



Review Paper

## Neoliberal Globalisation and the Transformation of State: Understanding the Dynamics

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### Abstract

*The question of the retreat of state from national economy has been a matter of concern for social scientists ever since the mid-eighties with the expansion of globalisation and the spread/deepening of neo-liberal economic ideas to the global south. The current phase of globalisation projects certain highly complex and contradictory set of institutions and social relations which intensify the infinite flow of goods and services, and people and their cultural forms across national borders. The entry of many new players like the non-territorial capitalist forces like International Economic Organisations, Multi-National Companies and Trans-National Corporations and International Non-Governmental Organisations to fill the vacuum created by the withdrawal of state is a novel trend that has gained momentum in almost all developing states in the global south as part of neoliberal globalisation. Subsequently, the role of state was redefined from a builder of economy to a facilitator of favourable conditions for foreign capital and for the participation of private sector in the national economy/development process.*

**Keywords:** Globalisation; Neoliberalism, Transnational Actors, Retreat of State

### Introduction

There is no single accepted definition of globalisation. However, it is generally identified as a process that integrate economies, cultures and societies on a global level. The integration takes place mainly through various activities like cross-country flow of information, ideas, technologies, goods, services, capital, finance and people. That is, the processes and institutions of globalisation could incorporate more countries into the global economy through cross border expansion of trade, free trans-national flow of capital and information and the advances in communication technology under certain unified laws and regulations. Such developments have invariably intensified the interdependence of states, people, and economies. Historically, globalisation covers three distinct, yet interlinked processes. Firstly, shaped by European imperialism and colonialism, a global States' system had developed from the sixteenth century which leads to the formation of States around the world based on Western models. Secondly, a global capitalist economy began to develop, which served to divide the world economically into 'core', 'intermediate' and 'peripheral' areas. Thirdly, from the eighteenth century, both political and economic globalisations were underpinned by technological and industrial revolutions that collectively influenced global patterns of industrialisation and communication<sup>1</sup>.

Held and McGrew emphasize on four types of changes that characterise contemporary globalisation. First, it involves the

widening of social, political and economic activities across frontiers, regions and continents. Second, the increasing level of interconnectedness and flow of trade, investment, finance, migration, culture, etc., that marks globalisation. Third, it can be co-related to the speeding up of global interactions and processes.

A worldwide systems of transport and communication is emerged that increased the velocity of the transmission of ideas, goods, information, capital and people. Fourth, this growing extensity, intensity and velocity of global interactions generated deepening impacts elsewhere. In short, specific local developments have considerable global consequences<sup>2</sup>.

Globalisation projects the dynamics of intensification of networks and the far-reaching consequences of global consciousness, system interdependence, human interaction and societal changes<sup>3</sup>. Globalisation has challenged the dominant conceptions of political space in International Relations by making the world a single shared space and linking people who are historically separated by time and space. This reshaping of spatial organisation of social relations from local to global has rewritten the traditional notions of cross-border relations<sup>4</sup>. Eventually, more extensive and open border relations among States has been established.

Similarly, globalisation communicates multiplicity of linkages and interconnections across borders and move above the nation

States<sup>5</sup>. It also signifies the increasing volume of flowing of goods, services, capital, communications and people all over the world. The massive increase in capital flows across the boundaries of States in the form of Foreign Direct Investment (FDI) gets primary attention while figure out the patterns of globalisation<sup>6</sup>.

Various groups and institutions engaged in the process of globalisation have defined the term in different ways. The International Monetary Fund (IMF) and World Bank definition focuses on the fundamental aspect of integration in current globalisation. According to the IMF, globalisation is “(the) growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology”<sup>7</sup>. World Bank emphasises on the freedom and capacity of individuals and firms to instigate voluntary economic transactions with residents of other countries, that globalisation has brought in<sup>8</sup>.

Similarly, the International Forum on Globalisation (IFG) defines it as “the present worldwide drive toward a globalised economic system dominated by supranational corporate trade and banking institutions that are not accountable to democratic processes or national governments”<sup>9</sup>. What is common in all these definitions is the emphasis on expanding relations - economic (mainly trade and commerce), social and cultural – with people across the border.

