

TALLINN UNIVERSITY OF TECHNOLOGY

School of Business and Governance

Department of Law

Teona Patarashvili

**GLOBALIZATION AND TRANSNATIONAL  
ORGANIZATION'S INFLUENCE ON THE SOVEREIGNTY OF  
THE NATION-STATE**

Bachelor's thesis

Programme of International Relations

Supervisor: Vlad Vernygora, MA

Tallinn 2018

I declare that I have compiled the paper independently  
and all works, important standpoints, and data by other authors  
have been properly referenced and the same paper  
has not been previously been presented for grading.  
The document length is ..... words from the introduction to the end of the summary.

Teona Patarashvili .....

(Signature, date)

Student code: 145792TASB

Student e-mail address: [patarashvili7@yahoo.com](mailto:patarashvili7@yahoo.com)

Supervisor: Vlad Alex Vernygora

The paper conforms to requirements in force

.....

(Signature, date)

Chairman of the Defence Committee:

Permitted to the Defence

.....

(Name, signature, date)

## TABLE OF CONTENTS

ABSTRACT.....	4
INTRODUCTION .....	5
1. FINDINGS.....	8
1.1. History of sovereignty – the post-Westphalian State System.....	8
1.2. TNOs and the State Sovereignty.....	9
1.2.1. Modern State System and the TNOs.....	10
1.2.2. Law and the TNOs.....	11
1.2.3. Jurisdictional Asymmetry.....	12
1.2.4. Jurisdictional Conflict and Extraterritoriality.....	12
1.2.5. National Control.....	14
2. A MULTIFACETED IMPACT OF GLOBALIZATION ON THE NATION-STATE.....	16
2.1. Impact of Globalization on Political Sovereignty.....	17
2.2. Impact of Globalization on Economic Sovereignty.....	18
2.3. Impact of Globalization on Cultural Sovereignty.....	19
3. DISCUSSION: SOVEREIGNTY IN A GLOBALIZED WORLD.....	21
3.1. Sovereignty and Nationalism.....	23
CONCLUSION.....	25
LIST OF REFERENCES.....	27

## **ABSTRACT**

The primary goal of this research paper is to get a deep insight into and an understanding of the relationships between transnational organizations and national governments in the context of the formers' impact on sovereignty, autonomy, and control. The paper argues that the mainstream literature has fallen short of predicting that globalization can critically compromise the independence of a state, especially if the country is on the path of economic growth and developing. Nonetheless, in as much as notions like sovereignty, autonomy, and control appear repeatedly in the literature, their precise use and clear definition remain contentious. In the end, transnational organizations remain multinational corporations (MNCs) that operate influential institutions without geographical borders nor limits. The threats posed by TNOs for both state and inter-state system mostly involves issues regarding violation of area of influence rather than sovereignty in its formal sense. This material article argues that transnational organization (TNO) has taken advantage of the process of globalization to overcome the authority, control, and sovereignty of various nations across the globe. While globalization can be considered a positive initiative, it exposes the weaknesses of states, an issue that TNOs may explore to their economic advantage.

**Keywords:** TNO-state relations, globalization, multinational corporation, transnational organizations, sovereignty

## **INTRODUCTION**

The concept of the international system entails a complex and multi-network of several subjects, including but not limited to states. The nature of the international system, therefore, hinges in part, on the relationship and attitudes of the subjects, as well as their peculiarities. Consequently, the international system provided the basis for the development of the concept of sovereignty and power. According to Haas (2008, 369), the definition of world policy emanates from the power and authority accorded to the states through the exclusive rights over their national and political systems and territories. Nonetheless, the unprecedented levels of the process of globalization have, in the recent times surpassed the boundaries of political economies to encompass almost all areas of the human activities word over. The information and technological progress, business and capital growth and development have overcome the state boundaries. Of more importance to note is the increased role and influence of the transnational organizations (TNO) in the contemporary society, about the authority, control, and sovereignty of various nations across the globe. This paper argues that, while globalization and sovereignty exhibit myriads of advantages to the global populace, TNOs have capitalized on such opportunities to jeopardize the authority of states over their sovereignty and resources.

Even though the idea of multinational organizations began as early as in the XIX century, it was in the 1960s that the term MNC came to the public limelight. Kobrin (2009a, 1) notes that it was David Lilienthal who first defined MNCs in 1960. He defined an MNC as an organization that operates in one or more countries other than their home country, and that adheres to the trade regulations of the host country. The crucial part of the definition is the description of the subject, in which the author describes the power and influence of MNC in the contemporary global political system. Therefore, it is evident that power is an essential feature of any MNC. In this respect, this study primarily focuses on a specific type MNC known as the TNO.

Caves (2007, 10) defines a TNO as a type of MNC that transcends the idea of a nation-state. Examples of TNOs include the International Non-Governmental Organizations (INGOs) and

social movements like the *Peace Brigades International*, the *Amnesty International* as well as organizations working in the field of human rights. Given the influence of the industrial revolution, one could have expected compelling studies on TNOs before the 1960s. However, most nineteenth-century works by various economists put much emphasis on the macroeconomic and macro-political aspects of international trade at the expense of TNOs and their influence on the global political system amid heightened globalization and the element of state sovereignty. Several works have highlighted the concept of globalization in the past, including Ritzer's *The Blackwell Companion to Globalization*, Pieterse's *Global Future* and Holton's *Making Globalization* among other philosophers.

Nonetheless, recent scholars have attempted to put much emphasis on the instrumentality of TNOs in economic globalization (Athukorala 2009, 125). According to the authors above, it is undoubtedly clear that the achievement of FDI hinges, in part, on the development of MNCs. Therefore, during the early 1960s, many scholars began to explore the concept of MNCs and their role in the economic and political systems. Various authors engaged in a serious scholarly debate multinational enterprise, including Raymond Vernon, published in the 1960s. Vernon (1971a, 326) was stating that sovereign states no longer enjoyed independence following the emergence of TNOs, as the latter took control of the political and economic systems beyond state boundaries. The author stated above further notes that whereas other scholars disputed the idea that TNOs often influence the sovereignty of states, others like George Ball anticipated a significant conflict of interest between TNOs and the nation-state (Kobrin 2009b, 4). The idea mentioned above became popular among investors during the early 1960s, who perceived the idea as an opportunity to utilize untapped resources, and in return develop the nations that produce the raw materials. According to Brown (2018a, 22), the investors had the chance to surpass the nation-state to achieve increased economic and political gains. Therefore, there is an academic legitimacy for this research to be focusing on understanding one particular aspect of literature, notably, TNO-state relations, particularly the impact of TNOs on sovereignty, autonomy, and control of the state over economies and economic actors.

