Sovereignty in the Global Economy: An Evolving Geopolitical Concept

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The recent global economic transformations have affected states and their behavior. Specifically, states have experienced a reduction in their ability to act independently in the new global economy. This paper argues that the traditional conceptualization of State Sovereignty is insufficient to explain the complex international geopolitical system of the 21st century. The paper explains why the state and the concept of sovereignty continue to be important to understand the international order even though they no longer carry the same meanings they once did. The paper then identifies the major characteristics that a broader concept of sovereignty should have if it is to form the basis of a future dialogue on international geopolitics. The paper then proposes a new definition that reflects the changing context of state behavior and its consequences for both internal and external behavior within an emerging international geopolitical and economic order. The new definition captures the fact that power is no longer a zero-sum game and that both power and sovereignty are increasingly multidimensional. States may experience a loss of power or reduction of sovereignty in some contexts, yet simultaneously strengthen their position in other contexts. The ranking of states relative to their power may depend on the issue to which the power is applied. The paper concludes with some speculation about how the new conceptualization may help advance discussion in the future.

Keywords: Sovereignty, globalization, geopolitics, power, international order, political economy.

There has been a great deal of discussion in the literature of several academic fields regarding the global economic transformations that have been going on for the past few decades. This has included substantial debate over the effects these changes have on states and their behavior. Specifically, some writers have focussed on restrictions to the state's ability to act independently in the new global economy (O'Tuatail, 1998). This paper builds on that discussion, by arguing that the traditional conceptualization of State Sovereignty is insufficient to explain the complex international geopolitical system of the 21st century. The paper explains why the state and the concept of sovereignty continue to be important to understand the international order even though they no longer carry the same meanings they once

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did. The paper then identifies the major characteristics that a broader concept of sovereignty should have if it is to form the basis of a future dialogue on international geopolitics. The paper then proposes a new definition and discusses its advantages. The paper concludes with some speculation about how the new conceptualization may help advance discussion in the future.

The proposed new definition of sovereignty reflects the changing context of state behavior and its consequences for both internal and external behavior within an emerging international geopolitical and economic order. In the current international system, states are just one of the several elements which influence the dynamics of the global community. Furthermore, the behavior of states is increasingly constrained by the interests and potential reactions of other actors in the international system. The proposed redefinition also captures the fact that power is no longer a zero-sum game and that both power and sovereignty are increasingly multidimensional. States may experience a loss of power or reduction of sovereignty in some contexts, yet simultaneously strengthen their position in other contexts. The ranking of states relative to their power may depend on the issue to which the power is applied.[1]

OUT WITH THE OLD

Although the conceptualization of sovereignty has changed more over the past 300 years than has often been recognized, there are some generalizations we can make about the way the term has historically been used. Sovereignty has generally been regarded as the characteristic of a state that connotes its monopoly over legitimate violence. State Sovereignty conferred a general acceptance of a state's use of coercion and force to enforce its policies within its own borders. It also recognized the state as the institution that could 'legitimately' wage war. At a more refined level, sovereignty referred to the state's capacity to define its national interests and to defend those interests, to legislate for them and to successfully implement the legislated policies. Such capacity obviously takes for granted the legitimacy of these actions. Legitimacy refers to the general acceptance by the international order (the collection of other 'sovereign' states) of the state's authority, even duty, to carry out specific policies (both internally and externally). The legitimacy of a state's action is partly based on the state's population accepting that authority. It is this legitimacy associated with sovereignty that has historically (since the Treaty of Westphalia) distinguished the power of states from the power of other agencies (corporations, churches, etc.).

Although it was generally recognized that sovereignty may not always be absolute and that different states may have differing capacities to enforce their sovereign authority, the concept was generally idealized as an either/or characteristic. For example, the 1905 Encyclopedia Britannica discusses sovereignty as part of law and represents it as an absolute attribute of the state that gives the state the absolute

authority to act within its geographical limit. Sovereignty is thus seen essentially as a legal concept.

