Globalization and the Role of the State: Challenges and Perspectives

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Globalization is a term which has been used to describe and explain many worldwide phenomena. It has been given positive connotations by those who advocate greater economic integration across national borders, while it has been fiercely criticized by those who perceive it as a threat to social cohesion and as the advancement of unfettered capitalism, which undermines the Welfare State[1].

The animosity surrounding the debate on globalization requires that a holistic approach be adopted when analyzing this issue. Globalization is a prismatic phenomenon, which should be looked at in all its manifestations and from different angles. What is globalization? What accounts for the unequal distribution of globalization effects around the world? What is the impact of globalization on the nation-State? What is the relationship between globalization and inequality? How should we redesign the State so that people can benefit from globalization? What State capacities are most needed to respond to the challenges of globalization? These are all crucial questions, which will be addressed in this paper whose main objective is to explore what factors contribute to the successful integration of a country into the world economy.

1. Globalization: a multifaceted phenomenon

To be sure, globalization is a complex phenomenon, which encompasses a great variety of tendencies and trends in the economic, social and cultural spheres. It has a multidimensional character and thus does not lend itself to a unique definition. For purposes of simplicity, it may be described as increasing and intensified flows between countries of goods, services, capital, ideas, information and people, which produce cross-border integration of a number of economic, social and cultural activities. It creates both opportunities and costs and for this reason it should not be demonized nor sanctified, nor should it be used as a scapegoat for the major problems that are affecting the world today.

There are four are main driving forces behind increased interdependence: (a) trade and investment liberalization; (b) technological innovation and the reduction of communication costs; (c) entrepreneurship; and (d) global social networks. Although many believe that technological innovation and entrepreneurship are the main forces behind globalization, these factors cannot alone explain the process of enhanced economic integration. National

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governments have played a pivotal role in allowing greater interdependence and economic integration of specific activities through the elaboration and adoption of market-oriented policies and regulations, at both the international and local levels. Increased global integration in a number of economic areas began to intensify in the 1980s when many governments supported economic liberalization. The latter has included "financial sector deregulation, the removal of controls over foreign exchange and enhanced freedom of trade. Financial deregulation has resulted in the progressive elimination of capital controls, the removal of controls over interest rates, and the lifting of traditional barriers to entry into banking and other financial services" (Cable, 1995, p. 3)[2].

State efforts to uphold free trade and to encourage the reduction of trade barriers have been reflected in the eight successive negotiating rounds of the former General Agreement on Trade and Tariffs (GATT), which culminated in 1995 with the establishment of a multilateral trading system – the World Trade Organization (WTO). The latter has not only led to the reduction of barriers to trade in goods, but has also proceeded to liberalize services and capital flows. The WTO has as well focused more closely on an ever-growing range of policy measures affecting the terms and conditions of market access, such as standards and regulations, subsidy practices, and intellectual property rights (WTO, 1998 Annual Report)[3].

Thus, contrary to what is often claimed, economic globalization is not a blind force. It is still individual governments that set the policies and the rules of the globalized economy. Economic globalization is, in other words, the result of policy decisions made by individual countries that allow global market forces to operate. It is of great importance to underscore the political source of economic globalization in order to avoid interpreting this phenomenon as a deterministic force about which little can be done.

The real issue is which countries set the rules, whom do they favor and how can the least powerful also influence policy-making in the international arena, and do it in ways that will benefit them. Some countries do not have as much leverage as others in setting the international economic and political agenda, due to significant power imbalances among nations that are reflected in international institutions. As a consequence, the present form of globalization is largely shaped by the rules advanced by one part of the world – namely the most influential – and these rules do not necessarily favour developing countries and countries in transition. As emphasized in the Bangkok Declaration of February 2000, "globalization can be a powerful and dynamic force for growth and development. If it is properly managed, the foundations for enduring and equitable growth at the international level can be laid. For that, it is essential to persevere in the search for consensual solutions through open and direct dialogue that takes account of the fundamental interests of all (UNCTAD X, 2000, Bangkok Declaration)[4].

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[2] Cable, Vincent (1995). "What Future for the State", in *Deadalus*, March 22.

[3] World Trade Organization (1998). Annual Report, Geneva.

[4] United Nations Conference on Trade and Development (2000). Tenth session, Bangkok Declaration, Global Dialogue and Dynamic Engagement.

Bearing in mind that governments have played a crucial role in allowing for growing integration in a number of areas, increased interdependence has received a great impetus also from technological innovation, as well as the constant reduction in transportation and communication costs. These factors are responsible for drastically transforming the ease, speed, quantity, and quality of international information flows, as well as physical communications (Cable, 1995)[5]. In particular, information technology and multimedia communications are producing shrinkage of distance and acceleration of change. Due to technological advances in the past 70 years, transportation and communication costs have declined drastically. The end of state monopolies - where and when it has happened - and thereby the introduction of greater competition in the telecommunication sector, is also responsible for a sharp decline in communication costs.

During the past decade, two significant developments have accelerated the globalization of information flows. The first is that computers have invaded millions of households. The second is the emergence and development of the Internet technologies. The former demonstrates that the role of computers has been extended dramatically, not only as a tool for state and business organizations, but also as a household electronic appliance for information retrieval and processing, for education, for entertainment and for communication. The latter leads to a great leap in the technical and human ability to access, interpret and use information. It has been estimated that in March 2000 there were 400 million personal computers and about 1 billion telephones in the world; 276 million Internet users worldwide with a growth rate of roughly 150,000 persons per day; 220 million devices accessing the World-Wide Web with almost 200,000 devices being added every day. In 1996 total world bandwidth (transmission capacity of computer networks or other telecommunications systems worldwide) amounted to 200 trillion bits per second. It is also estimated that, 10 years from now, there will be 1 billion personal computers and 3 billion telephones in the world.

Thanks to technological innovations and greater economic liberalization, entrepreneurs, especially multinational corporations, have taken full advantage of more open markets to spread production processes all over the world (WTO, 1999, Annual Report)[6]. The opening up of economic opportunities allows the movement of foreign capital, technology and management, largely from transnational corporations (TNCs), to host country entrepreneurs and corporations. As national economies open, mergers between businesses from different countries and purchases or investment in equity of businesses in one country by owners from other countries are becoming more common. Although TNCs are not new economic actors, what has dramatically changed is the way they operate around the world and their increased level of economic power. According to the Commission on Global Governance, the number of TNCs is presently estimated at 37,000 worldwide (Commission on Global Governance Report, 1995)[7].

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[5] Cable, Vincent (1995). "What Future for the State", in *Deadalus*, March 22.
[6] World Trade Organization (1999). Annual Report, Geneva.
[7] Commission on Global Governance Report (1995). *Our Global Neighbourhood*, Oxford University Press, Oxford.

Economic globalization is mainly characterized by the rapid expansion of international trade, foreign direct investment and capital market flows. The last 50 years have seen trade expand faster than output by a significant margin, increasing the degree to which national economies rely on international trade in overall activity (WTO, 1998, Annual Report)[8]. The decline in transportation costs and technological innovation, in particular the Internet, have contributed to an increase in the volume of trade, financial flows and accelerated economic transactions by decreasing the time and methods of delivery and payment of goods and services.

