

GLOBALIZATION AND ITS IMPACT ON SOVEREIGNTY

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Introduction:

Globalization has been a buzz-word since 1990 with an ever-growing scope and dimension. Anthony McGrew noted that it refers to “the multiplicity of linkages and interconnections between the states and societies which make up the modern world system”.

In the era of globalization, geographical distances are waning away and territorial boundaries are no longer an impediment.¹ Mobility of goods, services and capital became free from import and export restrictions. Globalization represents the reality that we live in a time when the walls of sovereignty are no protection against the movements of capital, labour, information and ideas nor can they provide effective protection against harm and damage.² It does impose market discipline on the participants, which can be harsh, but is part of the mechanism that drives progress and prosperity.³ Liberalization and globalization are both part of the program of economic reforms undertaken by dozens of countries in the last decade to give a new shape and direction to their economies.⁴ Globalization has contributed to the limitation of sovereign statehood yet, the state still survives in the era of globalization.⁵

Liberalization is the diminution of progressive elimination of the control of the state over economic activities.⁶ It is driven by the neo-liberal idea that government involvement should be as low as possible, leaving field to the operation of the self interest driven market forces of demand and supply.⁷

Program of liberalization has two dimensions⁸, internal as well as external liberalization

¹ Sharma, B.M. and Bareth Roop Singh (Ed.), Good Governance Globalization and Civil Society, Rawat Publications, Jaipur, 2004, p. 10.

² Roslyn Higgins, International Law in a Changing International System, CAMBRIDGE L. J.78, 82 (1999).

³ Speech of Singapore's Deputy Prime Minister Lee Hsien Loong to policy makers in Washington DC in May 1998.

⁴ Dr. Inakshi Chaturvedi, “Globalization and its impact on State Sovereignty”.

⁵ Nilüfer Karacasulu Göksel, “Globalization and the state”.

⁶ Dr. Inakshi Chaturvedi, “Globalization and its impact on State Sovereignty”.

⁷ Ibid.

⁸ Sikdar Soumyen, Contemporary Issues in Globalization, An Introduction to Theory and Policy in India, Oxford University Press, 2002 pp 1-2.

Internal Liberalization: It confines itself to the domestic economy and takes measures to make it more responsible as private agents are granted freedom to make their own decisions in their business regarding their investment in the national economy.

External Liberalization: It consists of relaxation of state control in foreign trade, foreign investment and flow of finance in and out of the country. External liberalization is alternatively known as adoption of a policy of globalization by the country concerned.⁹

The typical account points to at least three ways that globalization has affected sovereignty. First, the rise of international trade and capital markets has interfered with the ability of nation-states to control their domestic economies¹⁰. Second, nation-states have responded by delegating authority to international organizations¹¹. Third, a “new” international law, generated in part by these organizations, has placed limitations on the independent conduct of domestic policies¹².

Evolution of Sovereignty of the State

In earlier civilizations sovereignty had meant little¹³. In tribal societies, political authority was exercised by tribal or village headman, around the ties of lineage and kinship¹⁴.

According to Aristotle, State evolved from associations, the very first association was a household or the family, which arose to satisfy an individual’s biological urges and everyday wants out of which the first of these is the reproductive instinct which leads men and women to unite, while the second is that of self-preservation, which causes master and slave to come together for their mutual benefit. “Out of these two relationships...the first thing to arise is the family...The family is the association established by nature for the supply of men’s everyday wants.” The family, then, is the first stage in the formation of the state¹⁵.

⁹ Ibid.

¹⁰ David Held, Et Al., *Global Transformations: Politics, Economics, And Culture* 187 (1999).

¹¹ Julian G. Ku, *The Delegation of Federal Power to International Organizations: New Problems With Solutions*, at p. 88-113 (2000).

¹² Julian Ku & John Yoo, *Taming Globalization: International Law, The U.S. Constitution, And the new world order* at p.9-25 (2012).

¹³ Rajeev Bhargava & Ashok Acharya, “Political Theory – An Introduction”, Page 159.

¹⁴ Ibid.

¹⁵ Joseph Zarri, “Aristotle's Theory of the Origin of the State”, Pg1.

The second stage is arrived at when “several families are united, and the association aims at something more than the supply of daily needs.” Thus is formed the village, which in its most natural form is the union of families of common descent a sort of patriarchal society¹⁶.