Until World War II most academic discussion of sovereignty focused on the political autonomy of the state (Cohen, 1937). The questions posed dealt with where sovereignty resided and its legislative manifestations, the effective implementation of sovereign power, and the popular acquiescence to it. After the War, some scholars began to recognize the increased importance of an economic dimension of state sovereignty (Taylor and Thrift, 1986). The state's ability to control its monetary system—its money supply and exchange rates, to regulate foreign trade and to enact and implement internal economic policies were all seen as fundamental extensions of sovereign authority.

Globalization has substantially affected the potential of a state to act independently within the New World Order. Important features of globalization include the increased volume and speed of communication flows, the rapid growth of other forms of economic transactions, and the tremendous growth of the world economy (as represented by gross production, gross consumption, the volume of trade etc.). During this period, states have failed to maintain the same level of control they had in the past. The economically driven formation of new multinational institutions (the EU, GATT, NAFTA, etc.) suggests the states' acceptance of this 'new reality' in which their power to act unilaterally has been reduced.

The emerging global economy (Knox and Agnew, 1994) has several other characteristics that challenge the historic conceptualization of state sovereignty. One development has been the continued increase in the size of industrial firms (Dicken, 1992; Taylor and Thrift, 1986). This continued movement toward bigness (combined with the increased mobility of financial capital, international economic integration, and other organizational changes) has three significant effects throughout the world.

1. Production facilities can be easily and cheaply moved from one country to another (often with financial assistance by the receiving state).
2. An international market basket of consumer goods is emerging in which the country of production for many products is ambiguous (at best).
3. Large firms increasingly place demands on governments (at all levels) to obtain tax relief and other kinds of subsidies and support using threats of relocation.

Large diversified (i.e., multiproduct), multiregional, and multinational corporations have become major symbols of this new economic order. Some of these corporations have greater economic and political power than many territorial states and can exceed the limits on their behavior previously imposed by national governments. They are barely tied to national boundaries. In many cases no one country contains a majority of the assets of these international corporations. As Peter Dicken (1992) noted, such firms had become the dominant players in the world economy by the early 1990s.

The increased geographic mobility of capital and the greater locational flexibility of industrial production mean that states' efforts to attract and retain industry (and the jobs industry creates) increasingly involve global competition. This trend has spread to large parts of the service sector as well. All these developments have political as well as economic consequences. They interact with the international system of territorial states with significant consequences for the exercise of state sovereignty.

One of the most significant consequences of globalization is a significant reduction in the ability of governments and public institutions to influence or effect much control over many of the economic forces that determine the economic well-being of their societies. The growth of the global economy has been accompanied by increasing tensions between the requirements of that global economy for firms competing within it and the interests of individual states, regions, and localities. The increased concentration of economic power in the hands of a number of business enterprises is seen as a direct counterpoint to the ability of many states to carry out independent economic policies. For example, the 50th largest public company in 1997 (Bell South) had a greater market value than the 1994 GDP of the 50th largest country (Egypt). In 1994, the world's largest bank (the Bank of Tokyo-Mitsubishi) had assets exceeding the GDP of the world's 7th richest country (Russia) (*Wall Street Journal* 9.23.97, and The *World Economic Fact Book* (Euromonitor, 1996)). These changes have major implications for the ability of most states to exercise their sovereignty. (Harris, 1986; Cox, 1992)

The competition for jobs by labor groups, regions and countries has become increasingly international and has helped to shift the bargaining power from states toward large business enterprises. This has made it increasingly difficult for many countries to exercise their sovereignty in some of the ways previously possible. As states worked to expand international agreements on trade, they have ceded some of their authority to control their own trading relations. They can no longer impose unilateral restrictions on imports without facing major international consequences. In the new global economy, the degree of economic interdependence is such that no country (not even the U.S.) can afford to 'go it alone'.

