Capital, state and space: contesting the borderless world

Henry Wai-chung Yeung

The globalization of economic activities and transnational corporations (TNCs) has led us to think that we are entering a ‘borderless’ world. Some prophets of globalization argue that it has led to the end of geography. To them, the state has ceased to be an institution capable of exerting influences on the activities of transnational capital, which has also become increasingly ‘placeless’. This paper aims to contest the issue of the alleged end-state discourse of a ‘borderless’ world. It argues that, despite the accelerated processes of globalization, national boundaries still matter in the decision-making and global reach of capital. The notion of a ‘borderless’ world is more folklore than reality. Based on theoretical and empirical literature in international political economy and business studies, the paper offers a dialectical perspective that examines the changing relationship between capital and the state, and the embedded relationship between capital and space in the organization of the global space-economy. Together, both arguments point to the importance of understanding dynamic transformations of the global economy, before considering its globalization tendencies.

key words  globalization  global space-economy  borderless world  nation state  transnational capital  geographical embeddedness

Department of Geography, National University of Singapore, 10 Kent Ridge Crescent, Singapore 119260
email: geoywc@nus.edu.sg
revised manuscript received 27 February 1998

Globalization is not flattening civil societies around the world but, rather, combining with local conditions in distinctive ways, accentuating differences, and spurring a variety of social movements seeking protection from the disruptive and polarizing effects of economic liberalism. (Mittelman 1996c, 196–7)

Introduction

The late twentieth century has witnessed extensive globalization of economic activities, typically through cross-border investments and trade spearheaded by transnational banks and transnational corporations (TNCs). Dunning (1993, 129) observes that

one of the most distinctive features of the world economy of the early 1990s is the ease with which the kinds of assets and intermediate products that determine a nation’s prosperity and growth are able to move across national boundaries. As a vehicle for housing and controlling the organization and location of these resources and competencies, MNEs [multinational enterprises] remain in a class of their own.

The global economy today has become more functionally integrated and interdependent than ever (Perraton et al 1997; Dicken 1998; cf Hirst and Thompson 1996). It is defined as

an economy in which there is close economic interdependence among and between the leading nations in trade, investment, and cooperative commercial relationships, and in which there are relatively few artificial restrictions on the cross-border movement of people, assets, goods or services. (Dunning 1995, 135)1

Because of this increasing integration and interdependence of national economies at a global scale, it is now fashionable among business gurus,
international economists and liberal politicians to assert that the world is ‘borderless’ (Ohmae 1990; 1995a; 1995b; Julius 1990; Reich 1991; O’Brien 1992; Horsman and Marshall 1994; Lévy 1995). In such a ‘borderless’ world, they claim, the fortunes of individuals, firms, industries and even nation states are so intertwined with ongoing events in the global economy that it becomes almost impossible to define the nation state without reference to the broader economy (Baylis and Smith 1997; Brown 1997; Dunning 1997). To them, the nation state ceases to be a political institution capable of exerting influences on the activities of capital, which has also become increasingly ‘placeless’. The convergent effects of globalization and cross-border organizational learning have rapidly outpaced the divergent effects of cultures, national institutions and social systems (Mueller 1994). Because of this increasing convergence of production, circulation and consumption over space, the geopolitics of capitalism have become irrelevant in an allegedly ‘borderless’ world. The end result is the demise of geography and national boundaries, which no longer make a difference in the ‘borderless’ world.3

Such ‘borderless world’ and ‘end of geography’ theses may seem inevitably valid in today’s globalizing world. Amidst such ‘globalization fervour’, however, it is worthwhile to pause for a moment and re-examine critically the analytical constructs in these theses. Although the neoliberal ‘end-state’ view of globalization has been critically refuted in recent literature (Boyer and Drache 1996; Hirst and Thompson 1996; Mittelman 1996a; Sassen 1996a; Cox 1997; Scott 1997; Dicken 1998; Weiss 1998; Olds et al. forthcoming; Keller et al. forthcoming), relatively little has been said about the underlying logic(s) and tendencies of globalization as an ongoing process. Instead, much counterglobalization literature has focused on providing evidence to show that the world is not yet globalized. While not denying some of the broader empirical global trends identified by Ohmae and other ultraglobalists, this paper aims to analyse the underlying logic(s) of globalization and to show that globalization tendencies neither result in a ‘borderless’ world nor lead to the end of geography. Globalization is conceptualized as a complex process of interrelated tendencies (Dicken et al. 1997). Though it invades local contexts of action, globalization does not destroy them; instead, new forms of local resistance and local expression emerge, reinforcing the interconnectedness of the local and the global, and the multiplicity and hybridization of social life at every spatial scale (Amin 1997; Cox 1997). Globalization can therefore be seen as a dialectical process of homogenization and differentiation, constituted by the relativization of scale. The end-state of globalization is often perceived as an economically, socially and culturally homogenized world; however, the dialectical response to this has been the affirmation of difference, which is equally present as, if lacking the material force of, the apparently dominant homogenizing tendencies (Cox 1996). These tendencies towards homogenization and differentiation reflect continuous tensions between capital and the state in the (re)production of space. Such tensions, however, are not materialized at the polar scale of the global and the local, much to the disappointment of global-local dialecticians. Rather, they transcend the global-local scale and are problematized by the relativization of scale, when what appears to be a local phenomenon can simultaneously be a regional or global event elsewhere. There seems to be a continuous transformation of global flows and local embedding through the relativization of scale.5

This dialectical framework of globalization seeks to unravel how underlying tendencies and causal mechanisms produce the global space-economy, by examining the intricate relationships between (a) capital and the capitalist state and (b) capital and space.

First, in any capitalist system, the state must perform certain functions in order to enable capital accumulation, which in turn legitimizes its own existence. The state therefore provides the conditions of existence for capital. This is a key argument in the theory of the capitalist state (see Murray 1971; Jessop 1990).6 When capital expands beyond its territorial limits and engages in internationalization, it presents a contradiction for the individual state, whose ability to continue to provide its conditions of existence becomes constrained. To the ultraglobalists, the local/national logic of capital is transformed into a global logic, to which all nation states must succumb. A convenient conclusion is that the capitalist state has lost its control over capital, which causes a breakdown in the territoriality of the global economy, which in turn becomes ‘borderless’.

I argue, however, that this is an overtly simplistic understanding of the capital-state relationship in a globalizing era. Rather, the internationalization
of capital creates a response from the state to internationalize itself, to enable the (re)production of capital. Whereas the state may lose some of its traditional functions in the capital accumulation process (eg control of capital flows), it may also gain other strategic functions through engaging with wider networks of political actors in globalization (eg regional and international organizations). This dialectical process of existence between capital and the capitalist state does not guarantee an end-state of complete domination of the state by capital in the global economy. There is thus no a priori reason for the world to become ‘borderless’ as envisaged by those ultraglobalists. I will substantiate this argument by looking at the dynamic strategies and shifting capacities of the capitalist state in a later section.

Second, a proper theorization of the spatial dynamics of globalization should address the fundamental relationship between capital and space. In the radical literature, four dimensions of spatial practice by capital are suggested (Gottdiener 1987; Harvey 1989; Lefebvre 1991; Swyngedouw 1992; Yeung 1998a): accessibility and distanciation; appropriation and use of space; domination and control of space; and (re)production of space. Space therefore remains integral to the (re)production of capital and capital accumulation. This is particularly true during the internationalization of capital, when space is seemingly commanded and ‘consumed’ by capital (represented by TNCs) for further accumulation. This ‘consumption’ of space by capital is manifested in the spheres of circulation (transport and communication) and production (factors of production). Harvey (1985, 145) notes that,

[b]y increasing the range of possible substitutions within a given production process, capitalists can increasingly free themselves from particular geographical constraints.