Developing countries received about a quarter of world FDI inflows in 1988-1998 on average, though the share fluctuated quite a bit from year to year (World Bank, 2000, World Development Indicators)[9]. Between 1980 and 1997, private capital flows to developing countries as a group soared to US $140 billion from US $12 billion. The main problem is that flows to developing countries have been so far concentrated among a relatively low number of countries. The report on financing for development prepared for the UN Secretary-General notes that, during the period 1993 to 1998, 20 countries accounted for over 70 per cent of all FDI inflows to all developing countries. It further notes that the majority of low-income countries have been largely bypassed by private finance from abroad – least developed countries as a group received 0.5 per cent of world FDI inflows in 1999. On the other hand, firms from developing countries themselves increasingly invest abroad. FDI from developing countries increased from 2 per cent of total FDI outflows in the early 1980s to 10 per cent at the end of the millennium (UN, 2001, A/55/1000)[10]. In the case of Africa not only the inflow of FDI is relatively miniscule, especially outside primary commodities, but it has been estimated that 40 per cent of African private wealth is held overseas (United Kingdom, 2000, para. 153)[11].

Greater economic integration is not the only relevant aspect of globalization. Improvements in the technological sphere have enabled inexpensive, instantaneous communication and massive diffusion of information affecting styles of politics, culture and social organization. The globalization of technology has contributed not only to the explosive growth of information exchange via the Internet, but also to the expansion of education opportunities and the creation of trans-national social networks. Information, which had been the monopoly of the few, is becoming accessible to wider and more diverse audiences. The relative ease of accessing information has increased citizens' ability to share views, to become aware of their rights, to make their demands known and to increase their influence generally. As a consequence, citizens are joining together to demand improved levels of services and higher standards of behaviour from their governments. What is more, social protest has taken on a different form. It is not any longer confined to one particular country or to local issues; it transcends national borders. The recent events in Genoa at the G8 summit, in Prague in September 2000 at the International Monetary Fund and World Bank meetings, and in Seattle at the World

[8] World Trade Organization (1998). Annual Report, Geneva

[9] World Bank (2000). World Bank Development Indicators, Washington, D.C.

[10]United Nations Millennium Declaratioon (2001), A/55/1000.

[11]United Kingdom (2000). Second White Paper on International Development. "Eliminating World Poverty: Making Globalisation Work for the Poor".

Trade Organization meeting in 1999, are examples of these new forms of transnational organized movements and of globalization itself.

The reduction in transportation costs over recent decades, especially air and train fares, has also significantly facilitated the movement of people around the globe, although much less than at the beginning of the XX century. Although it is mostly highly qualified skilled workers that have legal access to many countries, illegal migration has also been very high. This trend will most probably be slowed down as a consequence of the increase in international terrorism, which has led to more tight security policies and greater application of immigration laws.

International and regional organizations, such as NGOs and transnational networks, based on shared interests rather than on geo-political similarities proliferated in the late XX century. NGOs, however, are by no means an "invention" of the past decades (some notable NGOs, such as Save the Children, were founded at the beginning of the XX century, while others even earlier as in the case of the International Red Cross, which was founded in 1868). What has changed is perhaps the increasing number of NGOs and their growing political leverage. Four decades ago, there were fewer than 1,000 NGOs, which operated mostly at the local level. Now at the beginning of the XXI century, the United Nations reports that almost 30,000 NGOs operate internationally. Moreover, NGOs are being increasingly invited to many global fora and meetings such as the United Nations Conference on Financing for Development and the recent World Summit on Sustainable Development.

2. Opportunities and Challenges of Globalization

As mentioned above, globalization, and more in particular economic integration, presents both opportunities and costs. Greater economic openness, foreign direct investment, and transfer of technologies offer potential opportunities for economic growth. Free trade allows specialization between different regions, allowing them to produce according to their own comparative advantages; it also expands the consumption choices of citizens by providing increased opportunities to buy goods and services from other countries. In this respect, it is very important to keep in mind that international trade is not a zero-sum game where some countries are winners and others are losers. On the contrary, trade benefits all countries because it enhances the choices of the consumer and the quality of products. If competitive, it lowers prices and raises real wages. It is also worthwhile to underline that contrary to what is commonly believed, "countries are not in any degree in economic competition with each other", or that "any of their major economic problems can be attributed to failures to compete on world markets" (Krugman, 1994, p. 6)[12]. Firms compete; countries do not. "If the European economy does well, it need not be at the expense of the United States; indeed, if anything a successful European economy is likely to help the U.S. economy by providing it with larger markets and selling it goods of superior quality at lower prices" (ibid.). Moreover, the evidence is very strong that real GDP growth is related mainly to domestic productivity growth, not to balance of trade or

[12] Krugman, Paul (1994). "Competitiveness: A dangerous obsession", in *Foreign Affairs*, New York, Mar/Apr, Vol. 73, Issue 2.

to productivity relative to competitors. "Even though world trade is larger than ever before, national living standards are overwhelmingly determined by domestic factors rather than by some competition for world markets" (ibid.). Trade is largely static, while productivity, which is driven by technical change, is dynamic and for that reason is primarily responsible for economic growth. Therefore, focusing on international competitiveness may lead to unwise decisions on domestic, as well as foreign policies.

Economic globalization has also provided opportunities for developing countries in that it expands the size of their markets for export and attracts foreign capital, which aids development. Foreign investment is conducive to a transfer of technologies and know-how, which increases productivity. Another positive effect of globalization is greater competition among firms, which benefits consumers who have access to products at increasingly lower prices. Those who gain most from free trade in both developed and developing countries are very often the poorest since they can buy goods at more affordable prices, and therefore have a higher standard of living. In this sense, free trade can be seen as an indirect way to reduce poverty.

Unfortunately, until now developed countries have not lifted their protective barriers in many crucial sectors for developing countries. In fact, while "integrating with the world economy is a powerful vehicle for growth and poverty reduction in developing countries, … it would be still more powerful if the rich countries further increased the openness of their own economies" (Stern, 2000, p. 5)[13]. We should recognize that many sectors, like textiles and agriculture, which could provide real new opportunities for developing countries, have not been liberalized. Another area of great concern is related to intellectual property rights, and the use of anti-dumping practices, which seem to discriminate against producers in developing countries. Moreover, while it is true that globalization carries many opportunities in its trail, it is also true that it has costs for specific sectors of the population in countries that are integrating into the world economy. For example, restructuring of the economy can lead to unemployment, at least in the short term. As will be argued later on, this is one of the areas in which the State should intervene to help minimize the costs of globalization. Yet to adopt protectionist policies on the basis that there will be losers may not be the best solution.

Every change has adjustment costs and refusing to embark on a process of change on these grounds is short-sighted. Technical change also entails costs, which are even higher than those produced by globalization, but not for this reason has it been rejected. "Modern technology and increasing economic integration have been a positive force in eradicating poverty and development throughout times" (Sen, 2001)[14]. Thus, "the predicament of the poor across the world cannot be reversed by withholding from them the great advantages of contemporary technology, the well established efficiency of international trade and exchange, and the social as well as economic merits of living in open, rather than closed, societies – what is needed is a fairer distribution of the fruits of

[13] Stern, Nicholas (2000). “Globalization and Poverty”, address at the Institute of Economic and Social Research, Faculty of Economics, University of Indonesia, December 15.