“When several villages are united in a single complete community, large enough to be nearly or quite self-sufficing, the state comes into existence, originating in the bare needs of life, and continuing in existence for the sake of a good life. And, therefore, if the earlier forms of society are natural, so is the state, for it is the end of them, and the nature of a thing is its end. For what each thing is when fully developed, we call its nature, whether we are speaking of a man, a horse, or a family.” This is the third stage where the formation of the state is completed¹⁷.

Sovereignty of States

Sovereignty means final authority which no longer remains the same. When philosophers Jean Bodin and Thomas Hobbes elaborated the notion of sovereignty in the 16th and 17th centuries, they were concerned with establishing the legitimacy of a single hierarchy of domestic authority. Although they both accepted the existence of divine and natural law, they believed the word of the sovereign was law. However, in the contemporary world, sovereignty primarily is linked with the idea that states are autonomous and independent from each other. Within their own boundaries, the members are free to choose their own form of government. Another point is that no state has the right to intervene in the internal affairs of another state. Sovereignty is also associated with the idea of control over trans-border movements. Finally, sovereignty also means that political authorities can enter into international agreements. States are free to endorse any contract they find attractive. Any treaty among states is legitimate provided that it has not been coerced. This is the new strength of sovereignty.¹⁸

Technological changes over the last 200 years have increased the flow of people, goods, capital, and ideas. The response of states to globalization and its impact on their sovereignty is nothing compared with what followed the invention of the printing press. Most sovereign monarchs could not contain the spread of the concepts that spread with it and many lost not only their kingdoms but also their heads. Despite the perceived impacts of globalization on sovereignty of states, states appear to be stronger and more able to address internal problems and no leader has lost its state yet to globalization. In addition

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Effect of Globalization on Sovereignty of States at p. 265.

to attempting to control the flows of capital and ideas, states have long struggled to manage the impact of international trade. The opening of long distance trade for bulk commodities in the 19th century created fundamental cleavages in all of the major states.¹⁹ One thing is certain; globalization is changing the scope of state control. The reach of the state has increased in some areas and contracted in others. Rulers have recognized that walking away from issues they cannot resolve can enhance their effective control. For instance, beginning with the Peace of Westphalia, leaders chose to surrender their control over religion because it proved too volatile. Keeping religion within the scope of state authority undermined, rather than strengthened, political stability. Monetary policy is an area where state control has contracted. With the exception of Great Britain, the major European states have established a single monetary authority.²⁰

Along with the erosion of national currencies, we now see the erosion of national citizenship the notion that an individual should be a citizen of one and only one country, and that the state has exclusive claims to that person's loyalty. For many states, there is no longer a sharp distinction between citizens and noncitizens. Permanent residents, guest workers, refugees, and undocumented immigrants are entitled to some bundle of rights even if they cannot vote. The ease of travel and the desire of many countries to attract either capital or skilled workers have increased incentives to make citizenship more flexible. Treaty is one of the sources of international obligation. It is a basic norm of law that one cannot derive rights and liabilities from a treaty to which he is not party. However, contemporary international law now envisages situations where rights and liabilities are created for states without their being party to such transaction. There are treaties that are assimilable to international executive acts and treaties assailable to international legislative acts, such as treaties that create objective legal situations like neutralization, demilitarization, internationalization of human rights and conventions codifying existing norms of customary international law. Membership to an international organization has tremendous impact on the sovereignty of states. This can be appreciated from four sides. The activities of international organizations can have quasi- legislative, Administrative and Supervisory, as well as Jurisdictional effects. This hinders the freedom of member states to act as they please.²¹

Transnational Non-governmental Organizations (NGOs) have much influence over state activities. Throughout the 19th century, there were transnational movements to abolish slavery, promote the rights

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

of women, and improve conditions for workers. The number of transnational NGOs, however, has grown tremendously, from around 200 in 1909 to over 17,000 today.²⁸ The availability of inexpensive and very fast communications technology has made it easier for such groups to organize and make an impact on public policy and international law. Such groups prompt questions about sovereignty because they appear to threaten the integrity of domestic decision-making. Activists who lose on their home territory can pressure foreign governments, which may in turn influence decision makers in the activists' own nation.²²