As we can see, globalisation does not constitute a separate discourse; it is an amalgam of different discourses predominant of our time<sup>10</sup>. The word itself is pregnant with a number of definitions each concentrating on the different aspects of the process. The term often signifies different things to different people and it is factual to say that there is lack of clarity in many contexts in the discussions on globalisation. However, there is a consensus among the majority of scholars regarding the meaning of the term globalisation. For them, it is a process, which integrates economies and societies through flow of information, ideas, technologies, goods, services, capital, finance and people across the borders on a global scale.

While discussing the patterns of globalisation, Appadurai (1990) highlights the various aspects of the development and functioning of different global scapes that characterise the globalisation phenomenon in life<sup>11</sup>. The first among these is the ethno-scapes where tourists, migrants and refugees negotiate to alter the world around them. The second, techno-scapes, show an increasingly indifferent attitude to conventional boundaries both in production of goods and delivery of services. The third, finance-scapes develop and spread new kind of institutions like money markets and portfolio investments across boundaries. The fourth, media-scapes, engage with dissemination of information through communication technology. The media images that are distributed globally and appears on our

computer screens, newspapers, television, and radio denote this. Finally, the Ideo-scapes blow up a world of new political ideas. Precisely, each of these scapes reflects various aspects of globalisation such as diminishing nationality, marginalisation of State and lessening state control over socio-economic activities even at the domestic level.

Some try to understand globalisation as a technologically driven process which is natural and inevitable. This increases economic and political relations among people of different countries. To others, there is a much deeper concern on the challenges and risks associated with the phenomenon<sup>12</sup>. In short, there are sharp differences among the participants of the ongoing debates on globalisation on various aspects of the phenomenon since there is no single accepted definition to the term. For example, in Geography globalisation is identified with everything that can be anchored in space. In Economics, the debate on globalisation has concentrated on trade, money, corporations, banking and capital. In Political science globalisation debates concentrates more on issues like governance, war, peace, IGOs and NGOs as well as the character of regimes. Sociologists discuss it in the light of communities, conflict and classes. In Anthropology, globalisation studies emphasise on the overlapping, adapting, clashing and merging of cultures<sup>13</sup>.

With the advancement of infrastructure for communication and transportation the intensity and volume of interconnection at the global level have improved tremendously which connected countries, people, groups and institutions in novel ways. Advancement of technology has boosted the idea of a ‘global village’ and electronic media has significantly reduced the barriers of ‘space and time’ in human interaction/communication. In other words, the global broadcast of radio and television on the one hand and the spread of internet, satellite and digital technologies on the other hand have made direct communication possible across continents and removed many controls over information. This has enhanced the interaction between people living in far-off places and from diverse cultural backgrounds. This made it possible for people to interact and live on a global scale and a global village has become a reality. Academic writings in the nineteenth and twentieth-century had made many significant references of a vague, yet widely shared understanding on globalisation that experiences distance and space that are inevitably transformed by the emergence of high-speed forms of transportation. It is very clear that, Rail and Air travel and electronic communication dramatically widen the possibilities for human interaction across existing geographical and political divides<sup>14</sup>. In this sense, globalisation in the present scenario is primarily understood as a product of the technological and communication revolution that facilitates the global restructuring of capitalism.

In this paper, globalisation is broadly understood as a process that indicates the developments that have taken place since 1991, with the introduction of liberalisation policies by various governments all over the world under the guidance of IMF and

World Bank. The doctrine of market liberalism, under the labels of “Thatcherism”, “Reaganism”, “Neo-liberalism”, “Washington Consensus” and “Post-Washington Consensus”, has started dominating the development debates of the world since 1980s, and particularly with the end of the Cold War. Neo-liberals have insisted that the new technological advances in communication and transportation made it both inevitable and desirable that the world economy to be integrated through expanded trade and capital flows and the acceptance of the Anglo-American model of free market capitalism. Barriers to international trade have been considerably reduced through international agreements such as GATT and the WTO. Consequently, a new kind of global economy emerged through cross-border flow of production and finance. The rapid emergence of a unified global economy is transcending the world’s major economic regions<sup>15</sup>.