When this ‘consumption’ of space by capital is completed, Ohmae’s end-state of a ‘borderless’ world is achieved, in which capital becomes ‘stateless’ and ‘placeless’.

I argue, again, that there is a contradiction in the ‘borderless world’ argument, because the reduction of spatial barriers presents a dialectical opportunity for capital to exploit differences between places on much smaller scales. The homogenization of space by the internationalization of capital creates an inherent tendency towards greater spatial differentiation and territoriality. Instead of an overwhelming and irreversible convergence of production, distribution and consumption, a diverse mosaic of geographical patterns in these different spheres of economic and social life is observed today. The geography of capitalist accumulation continues to be uneven and subject to dynamic transformations. No single and constant geographical patterns can be observed in this global economy bounded by national territoriality. The notion of territoriality is best encapsulated in the geographical embeddedness of capital, because capital’s (re)production and conditions of existence require the creation of relatively fixed, secure and largely immobile social and physical infrastructures (Harvey 1982; 1985). I will revisit this argument for territorial embeddedness later in the paper.

The paper is structured into four parts. The next section briefly expounds Ohmae’s (1990) thesis on the emergence of a ‘borderless’ world. This is followed by a critique of the ‘borderless’ world discourse. The remaining two sections elaborate the twin arguments of this paper by reasserting the enduring importance of the state and space in the (re)production of capital. Other than drawing from the theoretical literature in international political economy and international business studies, the paper also presents some empirical evidence on actions taken by individual states in their attempt to consolidate power and market shares in a volatile global economy. The concluding section offers some implications for future studies of global political economy and its interaction with capital. There are also some practical implications for policy-makers in relation to individual states’ competitive strategies for transnational capital.

Towards a ‘borderless’ world? The globalization discourse

The geography of the world to which we are accustomed is made up of supranational regions, nation states, subnational regions, cities and so on. These conventional geographical units are differentiated by territorial boundaries that have been artificially erected to define their spatiality. Regions, for example, are spatial entities that comprise various nation states, which in turn contain subnational regions and cities. A region may be a geographical reality (eg North America) or a historical legacy (eg South-East Asia). Unlike
nation states, which embody political institutions and economic vehicles, regions do not have the power and legitimacy to influence human activities, because they are a product of geography and history. Although regions may be powerful structural features with profound influences on formal politics and cultural identities (e.g., Europe), it is common to identify territoriality with nation states, which have the formal power and legitimacy to organize people and institutions spatially, by demarcating and maintaining territorial boundaries. In this traditional world of regions and nation states, information, people, goods, and investment are mobile only to the extent that they are subject to the tyranny of national barriers and geographical differences.

Recent new developments in the global economy, however, have obliterated some of these spatial barriers, thus facilitating the movements of information, people, goods, and investment. Scholars have begun to question the effectiveness and, eventually, the existence of national boundaries. To them, today’s global economy has witnessed the emergence of a ‘borderless’ world. Kenichi Ohmae, through his forceful writings, has been one of the most influential proponents of this idea of a ‘borderless’ world. He claims that we have entered into a world in which investment, industry, information flow and individuals move relatively unimpeded (or ‘effortlessly’: Reich 1991) across national borders. It is worth noting that these changes are not necessary new. They are instead episodic over the history of capitalism (see Harvey 1989; Carnoy et al. 1993; Castells 1996; Hirst and Thompson 1996). It is during the last two decades that these globalization tendencies have achieved heightened intensity, driven primarily by the champions of market mechanisms, technological change and time-space compression. These dynamic forces and globalization tendencies are empirically manifested in the ‘global reach’ of TNCs in recent decades (Barnet and Cavanagh 1994; UNCTAD 1996; 1997). According to Ohmae (1990; 1995a), this ‘borderless’ world has several distinctive tendencies:

1. Investment is no longer geographically constrained, so that capital can flow to places that generate the highest return or best opportunities.
2. Industry is much more global in orientation today. The state has lost control over the whereabouts of capital, because regulations and incentives are no longer effective in a ‘borderless’ world in which transnational capital can flow almost effortlessly across national boundaries.
3. Revolutions in information and transportation technologies have enabled global corporations to operate virtually everywhere in the world without reproducing clones of management structures (see also Ashkenas et al. 1995).
4. Individual consumers are becoming increasingly global in their tastes and orientation.

Ohmae (1990; 1995a) argues that, taken together, these four globalization tendencies have contributed to an increasing homogenization of local differences and the emergence of a ‘borderless’ world. To him, the state ceases to be a meaningful and effective institution for regulating and managing economic activities within national boundaries. As investment, industry, information and individuals flow across national boundaries with great ease, the state has lost its traditional role as an intermediary and arbitrator of activities. The necessary relationship between capital and the state is decoupled. Instead of nation states, Ohmae (1995a) argues, the ‘borderless’ world in the late twentieth century has witnessed the emergence of ‘region states’ (e.g., northern Italy, Baden-Württemberg, Wales, San Diego/Tijuana, Hong Kong/southern China and the Silicon Valley), which owe their economic success not so much to state policies, which preserve sovereignty, but more to their role as natural economic zones.

On the other hand, because of the breakdown in the regulatory nexus of nation states and the spatial barriers of national boundaries, transnational capital (represented by TNCs) has become increasingly ‘placeless’ in Ohmae’s formulation. Global corporations are defined as ‘placeless’ when they bear no resemblance to the characteristics of other national firms from their country of origin, and are oriented towards the global economy in all corporate functions such as marketing, finance, management, strategic planning, human resources development, production, distribution and so on.

Country of origin does not matter. Location of headquarters does not matter. The products for which you are responsible and the company you serve have become denationalized. (Ohmae 1990, 116)

These ‘placeless’ TNCs are able to transcend national boundaries and penetrate different
markets. In a ‘borderless’ world, they are not constrained by any factor of production and regulatory regime. They cease to be national firms and have no allegiance to any place or country of origin. All these developments have led Ohmae (1990, 13) to conclude that, ‘for a growing population of firms that serve global markets or face global competition, nationality will disappear’. Global TNCs will be attracted to operating in any environment that favours their globalization strategies.

Contesting the borderless world discourse

The story that today’s global economy is still made up of distinct national territories (as defended by the state) and local distinctiveness (as constituted by the spatiality of local people, cultures and social practices) may seem outdated, given the growing interpenetration of goods, capital and people, and the interdependence of national economies. There are, however, serious reasons to retell the story. First, there is the fundamental relevance of geography as an academic discipline; second, the general dynamics of globalization and its specific geographical implications are little understood. Rather, they are caricatured by such one-off ‘end-state’ readings of global economic changes as those of Ohmae and other ultraglobalists (see the collection of essays in Ohmae 1995b). Their globalization rhetorics are subsequently deployed prescriptively by both political leaders and business strategists to legitimate a particular neoliberal ideology that has gained rapid ascendancy in many Western societies today. This neoliberal ideology is used to justify the annihilation of localities by global forces, and territorial states by capital, as evidenced in the call for putting the global logic of capital above the local interests of real people. As noted by Cox (1996, 23),

Globalization began to be represented as a finality, as the logical and inevitable culmination of the powerful tendencies of the market at work. The dominance of economic forces was regarded as both necessary and beneficial. States and the interstate system would serve mainly to ensure the working of market logic.