Role of the State

Avoiding crude intervention like that of the past, a state must allow almost full freedom to private agents in the ordinary affairs of day to day business however it shall keep a close watch on such activities to prevent abuse of private monopoly power.²³ States role shall be able to sustain effective competition in the market through appropriate measures. The scientific and technological progress cannot keep a man confined within the territorial dimensions of his state²⁴. The state itself being a person and acting in the interest of the citizen has to come into contact with other sovereign entities and it is natural to evolve a spirit of cooperation between the negotiating parties including the states²⁵. It is a reciprocal agreements between the states that the parties adopt certain reasonable restrictions on the exercise of their sovereignty in the interest of global cooperation which in terms is for their own interest²⁶. It is no doubt a reasonable restriction in the operation of sovereign powers but it does not amount abandonment of sovereignty as in dealing with others one cannot impose its own sovereignty but must accommodate sovereignty to the counterparty²⁷. In this paper the researcher would discuss, violations to state sovereignty which would be examined through economic, political and military/security globalization. The second section the continued strength of the state, and presents the counter arguments. In conclusion, it is argued that globalization has contributed to the limitation of sovereign statehood; yet, the state still survives in the era of globalization.²⁸

²² Ibid.

²³ Supra Note at 4, Pg 2.

²⁴ Dr. Inakshi Chaturvedi, "Globalization and its impact on State Sovereignty".

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ David Held, A. McGrew (1998), "The End of the Old Order?", Review of International Studies, 24, p.230.

Decline of State

Three dimensions of globalization are apparent in the relationship between the sovereign state and the globalized world. The discussion on how they violate state sovereignty are briefly stated.

I. Economic Globalization

Economic globalization involves production, distribution, management, trade and finance.²⁹ The key features of economic globalization are well known and need only a brief reiteration here. First, multinational corporations (MNCs) have greatly accelerated integration of the global economy. In the 1960's and '70's, foreign direct investments (FDI) by the American MNCs increased dramatically. In the 1980's, Japanese and west European FDI in parallel to US investments increased. In a relatively short period, newly industrialized countries MNCs (such as Taiwan and South Korea) have also become major players.³⁰ Overseas expansions is frequently accompanied by corporate alliances with companies from another country. The growth of FDI and corporate alliances in the 1980's and '90's emphasizes the role of the MNCs in the global economy. As globalization increases the power of the MNCs, Strange suggests that finally, power will shift from states to firms. Second, there is an important transformation in financial markets. Financial flows have increased; including portfolio-type transactions. National capital becomes integrated with international financial capital. Financial globalization has made it easier for corporate alliances. A national currency can circulate as easily outside a country as inside. High-speed communications and the information revolution have accelerated financial globalization. It seems that it is difficult for states to control this movement as illustrated by the recent financial crisis in East Asia (1997-8)³¹. Third, the characters of markets, commodities, production and business organization have all shifted to a global perspective. High levels of trade (related to trade liberalization), global markets for many goods and services (facilitated by internationalization of production, the promotion of worldwide transportation and communication infrastructures, trade liberalization), global competition and the rise of intra-industry trade are signs of globalization in trade, which diminish state control. Accordingly, there are arguments that economic globalization, especially the activities of the MNCs, massive international financial flows and growth of international trade which have been supported by technological advancement, innovations,

²⁹ George Sorenson (Special Issue 1998), "IR Theory after the Cold War", *Review of International Studies*, 24, pp.83-100.

³⁰ *Supra* Note at p.5.

³¹ *Ibid.*

development of communication and transportation systems, challenges the state. Challenges are numerous: national governments are no longer in control of the spread of ideas, capital, technology, labour, trade or ownership of economic assets. National governments now have less influence on business transactions; globalization leads to increasing interdependence and greater international competition. National governments are losing control of national economic policies and their own economic future³².

II. Globalization and the Demise of Culture

Globalization also has immense impact on the ethnic, national and religious identities of the various diverse world cultures³³. To argue that globalization has not had profound impact on the nation-states' cultures will definitely be grossly inaccurate, because the world is persistently witnessing the demise of the nation-states' socio-economic and political fiber thus, it becomes absolutely rational to contend that in the era of globalization, we are witnessing a clash of cultures³⁴. Although globalization is supposed to promote the emergence of pluralistic societies, the contrary is the reality on the ground where there is more of cultural assimilation than cultural pluralism, to some degree, one should not be taken aback by these phase of cultural development in that skewed as it is, and it is apparent that the most powerful societies and or cultures set a pace under which other cultures will have to operate³⁵. The less powerful become absorbed by the most powerful, thus resulting in advanced cultural homogeneity based on power, and the result is a dizzying array of "competing and dying" cultures, which breeds complex problems regarding whose culture should shape the global socialization map³⁶. Cultural fragmentation under the auspices of social transformation perpetuates the problem of lost identities and complex issues of eroding moral codes, finding harmony within this clash of cultures is on its own a giant challenge which ultimately results in sparking explosive socio-economic and political adventures. We definitely cannot end up saying that we have one global citizen because we still experience xenophobic tendencies amongst various cultures despite the fact that globalization is supposed to quickly erase the national boundaries and also narrow down "time and space", so that world societies can cohabitate and prosper by rubbing shoulders with one another as close and loving families³⁷. Is it not possible for us to