As a result of globalisation, more countries are getting incorporated into the global economy through cross border expansion of trade, free trans-national flow of capital, information and the advances in communication technology<sup>16</sup>. As far as the economic dimension of the process is concerned, the process has reached the present stage through various rounds of trade negotiations under the auspices of General Agreement on Tariff and Trade (GATT) since World War II. This led to a series of agreements signed between States to remove barriers on ‘free trade’. The creation of free trade zones and promotion of free trade of goods and services by the reduction or elimination of tariffs and control over the mobility of capital were the essence of such agreements<sup>7</sup>. The clauses in Trade Related Investment Measures (TRIMs) has regulated and monitored this process in the global level. Similarly, the agreement on Trade Related Intellectual Property Rights (TRIPS) has created common intellectual property laws across nations and offered supranational recognition of intellectual property rights.

### Conceptual and Theoretical Debates on Globalisation

The idea of globalisation can be traced in various theoretical traditions in international relations and political economy. The liberal/neo-liberal and Marxist/Neo-Marxist theories have significantly contributed to globalisation debates especially within the modernity framework. Of late, this modernity paradigm has been thoroughly re-examined by the postmodern/postcolonial and feminist thinkers. They problematised certain aspects like the relevance of the marginalized, specifics of the Third World and limits of global thinking that became pertinent while discussing the issues of contemporary world.

As it is very clear, modernity in the later period represented the intensification, acceleration and increased reach of capitalism and its production, distribution and consumption patterns. This approach is primarily a western notion that was supported by both Marxists and liberals<sup>17</sup>. Both agree to the point that market

has an inherent ability to spread around and so that the capitalist pattern of development ultimately penetrate into the world beyond its origin<sup>18</sup>.

Globalisation refers to those processes whereby geographically far-away events and decisions influence, to a growing degree, regional and local developments. Though the degree and impact of the human activity might vary, geographically detached events could have a comparatively minimal or a far more wide-ranging influence on events at a particular locality<sup>19</sup>. The logic of territorial compression is emphasised by Karl Marx. In Marx’s account, the vital of capitalist production inevitably drove the bourgeoisie to ‘nestle everywhere, settle everywhere, and establish connections everywhere’<sup>20</sup>. The seed of industrial capitalism constituted the most basic source of technologies resulting in the eradication of space and helping to cover the way for ‘intercourse in every direction, universal interdependence of nations’, in contrast to a narrow-minded provincialism that had plagued humanity for untold eons<sup>20</sup>.

Marx further expanded his views on technology with a positive stance. ‘Despite their problems as instruments of capitalist exploitation, new technologies have increased possibilities for human interaction across borders and ultimately represented a progressive force in history. They provided the necessary infrastructure for a cosmopolitan future socialist civilization, while simultaneously functioning in the present as indispensable organizational tools for a working class destined to undertake a revolution no less ignorant to traditional territorial divisions than the system of capitalist exploitation it hoped to take apart’<sup>19</sup>.

It is Martin Heidegger, the German social theorist and philosopher, who anticipated contemporary debates on globalisation. Heidegger clearly forecasted the capability of new communication and information technologies to generate fresh possibilities for expanding the scope of *virtual reality*. He has illustrated the phenomenon of ‘abolition of distance’ as a constitutive feature of present era. This is related to recent shifts in spatial experience to the fundamental change in the temporality of human action. In his words,

All distances in time and space are shrinking. Man now reaches overnight to places which formerly took weeks and months of travel...Distant sites of the most ancient cultures are shown on film as if they stood this very moment. At the peak of this, elimination of every possibility of remoteness is reached by television, which will soon pervade and dominate the whole machinery of communication<sup>21</sup>.