[14] Sen, Amartya (2001). "If It's Fair, It's Good: 10 Truths about Globalization", Los Angeles Times Syndicate, Saturday-Sunday, July 14-15.

globalization" (ibid.). In other words, integrating into the world economy has costs, but not integrating has greater costs in terms of lost opportunities. The challenge then is how to ensure that people can benefit from globalization, while minimizing the costs of adjusting to a changing domestic and international environment (UN, 2001, A/56/127-E/2001/101)[15].

It is becoming increasingly evident that so far globalization has benefited only a relatively small number of countries and that some regions of the world are still not integrated into the world economy. Moreover, some States have not yet adapted to increasing interdependence and as a consequence many have suffered from the adjustment costs of globalization. As stated by Helleiner at the 10th Raul Prebisch Lecture organized by the United Nations Conference on Trade and Development in December 2000: "The challenge – both at the national and global levels – is, through conscious policy choices, to make the new globalized system ... work for maximum human welfare. The task before us all is to make globalization functional, to 'civilize' it" (Helleiner, 2000, p. 5)[16]. In order to turn globalization into an opportunity for all, we need a new vision for the future, a vision that goes beyond what Soros calls "market fundamentalism" (Soros, 2000)[17]. In fact, "in recent decades an imbalance has emerged between successful efforts to craft strong and well-enforced rules facilitating the expansion of global markets, while support for equally valid social objectives, be they labour standards, the environment, human rights or poverty reduction, has lagged behind" (UN, 2000, Millennium Report, A/54/2000)[18].

It is becoming quite clear that, while globalization has great potentials, without appropriate domestic conditions it can have negative effects for many people. A significant part of humanity does not have the capacity to influence its own living environment, let alone the international political arena. The impressive technological advances only benefit a small proportion of the world's population. Despite globalization, many of the poorest countries remain marginalized from world trade and investment. Social and economic polarization is still widely spread. Therefore, it may be said that a sophisticated, globalized, increasingly affluent world currently co-exists with a marginalized global underclass (Commission on Global Governance Report, 1995, p. 139)[19].

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[15] United Nations (2001). "Five-year assessment of the progress made in the implementation of General Assembly resolution 50/225 on public administration and development", Report of the Secretary General, A/56/127-E/2001/101.

[16] Helleiner, Gerald Karl (2000). "Markets, Politics and Globalization: Can the Global Economy Be Civilized?" 10th Raul Prebisch Lecture delivered at the Palais des Nations, UNCTAD Geneva..

[17] Soros, George (2000). *Open Society (Reforming Global Capitalism)*, Public Affairs Press, New York.

[18] United Nations (2000), Millennium Report of the Secretary-General, "We, the Peoples: The Role of the United Nations in the 21st Century", A/54/2000.

[19] Commission on Global Governance Report (1995). *Our Global Neighbourhood*, Oxford University Press, Oxford.

3. What is the relationship between globalization, poverty and inequality?

Many protesters around the world have claimed that globalization is responsible for increasing inequality within and among countries and that it is causing greater poverty. So one of the most controversial questions concerning this phenomenon is whether poverty and inequality in the developing world are a consequence of globalization. According to some observers economic globalization leads to a "race to the bottom" characterized "by the progressive movement of capital and technology from countries with relatively high levels of wages, taxation and regulation to countries with relatively lower levels" (Spar and Yoffe, 2000, p. 37)[20]. This is said to force countries to reduce wages and social spending. Yet, other observers have maintained that globalization has favoured higher standards in the protection of working conditions and the environment, as well as higher wages than those offered by local employers. By refusing to operate under specific conditions, some corporations have contributed to the improvement of working and environmental standards.

The relationship between globalization and development is quite complex and should be analyzed in a non-ideological, impartial way. First of all, openness to foreign trade is far from being the only or most important factor in fostering development - actually, trade is a small factor in the economy -, nor is globalization solely responsible for creating disparities between rich and poor. As a matter of fact, human development, the reduction of poverty and increased output of goods and services depend on national policies much more than on openness. The institutional framework of a country, its political culture and the quality of its leadership play an important role in fostering economic development and in promoting social welfare. "Differences in economic efficiency are closely correlated with differences in the quality of the legal and political environment" (Calomiris, p. 42, 2002)[21]. In essence, globalization cannot be made responsible for bad government, and as Sen pointed out bad government is the main cause of poverty[22]. Therefore, domestic policies and institutions, both in developing and developed countries, are in part responsible either for their poor economic performance or for the persisting gap between rich and poor. In some cases, greater openness may even encourage governments to undertake reforms that lead to improvements in legal and economic institutions, as well as to adopt policies that favour greater competition.

In any case, the State will have a significant role to play in a globalizing economy. For citizens to take advantage of the opportunities of globalization, they need access to high quality education, health care, information and communication technologies (ICT), social safety nets, and infrastructure. The role of government is to secure for the citizens affordable access to these services. In countries characterized by weak State institutions and inadequate social policies, it may be difficult to minimize the costs of globalization. That is why strengthening State institutions and social welfare is essential in a globalizing world. Many experts, however, have claimed that globalization reduces the capacity of

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[20] Spar, Debora L. and David B. Yoffe (2000). "A race to the bottom or governance from the top?, in Prakash, Aseem and Jeffrey A. Hart (eds.), *Coping with Globalization*, Routledge, New York.

[21] Calomiris, Charles (2002). A Globalist Manifesto for Public Policy, Occasional Paper no. 124.

[22] Sen, Amartya (1999). Development as Freedom, Alfred A. Knopf, New York.

the State to provide social services as it leads to a decrease in the level of taxation. This issue may be looked at in the broader context of how globalization is affecting the role and size of the State.

4. Globalization and its impact on the State

The lifting of trade barriers, liberalization of world capital markets, and swift technological progress, especially in the fields of information technology, transportation and telecommunications, have vastly increased and accelerated the movement of people, information, commodities and capital. Correspondingly, they have also broadened the range of issues which spill over the borders of nation-States requiring international norm-setting and regulation and, therefore, consultation and formal negotiations on a global or regional scale. Many of the problems afflicting the world today - such as poverty, environmental pollution, economic crises, organized crime and terrorism - are increasingly transnational in nature, and cannot be dealt with only at the national level, nor by State to State negotiations.

Greater economic and social interdependence seems to affect national decision-making processes in two fundamental ways. It calls for a transfer of decisions to the international level and, due to an increase in the demand for participation it also requires many decisions to be transferred to local levels of government. This implies that “public policies are undertaken at different levels" (Sulbrandt, 2000, p. 3)[23]. Thereby, globalization entails complex decision-making processes, which take place at different levels, namely sub-national, national and global, paving the way to a growing multi-layered system of governance.

The fact that cooperation and regulation are required on many levels as a consequence of the complexities and transnational nature of present world issues has led a number of scholars to predict the "end" of national state power. Some argue that the State may only adjust to globalization, but not have an active role in it. Some believe that the State will become obsolete.