Considering the above, this paper argues that mainstream literature failed to predict that globalization can critically compromise the independence of a nation, especially if the country is still developing. As noted previously in this paper, TNOs are MNCs that operate influential institutions and surpass the state territories in pursuit of economic gains. Consequently, the TNOs

pose considerable threats to both state and inter-state system through various initiatives, including compromising their authority and sovereignty.

Still, the threat of TNO-state relation is not only significant to some extent but also imminent, particularly regarding the rapid technological advancements in the contemporary society and subsequent adoption of such initiatives by the modern generations. The concepts of globalization and the nation-state have featured prominently in the modern literature, particularly about the endeavour of various players to dominate the economic and political systems of various geographical jurisdictions. Today, TNOs have become instrumental in undermining the sovereignty of nations, especially those of small states. The role played by the TNOs in shaping the economies of their host countries is undeniably significant, thus, cannot go unnoticed.

The primary objective of this paper is to discuss the impacts of globalization and TNOs on the sovereignty of a state. Therefore, the first question that frames one part of the discussion is on whether or not states are still main actors in the international system? Importantly, the study revolves around establishing the proper involvement of TNOs in compromising the autonomy, sovereignty, and control of resources by the state. The second research question that completes the discussion's framework is on by what means globalization influences sovereignty of the states? In so doing, this paper seeks to provide a brief review of the features of TNOs and the meaning of autonomy, control, and sovereignty. Besides, this paper discusses the relationship between TNOs and the state by arguing that the impact of the former on states and state systems are finite and do not threaten territorial sovereignty directly. Finally, the paper offers a discussion on effects of globalization and the TNOs on tiny states and their independence. The paper starts by providing a brief historical background of globalization and sovereignty.

This paper attempts to utilize critical analytic approach, particularly through comparative analysis to understand how the operations of TNOs in the global market impact on the government's control of resources within the state. The study employs various research methodologies, including historiographic and discourse analysis, comparison, synthesis, and diagnostic reasoning to achieve this goal. Besides, this work primarily draws data from scientific and professional publications; peer-reviewed journal and scholarly articles among other credible sources. The study also utilises the techniques of synthesis and prognosis only to set the central argument but also eliminate the less relevant or irrelevant points.

# 1. FINDINGS

## 1.1. The history of sovereignty-The post-westphalian state system

To answer the main questions of the topic, firstly, it is necessary to study the phenomenon of sovereignty. The notion of sovereignty can be understood on the example of two broad movements, expressed as the form of practical institutions, as well as with political opinion. The first is the system of sovereign states, have been created by the Westphalia treaty and when the sovereignty has become the leading them of political opinion in work of Bodin, Hobbes and Rousseau. The second important movement is the restriction and decline of the sovereignty, which in practice started after the second world war.

The sovereignty as the concept of the state is associated with Bodin's name. His work titled *six books on the commonwealth* was a significant step forward to work out the meaning of sovereignty. According to Bodin, sovereignty is the supreme power over people and subjects, that the internal situation in the country is the only case of the ruler (Andrew 2011, 76). Another definition is giving by Woodrow Wilson, that sovereignty is a regular functioning authority of giving competence to rules (Singh 2016, 100). According to Hinsley (1986, 26), sovereignty is defined as the idea, that there is an ultimate political power in the authority and no last total authority exist in another place. However, the meaning of sovereignty has been varied throughout history, the main sense was same, the supreme power within territory.

The 1648 Westphalia Treaty marked the onset of a new era of internationalization. There is need to remember that the era of internationalization stated above was the period of *Renaissance* and humankind was eager to put his theoretical scientific knowledge in economics and politics into practice (Mock 2011a, 1098). Arguably, the era formed the basis for the formation of sovereignty concept, followed by conceptual adjustments to the sovereignty notion as a result of the development of the international systems (Mock 2011, 1098). States have become the major players in the international system presently, more so from a theoretical perspective.

Most scholars have no interest in defining the term and often consider it a legal matter. As a result, it is wise to consider formal sovereignty of an independent nation as a limited regional jurisdiction with clear-cut boundaries. Notably, a sovereign nation is supreme and autonomous of external powers in the exercise of authority. Even in the XXI century, the political influence of a self-governing state is contingent to the geographic paradigms of that particular country. Consequently, internal sovereignty refers to the legitimization of the state concerning conflicting inside dynamics. In inherent sovereignty, the system assumes absolute control of all the background rules, code of practice, and policies within its jurisdiction. Internal sovereignty is, however, a little complex. In simple terms, internal sovereignty motivates or legitimizes relations between states in the global political system. The international system stated above also influences the relations between nations internationally and the system in a manner that deters the existence of a central government (Kaplan 2005, 35).

As Evans (2012, 43) notes, autonomy, on the other hand, refers to the capacity of a nation/state to make informed and unbiased decisions without seeking advice from external sources or authorities. In autonomy, external forces do not influence the decisions of the policymakers, and that they must ensure that the state function independently as much as possible. In summary, the post-Westphalian system introduced new concepts like sovereignty, autonomy, and control. These concepts were instrumental in defining the critical characteristics of a state, and its role in the international political and economic stage. Therefore, it is evident that the pioneers of TNOs would not have been successful without the contributions that followed the Westphalia Treaty of 1648. The subsequent section discusses the current relationship between governments and the TNOs.