Even if social theorists have gone beyond the comparatively underdeveloped character of earlier reflections on the compression or eradication of space to offer a rigorous conception of globalisation, major differences continue about the specific nature of the fundamental forces behind globalisation. There are differences even among the scholars in Marxist tradition while approaching the notions on

globalisation. David Harvey builds his version directly on Karl Marx's pioneering explanation of globalisation as the spread of capitalist mode of production and technology all over the world<sup>14</sup>. Held and McGrew question the element of limited focus of Marxist approach on economic factors in their studies on globalisation<sup>2</sup>. Well known social theorist of our time, Anthony Giddens supports the view of the latter<sup>22</sup>.

The Marxist reading of world market is one of the well-established conceptualizations of globalisation. In this connection, neo-Marxist development theorists argued that globalisation is the expansion of capitalist mode of production and production relations across the globe<sup>23</sup>. The developed capitalist States stay at the core of world system and supported dominant class interests as they exploited labour resources and trade opportunities in the developing and undeveloped States that are at the periphery of the system<sup>24</sup>.

As part of the Neo-Marxist tradition, the critical theorists have developed a perspective on globalisation that is emphasising the emancipatory character of globalisation. They attempted to reconstruct the ideals of enlightenment and modernity within a global universal framework created by social movements and trans-national civil societies<sup>10</sup>.

Karl Polanyi's, *The Great Transformation* is one of the earliest works which questions the very concept of market regulated economy. This develops a powerful critique of market liberalism especially on the argument that the global economy and national societies can be organized through self-regulating markets<sup>25</sup>. Polanyi has highlighted that economy is not autonomous but subordinated to politics, religion, and social relations<sup>26</sup>. Even when economists acknowledge that the market system sometimes need help from government to overcome market failure, they still emphasis on the conceptualization of the economy that it is a balancing system of integrated markets. In his studies, Polanyi argues that this conceptualization fluctuates from the reality of human societies throughout recorded history where the economy was always embedded (economy is not an autonomous one) in society. This was the natural course in economy until 19<sup>th</sup> century before liberals consciously propagated an artificial market regulation theory<sup>25</sup>.

According to Chesneux (1992), modernity is an interlocking process of tradition, resistance, difference, hybridity, change and appropriation in the Third World because more than half of the people still live in the countryside<sup>27</sup>. Neo-Marxist discussions also highlight this aspect by focussing on 'peripheries' and 'satellites' in the world capitalism. The post-modern discussions are focusing on those who are 'outside' of or 'other' to modernity in their attempt to problematise the issue of marginalization under globalization. When modernity represents certain processes of change/transformation of society and economy influenced by capitalism, late modernity represents the intensification, acceleration and increased reach of the same capitalist processes of production, distribution and

consumption. Post modernity raises the complex political and social relations with an understanding of contemporary political space as increasingly the invocation of globalisation.

### **The Neoliberal Transformation of State: Where does the state stands?**

Historically, State is identified as a social system with a set of rules enforced by a permanent administrative body within a clearly demarcated geographical space<sup>28</sup>. However, globalisation has developed a condition in which the forms of social organisation go beyond nation-states. Consequently, the people are increasingly sharing problems and collectively facing issues that do not abide by nation-state borders.

The conceptual roots of globalisation and State debate can be traced back to the advancement of modernity debates that led to the popularisation of the concept of welfare state<sup>22</sup>. The western civilisation developed on the foundation of industrial capitalism was the agent of globalisation that brought human species into a single political economic and cultural system<sup>12</sup>. The historic failure of the socialist project and the expansion of capitalist economic system were the two major developments that led to the spread of market economy to the non-capitalist world and eventually intensified the uneven development.

At a basic level, globalisation promotes a mutual restructuring of state and international system<sup>29</sup>. According to Giddens (1990), the diminishing distance between time and space has expanded interconnectedness through de-territorialisation and disembeddedness and has lifted the social relations out of local contexts<sup>22</sup>. Globalisation is a multidimensional process that includes social, political, cultural and economic aspects. In the 1990s, especially in the context of the global expansion of the capitalist mode of production, liberalisation and privatisation, the sphere/context of debates has shifted from national to global because the spread of capitalist relations of production has enlarged as well as integrated the space at a global level. This has automatically reduced the ascendancy and sovereignty of state even within the domestic sphere.