In this discourse of ‘business civilization’, business is held to perform a civilizing mission, through the operation of the ‘invisible hand’ of market competition at the global scale and the ceaseless search for profit (Gill 1995; 1996; Piven 1995). Capital, represented in institutional form by TNCs, has potentially planetary reach and is akin to the forces of nature. It is represented as beyond or above the state, and forms the basic structure of an interdependent global economy. This neoliberal discourse suggests that,

through the growth of an ‘enterprise culture’ and through ‘market discipline’ the virtues of prudence, responsibility, good governance, and social progress will arise, in partly spontaneous fashion, giving shape and direction to a ‘new’ world order in the so-called post-Cold War era. (Gill 1996, 211)

As reviewed critically by Leyshon (1997, 143),

[many of the globalization discourses which emerge from within political communities tend to be far more simplistic in their general tenor, if not evangelical in tone, and display a burning faith in the ‘natural’ benevolence and ‘obvious’ utility of markets.]

What is misleading in this neoliberal ideology is the lack of recognition that specific markets are not ‘natural’ or ‘spontaneous’. Their appearance of being self-equilibrating mechanisms is the result of their adherence to sophisticated regulations concerning the quality of the goods exchanged, the inner organization of transactions, the legal penalty for non-compliance and so on. The state, legitimized by real people at the national and local level, provides such surveillance mechanisms as ensure the smooth adjustment process of supply and demand.

Another critique of this neoliberal discourse of globalization is that the world has not become ‘borderless’ through globalization, but rather through the process of representation or ‘globalization folklore’ (Spich 1995; Roberts forthcoming). The notion of the ‘borderless’ world is what Lefebvre (1991) terms ‘representation of space’ (see also Kirsch 1995). Protagonists of the ‘borderless’ world have used the metaphor as if it were reality: they have forgotten that the ‘borderless’ world metaphor remains representational rather than real, and they have overlooked the underlying relations in the production of this ‘borderless’ world. The ‘borderless world’ label has become a ‘Tower of Babel’, ie a metaphor gone awry (Green and Ruhleder 1995). A fundamental question remains as to what constitutes this tendency towards the production of a ‘borderless’ world? These are the spatial practices in the production of space that concern Lefebvre (1991). It must be remembered that the world is made up of a
dynamic space that is a product of constant negotiation and contestation over time: it is everchanging, subject to the dynamics of causal mechanisms, so that the global economy is always in the process of becoming, rather than completed and produced. There is thus no end-state of a truly ‘borderless world’ in this dynamic conceptualization of the global economy. All these point to the inherent limits in the romanticized end-state view of globalization (that the process is becoming increasingly inevitable and effecting convergence and uniformity across national boundaries).

The enduring importance of national boundaries: the changing role of the capitalist state in the global economy

Contrary to the claims of Ohmae and other ultraglobalists, globalization does not obviate the need for the capitalist state. According to the ‘capital logic’ school, the state is seen as an ideal collective capitalist, and hence is subordinate to the laws of motion of capitalism. It is trapped within the capitalist mode of production and cannot escape from its contradictions and crises. However, recent state theories view the capitalist state as being not merely a political instrument set up and controlled by capital: as argued by Jessop (1990, 37),

the capitalist state is an essential element in the social reproduction of capital – a political force that complements the economic force of competition between individual capitals and assures the immanent necessities that cannot be secured through the latter.

In a globalizing era, the capitalist state continues to provide institutional arrangements and strategic capacities, which assure some minimal levels of international economic governance, thus facilitating the capital accumulation objectives of transnational capital (Bodewyn and Brewer 1994; Murtha and Lenway 1994; Berger and Dore 1996; Gupta 1997; Weiss 1997). This section of the paper analyses the underlying foundations of the power of the capitalist state and its dynamic strategic role in today’s global economy. It argues that, despite changes in its formal power and controlling role, the capitalist state remains a significant governance structure in today’s global economy and continues to reinforce the role of territoriosity as an important organizing principle.

The premise that the internationalization of capital has led to the loss of state autonomy is misleading in two senses (Panitch 1996). In the first place, there is often an overestimation of the extent to which the capitalist state was capable of controlling capital and other countervailing forces in an earlier era. Just how effective Keynesian demand management ever was has recently been questioned (Weiss 1997). The issue here is that, had the state been very effective in controlling capital earlier, capital would not have managed to escape the state’s clutches by internationalization. Murray (1971) argues that, as capital expanded territorially, one of the key problems it had to confront was how to ensure that state economic functions continued to be performed. Some of these functions included guaranteeing property and contract, standardizing currency and other measurements, ensuring availability of key factors of production and so on. The internationalization of capital is critically dependent on the internationalization of the state in order to secure the continued reorganization of social relations in favour of capital accumulation on a world scale (Picciotto 1991; Pooley 1991). To a large extent, the state provides the necessary conditions and institutions for the internationalization of capital. Panitch (1996, 85–6, my emphasis) therefore argues that

there is the problem of tending to ignore the extent to which today’s globalization is authored by states and is primarily about reorganizing rather than bypassing them . . . We are living through something like this in our own time. Capitalist globalization also takes place in, through, and under the aegis of states; it is encoded by them and in important respects even authored by them; and it involves a shift in power relations within states that often means the centralization and concentration of state powers as the necessary condition of and accompaniment to global market discipline.

Moreover, the premise reflects a continuous theoretical misconception that the state and capital (represented on a global scale by the TNC) must be seen as two independent spheres, rather than as integral parts of the totality of capitalism. The state not only has initiated the necessary conditions (eg factors of production, property rights, social order, etc) to enable the accumulation and internationalization of capital, but also continues to provide such conditions, albeit under different time-space circumstances. It is not a question of whether capital’s internationalization results in the decline of the state, but rather of how the state continues to participate in capital’s internationalization in order to sustain the reproduction of capitalism itself. In
so doing, the state relies on the legitimating power derived from its citizens. It also depends, to a certain extent, on power derived from collusion with capital. The capitalist state is dynamic in its strategies to counteract the rising influence of transnationalism. Indeed, individual states are capable of constantly reformulating their national policies and ‘regulatory surfaces’ to meet the challenges of globalization. They are both the ‘engineers’ and the ‘recipients’ of globalization. They can promote globalization through neoliberal politics (eg the US), just as they can contain globalization through inward-looking protectionist policies (eg India). The real question is not whether the state is subsumed under global forces, but rather how the state adapts and reorganizes its capacities to meet the challenges of globalization (Palan and Abbott 1996; Evans 1997; Weiss 1997).

What remains of the role of the capitalist state in today’s global economy? We witness changing roles of the capitalist state from merely a ‘policing’ role to a more proactive role in global competition. Some of these state functions are not new at all (see Murray 1971; Cox 1987), but represent dynamic strategies of the capitalist state in a globalizing era. Firstly, the state continues to serve as the ultimate guarantor of the ‘rights’ of global capital, ie the protection of contracts and property rights, through deregulation and establishment of national legal regimes (Sassen 1995; 1996a; 1996b). Evans (1997, 72) notes that

transnational investors trying to integrate operations across a shifting variety of national contexts need competent, predictable public sector counterparts even more than do old-fashioned domestic investors who can concentrate their time and energy on building relations with a particular individual government apparatus.

Because of its legitimizing role, the state sometimes intervenes in the behaviour of its domestic capital (eg home-country TNCs) when an investment or production decision affects ‘national interests’. Alternatively, the state may extend its help to domestic capital so that it may gain a better position in the global competitive market. For example, when the geography of global competitiveness in the semiconductor industry was increasingly transformed in favour of Japanese TNCs during the 1980s, the US government faced severe pressures (and a legitimation crisis) to act on behalf of American firms. The implementation of a strategic trade policy was the tangible response of the US government to the challenge of globalization. For example, the threat of Section 301 and Super 301 provisions of the 1988 Trade Act, and President George Bush’s Structural Impediments Initiative in recent US-Japan trade negotiation, helped to open up the Japanese market for American semiconductor TNCs (Angel 1994).