## **1.2. TNOs and the state sovereignty**

Today, the relationship between states and TNOs is stronger than ever. From my research, I have managed to deduce three reasons why this is so. Firstly, most governments will not be willing to give up the benefits of the TNOs, considering the current global economic condition. Apart from that, being that TNOs are borderless entities, it would be difficult for the affiliates to adjust to the interests of any single jurisdiction. A broader analysis of the literature on the impacts of MNCs on the sovereignty of states reveals four primary challenges that TNOs pose for states and their sovereignty. The first problem lies in the distribution of costs and benefits associated with the TNOs (Bexell *et al.* 2010a, 82). The challenge stated above affects both the internal and external

economic functions of the state. However, above mentioned authors affirm that most of the issues here relate to the allocations of resources, competency, and influence among states or groups within countries as well as the system in effect. Still, the fact that the content on the distribution of costs and benefits of TNOs is under the section on ‘national control’ justifies the need to consider sovereignty (Bexell *et al.* 2010b, 98). Hence, this discussion focuses on the challenges of the modern state system and the TNOs, jurisdictional asymmetry, jurisdictional conflict and extraterritoriality, as well as national control.

### **1.2.1. The modern state system and the TNOs**

Even though many experts in political science consider internal sovereignty as absolute about the exercise of control, this is far from the truth. Notably, the government compromises the sovereignty of the state any time it enters into a bilateral agreement with any outside TNO. Nonetheless, since there is no central authority to oversee the implementation of the policies, and the set rules and regulations, each state has the right to enter into a contract or forego the deal. However, considering the global system of the economy today, it is difficult for states to give up the benefits of TNOs, lest they plunge into economic turmoil. In other words, the states must abide by the rules and regulations stipulated in the agreements (Tallberg *et al.* 2014a, 742).

On the contrary, external sovereignty assumes some absolute authority over the TNOs, though not entirely. For instance, in a democratic society, the economic and political independence of a state is a function of its boundaries and geographical control (Tallberg *et al.* 2014b, 743). The idea does not imply that the degree of territorial authority and acceptance by other powers define an independent state. Therefore, compromising the external sovereignty involves compromising the autonomy of the country and the system. However, our primary concern is whether the TNOs has compromised formal sovereignty in the last few decades – definitely, from the 1960s to date. Even if so, there is a certain point in the developmental stage of a tiny nation whereby it is critical to compromise the sovereignty of the state to achieve economic sustainability. The government must, however, jeopardize its autonomy and control over the economy of the country. Although there is an existence of a connection between autonomy and internal sovereignty, it is difficult to believe that TNOs are in a position to compromise this relationship considering that they (TNOs) too have to comply with the rules and regulations of the host nation.

### **1.2.2. Law and the TNOs**

Moreover, most TNOs today still abide by the fundamental principles of the post-Westphalian state system. Lawfully, Tallberg *et al.* (2014c, 754) affirm that no international statute recognizes MNCs as it demands the designation of a legal contract before the commencement of any operation. Therefore, a TNO must meet its expectations before integrating with other corporations formed under the company laws of their home countries. In so doing, it increases its ability to incorporate various state corporations from different regions of the world, thus existing under the laws of the respective sovereign states. Besides, autonomy and control of the activities of the TNOs remain under local authority rather than international watch. Nanz and Steffek (2004a, 315) argue that the TNOs depends on admittance to jurisdiction to link with other subsidiaries, an issue that portrays them as advocates of sovereignty. Consequently, the government which control the access is likely to grow both economically and politically. From this illustration, it is admissible that TNOs do not undermine the nation-state but strengthens it. According to Nanz and Steffek (2004b, 314), the existence of TNOs is dependent on the existing state system, implying that the latter is a result of the former. Therefore, the idea of TNOs is inevitable in the modern world regarding the influences of this modern age of technological, social, political and economic development.

Similarly, the risk TNOs pose to the sovereignty of the particular state is under the control of its national government. Similarly, the fact that these problems are not new implies that there must be an existing remedy. Furthermore, there have been attempts by different international organizations from various sovereign states to find a viable solution, primarily on how to avert autonomy and control of national resources from the TNOs. According to Backer (2005, 287), United Nations (UN) and the Organisation for Economic Co-operation and Development (OECD) initiated the viable codes of conduct to regulate the activities of TNOs and limit their control over the national resources. Once again, the shortcoming arises in the perspective of power and autonomy but not sovereignty.

### **1.2.3. Jurisdictional asymmetry**

Jurisdictional asymmetry arises when the economic and political dynamics of particular state fail to diffuse. In the sense that, the international financial framework is more integrated compared to the global political system, which disintegrates into independent national states. This disparity is what we refer to as asymmetry. This difference often emanates when TNOs antagonize a global political order organized regarding territorially sovereign nations (Kordos, Vojtovic 2016, 150).

This asymmetry gives rise to the problem of authority without government. The statement highlighted above implies that a TNO is not answerable to any level of governance which embodies the collective interests of all countries in which it operates. The ability of TNOs to operate as multinational entities with a limited scope of any government's power generates asymmetries of jurisdiction and data. Theoretically, TNOs are quick to respond to all the parameters concerning national jurisdiction, but this is not true in practice. Notably, TNOs do not wield any significant authority to undermine the autonomy of a state either as a single unit or as a group of various MNCs.

Besides, no single sovereign state can fully understand the operations and functionalities of the TNOs. Additionally, the state system of governance differs across national boundaries, thus, regulating the activities of TNOs may not be sufficient to suppress its dominance over state resources. The set policies will always work in favour of the TNOs concerning the number of profits made and degree of control, either economically or politically.

#### **1.2.4. Jurisdictional conflict and extraterritoriality**

Subsidiaries of TNOs are still national corporations subject to the statutes of the company law of the host countries. Therefore, each subordinate firm assumes a dual personality, by following the local rules and regulations, particularly regarding the local economic and political system of the state in which it conducts its business. At the same time, a subsidiary of a TNO must also adjust and comply with the international laws and regulations, and hence, function as a unit of an MNC. The duality mentioned above was responsible for much of the TNO-State conflict during the 1960s when the idea of MNCs was still new among economists. For instance, many tiny states perceived the duality as a form of imperialism, in which the TNOs syphoned wealth from such countries into the jurisdictions of another. Similarly, these challenges are limited to other factors related to tax policy, the balance of payment controls, and securities exchange, rather than the sovereignty of a small nation (Zeidman 2014, 237). Nevertheless, the outside picture portrays TNOs as rogue organizations which do not listen to any level of authority other than their own. Consequently, it is evident that TNOs often take advantage of the different company laws that exist in various countries. These discrepancies are responsible for the onset of the overlapping regulations, thus facilitating the activities of TNOs.