This interdependence has been intensified by changes in information and communications technologies. These developments have made it practically impossible for any state to restrict the flow of information. Only by cutting itself off from the rest of the world technologically (isolating itself) might a state obtain control over information flows (and even then, it can not be sure).

The application of these technologies to the movement of capital such as electronic fund transfers (EFTs) has also lessened the state's control over the economy. Floating exchange rates determined by large groups of independent bankers, financiers, and speculators have also reduced the ability of states to manage their own economies. Even the U.S. is not powerful enough to exert effective control over its exchange rates. When, in the mid 1990s, fluctuations in exchange rates were seen as threats to economic stability, the U.S. had to seek the cooperation of the other

economically advanced countries to shore up the dollar (and even then not with complete effectiveness) (Leyshon, 1995; Warf, 1989).

As a result of these developments, the more traditional conceptualization of state sovereignty has become an inadequate basis for an effective discourse on the international political-economic system of the next century. The existence of sovereignty (in a legal sense) is no longer a useful indicator of a state's actual capacity to carry out its will. States are increasingly caught in the vortex of complex and (often) chaotic network of interrelationships, involving not only states but also various non state actors (Albert and Brock, 1998).

The historic conflation of power and sovereignty is lost in a system where states must negotiate with other actors (state and non-state organizations) and obtain their support before acting. This is especially true where economic influence and geographic location are more important in determining the outcome than military power. The world has become a place where the international community not only is capable of applying great pressure on states that behave in 'undesirable' ways, but actually does so. The increased willingness of the international community to apply such pressures in response to actions carried out within the state is an even greater break from the historic norm.

The location of the state within the international geopolitical system determines its actual ability and authority to carry out its legitimate will. These limitations are greatest for small states, but even large and powerful countries are constrained in ways that would have been considered highly unusual in the past. Even the application of violence and coercion within the state has increasingly slipped from the discretionary domain of the state and has become dependent on other processes and actors.

By the late 1960s, scholars began questioning the meaning of state sovereignty. Many increasingly doubted the assumptions about the state's ability to control its own economy. Some students of international relations began to rebel against state-centric theories of sovereignty and started looking at the role of multinational corporations and the effect of communications on the exercise of sovereignty. The difficulties caused by globalization and by a growing gap between the historic conceptualization of sovereignty and the practical exercise of sovereign authority led some scholars to argue that the concept no longer existed or that it could not be defined in a meaningful way (Camilleri, 1990; Camilleri and Falk, 1992; Held, 1992; McGrew and Lewis, 1992; Ruggie, 1993). If this is the case, why not simply argue that sovereignty no longer exists and that the state (as historically conceived) is a relic of the past. It is to this question we now turn.

DOES THE STATE STILL MATTER?

As argued above, significant differences between de jure and de facto sovereignty have emerged which vary among states. There has been a growth in the variations of the degree to which different states can exercise their sovereign authority. This

difference also varies for each state according to the issue involved. As a result of the processes of globalization and the resulting transformation of the global economy, many states have witnessed their 'economic sovereignty' decline more than their 'internal political sovereignty'. Nevertheless, this gap exists both for the state's ability to exercise its authority outside its geographical limit and for its ability to exercise its authority within its borders. If the state has lost much of that which differentiated it from other organizations, what is the reason to focus on the state as a significant actor in the 'New Global Order'?

Clearly, states no longer enjoy the same autonomy of earlier times either in domestic affairs or foreign policy. The definition of sovereignty offered below reflects the extent to which that authority has been limited. It also suggests the territoriality of sovereignty is becoming increasingly fuzzy. In spite of these fuzzy boundaries, states continue to be the basic unit of analysis for most of the discourse on international relations.