Secondly, the state continues to provide the necessary conditions for the growth of domestic capital globally (Murtha and Lenway 1994; Pauly and Reich 1997). Based on a comprehensive empirical study, Carnoy et al (1993, 49, original italics) found that:

[...]even though the international market variations that contribute to slower or more rapid growth of different sectors have an important effect on who wins and who loses in the international economy, some countries’ multinationals are growing much more rapidly irrespective of sector.

It is shown that Japanese TNCs have outgrown their Western counterparts since the mid-1970s, to become major competitors in the global economy. During the period between 1975 and 1990, the rapid growth and internationalization of large Japanese TNCs in automobile and electronics industries, both of which are crucial industries in the new, high-tech global economy, was the single most important change. Several studies have found that the unique competitive advantage and capabilities of many of these Japanese TNCs are enhanced by their national economic and political institutions (Johnson 1982; Wade 1990; Womack et al 1990; Castells 1996; Weiss 1997). Other studies have acknowledged the importance of home-country governments in the internationalization of national firms from Asia (Yeung 1994a; 1998b).

Thirdly, the state is directly engaged in transnational economic activities to become a ‘collective capitalist’. The state becomes the ultimate owner and manager of the so-called state-owned TNCs (Anastassopoulos et al 1987). Ownership of major domestic TNCs is another way in which the capitalist state influences the transnational corporate arena. State-owned TNCs are not, of course, an entirely new phenomenon. The East India Company, for example, was largely controlled by the Imperial British government. The main difference in today’s state-owned TNCs is that they are established largely for strategic economic reasons. In view of the drive towards global competitiveness
and scale economies, some states realize that the private sector alone is unable to compete successfully against TNCs that are linked to their respective host-country governments. The outcome of this dynamic competition between capitalist states is the rapid emergence and growth of state-owned TNCs in today’s corporate arena. Most such state-owned or state-influenced TNCs are located outside the US and Japan. Many of them are in the petroleum and high-tech industries. In 1985, for example, approximately 41 of the world’s largest 200 industrial enterprises were state-owned; 18 of them were TNCs and seven were French, including Elf-Aquitaine, Renault, CGE, St Gobain and Thomson. In 1989, two of the world’s top ten largest banks were also state-owned: France’s Crédit Agricole and Banque Nationale de Paris (Carnoy et al. 1993, 91). In addition, many Asian TNCs outside Japan are influenced or owned by the state, in particular government-linked corporations from Singapore (Yeung 1998b) and state-owned Chinese TNCs in Hong Kong (Gang 1992; Fung 1996).

Fourthly, the state remains one of the most effective regulators in the global economy. Dicken (1992b, 305) notes that ‘governments may operate screening mechanisms to filter out those investments which do not meet national objectives, whether economic, social or political’. There are ample examples of such investment policies, which aim specifically at regulating the activities of TNCs in the Asia-Pacific region. These regulatory policies are pertinent to ownership requirements, transfer of technology, domestic trade and borrowing, remittance restrictions, foreign exchange restrictions, local content requirements, export levels and so on. When China first inaugurated its ‘open door’ policy in 1979, several special economic zones (SEZs) were designated, in which foreign TNCs could locate their manufacturing factories (Chen 1995). Locations outside these SEZs were not open to foreign investment until the mid-1980s, when the Chinese government saw that clear benefits were brought into China by these foreign TNCs. Even so, foreign firms in China are still subject to mounting layers of regulations at local, regional and national levels. In many South-East Asian countries (eg Indonesia and Malaysia), foreign firms are also subject to similar regulations imposed by host nation states (Yeung 1997; 1998c), albeit simpler ones than those in China.

Moreover, the regulatory asymmetry created by different states also constitutes an uneven surface of transaction costs, which reinforces the competitive advantage of one place over another. The development of the Eurodollar market in London, for example, rested on a regulatory asymmetry, because regulation was more liberal in London than in New York (Budd 1995; Helleiner 1995). The political geography of nation states therefore reinforces spatial differences on which global TNCs capitalize, in order to advance their capital accumulation strategies. Even in the realm of money capital, the state continues to influence globalizing tendencies. This is an important point, because it is within the financial sphere that globalization is arguably most developed, reflecting the much greater fungibility and convertibility of the money capital form. (Martin 1994, 254)

Through detailed historical research, Helleiner (1995) has argued for three distinct roles of nation states in the globalization of capital and finance over time:

1 granting freedom to market actors through liberalization initiatives;
2 preventing major international financial crises; and
3 choosing not to implement more effective controls on financial movements.

Global financial integration occurs not because of the decline of nation states, but rather because of their regulatory activities. As pointed out recently by Evans (1997, 72),

the international financial system would descend quickly into chaos without responsible fiscal and monetary policies on the part of international actors . . . Those who sit astride the international financial system need capable regulators.

Although nation states in the 1990s are more open to neoliberal economic policies, they are not necessarily willing to give up their national economic sovereignty in favour of transnational economic and financial systems. It is a question of the nation state’s willingness to take advantage of globalization, rather than of the nation state’s inability to confront globalizing tendencies.

Fifthly, the role of the state in internationalizing politics is equally critical in today’s global economy. According to some scholars of international organizations (eg Cohen et al 1979;
McGrew and Lewis 1991; Pitelis 1993; Baylis and Smith 1997), the increasing complexity of the global economy has necessitated the formation of regional and international institutions for the co-ordination and regulation of the global operations of capital.12 These supranational institutions are needed because

[t]he tension between the territorially based system of political organization and economic globalization embodying the market principle creates a disjunction in governance at both the regional and world levels. (Mittelman 1996c, 197)

Herod et al (1998) argue, for example, that the rules governing the global economy today are more strictly enforced by international organizations and rhetoric than ever before. The emergence of these supranational institutions, however, does not suggest the end of the state because the former lack the important controlling/legitimizing device of nationalism (Pitelis 1991; 1993). Together with the state, international institutions are more likely to remain in support of the continuous globalization of economic activities, as spearheaded by TNCs. International organizations and institutions are important to the coexistence of both the state and capital: to the state, supranational institutions represent concerted actions and efforts to bring capital and its actions in line with the interests of nation states; TNCs, on the other hand, support international institutions because they can provide something that individual nation states cannot, eg the defence of Europe, the regulation of financial systems, market stabilization and so on.

Last but not least, nation states still have substantial power over their domestic economies in a globalizing world. Although ‘Keynesianism is dead’, post-Keynesian states continue to operate welfare systems and implement fiscal policies through public spending programmes (Martin and Sunley 1997). Despite immense competitive pressures, the economic fortunes of regions and localities within these nations are still dependent on the economic policies and expenditures of their central states. Through prudent fiscal policies (eg interest rates, credit controls and infrastructural spending) and industrial policies (eg targeting national champions), nation states are able to create national competitive advantages (Porter 1990). During the 1980s, Reagan’s expansion of the US budget deficit and Thatcher’s tax cuts in the UK both produced the classic Keynesian effect of boosting national consumer demand. On the issue of domestic labour markets, Reich (1991), for example, argues strongly for the direct involvement of the US government in skilling and upgrading domestic labour force to compete in the twenty-first century. The transformation of the UK from a Keynesian welfare state into a Schumpeterian workfare state has also had a significant impact on its labour markets (Peck 1996).