During 1970s and '80s, developing countries all over the world started to bring in certain measures to attract foreign capital and technology in order to amplify the processes of industrialisation and modernisation<sup>30</sup>. This has fundamentally changed the economic orientation of those States towards a market-led free trade regime. This ensured the entry of the State into a highly competitive global market created by a new deregulating mechanism to draw investment and the outsourcing of production to distant places. The new economic policies and the Structural Adjustment Programme were introduced in developing countries in the last decade of 20th century.

The context in which economic reforms were introduced was similar in developing countries. The state-led development strategies followed by developing states came under sharp

criticism by early 1980s due to internal disorganisation, inefficiency and corruption along with the increase in external debt. The debt problem had created a major crisis that even questioned the survival of public sector industries of these States. The unfavorable conditions in balance of payment and the serious debt problems had forced the governments of these countries to follow the World Bank instructions based on Structural Adjustment Programme (SAP).

The new economic policies and the SAP introduced in the year 1991 were intended to meet the fiscal problems as well as to counter low economic growth. states had initiated many new programmes and policy reforms as part of the SAP such as decentralisation of economy, intensification of market mechanisms, liberalisation of foreign trade, activation of capital markets, cutbacks in welfare programmes, privatisation of public sector enterprises and devaluation of currency<sup>31</sup>. These were the primary steps taken by the States for the integration of national economy with the global market system. The intensification of the economic liberalisation process through formalised the relation of the States with world market and has rewritten the association between States and international financial institutions and private markets. As a result, the relationship between national and global economy became very close. Gradually, state has lost its primacy in economic decision making, even at the domestic level.

It is also worth mentioning that, in order to get markets opened to their goods and take advantage of the abundant, cheap labour in the South, Northern countries used international financial institutions as well as preferential trade agreements to compel the poor countries in the world to follow Washington consensus through reduce tariffs, privatise their state enterprises and relaxing environmental and labour standards in order to 'integrate' them with global economy<sup>32</sup>. Similarly, the unification of market forces at the global level further accelerated power disparity between the markets of the developed and the developing countries in the global level.

### **Structural Transformation of State under Neoliberalism and its impacts**

As we see, the late capitalism and the newly created global space created different forms of resistances to globalisation<sup>33</sup>. Many new global social forces were also emerged in the form of movements with the agenda of ecology, feminism, peace, democracy, etc. – all global in its character. In this connection, Cox observes that, a new 'global Perestroika' – an extension of the liberal/free market economic system – is emerging across the globe, consequently shaping a new global political structure different in substance from the Westphalia system of sovereign states<sup>15</sup>.

New social movements, business enterprises, and educational institutions manage a polity with an intensifying culture<sup>24</sup>. However, this is not asserting that territorial political communities are becoming more and more outdated but it

recognises that they are nested within global, regional and trans-national communities of fortune, identity, association, and solidarity<sup>34</sup>. As it has been stressed by the former United Nations Secretary-General Kofi Annan in his speech at the closing session of the World Social Forum Meet 2002 held at Porto Alegre, these movements and meetings of people reflect the character of globalisation as the potential of 'partnerships for change' among government, business groups and civil society. The struggle of people and their associations in the local, regional, national and global level also had considerable impact on the opinion formation on a global scale.

The presence of new structures and processes in the world politics is a major outcome of globalisation. This has changed the spheres of intervention of State as an organic unity. In the changed context, the development of certain notions related to common humanity with universal human concerns, needs and interests that germinated the idea of society of states. According to Hedley Bull, the society of states exist when a group of states conscious of certain common interests and common values form a society in the sense that they foresee themselves to be bound by a common set of rules in their relations with one another and share in the working of common institutions<sup>35</sup>.