Although there are problems with the traditional conceptualization of state sovereignty, there are five main reasons why states need to be retained as the basic unit of analysis with some special sovereign characteristics (for the foreseeable future):

1. Peripheral locations. There are still states whose involvement in the global economy is more limited and whose global transactions are both smaller and less frequent than more developed industrialized states. These states may retain greater independence of internal action simply because the more powerful actors ignore them.

2. Domestic Politics. In some countries, political forces are pressing for cultural hegemony (a strong cultural identity) often resulting in aggressive nationalistic policies that oppose the logic of globalization despite the 'irrational' costs that are likely to be borne. Other states (such as China) may also be willing to risk international retaliation for reasons of domestic politics, often in the belief that such retaliation either will not occur or will not be as painful as the domestic consequences.

3. Military Capability. The authority and legitimacy of supra-state institutions (e.g., EU, UN, and GATT) still depend to a large extent on their existing member states. They generally lack a sufficient (i.e., military) means of enforcement should a state choose to reject their demands.

4. Data Organization. The state remains the principal geopolitical structure for which data on trade and other economic processes are recorded. Even Trans-National Corporations often retain a national (state) identity and have a national home, in spite of their growing independence from individual states.

5. An uncertain future. Globalization is an ongoing process with its eventual effects on the global geopolitical system far from clear. Until there is more evidence to the contrary, the state must be seen as the principal units of the geopolitical order.

These reasons for maintaining the state as a basic unit of discourse do not mean that important changes have not occurred. Fundamental changes have taken place that limit states' ability to exercise their sovereign authority in many circumstances. States are more dependent than ever on factors outside their effective jurisdictional control. The traditional definition of sovereignty and its related territorial specificity are no longer sufficient to give us the needed insight into the dynamics of the economic and political structure of today's world. A new definition of 'sovereignty' is needed to support discussions of the contemporary international political economy. The definition proposed in this paper may improve the comprehension of the world system of the 21st century and the conflicts and competitions that will occur.

The problems referred to above do not mean that the basis of the liberal democratic nation-state—parliamentary sovereignty—has been completely eroded or entirely overwhelmed by global changes (Spruyt, 1994). Sovereign authorities have merely come to operate under increasing limitations that are dependent on specific country's status, economic health, and diplomatic power within the interdependent world order.

A final argument for retaining the state as a major component of the global system is found in the apparent paradox of the increased size of the state (as reflected in its institutional structure) in the face of this 'decline' of the state's authority. During the period of supposed decline, states have actually grown in some important ways. Total government expenditure as percentage of GDP grew from about 20 percent in 1960 to 50 percent in 1990. Even in developing countries (where arguably the power of the state to act autonomously has suffered the most) government expenditures doubled from 15 percent to about 30 percent between 1960 and 1990 (World Bank, 1995).

Such comparisons tell us little about how power is distributed among states and other actors. The focus on economic factors obscures other political factors that influence states to compete in the global system. It also ignores other sources of power that allow the state arbitrate among parties in a domestic power struggle (Elazar, 1998; Lapid, 1998).

THE STATE AS THE REFERENCE POINT FOR THE INTERNATIONAL ORDER

The realist position, that the state serves as the fundamental reference point for describing the international order assumes that only states have legitimate power. In addition, this legitimacy is derived from some notion of 'national identity'. The realist formulation has been challenged in several ways; the most important of which is centered on the definition of power. For example, Strange argues that understanding the contemporary international processes requires us to look at the *control over outcomes* rather than the *control over resources* (Strange, 1996). Her argument in favor of authority being defined in terms of 'power over' rather than 'power

from' fits well with the modern history of international relations. Attempts to define power based on resource endowments (natural, structural, technological etc.) fail to explain many historical events. There have been many cases when smaller states have embarrassed much larger states. However, this does not mean that power defined as 'control over outcomes' is itself sufficient to explain the complexity of the contemporary international order.