Alternatively, the policymaker also has often experienced challenges in allocating taxable income to the TNOs. To some degree, the issue of jurisdictional conflict and extraterritoriality is null and

void, because most of the United States tax profits is attributable to direct foreign investments by the TNOs. Besides, the problem of underlapping of tax revenues has been prevalent over the last few decades, a cause attributed to the difficulties in collecting revenues from the TNOs. Another shortcoming arises from the differences in anti-trust actions across various national boundaries. For example, the dissimilarities in the U.S. and European law cause conflicts regarding operations of affiliates of US-based transnational entities. According to Chibueze (2003), the United States courts declared that non-citizens could be held responsible for acts of violation committed outside the territory of the USA. On a rejoinder, though the EU including the British courts dissented to the mentioned regulation, arguing that it contravenes their earlier rulings on the same issues (Moravcsik 2005, 350). Over the years, anti-trust related conflicts among European and American markets have ceased to exist as the competition among the two parties continue to integrate.

The most current conflict that resulted from issues involving extraterritoriality by the TNOs occurred between the late 1960s and early 1970s. The intention of the USA to exert its authority over other countries by using TNOs created conflicts, particularly among the Atlantic countries. Consequently, even though the state has autonomy over all activities taking place within its jurisdiction, the international law allows the TNOs to overlap over these rules. By granting state jurisdictions to TNOs, there is the likelihood that the sovereignty of the host countries is under threat. Regardless of the shortcomings associated with it, this aspect of territoriality helps to reduce incidences of extraterritorial violations committed outside the borders of a particular state. Still, the whole element of territoriality sounds ambiguous. In as much as the principle of territoriality helps to preserve state sovereignty, it also exerts jurisdiction over its citizens elsewhere around the world. Correspondingly, the extent of control over the economy and other economic actors determine the country of origin of a TNO. Therefore, the ambiguity makes it difficult to identify the nationality of the affiliate firm (Abass 2012, 189).

The act of compromising state sovereignty is visible in several regions across the globe, particularly orchestrated by the USA and the EU. Through the process of globalization, the EU has managed to violate the economic and political sovereignty of many countries across the globe. In such a context, Adler-Nissen (2014a 55) argues that the EU had the authority and influence over countries due to its instrumental trade policy. Notably, the region's trade policy has been instrumental in shaping the international trade relations. Globalization has facilitated disintegration not only in Europe but also in other parts of the world, thus decentralizing the various economic and political arrangements. As a result, the new political systems not only

reorganized the populations but also the territories, thereby facilitating the expansion of trade and industries. According to Laïdi (2008, 25), globalization has enabled the EU to appear more invasive, particularly in the perspective of the sovereignty of various states. The TNOs is instrumental in helping the EU to accomplish its trade and economic policies through compromising the sovereignty of other countries (Adler-Nissen 2014b, 54). In addition to controlling the international market through its economic and trade policies, the EU also intended to extend its control over other nations through monetary policies (Laïdi 2008, 25). Moreover, the organization also had the capacity to control other dependents of the EU's trade services by exporting its administrative and governance agenda and structure respectively.

The conflict of interest is inevitable across the globe, involving the US and the EU agendas. Being that the subsidiary of the US-based TNO operated from within France, it was subject to French trading rules and regulations. At the same time, this subsidiary also conducted its business in conformity with the United States commercial laws and policies. Another point worth noting is that the US government executed the law through its headquarters at Fruehauf rather than to confront the affiliate directly. This action by the US government is legally acceptable considering that the base at Fruehauf operates within the US jurisdictions in France. However, from a different viewpoint, it is apparent that the US government implemented its law extraterritoriality via the affiliate of a TNO. Throughout most of the Cold War, the majority subsidiaries of US-based TNOs adhered to the Trading with the Enemy Act and often shunned doing business with prohibited states such as the People's Republic of China and the former Soviet Union (Baylis et al. 2017, 15).

#### **1.2.5. National control**

On the one hand, the introduction of TNOs has reduced governments' control and authority over state resources. In contrast, one can argue that the loss of control over economic factors by the state is attributable to a combination of several dynamics including the emergence of the digital age, interdependence, mechanization of the production process, as well as overlap of political and economic paradigms. Another contributor is the emergence of the new global economic system. The factor mentioned above compromises the state control and autonomy by a bigger percentage compared to TNOs. The economies of individual global states exist in a network of the interdependence of which its existence is inevitable (Baylis *et al.* 2017, 15). However, it is notable that the contemporary TNOs are at the forefront in enhancing the process of interdependence among sovereign nations by establishing financial dealings through internalization. In other words, the TNOs have become a bridge linking the local production systems to the international market.

As a result, factors of production such as capital, land, and technology have become international. The existing interdependence between FDI and domestic trade is inevitable, hence, undermines the national government control of the economies and financial policy.

Moreover, the interests of the TNOs may not always align with those of the host nations. The primary objective of the TNOs is to make a profit, much of which gets invested back to the economy of the home country of the parent firm. Unlike in the twentieth-century where most governments solicited for funds for developments through external investments, most states today depend on the private sector to achieve their obligations to the people. Hence, there is a conflict between the need for the government to accomplish its goals through national enterprise and the objectives of the TNOs. According to Vernon (1971b, 15), tension is inevitable if the activities of a certain enterprise in the economy are in doubt and portray some elements of ambiguity.

As mentioned earlier in this paper, there is a problem of jurisdictional asymmetry in the scope of operations and goals between the nation-state and the TNOs. The overlap stated above leads to a conflict of interest between governments and TNOs, whereby the former has the mandate to better the livelihood of its citizens while the latter's primary aim is to make a profit for the shareholders and investors. Thus, from the statement, it is wise to conclude that the interests of the TNOs are driven by outside (international-related) factors whereas those of the nation-state are internal-related. Nevertheless, despite the challenge posed by this asymmetry, there is no guarantee that the TNO-state relation will diffuse in the future to enable the governments to put forth control over their economies and economic policy. The alignment is becoming increasingly unattainable day by day given the dependence of most governments on MNCs to attain their objectives.