The geographical embeddedness of capital

The dialectical relationship between the state and capital described above sheds light on only one side of the picture. The other side is the dialectical relationship between space and capital. I argue that it is equally important to understand the extent to which capital can respond to and take advantage of spatial differences as space remains integral to the (re)production of capital. Amin and Thrift (1994, 16, original italics) argue that ‘this means taking seriously the contention that the economic life of firms and markets is territorially embedded in social and cultural relations’. This section of the paper continues to contest Ohmae’s notion of a ‘borderless’ world by examining the ways through which capital is geographically embedded in distinct national social or institutional structures (eg ongoing networks of social relationships, political ideologies and so on). Geographical embeddedness of capital refers to complex and ongoing processes of articulation of its home-country characteristics and host-country operating environments. I argue that capital is not ‘placeless’ as alleged in the ‘borderless world’ thesis, because the production and reproduction of capital is location-bound. Capital not only needs relatively immobile and fixed infrastructures for its reproduction, but also depends on its home bases for strategic advantages. In addition, production locations for capital are not perfectly substitutable because ‘global capitalism is being constructed through interactions between flow economies and territorial economies’ (Storper 1997c, 31; see also Gereffi and Hamilton 1996). The internationalization of capital is not only measured by increasing intensities of flows, but also subject to place-specific conditions of production that are either unavailable or difficult to reproduce elsewhere. Capital is thus certainly ‘place-sticky’.

Embedding capital in places

Let me tackle the first point about the geographical embeddedness of capital in places. In
its globalizing processes, transnational capital incorporates home-country characteristics and has geographical specificity built into the logic of its internationalization (see also Dicken et al 1994; Dicken 1998). Applied to the globalization of TNCs, home-country embeddedness can be measured by: their geographical spread; their ownership and corporate governance patterns; and locations of their technological innovations. First, measured by geographical spread and scope, most of the world’s TNCs are not global corporations as envisaged by Ohmae (1990) and others (eg Julius 1990). At most, they are regional in their operations and markets. Moreover, most of their assets, employment and turnover come from home countries. For example, major American TNCs such as IBM, General Motors, Du Pont and General Electric have more than 50 per cent of their assets and employment in the US (Hu 1992, Table 1). This results in the dependence of American TNCs on the fortune of the US market (cf Reich 1991). Following an analysis of the activities of more than 500 TNCs for 1987 and 5500 TNCs for 1992–93, Hirst and Thompson (1996) and Allen and Thompson (1997) conclude that, in terms of sales and assets, the home country remains dominant in TNC activities (also Carnoy et al 1993). For the top five home countries for TNCs (the US, the UK, Japan, Germany and Canada), the home-country/region sales comprise at least two-thirds of the total company sales. The same intraregional tendency is also observed in the outward investment by TNCs from Asian NIEs (Yeung 1994a; Dicken and Yeung forthcoming). There is thus a pronounced tendency towards the regionalization of TNC activities (Morrison et al 1991; Morrison and Roth 1992). There is certainly no fully fledged globalization of TNC activities as observed by Ohmae (1990; 1995a) and others.

Second, the ownership and corporate governance of allegedly ‘global’ corporations remain national rather than global. Shares are held by individuals and entities from the home country rather than from foreign countries. Most seats on the board of directors are held by home country nationals, enabling the retention of control within that country. Hu (1992, 111) therefore argues that ‘there is no doubt that a company like Siemens is German, a company like IBM is American, or a company like Toyota is Japanese’. Even in the case of Nestlé, Swiss law allows Swiss companies to exclude foreigners from holding registered shares that carry voting rights. Nestlé thus limits non-Swiss voting rights to 3 per cent of the total. It is certainly a national (Swiss) firm rather than a ‘stateless’ firm. Today, few global TNCs have significant foreign ownership and foreign senior management. Budd (1995, 347) notes that many of these companies are seen as national and continental champions by their governments. National economic regulation may be a thing of the past but the degree of state intermediation in the form of systems of corporate governance, financial regulations and general business environment is the means of maintaining a national interest.

In a comprehensive study, Pauly and Reich (1997, 8–12; also Keller et al forthcoming) found significant differences in corporate governance among American, Japanese and German TNCs. While American TNCs are highly constrained by dynamic and deep capital, their Japanese counterparts are effectively bound by complex but reliable networks of domestic relationships, and their German counterparts retain a relatively high degree of operational independence. These differences persist and are reflected in the varying priorities that TNCs from different nationalities assign to the maximization of their shareholders’ value, the autonomy of their managers and the stabilization of employer-employee relations. Their patterns of shareholding also provide a starting point for understanding key differences in their corporate governance. In the early 1990s, nearly 90 per cent of the voting shares of publicly listed corporations in the US were held by individual households, pension funds and mutual funds. In Japan, the ratio was closer to 30 per cent and in Germany, 15 per cent. In contrast, banks held less than 1 per cent of shares in the US but nearly 10 per cent and 25 per cent respectively in Germany and Japan. The nature and mobility of shareholding explains, to a certain extent, the varying degrees of control and performance requirements among TNCs from these three major economic powerhouses of the global economy.

Third, contrary to predictions by Ohmae (1990; 1995a) and others (Pearce 1990; Pearce and Singh 1991; Howells and Wood 1993), the technological activities of global corporations are firmly rooted in home countries, as indicated by the location and nature of R&D activities. These firms derive their firm-specific technological advantages from home-country environments and vice versa (Cantwell 1989; 1995; Porter 1990; Patel and Pavitt 1991; Patel
Based on patenting records of 686 of the world’s largest firms from 1981 to 1986, Patel and Pavitt (1991, 11) conclude that, ‘in spite of considerable variations amongst the large firms based in different countries, their technological activities remained far from globalised’. More recent studies (Cantwell 1995; Patel 1995; Angel and Savage 1996; Pauly and Reich 1997) have not validated the universal trend towards the globalization of technological activities. Angel and Savage (1996) found that, despite the growing number of Japanese R&D laboratories in the US, the phenomenon of ‘global localization’ is only observed among Japanese automobile firms in the US that have closer ties between local R&D and production facilities. In computer, electronics and other industries, however, the principal linkage of R&D laboratories in the US is to R&D laboratories in Japan. Divisional R&D laboratories in Japan remain the key anchor for emerging international technological-development networks among Japanese TNCs. Other studies (eg Castells 1996; Pauly and Reich 1997) have found that the world’s leading TNCs remain fundamentally rooted in distinct national systems of innovation. Nationality and country of origin still make a decisive impact on the extent and capabilities of R&D among global TNCs.

The territorial tendencies of capital

My second point is concerned with the territorial tendencies of capital. The importance of place in the embeddedness or ‘spatial anchoring’ of TNC activities is underscored by the necessary relations between place and capital. In theoretical terms, capital depends on place for material conditions (eg infrastructure and resources) and social relations (eg business networks and labour processes), in order to reproduce successfully in an era of global competition. For example, although telematics has made possible the spatial decentralization of economic activities and the overriding of conventional jurisdiction and boundaries, Sassen (1995, 31) argues that there is also a space economy which reveals the need for strategic sites with vast concentrations of resources and infrastructure, sites that are situated in national territories and are far less mobile than much of the general commentary on the global economy suggests.

Even within the realm of financial globalization in which TNCs in financial services and their capital flows are proclaimed ‘ruthless’ and ‘placeless’, Martin (1994, 255) notes that ‘place remains fundamentally important to the structure and operation of the global financial system’. More than that, the transnational production of financial instruments and services remains fundamentally local, subject to a socially articulated and culturally constructed labour process. The economic and social geography of financial centres provides an essential geography of articulation from the local to the global and within the local which shapes the conditions for effective (ie profitable) financial production. (Pryke and Lee 1995, 333)

As in the case of the City of London, global cities constitute places in which finance capital is embedded (Amin and Thrift 1992; Allen and Pryke 1994; Thrift 1994; 1996; Tickell 1996; Clark 1997; Amin and Graham 1997). The social spaces in these places are made up of complex networks of social and personal relationships, which can be translated into external or territorial economies that capital can exploit only in situ. In other words, the realization of these external economies by transnational financial institutions can be possible only at the local level in the so-called ‘neo-Marshallian nodes’ (Amin and Thrift 1992). There is thus certainly a place for the geography of capital and global investment flows.