Power, defined in terms of 'control over outcomes' is a relational concept. Globalization has made it increasingly necessary for power to be exercised multilaterally instead of unilaterally. Power relationships among states have thus become more complex. Consider South Africa prior to the end of apartheid. Even under extreme international pressure (both political and economic), South Africa continued with its policy of apartheid for a considerable period. A 'control over' view of power suggests that South African decision to change its policy means that there was a loss of power. Instead, it seems that changing from a 'bad' policy to a better one has (in the long run) enhanced South Africa's power and influence. A 'control over' perspective of power would lead to the conclusion that Libya is a powerful state as it has been able (thus far) to ignore international pressures in its continued support for terrorism. Such events raise questions for both approaches to power noted above. While the 'power from' approach fails to explain many such historical situations, the 'control over' approach fails to recognize the nature of the actual outcomes. Substantial differences often exist among different groups in the ways some outcomes are valued. These differences can affect power relationships and should be recognized in explaining international power relations.

States may vary in their willingness and ability to pay the cost of specific policy decisions. South Africa was both willing and able to pay the cost of maintaining the policy of apartheid for a considerable period. Later it either lost its willingness and/or ability to bear those costs. In many cases, the costs of certain policies have become so high that a state is much less likely to undertake them. For example, the cost of refusing to participate in a global free trade economy may be too high for most countries to bear. Thus, it is in a state's interest to accept and promote free trade. A country that changes from a highly protective policy to one that promotes free trade may be enhancing its ability to defend its own interest rather than demonstrating a loss of authority. Such policy shifts do less to demonstrate the loss of power for the state than they suggest an increase in the power of the global market. The reality of the global economy is that domestic markets are not independent of each other or of the global economic forces discussed above. Changes in the global market are important in explaining the shifts in state behavior, but its domestic market also influences these shifts. Although domestic markets are currently more influenced by the global market than in the past, most domestic markets remain territory-specific and use their own currency.[2] If we are to understand a state's behavior, it is important to understand the distinctiveness of its domestic market as well as its relation to the global economy.

The second part of the realist argument (national identity's role in determining legitimacy) has also been challenged. States have been a resilient basis for creating identity in spite of a common acceptance of the myth of the Nation-State, a 'myth' that has been criticized in recent years (e.g., Lewis and Wigen, 1997). However, a comparison of the state with other bases that create group identity, suggest three important differences:

1. The state is essentially a modern concept based on reflexive consciousness.
2. The state does not necessarily compete with other forms of identity. Rather it often co-opts other forms of identity (e.g., Irish-American, Israeli-Arab).
3. The modern state has been the dominant basis for differentiating among actors participating in the international processes, and enjoys greater legitimacy than many other forms of identities.

States have often consciously attempted to promote 'national' identities through various state actions. In cases where there are preexisting group identities (e.g., regional, tribal, or ethnic) some states have been able to overlay them with a common identity. Other states have attempted to merge these other identities into one common identity. Successful assimilation policies (i.e., nation building) depend on the power of the state, but are also constrained by other actors. The political legitimacy of the state increasingly depends on domestic economic policies (especially in Developing countries) as well as the international support it garners for those policies. This seems to be true for both democratic and totalitarian regimes.

Political crises often follow economic crises. Thailand and Indonesia are recent examples of the ways a state's economic policies are scrutinized by both domestic and international observers. Economic crisis such as Thailand's and Indonesia's rarely result in a reexamination of state identity. In general, debates over domestic policies do not lead to identity crises. Similarly, a decline in the state's ability to control the behavior of domestic or international economic actors does not appear to diminish 'national' identity. State actions remain boundary specific even while there is a new global space for state action resulting from the homogenizing effects of globalization.

The traditional conceptualization of sovereignty is no longer sufficient to explain political interaction in the contemporary world. This is because it fails to account for many interstate relationships and also because states are generally less willing to exercise their 'sovereign' authority. External actors (both state and non-state) can often impose unacceptable costs on a state for following even a strictly domestic policy (for example, involving human rights, or the regulation of business).