## **2. A MULTIFACETED IMPACT OF GLOBALIZATION ON THE NATION-STATE**

Globalization is one of the key terms of the modern era, but the scientists are still unable to agree on the optimal definition of this term. The researchers and scholars perceive this process in own understanding and give different definitions. According to Giddens (1991, 64) globalization can be explained as the strengthening of global social networks, that links remote areas in such way, where the processes of local significance are influenced by the developments, that are many miles away and vice versa. Some sociologists – Albrow and King, for example – argue that globalization reflects all the processes, through which people join in a global, in one world society (1990, 8). Globalisation entails processes whereby various elements of social relations are separated from regional geography so that people from different places across the world can coexist as a global village (Brown 2018b, 23). So, in the social sciences, it is very difficult to determine the exact meaning of the term. At least when we talk about globalization, which is wide, variable and diverse. The global populace can now interconnect with one another such that the events in one part of the world influence other occurrences in a different part of the globe, through globalization. In line with our topic of discussion, sovereignty emerges as the central link between globalization and the nation-state. The literature encompassed in the rubric ‘the post-Westphalian state system’ indicates that the concept of sovereignty began even before the signing of the treaty of Westphalia of 1648. The post-Westphalian era introduced new concepts on sovereignty, more so it’s legal perspective. According to professionals in the field of political science, the new generation of the XXI century view sovereignty as a legal parameter that places the state above the authority of other external laws (Holton 2011a, 31). Previously, whenever a state enters into a contractual agreement with an outside power or entity, it reduces the degree to which it exercises its autonomy over the economy and the economic actors. In return, the sovereign right of the state diminishes as result of such contract. Conversely, despite the threat globalization pose to the independence of states, most nations have managed to uphold the concept of sovereignty. In case there is a need, countries conform to other laws such as the customary international law. Hence, the idea of complete erosion of sovereignty is not conceivable.

Brown (2018b, 23) further demonstrates that sovereignty today is noticeable via government functions like printing of money, the collection of taxes, implementation of the domestic law, the conduct of foreign policy, regulation of trade, as well as safeguarding of domestic order. These functions are utterly reserved for the state, thereby justifying the existence of sovereignty. Furthermore, the economic challenges nations face today are beyond the reach of any country to achieve on its own. Therefore, sovereign nations must join other external actors to accomplish their obligation to the taxpayers. However, it is not wise to overlook the fact that the current global political system is an outcome of the nation-state and the initiatives it (nation-state) undertakes. Since its emergence, the nation-state has managed to guarantee security and protection of nationals residing within its jurisdiction. It has also enhanced accountability regarding the use of public funds and allocation of resources, as well as providing a framework that enables nations to conduct their economic and social functions. The activities of governments have increased tremendously, especially in the areas involving the supply of public goods, drafting of the national budget, purchasing of imports, as well as satisfying the needs of the minorities and the marginalized, all because of the nation-state (Rodrik 2011a, 67).

By considering the impacts of globalization both at the local and international level, the next section of this paper attempt to identify the primary aspects of state sovereignty compromised by globalization. Subsequently, the article will conclude with a discussion of whether or not, or to what extent globalization undermines state sovereignty. Because globalization is a multidimensional concept, the chapter will discuss the phenomenon by taking into consideration its economic, social, political, and cultural implications on state sovereignty.

## **2.1. Impact of globalization on political sovereignty**

Research shows that globalization is incessantly diminishing the control of the state over their economic and political systems (Kobrin 2009c, 6; Rodrik 2011b, 67). The fading impact of states' authority and control is becoming prominent because world politics today hinges on the trends in both the domestic and international arena. However, unlike the widespread notion that the governments are incapable of administering over the states, they must manage state politics effectively to cope with the pressures of TNO market dynamics and subsequently stay in power. Additionally, the internationalization of political systems has led to the globalization of politics. During the last few decades, the western nations have been instituting political structures and

international customary laws that will aid in controlling international relations. The West initiated the new system often referred to as “global governance” (Kobrin 2009d, 12). The process of global governance manifests itself through TNOs, including but not limited to the INGOs, the United Nations, the African Union as well as the EU. The primary objective of these institutions is to develop a new standard international political order in the pretext of conducting business.

The emergence of this new trend in the world of politics implies that nations not aligned to any of these organizations are considered as outliers. Thus, they do not have the opportunity to benefit from the initiate vast of such groups. Hence, nowadays it is difficult for states to resist the enticements of these TNOs. Soon, nations will have no choice but to abide by the commercial guidelines and rules put forth by the TNOs, hence undermining their sovereignty (Vernon 1971b, 15). The human rights domain recognizes and feels the impact of globalization on the political sovereignty of various nations. Because of the globalization of local political structures, governments do not have the privilege to exercise the authority over the citizens as they wish. Their actions must conform to the concept of universal suffrage as far as human dignity is at stake. Before long, the privilege of having autonomy over the state politics will be under the full control of the TNOs.

## **2.2. Impact of globalization on economic sovereignty**

These days, the idea of economic internationalization manifests through the existing web interconnecting the various aspects of commerce as well as the influences of the TNOs. In as much as this system has existed since early 1648, the extent of its impact is increasingly becoming more significant. Economists attribute this rapid growth to the development of information technology (Chetty, Campbell-Hunt 2004, 57).

The growth of the information sector has made it easy for civilians, businesspersons, and organizations to exchange money regardless of time and place. In simple terms, globalization via the new information technology has helped to surpass the territorial constructs by enabling smooth flow of cash (Grinin 2012, 212). However, this capability of the market to transfer currency from one part of the globe to another undermines the economic sovereignty of independent countries. In that sense, the economy of most sovereign nations nowadays is at the mercy of external market forces. TNOs being the leading initiator of this compromise. Similarly, the development of

institutions like the World Bank and the International Monetary Fund (IMF) come with new challenges regarding the degree of government's control over the economies and economic actors.

Previous studies relate the impact of globalization on the economic sovereignty of a state to the current technological advancement and the ever-increasing human intelligence portrayed through the modern scientific inventions. Research shows that in case this process of progress is faster in some countries compared to others, its impact is likely to be felt by the slow developing nations (Oji, Ozioko 2011a, 257). For example, China is currently in the process of being a dominant global economic power. Most under-developed and developing countries such as those in the continents of Africa and South America often acknowledge the impacts of the development initiated by China. The progress manifests itself through the loans awarded to the under-developed states in these regions.