Others may argue that there is some evidence of the decentralization of transnational financial institutions (Knight 1995). It is, however, mostly back offices that are decentralized, not their primary functions (Martin 1994; Sassen 1995; 1996a; 1996b). The top world centres of financial activities, such as London, New York and Tokyo, show no signs of losing their overall dominance. They remain as the fundamental nodes through which these transnational financial institutions obtain their competitive advantage and realize their external economies. Capital flows and finance capital are not becoming increasingly ‘placeless’. Rather, they are becoming more entrenched in specific territorial localities, to serve their global clients on the one hand and to realize the benefits of local embeddedness on the other. As Pryke and Lee (1995, 331) argue, the influence of place on financial production remains significant not only in the context of technical change that seems to reshape the very parameters of geography and interaction and to challenge the existence of financial centres and geographical concentrations of financial production, but in the context of competition between financial centres as well.
In addition, although Ohmae (1995a, 28) recognizes the importance of these local variations in consumers and producers, he still thinks that capital has an inherent capacity to overcome these spatial variations and to create global products. What he has overlooked are the grave difficulties in transferring capital’s competitive advantage obtained from home countries to host countries. Research in international business has shown that, as a consequence of transnational operations, national firms experience the disadvantage of being ‘foreign’ or ‘outsiders’ (Hymer 1976). This competitive disadvantage arises from a lack of local knowledge of social, political and economic conditions in the host country. Local knowledge comprises information and know-how about the local economy, politics, culture and business customs of a country; local demands and tastes; and how to access the local labour force, distribution channels, infrastructure and raw materials required for the conduct of business in a country. Because such local knowledge takes the form of location-based intangible assets, its acquisition results from local operating experience, or the local embeddedness of transnational capital. Some forms of local knowledge or resources, however, are difficult to obtain by the cumulative experience of foreign firms alone, because they are specific to particular local firms only, e.g., a local firm’s skills and capabilities in negotiating with the local government; its access to and skills in negotiating with the local business and political elite; its ability to manage the local labour force and unions; and its competence with respect to local market access, product quality, branding, market reputation and so on. These forms of local knowledge and skills are both geographically and firm-specific in nature (Rugman and Verbeke 1992a; 1992b; Yeung 1998a).

Because of this locational specificity of knowledge and experience, capital cannot operate anywhere in the world in the same way as predicted in the idea of a ‘borderless’ world. In order to compensate for such competitive disadvantages, foreign firms need to acquire a stock of local knowledge, which in turn makes them less ‘foreign’ and improves the performance of their subsidiaries (Kogut and Zander 1993). The acquisition of local knowledge can be undertaken through three distinct channels: forming a joint venture with a local firm; transferring a stock of past local experiences from the foreign parent firm; and the accumulation of operational experience in the host country. Of these three channels, forming a local joint venture is seen, at least by most host-nation governments, as the best way to embed foreign firms in their respective countries and to bring substantial advantages to the local economy. Empirical studies (e.g., Makino and Delios 1996) have shown that each knowledge-acquisition channel has a significant influence on the performance of foreign subsidiaries. But the first channel, i.e., a local joint venture, is the preferred strategy when a foreign firm invests in unfamiliar markets.

For example, even in such allegedly ‘global’ corporations as Unilever, there is a need to organize global operations according to geography, so that the group as a whole continues to rely on the knowledge of individual units to judge what product expertise to use in their local markets (Bartlett and Ghoshal 1989; Maljers 1992). To Unilever, simultaneously achieving global integration of corporate functions and local responsiveness of transnational operations is the key strategic mission. At the corporate strategic level, Unilever seeks to transcend national boundaries in its strategic planning and functional activities (e.g., research, finance and packaging). In that sense, the world is ‘borderless’ to Unilever. But in its very local operations, Unilever cannot neglect the vital importance of being responsive to local differences in tastes, preferences, values and attitudes. It has to differentiate its products to adapt to local markets. Since the early 1940s, Unilever has also been actively localizing its management of operations in various countries. This localization process occurs in conjunction with a parallel development of a matrix structure at the group level, which combines local initiatives with some centralized control. In that sense, the world is not borderless to Unilever, but comprises a mosaic of geographically distinctive ensembles, mostly embedded in individual countries and/or regions within nation states.13 The assertion of a ‘borderless’ world is rejected in view of continuous change in the global economy, and the local adaptation of corporate strategy and organizational structures even among leading global corporations. Local differences still exist and continue to exert very powerful influences on the global operations of capital. The reality of today’s global economy is very much a paradoxical and multiple coexistence of globalizing tendencies and localized demands.

There are also local conventions, rules, practices and institutions that combine to produce the
systemic environment for capital to operate within a world of uncertainty. These ‘local elements’ in the business system tend to be territorialized, because they are found in particular geographic locations and regions. They can be embodied either in specific entrepreneurs or in institutional relations (Yeung 1998a). They also frame the new methods of national economic regulation by nation states. Jonas’ (1996) study of local labour control regimes in the spatial fixation of capital shows that transnational employers in Mexico’s northern border towns decided to assist employees in response to the March 1995 devaluation of the peso. Mexico’s wage legislation had placed a 10-per-cent limit on wage increases, but the currency devaluation had left workers struggling to afford basic necessities. Faced with the prospect of a chronically underpaid and undernourished work force, employers decided to intervene and offered special income supplements, including case benefits, food coupons and payments in kind, which enabled employees to find enough food to make it through the gruelling workday. These foreign TNCs first located to take advantage of labour enclaves in Mexico’s border manufacturing zones, but once in place, they confronted a crisis in which relocation was not an option. The maquiladores employers faced a crisis of labour control and the potential collapse of the local labour control regime (LCR). Their response represented capital’s recognition of a basic need to foster relations of reciprocity within the local LCR. Fujita and Hill (1995) also show that Japanese TNCs in the US, for example, have actively engaged in reciprocal relationships with local businesses, trade unions, state and local governments, universities and community organizations.

So how does a local business system work? Local business systems may be embodied in institutional relations among key actors in the system: business organizations, local institutions, trade associations and research institutes (Yeung 1994b). This argument is well exemplified in the geographic literature on the emergence of new industrial spaces (Scott 1988; 1996; Storper 1992; Crewe 1996). Within these territorial complexes, there is an intense interaction among firms, local institutions and other key actors to create a high level of ‘institutional thickness’, which tends to bind firms to localities (Amin and Thrift 1992; 1994). Local skills and entrepreneurial spirits are also important to the development of firm-specific capabilities.

The main influences of local practices on business organizations are human interactions, cultural patterns, sharing of specific knowledge and the local milieu (eg industrial districts). For example, entrepreneurship is not a global product. It is very much embedded in specific social and cultural contexts. Chinese entrepreneurship is strongly rooted in the historical background of the transmigration of the Overseas Chinese and their survival strategies in relatively hostile host environments. The Overseas Chinese have become entrepreneurs because they need to protect the welfare of their families in overseas diasporas (Redding 1990; Weidenbaum and Hughes 1996). Chinese entrepreneurship tends to be much more family-based: personal relationships, or guanxi, play a critical role in the transnational operations of Chinese business firms (eg Yeung 1997; 1998c). Their entrepreneurship is different from American entrepreneurs, who grew out of a sense of self-achievement and enrichment. It would be difficult for American capital to establish themselves in Asian societies if they rely solely on the sort of individualism that characterizes their management and business practices. Instead, successful American firms choose to engage and develop relationships with local business individuals and regulatory institutions.