The discourse on international relations and on the behavior of the actors of the emerging global economy can no longer rely solely on the outmoded concept of state sovereignty. The effective power and even perception of legitimacy of a variety of non-state actors and their ability to affect (directly and intentionally) the behav-

ior of states must be recognized. The increased importance of economic interdependence and the limits thus imposed on the independent authority of states also has to be central to the discussion. Sovereignty must be seen as a multidimensional metric rather than as a characteristic that either is or is not present. Finally, the concept of sovereignty must allow for greater flexibility in looking at the ability of a non-state agency to enforce its own rules internally and to impose its will outside itself. The definition presented below accomplishes these ends.

THE DEFINITION

We suggest that the following definition better fits the geopolitical reality of the contemporary period and will be more compatible with the geopolitics of the future.

> SOVEREIGNTY: The degree to which a state, other institution, or organization can coerce or otherwise intentionally (and significantly) influence the behavior of other participants in the world political system and have such behavior recognized and accepted by a significant number of the participants in that world political system. The degree of sovereignty can vary with the type of behavior involved. Sovereignty includes the ability of any participant to make and enforce rules within its own territory or organization (internal sovereignty) and its ability to direct behaviors or actions of other participants (external sovereignty). The relative sovereignty of different organizations with regard to particular issues is reflected in the relative bargaining power that each one has when their interests conflict.

SOVEREIGNTY AND THE HYPERSPACE OF GLOBAL INTERACTION

The advantages of the definition presented above rest on its ability to include many of the changing international interactions discussed earlier in this paper. It allows for the possibility that an actor in the international economy has greater influence on events in some situations than in others. The definition allows us to better understand power relations within the multi layered, complex geopolitical and economic context in which contemporary states must operate. We call this global system the hyperspace of global interaction. The advantages of the proposed definition of sovereignty over more traditional versions can be seen in the better way it fits the reality of geopolitics in the hyperspace of global interaction.

One important characteristic of the hyperspace of global interaction is the 'speed' with which various forms of communication and other transactions can occur. Global interactions often occur at such a pace that a state cannot react effectively in a prompt manner. The state is thus always trying to 'catch up' to the global economy.

A state bureaucracy's difficulty in responding effectively to rapidly changing conditions may threaten the legitimacy of some political institutions. Information that is current and accurate may confer power to a smaller actor over a larger one—especially if the smaller actor is able to react more quickly than its larger 'opponent'. In a similar fashion, an organization that is sharply focused and has a limited number of constituencies to which it is responsible may be in a more powerful position than an organization which must please a number of different interests. The proposed definition recognizes such relationships. An economic enterprise is able to exhibit some characteristics of sovereignty and can limit the sovereignty of a state by its ability to communicate and evaluate information and make decisions with little internal dissent. A state, on the other hand, must often balance different political demands and negotiate its decisions. The debate over the 'Fast Track' approach to trade agreements illustrates the recognition of this problem. By insisting on retaining its full role as a sovereign parliament in this case, the U.S. Congress may reduce the sovereign authority of the U.S. to negotiate economic agreements with other states. This may also lead to 'American' enterprises moving to reduce their vulnerability to congressional actions.

A second characteristic of the hyperspace of global interaction is the many dimensions in which activities occur. The actors whose behavior influences outcomes vary from one plane to another. There are economic, social, political and technical dimensions of geopolitical interaction that are also effected by both time and space. Many processes that occur in this hyperspace lie outside a state's control (even outside of the control of the collective action of several states). Non state actors also interact with states on terms outside of state control. States that suffer setbacks in the global economy can react by crying foul and blaming outside agents for the problem. The invisible hand of the market becomes the villain in the form of greedy speculators (Mahathir's 'highwaymen of global economy'; Mahathir, 1997).