Despite the many concerns about the loss of sovereignty, the State remains the key actor in the domestic as well as international arenas. The popular assumption that the emergence of global civil society, and increasing levels of cross-border trade, finance and investment flows turns the nation-State into an anachronism is wrong. In the international arena, closer cooperation and concerted action among States represent an exercise of State sovereignty. Such concerted action does not necessarily weaken States; rather, it can strengthen them by creating a more stable international environment and by giving them greater scope to expand their exchanges in a variety of fields. Moreover, globalization without effective and robust multilateralism is bound to lead to crisis because markets are neither inherently stable nor equitable. The many "challenges that

[23] Sulbrandt, José (2000). “Modernización de la gestión y organización del Estado en América Latina y el Caribe”, paper prepared for the former Group of Experts on the United Nations Programme in Public Administration and Finance at its Fifteenth Meeting (DPEPA/DESA).

we confront today are beyond the reach of any State to meet on its own. At the national level we must govern better, and at the international level we must learn to govern better together. Effective States are essential for both tasks, and their capacity for both needs strengthening" (UN, 2000, Millennium Report, A/54/2000, para. 15)[24]. We should not overlook the fact that the entire edifice set up for global governance is currently designed by nation-States and driven by the initiatives which they undertake.

Since its inception, the nation-State has guaranteed internal and external security; underpinned the law; funded national welfare systems; provided the structures for popular representation; instituted public accountability; and built the framework for economic and social activities. During the last century, the responsibilities of the State have expanded in all these areas. "The need to supply collective public goods, to manage externalities and to provide for minority needs will persist even in a world of expanded globalization" (Jones, 2000, p. 268)[25]. There is no evidence that globalization will reduce the relevance of such functions. If anything, it makes them even more necessary.

Thus, the image of a borderless world in which the nation-state has little or no relevance is in many ways misleading. As a matter of fact, two realities co-exist. One is the so-called borderless virtual world where geography does not count, and communication and business transactions can occur in a matter of seconds. The other world is that of the everyday life of people in which borders still count, local realities are still complex and very different among themselves, and most fundamentally where social and economic problems still need to be addressed. In addition, although there may seem to be cultural convergence, this phenomenon is only superficial and it does not seem to affect the core cultural values of different countries.

"The State will persist because the need for the State has grown, but also because the local resource pools and socioeconomic problems on which States are based are undiminished" (ibid, 2000). Only the State can guarantee, through independent courts, the respect of human rights and justice; promote – together with other actors - the national welfare, and protect the general interest. Its role is also fundamental in operating the intricate web of multi-lateral arrangements and inter-governmental regimes. It is still States, collectively or singly, that set the rules of the game, that enter into agreements with other States, and that make policies which shape national and global activities, and the agenda of integration; though this is true in principle, in reality the problem of capacity inadequacy of individual States has become clearly pronounced. This means that some States have more political leverage in shaping the international agenda whereas others have a less active role, as is the case for many developing countries.

The question of whether globalization negatively affects the capacity of the State to provide social services and goods has also been greatly debated. According to the

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[24] United Nations (2000). Millennium Report of the Secretary-General, “We, the Peoples: The Role of the United Nations in the 21st Century", A/54/2000.
[25] Jones, Barry R.J. (2000). *The World Turned Upside Down?: Globalization and The Future of the State*, St. Martin’s Press, New York.

findings contained in Part Two of the United Nations World Public Sector Report 2001 on “Globalization and the State”, globalization does not reduce the size of the State. The cross-section evidence on the relationship between openness and the size of central governments, as measured by expenditure and taxation, presented in the above-mentioned publication, shows that there is no conflict between openness and government expenditure. On the contrary, governments of open economies tend to spend a significantly larger portion of their GDP and collect the additional taxes needed for this task. Opening to the world economy might be accompanied by a reduction in the size of government only if policy-makers believe that small government is a condition for open markets. In reality, there is no evidence in the decade of the 1990s that openness led to a reduction in the size of government.

The majority of the "globalizers" thus registered increases in expenditure and tax revenue. The ILO has reached the same conclusions and has emphasized that "up to now some of the countries with the most open economies have the highest levels of social spending (for example, most of the Nordic countries, Austria, Germany, the Netherlands). Open national economies in the global economy are not required to have low social spending. On the contrary, a high level of social protection would appear to be necessary in countries that are more exposed to external risks or have to undergo difficult structural adjustments" (ILO, 2001, p. 45)[26]. The argument that globalization produces a reduction of the Welfare State and therefore a cut in social spending is not supported by evidence. On the contrary, a strong democratic State is needed to redistribute the benefits of globalization and to minimize the costs that some segments of the population may bear.

To put it more simply, globalization may require that the State improve its capacity to deal with greater openness, but it does not seem to undermine its size nor its fundamental role within the national and international landscapes. To be sure, the State remains central to the well-being of its citizens and to the proper management of social and economic development. The State is also responsible for adopting policies, which are conducive to greater economic integration. We should not forget that further global integration can be reversed by state policies inimical to openness, as occurred between the two World Wars. In brief, globalization does not reduce the role of the nation-State, but redefines it given the pressures and responses it must give at the local, national and international levels.

5. Why have not all countries benefited to the same extent from globalization?

Experience shows that globalization does not affect all countries to the same extent. In general, and as recently experienced, if it is true, for instance, that the negative externalities of a financial crisis in one region of the world affect other regions around the globe, it is also true that some countries suffer more than others because they lack the capacity to contain the adjustment costs of globalization. This leads to the question of why some countries have not been able to minimize the costs of globalization, or have been marginalized.

[26] International Labour Organization (2001). 89th Session, 5-21 June, Report VI.

Generally speaking countries that do not have a strong institutional framework, as well as solid social policies and networks to cope with negative externalities are most apt to suffer the negative effects of globalization. External factors, such as the global trading environment, are also crucial in creating greater opportunities or in posing constraints on a country's economic growth. Once again, the trading rules have so far benefited more the industrialized countries than the less developed ones. For example, the European Union has lifted barriers on import of raw materials from Africa, but not on refined products, which would compete with local European products. As stated in a keynote address by United Nations Under-Secretary-General and Executive Secretary of ECA, K.Y. Amoako: "For all the talk on free trade, the World Bank estimates that high tariffs, anti-dumping regulations and technical barriers to trade in industrialized countries cost sub-Saharan African countries $20 billion annually in lost exports. In other words, we lose more because of trade barriers than we gain because of aid! If rich countries want unfettered access to our markets, we require that they open their markets to us so that we can earn, rather than beg, our way out of poverty. Democratization, transparency, accountability and good governance at the national level must be replicated at the international level!" (Amoako, 2000, p. 1)[27].

In the words of the Secretary-General of the United Nations, "we should be concerned about jobs, about human rights, about child labour, about the environment, about the commercialization of scientific and medical research. We should also be concerned about the desperate poverty in which so many people in developing countries live. But globalization should not be made a scapegoat for domestic policy failures. The industrialized world must not try to solve its own problems at the expense of the poor. It seldom makes sense to use trade restrictions to tackle problems whose origins lie in other areas of policy. By aggravating poverty and obstructing development, such restrictions often make the problems even worse. Practical experience has shown that trade and investment often bring not only economic development, but higher standards of human rights and environmental protection as well. Indeed, the people in developing countries generally insist on higher standards, once they get the chance to do so" (Annan, The Wall Street Journal, Nov. 24, 1999)[28]. Globalization and greater openness to the world economy can benefit fully a country and its people only in the presence of solid democratic institutions, which help redistribute the gains from open trade, investment, technological transfers and greater exchange.