In the context of globalisation, the global economic institutions have expanded a particular pattern of economic orientation to international economy. The aim was to shape societies of the developing countries as per the interests of those in the developed countries. Because of the debt crisis in 1982, the flow of private capital to developing countries halted. This has forced them to adopt some remedial measures that can reduce the monopolistic role of government in economy, deregulate economy, stimulate export orientation and thus move out from the crisis in Balance of Payments. As part of globalisation, the technical determinants of national economy encouraged a process of centralisation of market forces at the global level which further accelerated power disparity between the markets of the developed and the developing countries in the global economy<sup>36</sup>. The intensification of the globalisation process has led to the formalisation of the relation of national economy with the world market. It has rewritten the association of international financial institutions and private markets with states and domestic economy.

In the developing countries, national economy was preparing itself for tight competition in a global economy. This was further tested by the reduction of tariff and protection as well as the removal of many non-tariff barriers. It was obvious that the measures taken increased the competitiveness of the economy. This ultimately led to the gradual withdrawal of state from the role of the central agent of economic activities. On the other hand, the new rules in investment and trade facilitation policies have limited the possibilities of more private investment in all sectors of the economy.

The new reforms led to a paradigm shift in economic and social development policies. Liberalisation process has led to the

removal of import restrictions, reduction of external trade controls, introduction of free markets in food grains and cutting down of subsidies<sup>37</sup>. As part of a wider institutional and structural change, the political and economic restructuring facilitated by market economy has reversed the populist policies of states. States committed in formulating policies to reduce public expenditure, especially social service expenditure, by way of limiting the budget deficit. Unemployment and inequalities in income distribution have developed in such societies, which has promulgated certain valid questions on the sustainability of the social contract between people and rulers that ensured the legitimacy of the ruling regime.

What is important here is that the traditional institutional understanding of the State-society relationship has undergone a significant change in the new context. The role of State is no longer that of the provider of social needs to its citizens but the facilitator of market economy. The deteriorating social conditions created new platforms for popular mobilisation, but they were not sufficient to challenge the authority of the regime in any standard. On the other hand, liberalisation process continued through privatisation, currency devaluation and reduction of subsidies on basic consumer goods and revitalization of capital markets<sup>38</sup>. A massive growth has taken place in the financial sectors like capital investment, banking and insurance and currency exchange. The major reason for such a development was technological advancement and innovative financial techniques spread by globalisation. For example, the flow of capital around the world has shoot up via electronic means. Consequently, national economies are more dependent now on investment by firms and organisations beyond their geographical boundaries.

### **State and Market: Redefining Relations**

Generally, the neo-liberal policies implemented in the developing States especially during 1990s emphasised the significance of private sector and a market based economy. The free and cross-border flow of international capital and the expanded role of Trans-National Companies re-established it with much more vigour. Multi-National Corporations (MNC) play a central role in the organisation of this new global capitalist order. In the year 1999, there were over 60,000 MNCs worldwide with 500,000 foreign subsidiaries, selling \$9.5 trillion of goods and services across the globe. Multinational Corporations now account, according to some estimates, for at least 20 per cent of world production and 70 per cent of world trade<sup>1</sup>. Trans-national production has considerably surpassed the level of global exports of our time.

Consequently, global corporate capital exercises overarching influence in the organisation of economic power and distribution of resources in the current global economy. It is observed that globalisation has brought credit-based economics in developing states. This has made the growth unsustainable. Besides, such economies were fallen in debt crises.

There is a strong view among certain groups that the State still has an advantage as it sets the rules under which domestic and international business operates. Besides, State has legitimacy as it enjoy popular support, democratic legitimacy and considerable financial power of their own. Economic planning by State is still very prominent even though the State is moving fast towards a market economy. Production as well as creation of market for capital goods is an important task ahead of the State. Thus, according to them, even in the midst of an ever-growing influence of non-state actors, State remains the most important political actor in the international system.

What gets special attention is that, under neo-liberalism, there was hardly any attempt to address the structural inability of the States. This inability in fact blocked the State from taking initiative to make any change in the ground level as far as the welfare of people and social development is concerned. The new institutional measures taken to decentralise power/authority could not make any difference. There was hardly any effective mechanism to support the weaker, which intensified their marginalisation to the peripheries of society and economy. The social conditions of the developing countries show that experiments of market liberalism were less effective compared to the State and its agencies, which played the same role in the pre-globalisation period.