Conclusion and implications

The ‘borderless world’ discourse must be contested, because it has caricatured the intricate and multiple relationships between capital, the state and space. First, the capitalist state continues to perform its functions in capital accumulation and to exert influence in the global political economy. Second, capital is more territorially embedded in places rather than having become ‘placeless’. Globalization is a complex process of interrelated tendencies; there is a dialectical and dynamic tension between spatial integration (a result of the globalizing of economic activities) and spatial disintegration (an outcome of localization of these very activities). Territorial differences and geographical unevenness remain integral to globalizing processes. The world is made up of a dynamic mosaic of uneven geographical formations that are shifting over time, subject to the interplay of power relations among the state, capital and other forms of social institutions. The analytic logic of a ‘borderless’ world becomes absurd in this
interpretation of ongoing changes in the global economy, because by portraying an end-state, it fails to recognize its dynamic transformations over time and space. Instead, we should recognize the qualitative and dialectical nature of globalization and its key actors, in order to understand and explain the world in which we are living. There comes a point when we must raise our heads from books by ultraglobalists, look around and reconsider whether borders have really disappeared, and whether the world is, in fact, a unified whole.14

What implications can we draw for policymakers and future researchers? Three implications are particularly important in this respect. First, if the state is still a key powerhouse in the global economy, and capital is not ‘placeless’, it becomes extremely important to cultivate the allegiance of capital by embedding it within territorially specific localities. In fact, some economies have been doing that by encouraging foreign capital to embed in local economies (Turok 1993; Tödtling 1994). Other existing centres of excellence (eg London, New York and Tokyo in the financial services industry) continue to maintain their competitiveness as the places for transnational financial institutions in an era of global financial integration.

Second, the existence of uneven regulatory surfaces will continue to draw foreign investment aimed at circumventing institutional barriers in host countries. Transnational capital is increasingly sensitive to local variations in culture, social structures and institutions. The continued growth and stability of the global economy require not less, but more regulation and better governance to enforce regulatory surfaces effectively (Hirst and Thompson 1996; Rodrik 1997). In this regard, there is an increasing need to create viable systems of coordination/order among the powerful economic actors now operating globally (Sassen 1996b). The question is not whether the state should intervene in the economy, but rather what types of state and what interventions are most appropriate in a specified context (Mittelman 1996b).

Third, an ‘end-state’ approach to our understanding of the contemporary global space-economy has proven inadequate. Globalization, as a set of interrelated tendencies that transcend the multiplicity of everyday social life at every spatial scale, must be contested rigorously by interdisciplinary research. As concluded by Cox (1997, 16), globalization does not entrain some single, unidirectional, sociospatial logic. All strategies, individual or collective, are necessarily spatial, since all social activity mobilizes the useful properties of space relations in some way.

Not only do we need an analysis of the globalization discourse itself (eg its neoliberal political ideologies), but we must also probe into the material bases of such spatial tendencies (eg global flows of capital and its contradictions). Such a relational and dialectical approach to the global economy potentially helps us better to understand the dynamic structures and processes involved in contemporary globalization (see also Dicken et al 1998). Central to that approach are the intricate interrelationships between capital, state and space.

Acknowledgement

This paper is based on an earlier paper first presented at the Commonwealth Geographical Bureau International Conference on ‘Vanishing borders: the new international order of the twenty-first century’, 19–23 August 1996, University of Malaya, Kuala Lumpur, and at a seminar at the Department of Geography, National University of Singapore. I would like to thank Richard Bedford, Gerald Blake, George Cho, Chua Beng Huat, Carl Grundy-Warr, Ho Kong Chong, Elmar Kulke and John Overton for their comments. This paper has since been revised substantially with input from new research initiatives funded by the National University of Singapore (RP970013), although the key arguments remain broadly the same. In assisting my revisions, insightful comments from Peter Dicken, Philip Kelly, Roger Lee, Ron Martin, Kris Olds and three anonymous Transactions referees were extremely helpful. None of them, however, is responsible for any error or mistake in the paper.

Notes

1 This paper is concerned more with the flows of corporations across space than with people and capital per se. For studies of global migration and labour markets, see Sassen (1988; 1993; 1996a), Mittelman (1994) and Betcherman (1996). Global portfolio investment flows will be addressed briefly in the section on the capitalist state and the importance of place-centred governance (see also Corbridge et al 1994; Stein 1997).

2 This notion of a ‘borderless world’ has been applied to different spheres of social analysis, eg drug problems (Stares 1996).
3 The recent and ongoing economic turmoil in Asia is perhaps a very relevant example of this interdependent and ‘borderless’ world. Ultraglobalists can easily offer a cursory reading, by stating that capital has fled freely from South-East Asian countries and that the currency turmoil, which had originated from the depreciation of the Thai Baht in August 1997, spread virtually unabated throughout the Asian region within months. Such a ‘strong globalization’ reading of the Asian crisis would clearly misrepresent the central tenet of this paper – the complex and multidimensional nature of the relationships between capital, state, and space.

4 Ohmae’s work, in particular his notion of the ‘borderless world’, is used in this paper to represent a broader neoliberal literature on globalization and its impact on the organization and governance of the global economy.

5 I would like to thank Philip Kelly for bringing to my attention this important point. See Jessop (forthcoming) for a conceptual development of ‘relativization of scale’ and Kelly (1997) for an empirical analysis of the discursive impact of globalization on the Philippines, based on that concept. Some parallels of this idea can also be found in the actor-network theory (Thrift 1996; Murdoch 1997a; 1997b).

6 The theory of the capitalist state and the crisis of capitalism is well known and will not be repeated in full in this paper. Instead, I will clarify the relationship between capital and the state to support my arguments.

7 For the concept of territoriality in human geography, see Sack (1981). A recent critical study of globalization defines territoriality as ‘the institutional and cultural specificity of nations and regions’ (Amin and Thrift 1997, 153). Territorial economies are thus constituted by the agglomeration of economic activities in close proximity, within the restricted geographical spaces of regions (Storper 1997a; 1997b).

8 Because of space constraint, an historical analysis of the role of the state and capital in the emergence of today’s global economy is beyond the scope of this paper (see Murray 1971; Cox 1987; Gordon 1988; Miyoshi 1993; Hirst and Thompson 1996).

9 There is a logical flaw, however, in Ohmae’s arguments for ‘region states’ that are often agglomerations of adjacent areas in different countries. If globalization crushes state capacities and makes nation states ‘transient’, there is no reason why the same ‘borderless world’ logic could not be applied equally to ‘region states’, which are really historically specific reassembled spatial entities. I thank Ron Martin for this point.

10 Indeed, this idea of a ‘stateless’ corporation appeared as early as the 1960s (see Ball 1967).

11 See Taylor (1997) for examples of neoliberal policies practised by the IMF and the World Bank. A more recent example can be found in the IMF guidelines for ‘bailing out’ ailing Asian economies.

12 For some examples of how actions by international and regional institutions shape TNC behaviour, see Dicken (1992a; 1992b; 1994) and Christerson and Appelbaum (1995) on textiles firms; Dicken (1988; 1992c) and Casson and Encarnation (1994) on Japanese automobile TNCs in Europe; and Cox (1995) on American automobile TNCs in Mexico.

13 As explained earlier, these geographical ensembles (eg markets) may be contained within nation states, but they may also be constituted by supra- or subnational units (eg regions). There is a relativization of the scale of globalization.