### **2.3. Impact of globalization on cultural sovereignty**

In our standpoint, culture refers to the patterns of behaviour and thinking adopted by the particular group of people living within the same jurisdiction or close to one another. Cultures often differ across boundaries, to imply that one culture practised within a specific territory is different from another one across the border. Culture incorporates various aspects of social lifestyle such as beliefs, norms and ethics, rituals, art, mode of dressing, types of food, language, and technology, etc. People living in the same society share a common culture. This feature is a unique characteristic of the culture. Also, an individual can learn different values and be part of that culture. Lastly, culture is adaptive, in that it can adjust to the emerging trends regarding technological advancement, social and economic developments (Oji, Ozioko 2011b, 259). For example, there is a new culture among the so-called Y-generation, the digital age. The issue mentioned above is predominant in the XXI century and is recognizable through their embracement of the new information technology. The members of this generation are into playing video games, interacting through social media and partying. Therefore, those features differentiate them from the previous generations.

The developments witnessed in the modern global society came about as a result of the need for humans to connect with one another, regardless of one's cultural background. In truth, it is the desire of people to embrace other cultures that initiate most of this progress. Otherwise, each state

would be in isolation from the rest of the world. Therefore, this desire to connect is what leads to the internationalization of culture. Today, culture has undergone globalization in the sense that, commonalities exist in the activities and behaviours of people from different parts of the world. Such similarities include the use of same social media platforms, cars, and mobile phones. Also, most cultures today embrace similar genres of music and dance moves. An example of a conventional dance move shared by most cultures today is the “dab,” invented by American hip-hop artists (Gibson, 2017). Hip-hop music itself is a shared culture. For example, we have the hip-hop embraced by Afro-American urban youth and that of the African city youth.

Cultural globalization incorporates two sets of phenomena, the first one encompassing the propagation of ethically accepted values from one place to another. The manifestation of these values today is seen through transnational institutions like the United Nations Human Rights Commission (UNHCR) which uphold the concept of human rights. Another phenomenon involves the adoption of western ideas and institutional practices such as capitalism, computer technology, and the institution of democracy. In as much as the cultural exchange has always existed, the 21st century has elevated the process a notch higher than ever before. The improvement in information technology, increased innovation, as well as modern is some of the key facilitators of cultural exchange. Other factors such as the increased consciousness on human rights, equality, equity, and freedom of expression also aid in the spread of cultures across territories available here.

### **3. DISCUSSION: SOVEREIGNTY IN A GLOBALIZED WORLD**

Before the start of the era of globalization, sovereignty implied absolute control and authority. Today, the idea of the nation-state just exists in theory. However, in practice, it is globalization through its multifaceted paradigms that control the economies and economic actors of a sovereign state, as well as the political system of a nation. In the modern-day world, sovereignty just exists in name with only a few privileges arising from it such as countries being independent of occupying powers and the right of nationals to choose their government. Another existing form of state sovereignty is the freedom of governments to run their affairs without the interference of another nation. Also, governments exercise the state independence through overseeing trans-border operations. To imply that, the government controls all the activities involving over-border operations such imports and exports. The government must ensure that such transactions involving foreign exchange are for the benefit of the country. Thus, it charges fees on the goods leaving and entering the country; the import duty (import tariff) based on the value of the assets. Another new strength of sovereignty in the contemporary world is that states are free to accept any contract they consider viable regarding economic growth (Chaturvedi 2012, 12). Therefore, any treaty between sovereign nations is lawful and hence free from manipulation.

Holton (2011b, 31) asserts that improvement in modern technology has enabled the transfer of ideas, money, people, goods, and services. These changes are inevitable hence the government has to adapt to them. The invention of the printing press marked the most significant technological innovation that impacted on the concept of national independence was the invention of the printing press. Through this new technology, people could now share information across borders (Holton 2011c, 97). Governments which could not accommodate such developments ended up failing. Still, most states were able to adjust accordingly to these improvements, emerging stronger than before. For example, the British Empire thrived because of this technology as information could quickly spread through the territories and the colonies. As a result, they were able to administer a more extensive jurisdiction than before. Also, the emergence of the international trade has dramatically impacted the sovereignty of many states (Aharoni, Nachum 2002, 123). For instance, through

trading blocs like the EU or the Organization of Petroleum Exporting Countries (OPEC), some governments have managed to spread their influence overseas. Conversely, the reach of some nations has diminished as result of this aspect of globalization.

As mentioned earlier, the Westphalia Treaty marked a new start of the process of internationalization. The outcome of the treaty enabled world leaders to renounce their control and autonomy over religion. As a result, this led to the globalization of religion. Consequently, state sovereignty has reduced regarding monetary control (Ilyin, Leonova 2015, 127). Today, many countries share currencies such as the Euro by European nations. Similarly, globalization has led to the erosion of national citizenship in the sense that one can today be a citizen of more than one country. Countries like the USA allow their citizens to have dual citizenship. The post-Westphalian state system denies the governments' control over the loyalty of their citizens. However, countries like North Korea still approve of only one-sided loyalty; but this is because a dictatorial regime heads it. On the contrary, their neighbour, South Korea, accepts defectors from the North, thus upholding the concept of dual citizenship. Additionally, in a multicultural society like the United States, it is difficult to distinguish a non-citizen from a citizen. Apart from that. International treaties involving issues like demilitarization, neutralization, and globalization of human rights have a significant impact on state sovereignty (Ilyin, Leonova 2015, 127).

As mentioned earlier, being part of an MNC also has an impact on the sovereignty of a country. Such MNCs includes the TNOs and the INGOs. The effect of the activities of these organizations is multidimensional, ranging from legislative and administrative, as well as jurisdictional effects. Thus, the operations of such groups bar the member countries to act in satisfaction of their interests. Today, the TNOs have much influence over state undertakings (Götz 2008a, 231). They control much of the nation's economies as well as the economic policy. They also influence political happenings such as the outcome of elections. TNOs achieve the latter mostly through financing campaigns of the local politicians who in return promise them investment opportunities and favourable market policies. Alike, the influence of INGOs on state sovereignty is noteworthy. Most of these INGOs advocate for human rights, equal opportunities for boys and girls as well as education for all and many more (Götz 2008b, 231). Further, globalization of information technology has enabled smooth flow of information. Therefore, these groups can spread their programs to a broader audience. Some of the digital platforms INGOs use to push for their agendas include Facebook, Twitter, Instagram and through various websites.