³² Ibid.

³³ Lathi Jotia, "Globalization and the Nation-State: Sovereignty and State Welfare in Jeopardy", David Publication.

³⁴ Ibid.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Supra note at 22, p at 248.

produce a universal global citizen whereas some of the world citizens within their respective diverse cultures are by virtue of their geographical location and beliefs deemed terrorists. The Christians have their view of the world, the Muslims also do things in their way, the buddhists also do it in their own style, and of course, the Atheists have their own dimension of looking at the world. Hence, the creation of the global citizen is easier said than done because of the complexity of existing and emerging cultures³⁸.

- Education and the Birth of a Global Citizen

It is observed that global changes or globalization in culture has deeply affected educational policies within the nation-states, especially with reference to matters pertaining to multicultural education under the guise of liberal-pluralism, whereby supposedly people were to live within a compact of mutual tolerance and respect³⁹. Unfortunately, within the cultural context, it appears as though there are some cultures which are more important than others, some superior cultures are the ones which dominant the world education systems, in the sense, the nation-state is significantly compelled to alter the educational policies to accommodate the inter-social relationships prescribed by the global diversity and interconnectedness, thus fueling, the loss of nation-states' autonomy on relevant citizenship education. In more precise terms, the nation-states sovereignty and power are sadly undermined by globalization to the degree that the products of the national education system tend to be more of puppets of the dictates of liberal capitalist education than being critical decision makers whose social orientation is concerned about the needs and the welfare of the state⁴⁰.

III. Political Globalization

Globalization has led to a decline in the power of national governments to direct and influence their economies and to determine their political structures. There is a strong indication that the impact of globalization is most felt through the extent to which politics everywhere are now essentially market-driven. It is not that governments are now unable to run their states, but to survive in office; they must increasingly "manage" national politics in such a way as to adapt them to the pressures of trans-national market forces.⁴¹

³⁸ Supra note at 22: p at 249.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Effect of Globalization on Sovereignty of States at p. 261.

The institutionalization of international political structures has led to political globalization. Since the early nineteenth century, the European interstate system has been developing both an increasingly consensual international normative order and a set of international political structures that regulate all sorts of interaction. This phenomenon has been termed “global governance” by Craig Murphy⁴². It refers to the growth of both specialized and general international organizations. The most dominant of the general and global organizations that had emerged was the League of Nations and now succeeded by the United Nations. At the regional levels, the African Union, European Union, Organization of American States, the Arab League, etc exist. The impact of these organizations is to create of a process of institution-building, where the organizations are able to determine and dictate what happens in the governance of member states. This is the trend of political globalization. Non member states find themselves outside this cooperation and are regarded as deviants. The future would see more states edging to conform to the norms laid down by these organizations. Already, the impact is being felt in the area of human rights. Due to the internationalization of human rights, a state is no longer free to treat its nationals and aliens the way it pleases. It must conform to international standards laid down in the various human rights treaties, most of which are now regarded as customary law. Persistent, concentration of sovereignty in international institutions will eventually lead to a state of subjugation of political sovereignty to the dictates of the institutions.⁴³The sovereign states continue to place their national interest in the forefront while taking decisions concerning their economic policies but clearly their autonomy to do so is circumscribed. The economically weak states are under greater pressure then before both from outside and inside, to set their economic house in order. For example, International Monetary Fund with its structural adjustment programmes insist on certain conditions on its loans to a government, namely cut in public expenditure, subsidize welfare programmes and currency devaluation thereby monitoring the policy or performance of the economically weak states. Global markets imply greater competitiveness and increase dependence among states, making the idea of splendid isolation redundant. The global capitalism is creating serious threat for the theory and practice of sovereignty of the modern nation-states.⁴⁴

⁴² Christopher Chase-Dunn, “Globalization: A World Systems Perspective”, *Journal of World- Systems Research*, V. 2, Summer 1999, 187–215.