As mentioned earlier, a major concern of many critics of globalization is that it weakens the role of the State. The problem instead is that States with weak institutions are not well prepared to face the adjustment costs of globalization, whereas States with strong institutions have the capacity to channel globalization to their own advantage. Without building strong institutions at the national level, including independent and effective judiciaries, strong parliaments, and accountable executives, and without strong social

[27] Amoako, K.Y. (2000). Executive Secretary of ECA, "The Market, Democracy and Development in Africa", Keynote Address at the 40th Anniversary of Africa Confidential, 19 April, London.
[28] Annan, Kofi, United Nations Secretary-General (2001). Cyrus Vance Lecture Series on the Prevention of Deadly Conflict, New York.

policies, including those on health, education, and social security systems, there are too many risks that the benefits of globalization will be unequally distributed among the population. It is now clear that one of the major causes of the malaise which affects a number of States - mostly developing countries and countries with economies in transition - is institutional weakness and ineffective public administration systems.

Furthermore, reducing the role of government in key social areas and downsizing public services in many developing countries, especially in the South and East of the world, as well as neglecting the important task of reinforcing political and economic institutions, left many countries unprepared to meet the challenges and rapid transformations of globalization. The "hasty retreat of the State" in the social area pursued during the 1980s and even the early 1990s has weakened States.

How the State adapts to the new global environment, how it strikes a balance between greater efficiency and equity, and how it manages greater openness and loss of employment for certain sectors of society - just to mention a few - are all critical issues which deserve greater attention. However these challenges will be met, one lesson is clearly emerging: weak States are not the answer. “The problem [then] is not that we have too much globalization but rather too little" (UN, 2000, Millennium Declaration, A/RES/55/2)[29].

The question thus is not whether to go global, but rather how to globalize. For example, “Africa suffers particularly from its marginalization in the process of globalization. Africa’s share in trade, investment and advances in technology have diminished further over the last decade”. (Road Map towards the implementation of the United Nations Millennium Declaration)[30].

Globalization has the potential of increasing prosperity and human development for all, but this is predicated on how it is pursued. In turn, this depends on democratic processes being in place at the sub-national, national and international levels, and on domestic policies which help those sectors of society which are hit by the negative effects of globalization, for example unemployment that results from the restructuring of the economy.

In order to ensure that society at large benefits from globalization, and to minimize its negative effects, countries need to: a) reinforce democratic state institutions and promote, when needed, decentralization; b) strengthen social policies, in particular social safety nets; c) reinforce social capital; d) promote an efficient public administration; e) promote an effective strategy of resource mobilization and improve tax administration systems; and e) build capacity in the public sector to support the creation and application of knowledge, innovation and technology for development.

[29] United Nations Millennium Declaration (2000). A/RES/55/2.
[30] United Nations (2001), Road Map towards the implementation of the United Nations Millennium Declaration, A/56/326.

6. Redefining the role of the State in an era of globalization

The functions and role of the State have been transformed substantially. The general configuration of its responsibilities has changed and this has introduced important modifications both in the policy arena and in the State's requirements for high-level skills, qualitatively and quantitatively. Overall, the course of change points to a shift of focus away from hands-on management and the direct production of services and goods towards strategic planning with a view to the establishment and maintenance, refinement and reform of an enabling framework for private enterprise and individual initiative. A parallel shift has moved the State's centre of gravity and with it the locus of power. Decentralization, debureaucratization and deregulation are adding to the importance not only of local government, but also of non-state actors on whom significant functions are devolved or outsourced. At the same time, a range of tasks and policy decisions, traditionally handled by national bureaucracies in their respective capitals, is being increasingly transposed to an inter-governmental or supranational level as a result of increased flows between countries of goods, capital, labour and information. Increasingly, the State is called upon to act as "linking pin" of processes of planning, consultation, negotiation and decision-making involving diverse actors, State and non-state, at different levels of governance. The State is the hub of activities connecting multiple partners and stakeholders from very varied fields, regions, cultures, occupations, professions and interests.

The Governments that seem to "be 'riding the wave of globalization' are those that have opened their [policy] analysis to uncertainty, ambiguity and change. In these globally aware Governments, institutions have been created or altered to scan the rapidly changing environment, to promote policy invention and policy dialogue, to speed up decision-making in order to take advantage of emerging opportunities, and to embrace short-term failures in favour of creating long-term sustainable strategies. National governance institutions are faced with dynamic transformations at the global level and the [local] level. Governments without adequate capacity to recognize and respond to change are destined to be forever behind the 'waves of change'. The ability to embrace change is related to an attitude of openness to diversity, comfort with uncertainty, and optimism about the future. Globally aware leaders seek to build institutions that can embody these attitudes and inspire citizens to participate in the emerging aspects of globalization, while at the same time attracting global forces to participate in national development. Strategic participation by both international and citizen organizations enables a country to mediate the impact of globalization and even to thrive in the global environment" (UN, 2000, ST/SG/AC.6/2000/L.6)[31].

With the advance of globalization, the State has an important role to play in the establishment and preservation of an "even playing field" and an enabling environment for private enterprise, individual creativity and social action. It can also contribute to the establishment and maintenance of social safety nets; promote as well as facilitate social

[31] United Nations (2000). "Institutional response to globalization", report prepared by the Secretariat for the Group of Experts on the United Nations Programme in Public Administration and Finance at its Fifteenth Meeting, ST/SG/AC.6/L.6

dialogue at the sub-national, national, and international levels; establish and maintain mechanisms for mediation of disputes, mitigation of conflicts and reconciliation of rival cultures or interests in the increasingly diversified contemporary societies. Last, but not least, strong democratic States are necessary to protect the children, the sick, the elderly and other vulnerable segments of society, combat the social exclusion of minority groups, and ensure a more equitable distribution of the benefits of globalization.

A democratic State, which is proactive and strategic, is required to arrest and, in the medium-term, reverse poverty and underdevelopment. Combating poverty both nationally and internationally, represents an essential dimension of a strategy of restoring public trust and rebuilding human capital, which is necessary not merely for development, but also for the effectiveness of democratic governance. More than ever before what is needed today is a strong democratic State endowed with institutions that are capable of coping with both domestic and international problems, and challenges. Strong democratic institutions are vital in providing a solid framework of political, economic and social rules, and in creating an enabling environment for people's prosperity. In order to seize the benefits of globalization, developing countries need to strengthen and modernize their democratic institutions and public administration. "Our runaway world does not need less, but more government - and this, only democratic institutions can provide" (Giddens, 2000, p. 100)[32].

The hallmarks of an intelligent, democratic State can be summarized as follows: (i) strong institutions of governance and the rule of law; (ii) credible and independent judicial institutions; (iii) effective legal frameworks for economic activity; (iv) an open and competitive economic environment; (v) price stability and fiscal responsibility; (vi) an equitable tax system; (vii) developed and competitive labour, financial and capital markets; (viii) adequate steering, regulatory and enforcement capacities, together with judicious privatization and outsourcing of services to private providers; (ix) public and private sector partnerships in the promotion of business, with emphasis on micro-industries and small and medium-size enterprises; (x) access to information; and (xi) promotion of technological and infrastructure development.

