Introduction

Precisely because there is no global state the role of the state is an issue in our current age of global emergence. As mentioned in Chapter 2, there has always been an intense debate on the role the state can play in encouraging enterprise and development, especially where it involves international business and sources of wealth beyond the bounds of the state itself. An issue for decision-makers here has always been whether the state can or cannot be effective in supporting the international global competitiveness of its domestic enterprise.

Much evidence suggests that when states disengage, enterprise succeeds – see the US in the twentieth century and the UK in the nineteenth. If this is so, the absence of a global state may well be irrelevant to enterprise. However, the twentieth century also shows examples where the state did play a major role: Japan and South Korea, or Central and Eastern Europe.

Given previous arguments, one should not be surprised that differing institutional approaches produce equally impressive results. However many argue that global competitiveness strips away government’s capacity to enhance the competitiveness of its domestic enterprises relative to others.

Empirical evidence suggests that states do have an impact on business success and competitiveness – the impact can be negative (e.g. the socialist experiment in Central and Eastern Europe), or positive (the current high growth of South Korea). We suggest that the presumption of some impact is the basis for studying business in an international context in a manner distinct from in a national one.
Clarifying the distinction between international business as it was, and how we wish to develop it, we observe that international business focuses on enterprise operating across national borders, and the impact of the regulatory policies of national governments and social institutions. If one argued that the national context of enterprise was irrelevant, one would eliminate the international component of international business. Some of the factors transforming the global market are directly influenced by the prescriptions of governments – e.g. the deregulation of economic and business activity, the reduction or elimination of protectionism and treaties creating trading blocs. A key issue here must be how far should such interventions go, and how effective can they be.

The issues

According to Stopford and Strange (1993), the competing forces in the global political economy operate in three ways:

1. Governments compete for their nation’s share of global value
2. Domestically there is competition between a state and the enterprise within it
3. Global networks of enterprises compete with one another.

At the government level there has been a shift from international competitiveness to international co-operation. This has resulted in a spate of bilateral and multilateral treaties creating trading blocs (e.g. NAFTA, Mercosur). Their formation seems driven by a wish to maximize the returns from intergovernment activity. This leads to the creation of trans-national institutions (e.g. the European Commission, or OPEC). In some cases this is seen by some as leading to the evolution of supranational government (e.g. the European Union). A consequence is that such co-operation erodes the autonomy of the nation state to act purely in the interest of its domestic enterprise.

The nature of the second interaction is changing fast and qualitatively. Until the late 1970s, multinationals were ideologically seen as capitalistic predators maximizing their own gain at the expense of nations and peoples. There has been a clear shift in attitude since, multinationals are now considered vital to domestic development that can promote internal industrial growth and exports. The phenomenal state-supported growth of the Southeast Asian economies and, within their ambit, the role played by multinationals, both domestic and foreign, has been crucial.