The main opposition is to the process of unfettered globalisation (neo-liberal, laissez-faire capitalism) is that it respond mostly to the interests of corporations who use high-speed technologies and organizational approaches with great effectiveness to extend their activities all over the world<sup>16</sup>. In this regard, many scholars criticised the new way of insensitive state support to privatisation as per the dictum of neo-liberalism that created worldwide unequal development<sup>39</sup>. The promotion of private initiatives in the economy and its total outward oriented approach has forced the nations to be prepared for competition in a global economy. Thus, efforts to 'increase competitiveness' of economy have become the guiding principle of State policies.

### **Conclusion**

What is clear in the above discussion is that globalisation is an overarching system that shapes the domestic and foreign policies, both economic and political, of virtually every country<sup>40</sup>. However, the complexity of the process and its extensity need to be addressed to understand globalisation in the wider context of socio-political developments in the developing countries, especially since 1990s.

Many scholars emphasise on the drastic economic consequences of neo-liberal globalisation on more marginalized societies. They opine that globalisation leads not to homogenization between and within first world and third world, instead, it increased differentiation between the haves and the have-nots in the global system, with the gap likely to increase as globalisation intensifies<sup>10</sup>. Regarding its social dimension,

critics of globalisation argue that the features of globalisation like restructuring of global trade and finance, and also the production system/process has a clear negative impact on the poor in the developing countries. Though it created new wealth and opportunities, it also created widespread suffering, disorder, and social unrest.

On the contrary, many scholars consider globalisation as a force of progress, which enhances the process of modernization, human freedom, wealth and happiness by generating many new opportunities<sup>41</sup>. They defend the logic of capital, competition and free market, which can strengthen the national economies and thus build up infrastructure for development in the developing countries. Many consider the process movement of people and spread of knowledge and technology facilitating rapid institutional and social changes on a global scale.

The present-day world is not a place of closed communities which is governed by ideally sovereign states having self-reliant economies. People in different states, regions and continents are increasingly interacting across national borders for various reasons; for trade and commerce, transfer of technology, culture and, of late the issues of governance. They are increasingly linked in a single global society that shares a common social space at different levels outside the nation-state<sup>42</sup>. The unprecedented changes in communication, transport, and computer technology have given the process new momentum. Above all, what we see is that the globally mobile capital sweeping away all existing regulations and even undermining local and national politics.

It is a reality that, through cross-border flow of production and finance, a new kind of global economy has emerged where global finance and corporate capital, not the states, could exercise critical influence over the organisation, location and distribution of economic power and wealth. The basic attraction in the dynamics of such developments is the imperative towards privatisation of strategic economic activities. The privatisation drive accompanied by globalisation re-emphasise this.

The impact of globalisation on the role of state in national economy is a major theme of debate in the contemporary world. It is very clear that the States are not individual actors in the present international system and therefore no state is naturally protected from the pros and cons of globalisation process. It is a well-known fact that, the need of interdependence in a highly integrated global economy virtually makes it impossible for any country to keep itself away from the process of globalisation.

In the era of globalisation, non-state actors, especially the private sector, becomes a major player in the national economies of those states where State had historically played the role of the lone agent of social developmental activities. Thus, the new policies under globalisation target social policies of the modern states and simultaneously create a new pattern in development. This was a clear shift in the role of state from

‘interventionist’ or regulator to ‘facilitator’ in economy. This has raised certain fundamental questions on the traditional institutional understanding of state sovereignty. It is a fact that neo-liberal agencies intruded into the state power through new policies and programmes that are designed within the framework of Washington Consensus and Post Washington Consensus.

To conclude, neoliberal globalisation and subsequent increase in trans-national flow of capital imply a major redefinition in the role of states in development in the developing countries, though the states remain the leading agency facilitating and mediating the course and velocity of the process at the national level. It is a fact that, liberalisation has given more autonomy to domestic and foreign non-state actors’ vis-à-vis state especially in issues relating to development. What is evident from the experiences is that, as a result of globalisation, corporate entities have grown to the level of even deciding the political decisions of majority of states.

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