Despite the myriad benefits and advantages presented by globalization and sovereignty of states, TNOs has often jeopardized such arrangements. As discussed previously in this document, globalization not only enhances interaction between the world populace but also surpasses political and economic boundaries to improve human activities. However, its forces have weakened as well as eliminated the sovereignty of nations. A notable example is the EU, a TNO that has been influential globally and instrumental in compromising the sovereignty of countries across the globe.

### **3.1. Sovereignty and nationalism**

According to history, there is a significant connection between the sovereignty and as well as a rise of nationalism. This is so, because once a sovereign state is in leadership, then nationalism follows. The land marks of sovereignty, such as the Glorious Revolution, French Revolution and North-South American wars, all looms large along the history of nationalism (Appel 1945, 355). Currently, executive governments are known to use international agreements to enhance domestic draft legislation. Thus, such agreements can also be invoked legislative approval. Even as the globalization grows in the world, there is still a strong pull of nationalism that is felt in the world. There is more than one type of nationalism, therefore in case of formation of each type, a significant role plays, the historical circumstance and political goals.

For instance, national identity contributes whereby people believe that their cultural ways are superior when compared to other nations. Some nations may also feel that they need protection against outside forces, leading to tightened controls on immigration (Yack 2003, 29). Being a wealthy nation, for instance, America has a sense of cultural superiority, which clearly depicts the existence of nationalism despite globalization. Mostly, the tiny countries try to protect their cultural ways against outside influence, like is Georgia. Thus, globalization makes them feel threatened.

Territorial nationalism also exists among most countries in the world. This is one of the reasons conflicts have occurred throughout the history. Although territorial wars have continually reduced down the history, the fact that most countries protect their territories shows their support and believe in nationalism. Nationalism competes against globalization. Whereas globalization leads to declined sovereignty in states, nationalism works against globalization to enhance sovereignty

of various states. Some of the strongest nationalism sentiments that increase the sovereignty of the states include: believing in the superiority of their culture, ensuring that their state is protected against any influence by foreign countries and protecting their territories to prevent invading. However, it is noteworthy that incorrect interpretations of the idea of nationalism have created several precedents in world history when the good sense of nationalism has been transferred into horrible developments and formations. A clear example is Nazism, Communism and a new time phenomenon, such as genocide. In the modern world, the nationalism has become quite a sensitive to the globalization process of the world.

## CONCLUSION

While sovereignty and globalization have presented enormous benefits to states in the contemporary society, TNOs have capitalized on such opportunities to compromise the authority of states over their sovereignty and resources. This paper attempted to discuss the impacts of globalization and transnational organizations on the sovereignty of the states. The research singled out one dimension of globalization, that is, the TNOs. The initial part of the study discusses the relationship between nation-state and TNOs. The research indicates that TNOs have the capability of undermining sovereignty through various ways. One way highlighted is the problem of jurisdictional asymmetry, whereby the political and economic functions of the government overlap. The overlapping concept causes a state of ambiguity regarding the institution in control of the state resources- the government or the TNOs. Apart from jurisdictional asymmetry, another challenge to state sovereignty is the issue of jurisdictional conflict and extraterritoriality. This situation arises if the MNCs overstretches their operations to other territories thus compromising the independence of such jurisdictions. Other factors also mentioned include the issue of national control and the interdependence between the modern state system and the TNOs. The paper attempted to deduce whether states can achieve their economic goals without relying on the TNOs. One key finding from the research is that, even though the TNOs undermine sovereignty in some way, the impact is negligible and that they are within the control of the national government. Also, these challenges are not directly related to the activities of the TNOs. Therefore, this study also covered the general impacts of globalization on state sovereignty. In the title “Impact of globalization on political sovereignty,” the research indicates that the internationalization of politics undermines political freedom. The paper also shows that globalization influences both cultural and economic sovereignty of a state, while highlighting the place of independence in a globalized world. From the findings, advancement in the information technology among other developments influence sovereignty in one way or another. Finally, the last section highlights the link between the sovereignty and nationalism. It is evident that, once a state is in leadership, then

the nationalism follows. The main point in this section is that, sometimes the good national ideas has become transferred into bad developments for the state and sovereignty.

Sovereignty remains one of the most important facets in the independence and freedom of states across the globe. It encompasses not only the economic but also the political aspects of a nation, an issue that needs redress in the contemporary society. As noted in the discussion above, the EU and the US have taken advantage of the process of globalization to exert their authority and control over other nations. They have opted to use TNOs to gain influence and compromise the sovereignty of other countries, through controlling the international trade and policies. Although globalization has presented multiple benefits, particularly in the development and growth of nations across the globe, TNOs has utilized such advantages to gain commendable influence over the host countries. They have accomplished the task by influencing the economic and political arrangements and organization in these countries. Through globalization, the TNOs has managed to weaken and eliminate the regulatory mechanisms of nations, thereby compromising their sovereignty. As noted, the EU has remained the most influential TNO in reducing the sovereignty of various states across the globe, particularly through economic and political policies. Of more importance to note is the fact that such TNOs has impacted mostly on the small countries, by compromising their independence and sovereignty in terms of economic and political territories. As noted, NATO and the EU have been at the forefront in jeopardizing the sovereignty of tony states. While the states are sovereign and protect their sovereignty, they are also united in TNOs and as a result, losing a part of sovereignty, in accordance with the charter of the organizations. One may say that politics cannot be brought to the economy or morality, somehow, we do not consider the fact that states are united for the protection of morality and peace.

In today's rapidly changing world, which is featured by ongoing global transformation and deep multi-dimensional fundamental changes, there is a necessity to analyse any problem through the prism of interdisciplinarity. On this paper's topic, since it is going to remain as a point of discussion in years to come, it would also be academically productive to have deeper analysis into globalization's influence on competitiveness of the nation-state and how it affects the state on the societal level. This could show a range of possible ways for further effective development of different countries, especially smaller ones, which the whole process of globalization is pushing into a survival mode.