14 This phrase is paraphrased from Kirsch’s (1995) critique of David Harvey’s idea of ‘the shrinking world’. The original sentence reads: There comes a point when we must raise our heads from Harvey’s book, look around, and reconsider whether space has really shrunk, and whether the world is, in fact, collapsing inwards around us. (Kirsch 1995, 543, original italics)

References


Allen J and Thompson G 1997 Think global, then think again – economic globalization in context Area 29 213–27

Amin A 1997 Placing globalisation Paper presented at the RGS-IBG Annual Conference, Exeter, 7–9 January

Amin A and Graham S 1997 The ordinary city Trans-actions of the Institute of British Geographers 22 411–29


Ball G 1967 Cosmocorp: the importance of being stateless Columbia Journal of World Business 2 25–30
Baylis J and Smith S eds 1997 The globalization of world politics: an introduction to international relations Oxford University Press, New York
Berger S and Dore R eds 1996 National diversity and global capitalism Cornell University Press, Ithaca NY
Brown R 1997 Globalization and the state Polity, Oxford
Budd L 1995 Globalisation, territory and strategic alliances in different financial centres Urban Studies 32 345–60
Cantwell J 1989 Technological innovation and multinational corporations Blackwell, Oxford
Castells M 1996 The rise of the network society Blackwell, Cambridge MA
Christerson B and Appelbaum R P 1995 Global and local subcontracting: space ethnicity and the organization of apparel production World Development 23 1363–74
Clark G L 1997 Rogues and regulation in global finance: Maxwell, Leeson and the City of London Regional Studies 31 221–36
Corbridge S Martin R and Thrift N eds 1994 Money, power, space Blackwell, Oxford
Cox K ed 1997 Spaces of globalization: reasserting the power of the local Guilford Press, New York
Cox R W 1987 Production, power and world order: social forces in the making of history Columbia University Press, New York
— 1995 Corporate coalitions and industrial restructuring: explaining regional trade agreements Competition and Change 1 13–30
Crew L 1996 Material culture: embedded firms, organizational networks and the local economic development of a fashion quarter Regional Studies 30 257–72
— 1992b International production in a volatile regulatory environment: the influence of national regulatory policies on the spatial strategies of transnational corporations Geoforum 23 303–16
— 1992c Europe 1992 and strategic change in the international automobile industry Environment and Planning A 24 11–32
Dunning J H 1993 Multinational enterprises and the global economy Addison Wesley, Harlow
— 1995 The global economy and regimes of national and supranational governance Business and the Contemporary World 7 124–36
— ed 1997 Governments, globalization and international business Oxford University Press, Oxford
Evans P 1997 The eclipse of the state? Reflections on stateness in an era of globalization World Politics 50 62–87
Contesting the borderless world

Gang Y 1992 Chinese transnational corporations Transnational Corporations 1 125–33
Gill S 1995 Globalisation, market civilisation and disciplinary neo-liberalism Millennium 24 399–423
Gottdiener M 1987 Space as a force of production: contribution to the debate on realism, capitalism and space International Journal of Urban and Regional Research 11 405–16
Gupta S D ed 1997 The political economy of globalization Kluwer, Boston
— 1989 The condition of postmodernity: an enquiry into the origins of cultural change Blackwell, Oxford
Helleiner E 1995 Explaining the globalization of financial markets: bringing states back in Review of International Political Economy 2 315–41
Hu Y S 1992 Global firms are national firms with international operations California Management Review 34 107–26
— forthcoming Some critical reflections on globalization and its illogic(s) in Olds K Dicken P Kelly P Kong L and Yeung H W C eds Globalisation and the Asia Pacific: contested territories Routledge, London
Johnson C 1982 MITI and the Japanese economic miracle Stanford University Press, Stanford CA
Jonas A E G 1996 Local labour control regimes: uneven development and the social regulation of production Regional Studies 30 323–38
Julius D 1990 Global companies and public policy: the growing challenge of foreign direct investment Pinter, London
Kelly P F 1997 Globalization, power and the politics of scale in the Philippines Geoforum 28 151–71
Knight R V 1995 Knowledge-based development: policy and planning implications for cities Urban Studies 32 225–60
Kogut B and Zander U 1993 Knowledge of the firm and the evolutionary theory of the multinational corporation Journal of International Business Studies 24 625–45
Lefebvre H 1991 The production of space Blackwell, Oxford
Lévy B 1995 Globalization and regionalization: toward the shaping of a tripolar world economy? The International Executive 37 349–71
— ed 1996a Globalization: critical reflections Lynne Rienner, Boulder CO
— 1996b The dynamics of globalization in Mittelman J H ed Globalization: critical reflections Lynne Rienner, Boulder CO 1–19
— 1996c Rethinking the ‘new regionalism’ in the context of globalization Governance 2 189–213
Miyoshi M 1993 A borderless world? From colonialism to transnationalism and the decline of the nation-state Critical Inquiry 19 726–51
Murdoch J 1997a Towards a geography of heterogeneous associations Progress in Human Geography 21 321–37
Murray R 1971 The internationalization of capital and the nation state New Left Review 67 84–108
Palan R and Abbott J 1996 State strategies in the global political economy Pinter, London
Panitch L 1996 Rethinking the role of the state in Mittelman J H ed Globalization: critical reflections Lynne Rienner, Boulder CO 83–113
Patel P and Pavitt K L R 1991 Large firms in the production of the world’s technology: an important case of ‘non-globalisation’ Journal of International Business Studies 22 1–21
Pauly L W and Reich S 1997 National structures and multinational corporate behavior: enduring differences in the age of globalization International Organization 51 1–30
Pearce R D 1990 The internationalisation of research and development by multinational enterprises Macmillan, London
Pearce R D and Singh S 1991 Globalising research and development Macmillan, London
Picciotto S 1991 The internationalisation of the state Capital and Class 43 43–63
Pitelis C N 1991 Beyond the nation-state? The transnational firm and the nation-state Capital and Class 43 131–52
— 1993 Transnationals international organization and deindustrialization Organization Studies 14 527–48
Pooley S 1991 The state rules OK? The continuing political economy of nation-states Capital and Class 43 65–82
Porter M E 1990 The competitive advantage of nations Macmillan, London
Redding S G 1990 The spirit of Chinese capitalism De Gruyter, Berlin
Roberts S M forthcoming The world is whose oyster? The geopolitics of representing globalization Environment and Planning D: Society and Space
Sack R D 1981 Territorial bases of power in Burnett A D and Taylor P J eds Political studies from spatial perspectives John Wiley and Sons, Chichester 53–71
Sassen S 1988 The mobility of labor and capital: a study in international investment and labor flow Cambridge University Press, Cambridge
— 1993 The impact of economic internationalization on immigration: comparing the US and Japan International Migration 31 73–99
— 1995 The state and the global city: notes towards a conception of place-centered governance Competition and Change 1 31–50
Tickell A T 1996 Making a melodrama out of a crisis: reinterpreting the collapse of Barings Bank *Environment and Planning D: Society and Space* 14 5–33


Turok I 1993 Inward investment and local linkages: how deeply embedded is Silicon Glen? *Regional Studies* 27 401–17


Weidenbaum M and Hughes S 1996 *The bamboo network: how expatriate Chinese entrepreneurs are creating a new economic superpower in Asia* Free Press, New York

Weiss L 1997 *Globalization and the myth of the powerless state* *New Left Review* 225 3–27


Yeung H W C 1994a *Transnational corporations from Asian developing countries: their characteristics and competitive edge* *Journal of Asian Business* 10 17–58

— 1994b Critical reviews of geographical perspectives on business organisations and the organisation of production: towards a network approach *Progress in Human Geography* 18 460–90

— 1997 *Business networks and transnational corporations: a study of Hong Kong firms in the ASEAN region* *Economic Geography* 73 1–25

— 1998a *The social-spatial constitution of business organisations: a geographical perspective* *Organization* 5 101–28

— 1998b *The political economy of transnational corporations: a study of the regionalisation of Singaporean firms* *Political Geography* 17 389–416