It is important to underline that an intelligent, democratic State can also be socially proactive, but does not mean "big government". It means "quality" not "quantity" or volume of government activity. It implies a State with lean but strong democratic institutions. The term "intelligent, democratic State", in other words, puts the accent on capacity to carry out effectively the tasks incumbent on the State, on the international, national and sub-national levels. "There is a growing consensus that governments can play a vital role in successful development efforts, but we also recognize that the wrong kind of government intervention can be highly detrimental. We have recognized that the scope and effectiveness of government activities, rather than simply the size of the government's budget or personnel, is the key issue. Within a given size range, the governments' effectiveness can vary widely with the scope of its activities: they can do

[32] Giddens, Anthony (2000). *The Third Way and its Critics*, Polity Press, Cambridge, UK.

too much of some things and too little of others, and redirecting the State's efforts could produce benefits on both accounts" (Stiglitz, 1998, p. 2)[33].

An intelligent, democratic State is one that intervenes strategically by creating the conditions that support constructive endeavours for people-centred growth. Its role should be catalytic and supportive - i.e., promoting without investing - and supervisory/regulatory. Recent experience has shown that people may benefit when the State is not involved in the production of goods and, generally, the provision of non-social services. Greater competition brings down prices and enhances the choice to consumers. Inherent in this concept of the State is the critical notion of quality, in particular the quality of the normative, strategic and steering tasks of the State.

It is important to underline that the State in the XXI century will differ in many ways from that of the past. It will depart significantly from the Welfare State as we knew it. Still, it might be unwise to base it on the "Minimal State", in view of the catastrophic results the latter has produced in many developing countries. We should not forget that the Welfare State contributed to social and economic progress in many countries, though arguably in some cases it led to public debts, and to the inefficient use of state resources. Today efficiency has become widely acknowledged as a critical attribute of good governance. Nevertheless, efficiency and effectiveness should not be pursued at the expense of the principles of legality and of the primacy of the public interest.

The Millennium Report underscores that: "Inclusive globalization must be built on the great enabling force of the market, but market forces alone will not achieve it" (UN, 2000, Millennium Report, A/54/2000, p. 6). As shown by recent events, the "Minimal State" characterized by small government, deregulation, privatization, and basically a shift from the public to the private sector has in some cases not been sufficient to foster sustainable human development. There is growing agreement on the fact that economic reforms need to be complemented by better social policies. The State has thus an important role to play in providing affordable social services.

In brief, poorly managed States and exclusionary politics contribute to holding back economic and social development. To be sure, economic growth alone is not sufficient to sustain equitable human development. Providing health care and education, public infrastructure, safety nets for the unemployed, equal opportunities for all and the respect of basic human rights is a fundamental responsibility of the State, which is not unrelated to the goal of economic prosperity for all and to the enhancement of people's freedoms and quality of life. Poverty is reduced and development is more easily achieved when the State has a larger redistributive role, which is all the more important today in order to minimize the negative effects of globalization. In the words of Secretary-General Kofi Annan, speaking at the Global Compact meeting, in July 2000, "... let's choose to unite the powers of markets with the authority of universal ideas. Let us choose to reconcile the

[33] Stiglitz, Joseph (1998). "Redefining the Role of the State: What should it do? How should it do it? And how should these decisions be made?, paper presented at the Tenth Anniversary of MITI Research Institute, Tokyo, Japan.

creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of the future generations..." (UN, 2000, Global Compact Meeting)[34].

7. The role of the State in creating an enabling environment for the private sector

It is erroneous to think that markets should be weakened or that the State should replace the market in its fundamental functions. At the same time, it is important to underline that not every aspect of public life should be left to market forces or be guided by corporate methods. Rather, markets should be coupled with "intelligent" States. In fact, markets and States should not be seen as adversarial forces, but as truly complementary. That is because markets can flourish and sustainable economic prosperity can be achieved only if there is a democratic and effective State that provides, through rules and institutions, an enabling environment for private sector development and economic growth. In the absence of appropriate institutions, competition is stifled and lawlessness prevails leading to instability, chaos, corruption, and often to the emergence of kleptocracies.

Experience has shown that Governments have a vital role in creating an effective legal and regulatory framework in which the private sector is enabled to operate. As those in countries moving towards a market economy keep pointing out, the private sector cannot develop fully unless the Government institutes a legal framework that guarantees and protects private property, govern business relationships and enforces the commitments involved in business contracts. Suitable enforceable legislation is needed as related to the personal liabilities of owners and the bankruptcy of businesses as well as the obligations of those involved. The State should also encourage, through appropriate rules and regulations, healthy competition among businesses. The role of the State in this respect is to establish the rules of the game for the operation of the market and at the same time to perform the role of arbitrator. Anti-trust policies should be elaborated and implemented to protect the consumers. It must be said that free trade is often the best anti-trust policy in developing countries since firms that face import competition cannot abuse their monopoly position.

To take full advantage of the opportunities of globalization, the banking and financial sectors also need to operate in a transparent and efficient way. Moreover, keeping inflation down through a sound monetary policy is of great importance to facilitate investments. An adequate legal framework is vital in developing an enabling environment in which business creation and operation can function successfully. All of the above mentioned elements are essential in creating a favourable investment climate and in attracting foreign direct investment.

Yet creating an enabling environment for the private sector involves more than removing obstacles. Governments must perform a dual task. First, they need to create a political and economic system in which entrepreneurship can flourish. Second, they need to facilitate entrepreneurial undertakings. The first task requires a stable and secure political

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[34] United Nations (2000). Global Compact High-Level Meeting. “Executive Summary and Conclusion: High-Level Meeting on Global Compact”, 26 July, New York, Press Release SG/2065/ECO/18.

order in which contracts are enforced, necessary adjudicating machinery exists for resolution of disputes, and the social order is backed by democratic institutions. The second task involves the establishment of financial, legal and market institutions, and of a regulatory apparatus that enables people to open a business without too much difficulty, to have access to affordable credit, and to invest in productive activities.

Designing appropriate rules for the functioning of the market is essential because "where there are no rules, the rich and the powerful bully the poor and the powerless (UK, 2000)[35]. The existence of an appropriate and effective legal framework is a basic pre-condition for successful efforts to promote sustainable development. Yet, legal frameworks, as formulated and applied so far, have not always stimulated adequate participation in economic development activities. While it is the duty of the State to enhance the development of civil society and to enable the private sector to operate efficiently by enacting appropriate laws, experience shows that "state laws" have not been utilized by local communities and indigenous people. The main reason for this attitude is that, often transposed from outside and moulded according to foreign concepts and experiences, the legal framework for development is not always adapted to the needs of the people in developing countries and countries with economies in transition. In fact, past events show that business organizations, contracts, bankruptcy, and banking laws are not always respected or well defined. Legal frameworks should always reflect the ideologies, attitudes and aspirations of the people for whom they are meant, rather than be imposed from outside.