## LIST OF REFERENCES

- Abass, A. (2012). *Complete International Law*. UK: Oxford University Press.
- Adler-Nissen, R. (2014). *Opting out of the European Union: diplomacy, sovereignty and European integration*. Cambridge University Press, 54-55.
- Albrow, M., King. E. (eds.), (1990). *Globalization, Knowledge and Society: Readings from International Sociology*. London: Sage Publications, 8.
- Andrew, A. (2011). Jean Bodin on Sovereignty. *Republics of Letters: A Journal for the Study of Knowledge, Politics and the Arts*, Vol. 2, No. 2, 76.
- Appel, K. E. (1945). Nationalism and sovereignty: a psychiatric view. *The Journal of abnormal and Social psychology*, Vol. 40, No. 4, 355.
- Aharoni, Y., Nachum, L. (eds.), (2002). *Globalization of services: Some implications for theory and practice*. Routledge.
- Athukorala, P. C. (2009). Outward foreign direct investment from India. *Asian Development Review*. - Asian Development Bank, Vol. 26, No. 2, 125.
- Backer, L. C. (2005). Multinational Corporations, Transnational Law: The United Nations' Norms on the Responsibilities of Transnational Corporations as a Harbinger of Corporate Social Responsibility in International Law. *Colum. Hum. Rts. L. Rev.*, Vol, 37, 287.
- Baylis, J., Smith, S., Owens, P. eds., (2017). *The globalization of world politics: an introduction to international relations*. Oxford University Press.
- Bexell, M., Tallberg, J., Uhlin, A. (2010). Democracy in global governance: The promises and pitfalls of transnational actors. *Global Governance: A Review of Multilateralism and International Organizations* Vol.16, No.1, 81-101.
- Brown, S. (2018). *International relations in a changing global system: Toward a theory of the world polity*. 2<sup>nd</sup> edition. New York: Routledge, 22-23.
- Caves, R.E. (2007). *Multinational Enterprise and Economic Analysis: Cambridge surveys of economic literature*. 3<sup>rd</sup> edition, Cambridge Books: Cambridge Polity Press
- Chaturvedi, I. (2012). Globalization and its impact on state sovereignty. *International Political Science Association*, 1-18.

- Chetty, S., Campbell-Hunt, C. (2004). A strategic approach to internationalization: a traditional versus a “born-global” approach. *Journal of International marketing*. Vol. 12, No. 1, 57-81.
- Chibueze, R. (2003). United States Objection to the International Criminal Court: A Paradox of Operation Enduring Freedom. *Ann. Surv. Int'l & Comp. L.*, 9, 19.
- Evans, P.B. (2012). *Embedded Autonomy: States and industrial transformation*. Princeton University Press.
- Gibson, S. (2017). What is the ‘Dab’ dance and why are sport stars dabbing when they celebrate? The Telegraph. <https://www.telegraph.co.uk/football/2016/03/01/what-is-the-dab-dance-and-why-are-sports-stars-celebrating-with/> , 15 March 2018.
- Giddens, A. (1991). *The consequences of Modernity*. Cambridge: Polity Press, 64.
- Götz, N. (2008). Reframing NGOs: The identity of an international relations non-starter. *European Journal of International Relations*. Vol. 14, No. 2, 231-258.
- Grinin, L.E. (2012). “State Sovereignty in the Age of Globalization: Will it Survive?” In *Globalistics and Globalization Studies*, 211-237.
- Haas, E.B. (2008). *Beyond the nation state: Functionalism and international organization*. Colchester: ECPR Press.
- Hinsley, F.H. (1986). *Sovereignty* (2ed.) Cambridge: Cambridge university press, 26.
- Holton, R.J. (2011). *Globalization and the Nation State*. (2<sup>nd</sup> edition) Macmillan Higher Education, 31-97.
- Ilyin, I.V., Leonova, O.G. (2015). "Globalization political processes in their dynamics and development." *Globalistics and Globalization Studies: Big History & Global History. Yearbook*, Russia: Volgograd, 127-137.
- Kaplan, M. A. (2005). *System and process in International politics*. Colchester: Ecpr Press.
- Kobrin, S.J. (2009). Sovereignty@ bay: Globalization, multinational enterprise, and the international political system. *The Oxford Handbook of International Business* (2 ed.).
- Kordos, M., Vojtovic, S. (2016). Transnational corporations in the global world economic environment. *Procedia-Social and Behavioral Sciences* 230, 150-158.
- Läidi, Z. (Ed.). (2008). *EU foreign policy in a globalized world: normative power and social preferences*. London: Routledge.
- Mock, W.B.T (2011). "Treaty of Westphalia." *Encyclopedia of Global Justice*. Springer Netherlands, 1095-1096.
- Moravcsik, A. (2005). The European constitutional compromise and the neofunctionalist legacy. *Journal of European Public Policy*, Vol. 12, No. 2, 349-386.
- Nanz, P., Steffek, J. (2004). Global governance, participation and the public sphere. *Government and opposition*. Vol. 39, No. 2, 314-335.

- Oji, A.E., Ozioko, M. V. C. (2011). Effect of Globalization on Sovereignty of States. *Nnamdi Azikiwe University Journal of International Law and Jurisprudence*. Vol. 2, 256-270.
- Rodrik, D. (2011). *The globalization paradox: why global markets, states, and democracy can't coexist*. Oxford University Press.
- Singh, V. (2016). Indian Polity with Indian Constitution & Parliamentary Affairs. *New Delhi: Neelkanth Prakashan, 100*.
- Tallberg, J., Sommerer, T., Squatrito, T., & Jönsson, C. (2014). Explaining the transnational design of international organizations. *International Organization*, Vol. 68, No. 4, 741-774.
- Vernon, R. (1971). *Sovereignty at Bay; the multinational spread of U.S. enterprises*. New York: *Basic Books*
- Yack, B. (2003). Nationalism, popular sovereignty and the liberal democratic state, in Paul, Ikenberry and hall, (2003) *The nation-state in question*, at 29.
- Zeidman, P. F. (2014). With the Best Intentions: Observations on the International Regulation of Franchising. *Stan. JL Bus. & Fin.*, Vol. 19, No. 2, 237.