⁴³ Ibid.

⁴⁴ Camilleri J.A. and Falk, J., *The End of Sovereignty: The Politics of a Shrinking and Fragmentary World*, Edward Elgar, England, 1992, p. 148.

New Actors on World Scenario

There is a new set of actors on the world scenario who, unlike governments, do not approach problems from the perspective of national interest. There are international coalitions of non-governmental organizations, and issue-networks among people across borders. These groups are shaping a whole set of standards, rules and norms. In the private sectors, these ranges from the International Standards Organization to the International Organization of Security Commissions. There is World Economic Forum at Davos and International Union for the Conservation of Nature, Amnesty International, Green Peace, which are apt illustrations of global civil society and global mass movements. Terrorism and Nuclear Proliferations have also threatened the sovereignty of nation-state.⁴⁵

Consequences of Globalization on State

The state's role is changing as a result of globalization. According to them, there is the possibility of states adapting themselves to the transformations in international society, in the form of 'pooled sovereignty' the idea that states that would be weak and ineffective acting independently could acquire greater influence by working together with other states through the vehicle of international or regional institutions. Others believe that globalization is itself driven by the state. States are themselves the authors of globalization by promoting and shaping the nature and pace of globalization. Trade agreements and regionalization are instances of this. Political elites in different countries often use globalization as an ideological device to make the move towards market reforms appear inevitable and irresistible. States are now more concerned about their role as actors in global markets to protect national economic well-being and are entrepreneurial. They are less concerned with political sovereignty and security than they were earlier. Moreover, as Michael Mann (1997) argues, we need to make distinctions between states to understand the changing role of the state. Globalization will affect powerful European states differently from a vulnerable country in South America or Africa. Some states might become stronger and more powerful, while others weaker.⁴⁶ Externally in economic spheres sovereignty is being compromised. When external effects are significantly present in production or consumption, the market mechanism fails to attain efficiency. In particular, free global competence cannot guarantee optimum use of air, water, forests, energy and other environmental resources for

⁴⁵ Supra note 4 at p. 11 and 12.

⁴⁶ Supra Note 4 at p. 12.

development sustain over a long horizon as there is no automatic mechanism for internalizing the social externality costs. Carefully designed policies are needed to prevent over exploitation and to preserve ecological balance.⁴⁷

Globalization could have different consequences for different states. As states differ in the degree of international power, they can assume the role of agents of globalization as well as become its passive victims. Thus, the impact of globalization on state sovereignty is much more complex than what the end of the state thesis allows for. The countries which are far behind on the scale of economic growth has to find ways and means to promote it. For this they have to sacrifice their hard-won independence because safeguarding independence requires rigid state boundaries and demand of economic growth requires porous, or at least, opening up of state boundaries.⁴⁸

Most of the less developed countries are still to achieve the status of full nation-state. To successfully promote and achieve the goal of national reconstruction, they have to emphasize nationalism as a symbol of community and legitimacy in developing countries. As such, nationalism and politics involved with national construction, act as determinant and regulator of economic growth in developing countries. Economic development is inextricably tied to political development but the developed countries considers phenomenon of nationalism as a hindrance to economic growth but also to the welfare of the world community as a whole. Therefore, developed countries put emphasis on the primacy of universalism over nationalism and of economics over politics. In the eyes of the developed countries, nationalism impedes the free play of economic factors and as a result slows down the process of economic growth. Thus to quicken the pace of economic growth, it is necessary that economic values must be allowed to assert their benign rationalizing influence over political values.⁴⁹

The sovereign state at international level remains an important instrument but now it cannot perform its functions single-handedly. The functions of state are growing but the laws which the state enforces for economic management are not the result of its sovereign will but most a part of global compulsions.⁵⁰

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Roy, Ramashray, Inaugural Speech delivered in the Seminar on State and Globalization in the Department of Political Science, University of Rajasthan, Jaipur, 12 Feb., 2008.

⁵⁰ Supra 4 at p.14.

