical and poststructuralist notions of dependency theory.

15. Ayoob, 30.

16. Donna Abu-Nasr, "IMF, World Bank Meeting Gloomy," *Reuters News Service* (7 October 1998). Found online at *www.yahoo.com*.

17. Sassen.

18. Ibid.