Most importantly, governments should take the lead in simplifying procedures and regulations for the registration and licensing of businesses. Without simplifying bureaucratic procedures and rules to set up a business, entrepreneurial initiative will be stifled. A study conducted by Hernando De Soto shows how red tape and byzantine procedures pose a serious hurdle to people's entrepreneurial capacities. To open a small business in Lima and get it registered takes 289 days, and the cost of legal registration is $1,231 - thirty one times the monthly minimum wage. "To obtain legal authorization to build a house on State-owned land takes six years and eleven months, requiring 207 administrative steps in 52 government offices. To obtain a legal title for that piece of land takes 728 steps. ... In Egypt, the person who wants to acquire and legally register a lot on State-owned desert land must wend his way through at least 77 bureaucratic procedures at 31 public and private agencies. ... This explains why 4.7 million Egyptians have chosen to build their dwellings illegally (De Soto, 2000, p. 20)[36].

Additionally, there needs to be a permanent mechanism for consultation with representatives of the private sector on the formulation of relevant policies and the monitoring of their impact. Corporations and companies should be encouraged to adopt a new relationship with the environment and society. In this respect, one of the most alarming issues is related to child abuse and labor exploitation. Both the Director-General

[35] United Kingdom (2000). Second White Paper on International Development. “Eliminating World Poverty: Making Globalisation Work for the Poor”.
[36] De Soto, Hernando (2000). *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, Basic Books, New York.

of the International Labour Organization, Juan Somavia and several participants at the Global Compact Meeting, called for strong action to stop the current pandemic of child abuse. Today, as many as 250 million children throughout the world work in appalling conditions both in multinationals and local businesses.

The OECD recently elaborated new standards on corporate governance, workplace conditions, environmental safeguards, bribery and protection for whistleblowers. The rules, however, are not legally binding, although governments are expected to promote compliance. In a more general manner, it is essential to have national legislation in place that sets clear security and health standards in the workplace, which all corporations (local and multinationals) should respect. This represents an urgent yet difficult task ahead. Moreover, a greater commitment by the private sector should be pursued to engender a new culture of environmental accountability, environmental performance indicators and reporting, and the establishment of a precautionary approach in investment and technology decisions. This approach must be linked to the development of cleaner and more resource-efficient technologies for a life-cycle economy and efforts to facilitate the transfer of environmentally sound technologies (UNEP, 2000, Annual Report)[37].

Voluntary commitments are important but, in general, insufficient to curb pollution of the environment and corrupt practices. Governments can play a crucial role in this respect. Often, it is weak government that indirectly bears ultimate responsibility for not preventing inhumane working conditions, pollution, deforestation, depletion of natural resources and other transgressions. This is so because they do not ensure that appropriate laws and regulations are in place to protect workers and the environment. It must be said, however, that even countries that have good labour laws might fail to curb the abuse of human rights in the workplace if their judicial systems are ineffective.

In brief, private sector development includes the following elements:

1) Establishment of an effective legal and regulatory framework in which the private sector is enabled to operate, including legislation on property rights, anti-trust regulations, bankruptcy laws;
2) Home-grown legal frameworks;
3) Promotion of transparent and efficient banking and financial institutions;
4) Sound monetary policies;
5) Simplification of bureaucratic procedures and regulations for the registration and licensing of businesses for opening businesses;
6) Independent and effective judicial systems in order to ensure that controversies may be settled in an efficient way and independent agencies (or oversight institutions), including anti-trust agencies;

[37] United Nations Environment Programme (2000). Annual Report, Nairobi.

8. Fostering partnerships between the State and civil society

An era of globalization calls for building robust partnerships between the State and civil society. Such partnerships, however, can only emerge between an intelligent, democratic State, on the one hand, and a vibrant civil society, on the other.

The emergence of a vibrant and assertive civil society, notably in those countries where it had been virtually absent, may rightly be considered as a most welcome feature of the trends of the past twenty years. However, its effectiveness critically depends on the establishment and maintenance of an enabling framework of laws, regulations and rules safeguarding not only the independence of NGOs and other civil society organizations but also the transparency and accountability of their acts. Such conditions are predicated on a proactive State, a democratic culture receptive to diversity and which values public service and, last but not least, an institutional framework for effective partnerships between the State and civil society.

Globalization in fact requires improved channels of participation. There is a growing need for greater citizen participation and new participatory policy-making processes. In particular, the State could greatly benefit from weaving inter-social networks. It has been common practice in developing countries to see important problems, among them social problems, as an exclusive undertaking from the organizational point of view. These problems would correspond to either the State, civil society or the market, but only to one of the aforementioned. In this type of logic, the weak points of each of the actors are emphasized and the stress is placed on historical and potential conflicts.

Civil society can make valuable contributions to solving social problems. Religious communities, labour unions, universities, neighbourhood associations, and the NGOs set up to work in the social service area, and many other actors of a similar nature can contribute ideas and invaluable human and financial resources. The power of volunteers in the different developing countries and in small countries is very important.

In order to foster a new relationship between civil servants and citizens, State institutions ought to be more open, flexible in the face of change, and especially more accountable to the public at large. There is a great need to counteract the tendency, which is present in many countries, to a powerful and pervasive state machinery, which mainly favours the rich and influential at the expense of the poor. State institutions should be made to work for all and should not be seen, nor act as repressive or "unfriendly" to the majority of citizens. Therefore, greater emphasis should be set on ethics and professionalism in government, as well as on anti-corruption measures. Greater attention ought to be given to developing a more service-oriented spirit among civil servants, and to ensure effective and transparent mechanisms for citizens to channel their complaints concerning poor, inefficient or denied access to public services. Ombudsman mechanisms should be reinforced or set in place where they do not exist. It is a fact that in many developing countries, but also in the developed world, access to public services is made very difficult for those who lack personal influence or money.

9. Public sector capacity building

If the State is to perform effectively its new role, the public sector will need to adapt to the national and global changing circumstances and challenges. Modernizing and reforming the public sector is in fact a key component in the promotion of the development agenda of any country. Improving and reforming governance systems and institutions, including strengthening public sector capacity, is crucial in achieving the United Nations Millennium Declaration and its development goals, such as alleviating poverty, making globalization work for all, enhancing citizens' participation at all levels of governance, protecting the environment, promoting sustainable development, and preventing and managing violent conflicts.

There are four main areas of the public sector, which need to be strengthened in order to enable developing countries to achieve the Millennium Development Goals and to effectively integrate into the global economy. These include:

- Institutional reform
- Human resources development
- Resource mobilization and financial management
- Innovation and information technology capacity-building

Institutional reform is a pre-condition of good governance. Having in place effective and transparent legislative bodies, which can adequately represent and articulate the demands of citizens, check the power of the executive through effective oversight, and make consistent and coherent laws is an important step in building a democratic system. Strengthening legislative bodies and ensuring that they are based on an efficient administration is of the utmost importance since they serve as the main fora for reaching agreements and concrete solutions to compelling problems, including the eradication of poverty, improvement of health and education services, public security and administration of justice, as well as the fight against corruption.

In most developing countries parliamentary institutional capacities are severely constrained. In order to perform at their best, legislative bodies need to be functional, accountable, informed, independent, and representative. It is thus essential that developing countries strengthen and institutionalize democratic elections, parliamentary and electoral systems and processes by developing electoral management institutions and mechanisms; by reinforcing the organization and management of legislative bodies at national and local levels, by articulating a system of legislative offices at the constituency level, and by fostering participatory dialogues that facilitate communication between the electorate and their representatives about policy initiatives and proposed legislation (United Nations, Report of the Secretary-General on the Role of Public Administration in the Implementation of the United Nations Millennium Declaration, 2002)[38] .