Conclusion

In traditional sense state is an independent, equal and unique entity it does considers the state as a fundamental unit of political analysis and sovereignty as the essential characteristic of political organization, However, the structure and function and power of the state is rapidly undergoing a substantial change. In case of defense from foreign aggression, state is not independent e.g. Iraq's aggression of Kuwait. It is not just that the states have changed, it is also the domestic and international environment that have been so transformed drastically. The concept of sovereignty is in dilemma. In the case of internal order and defence, an area in which the state has the monopoly to use force, the rise of ethnic minority movements, terrorism religious fundamentalism, private military forces, all point to an increasing disposal of power in states. Military options of states are more and more influential by the arms manufacturers, banks and other financial institutions, foreign governments, their intelligence organizations and international collective arrangements. The power and authority of the state is dispersed across diverse and complex set of local, national and international institutions that is thought of by a system of sovereign states.⁵¹ According to Hinsley, although the theory of sovereignty has been challenged by a variety of factors in the modern domestic state, yet these developments do not meet the primary need to ensure the effective exercise of power, more so as the growing complexity of the community is serving to emphasize the importance of the state.⁵² If the growing needs are to be satisfied, the only remaining recourse is to locate sovereignty in the body politic i.e. both in community and state together: community being the source of sovereignty and the state as the instrument wholly exercises it. The recent developments have not superseded the requirement that no political or legal system can function unless it possesses coercive machinery with which the community/state can enforce compliance with the decrees of regulating authority, and that authority whether it is nominal or real is by definition the state, and it is the concept of sovereignty which authorizes and justifies its acts. In the era of globalization, states have become neither weaker nor less important. On the contrary, in the countries with the most advanced and internationally integrated economics, governments ability to tax and redistribute incomes, regulate the economy and monitor the activity of their citizens has increased. In this way, internal sovereignty of the state is threatened but not going to wither away. Externally in economic terms sovereignty is being compromised.⁵³ Yet the globalization is

⁵¹ Ibid.

⁵² Thompson G., Globalization in question, 2nd ed., Cambridge Polity Press, 1999.

⁵³ Supra Note 4 at p.15.

homogenizing the world but as much as different cultures and identities are there, the concept of sovereignty has to sustain. Paul Hirst examines the issue of sovereignty in the context of a rapidly changing world and suggest that a world economy with a high degree of trade and investment is not necessarily a globalized economy and in such a system nation states have a crucial role to play especially in providing governance of the economy. He observes that so long as nation-states remain important, sovereignty would remain relevant, although its role and manifestation has altered.⁵⁴

The role of the nation state is critical for both development and democracy in the world. In a national context, the belief that markets know best and that less government is better government is open to serious question. For markets exclude a significant proportion of people, particularly the poor, unless governments regulate and complement them so as to make them people-friendly. Such correctives can only be introduced by the state. The reason is simple enough. Governments are accountable to their people, whereas markets are not. In the international context, where the distribution of economic and political power is so unequal, the nation state is perhaps the only institutional medium through which poor countries or poor people can attempt to influence or shape rules and institutions in a world of unequal partners. Even today, in large part, only nation states have the authority to set international rules or create international institutions. Thus, developing countries and transnational economies must ensure that their voices are heard in this forum. Groups of countries with mutual interests are more likely to be heard than single countries by themselves. There will always be some conflict of interest, but there will also be areas where it is possible to find common cause and accept trade-offs. In principle, it is possible to contemplate cooperation among nation states to create rules and norms for the market that transcend national borders, just as the nation state created rules and norms for the market within national boundaries. In practice, however, a recognition of the benefits of such cooperation might not be motivation enough. Cooperation among nation states is far more likely to materialize, much like stable coalitions, if and when the costs of non-cooperation cross the threshold of acceptance. In either case, the nation state is the most important player in this game. Therefore, it is not possible to imagine good governance in the world without nation states, just as it is not possible to have good governance in countries without governments.⁵⁵

⁵⁴ Hinsley, *Sovereignty*, 2nd ed., Cambridge University Press, 1986, p. 220-223.

⁵⁵ *Supra* Note 4.

In the era of globalization, the state which was withdrawing from welfaristic activities and promoting privatization and liberalization, is now providing bailout packages. The so called capitalist state, United States of America is providing financial assistance and subsidies to its private banks, in order to save it from insolvency. This represents a modified form of capitalism but this tendency is strengthening the institution of state and its sovereignty. The present global recession of 2009 and its repercussions on state economy are evidence of the fact that the vicissitudes in the global economy do not so much undermine as vindicate the inherent sovereignty of the state.⁵⁶

⁵⁶ Ibid.