It is much easier for political leaders to place blame elsewhere than it is to take the responsibility for 'wrong' economic policies. However, as events in Malaysia and elsewhere in Asia during the autumn of 1997 demonstrated, the domestic political response can not overcome the effects of the global forces and the failure to respond to the demands of the global market carries with it grave risks. The events in Thailand in November, 1997 suggest that political leaders authority may be weakened (or even destroyed) by the actions of non-state economic actors (MNCs, IMF, World Bank, etc.). Again, these events are understood better from a more flexible perspective of sovereignty than from the narrower historic view of state sovereignty. The role of the IMF and other international non-governmental organizations in exposing the problems and resolving them suggests a degree of political independence and authority that would otherwise be limited to states. As Robert Kaplan (1997) points out global business enterprises operate on geographical scales much larger than state territories and increasingly control the real power to create change.

Another important aspect of the hyperspace of global interaction is the complexity and interdependency of the interactions within the global system. Some state actions

may be constrained by other actors with significant bargaining power while other actions may be independent of similar interference. The relationships between the same actors may vary with the part of the hyperspace involved. The decline in the effectiveness of Keynesian economics throughout the world exemplifies how domestic economies are increasingly dependent on decisions outside the state's territorial boundaries. This interdependence even influences the behavior of hegemons (e.g., the U.S.A.), who must rely increasingly on bargaining with other actors to enhance the effectiveness of many policies. The complexity of the global system reduces or excludes the possibility of effective unilateral state action in many situations. The attempts by the U.S. to isolate Cuba illustrate this point. The 'Asian flu' caught by the stock and currency markets in the fall of 1997 also illustrates the states' impotence to take unilateral action.

Finally, though the internal rule making authority of the state is still by and large in its discretionary domain, the effectiveness and sustainability of those rules are to some degree dependent on actors beyond the authority of the state. This suggests that sovereignty can no longer be seen as coincident with clearly defined state borders. In addition, many of the internal decisions made by global corporations have similar effects on at least some groups, as do laws enacted by state organizations.

The definition we propose above is consistent with the evidence of a major shift in the global distribution of political power. The increased importance of global economic enterprises is reflected in the increased importance of international trade and capital movements which give MNCs and international financial organizations ever more leverage in their negotiations with states. Between 1970 and 1990 the value of international trade grew from 28 percent to 45 percent of GDP in industrial countries and from 24 percent to 45 percent in developing and transitional economies. International capital flows grew from 5.5 percent of GDP (1971–75) to 10.5 percent between 1989 and 1993 in industrial economies. In developing countries capital flows increased from 7 percent to 9 percent of GDP over the same period. The result of the increased importance of international trade is that global firms have obtained a degree of political equality with sovereign states. (World Bank, 1995) Robert Kaplan argued that "...a world government has been emerging.... I refer to the increasingly dense ganglia of international corporations and markets that are becoming the unseen arbiters of power in many countries" (Kaplan, 1997:69). Kaplan puts his emphasis on corporations because he argues it is who has and who does not have power that is the essence of politics and that globalization is conferring ever more power on the global company (Kaplan 1997).

The increased powers of international corporations and global markets are largely due to the increased ability of the company to shift production with little regard to the local consequences. This is in part due to the rapid decline in transportation and communication costs and the speed of both information and capital movement. For example, from 1920 to 1960 maritime transport costs fell by more than 70 percent and between 1940 and 1990 communication cost based on telephone charges fell one hundred times (World Bank, 1995) If the concept of sovereignty is to have currency in the next century, it must reflect the emerging power relations in which

many corporations have something approaching the sovereign authority of many states. More than half of the world's 100 largest economies are corporations (not countries). The largest 200 corporations employ less than 1 percent of the world's labor force, but account for over 25 percent of the world's economy while the 500 largest companies account for 70 percent of world trade (Kaplan, 1997). In such a world, few (if any) states can claim to have sovereignty over these economic giants.

Another problem with the traditional association of sovereignty with the state is the assumption that power is related to and associated with political territory. Several authors have argued that national boundaries increasingly fail to provide a meaningful tool of explaining the international order of states (Allen, 1995; Leyshon, 1995; Stopford et al., 1991; Biersteker, 1981; Lapidoth, 1992; Rosenau 1990). The ease and speed of communication flows and other transactions, the growing importance of international regimes and the erosion of states' power within their borders undermine the importance of national borders. The contemporary global system is a broad collection of a dynamic group of actors with very different roles and abilities that go beyond the set of independent sovereign territorial states. Some of these other actors are multi-state organizations (e.g., EU, OPEC), some are non-territorial functional organizations (IMF, Red Cross, World Bank), some are non-territorial political institutions or organizations (World Court, UNO, established terrorist organizations), and some are private international economic organizations (TNCs, MNCs). In addition, the distribution of power among these actors is dynamic and varies greatly.

The actors in the contemporary global system are not substantially independent of the rest (in the sense that they can ignore the others in setting policies and taking actions). The interactions within this system consist of both market based economic exchanges and non-market based negotiated agreements (both economic and political). The greatly increased importance of negotiated agreements among the economic actors (and between economic and political actors) distinguishes this *new world order* from the previous world system.

While the arguments above have a great deal of validity, they have not erased national borders nor made them irrelevant. National borders as functional and spatial 'barriers' have no doubt been undermined by the international flows of information, economic transactions, and capital. Yet national entities continue to compete with each other to 'house' economic activities, capital still flows into specific countries and is converted to national currencies, and many locational decisions are still made based on national territories. Contrary to the postmodern argument, a majority of the world still sticks to oversimplified 'traditional' national identities.

SOVEREIGNTY AND THE 21ST CENTURY

The definition of sovereignty proposed in this paper provides a sounder and more meaningful basis for geopolitical discourse over the next century than the traditional conceptualization. There are four major advantages to this definition.

First it maintains the importance of states as primary actors in international order, but recognizes the growing political importance of non-state actors. Specifically it recognizes the growing power and political independence of global corporations and their ability to form political (as well as economic) alliances with other global actors (both governments and corporations).

Secondly, the proposed definition provides a better perspective for viewing new geopolitical organizations and global NGOs. For example, the continuing evolution of the European Union confuses the traditional meaning of state sovereignty. The moves toward common institutions and a common currency is likely to shift some sovereign characteristics from the countries to the EU, but the countries will still retain some essential sovereign authority—most notable the right of withdrawal. Even if the EU establishes a common defense force (an army) it is not clear if it will be able (or willing) to use that force to enforce policy decisions internally. Other examples of actors that are better accounted for in the proposed conceptualization are the IMF, GATT, and the World Bank. Each of these international NGOs have some degree of authority over otherwise 'sovereign' states, they are not accountable to any individual (or specific) state, and have financial and economic resources of their own.

The third advantage is the explicit recognition that sovereignty is divisible and may be present to variable degrees. This applies to both internal and external sovereignty. A state may have different abilities to make and enforce rules for different issues. For example, a state may be able to pass and enforce labor regulations more easily than it can regulate greenhouse gas emissions. The differences in rule-making authority can also vary with the regional or global context in which they occur. A state involved in cooperative policies with other states may experience a different amount of external coercion over 'undesirable' policies than one not so involved. In addition, the pressure brought to bear on a country regarding a policy (internal or external) may depend on the publicity given it in the world press. This definition recognizes the contingent nature of both power and sovereignty as well as the exercise of each.

The final advantage is the replacement of a concept of sovereignty based on the power (or authority) to unilaterally do things with a concept that recognizes the role of negotiations in policy making and policy enforcement.

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NOTES

1. Since this paper was written a conference—Geopolitics and Globalization in a Postmodern World—was held in Israel. Several papers presented there relate to the theme of this paper and are referenced as appropriate.
2. The movement towards the acceptance of the EURO as a common European currency slightly weakens this argument.

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