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[38] United Nations (2002). Report of the Secretary-General on the Role of Public Administration in the implementation of the United Nations Millennium Declaration, A/57/262.

Ensuring an independent and well-functioning judicial system is another important challenge that many countries face today. Reforming the administration of justice is vital in ensuring that the majority does not trample upon the rights of the minority. It is also essential in minimizing impunity that often leads to insecurity, injustice, corruption, and abuse of public office and power as well as discouragement of long-term investment. It ensures that an effective system of checks and balances is in place to prevent the concentration of power in the hands of one of the three branches of government and to protect minority groups (ibidem). Reforming the Executive branch and the way it operates is another imperative of our times.

Closed bureaucratic systems must be replaced with open and flexible structures that are abler to respond effectively to new demands and challenges. In the light of current trends, bureaucratic structures no longer work effectively. Debureaucratization and decentralization must go in tandem with new approaches to management, exemplifying openness, adaptability, participation, flexibility, diversity and responsiveness. Many new tasks of governance require public authorities to act as mediators, advocates or promoters, actively seeking partnerships with business and non-governmental organizations, or otherwise endeavouring to engage civil society in the pursuit of developmental objectives. Focal points in departments of government to interface with outside agencies and with the public should also be set up.

The State must be in the forefront of implementing change and smoothing the path for progress. This entails proactive measures to develop enabling policy frameworks, promote the use of new technologies, set up performance measurement and evaluation systems, overhaul administrative structures and design adequate patterns for the collection of internationally comparable, reliable and accurate data for policy-making purposes.

Reforming the way institutions operate cannot be complete without an appropriate strategy for human resources development. Efficient institutions are of little use without competent people and vice-versa. Therefore, skills in the public sector should be constantly upgraded, leadership qualities developed, facilitation of change and fostering of a new image for the public service that call for new career structures that emphasize mobility, integrity and professionalism and the overriding claims of merit in the recruitment, placement and promotion of public servants. Competencies needed to meet the challenges of globalization include strong leadership, negotiating skills to enable developing countries to play an active role in international agreements on trade (for example in WTO negotiations) and other relevant matters; knowledge of international treaties, agreements and laws; coordination skills. IT has also enhanced the need for highly skilled professionals in the service of the government. Leadership skills and strategic planning capacities call for:

- Sound analytical and diagnostic capabilities;
- Careful scanning of the environment for possible constraints or emerging opportunities;

- Ability to galvanize and mobilize support for both the goals and course of organizational change;
- Building of the structures and culture of dialogue and mutual accommodation;
- Encompassing diversity, reconciliation of differences, promotion of consensus; and
- Management of change, in both a peaceful and effective manner.

In a significant study of planning, which although chiefly inspired from private sector practices has relevance to government, Canadian author Mintzberg argued that, given the conditions of rapid change, planning must be continuous and incremental (Mintzberg, 1994). Although it seeks to incorporate competent policy-analysis and expert advice, current strategic planning is not viewed as an essentially technocratic process. It also seeks to build on clients' expectations, as well as intuition and aspiration (vision of future States). Precisely on this account, it needs to avoid the pitfalls of bureaucratic closure and a top-down approach, which tend to stifle initiative and limit participation. Under the present circumstances, characterized by constant change, the State should operate as a "learning organization" and continuous learning should be encouraged as a new modus operandi of the public sector.

No doubt, rules and people are two fundamental components of a well-functioning organization, however, a third element, which is essential is financial resources. Without adequate resources even the most courageous reforms will not result in any concrete action. At the same time, mobilizing additional resources is not sufficient per se to promote development unless there is a strong political commitment and will to use those funds towards socially desirable objectives, and if the public financial administration and management of a given country is inefficient. "The problem that many developing countries face is not only how to generate more resources, but also how to ensure that resources are spent efficiently and towards projects that benefit the neediest in society. Improving public resources mobilization and management is above all an issue of good governance, and not just a technical matter" (United Nations, Report of the Secretary-General on the Role of Public Administration in the Implementation of the Millennium Declaration, 2002)[39].

In order to mobilize resources, "countries must reform their tax systems by broadening their tax base; reducing tax-induced distortions; and adopting tax expenditure approaches which minimize the prospects for future fiscal deficits and are consistent with administrative capacities. In terms of tax policy, ideally, countries should aim at setting up an efficient and fair tax system which should raise essential revenue without excessive government borrowing, and should do so without discouraging economic activities or deviating radically from tax systems in other countries. Tax reforms should aim at simplicity, equity and comprehensiveness" (ibid.).

An efficient and effective tax administration is a basic pre-requisite for a tax system to fulfil its revenue producing potential. Even the best-designed system is only as good as

[39] United Nations (2002). Report of the Secretary-General on the Role of Public Administration in the implementation of the United Nations Millennium Declaration, A/57/262.

the administration that implements it. Therefore, governments that decide to undertake fiscal reforms should also take into account the concomitant tax administration reform. The organizational structure of tax administration should be such as to enable the tax administration to achieve the highest possible degree of voluntary taxpayer compliance, and to administer the tax laws efficiently, effectively and fairly, with the highest degree of integrity. The strategies for tax administration reform are not in doubt: a) simplification (for instance, the number of tax brackets in the income tax should be reduced and exemptions and deductions as far as possible eliminated); b) need for a clear strategy of reform rather than *ad hoc* measures; c) a high level of commitment to reform, particularly at the highest levels, but also embracing all concerned (the way a tax system is viewed depends on perception of the extent of evasion, fairness, complexity, arbitrariness, and the burden of administration on taxpayers); and d) technical competence on the part of tax administrators and staff of the entire tax system.

Building public sector capacity in information, innovation and technology is crucial in order to seize the opportunities of globalization. Timely availability of adequate, reliable, accurate and relevant data has become a sine qua non not only of sound policy-making but also of the measurement, monitoring and evaluation of public sector performance. Information technology carries in it the prospect of major reforms in the whole field of governance and public administration. These could take shape and form in any of the following ways:

- More efficient and effective public management;
- More accessible and better information for the public;
- Better delivery of services; and
- Building partnerships for interactive and participative governance.

The introduction of IT in the public sector poses a number of challenges not only in the developing countries but also in the developed world. By way of simplification, it may be said that governments are confronted with the following challenges:

- To introduce IT in the public sector, to train civil servants, to enhance the efficiency of service delivery through the use of IT, and to improve effectiveness, accountability and citizen participation;
- To elaborate policies, which ensure computer training and affordable access to information technology for the disadvantaged groups in society;
- To encourage, through appropriate measures, on-the-job training and re-training, as well as to promote life-long learning in the public sector;
- To elaborate policies aimed at creating safety nets for those laid off as a consequence of the introduction of IT in the workplace;
- To assist countries, particularly developing countries, in building or improving their capacity to access, manage and exchange the information that is so critical for efficient public sectors and effective policy development.

In this sphere of activity, as in other areas, the progress of technology and globalization has served to accentuate the importance of democratic, efficient States acting singly or in unison through inter-governmental organizations.

10. Concluding Remarks

It is increasingly being acknowledged that good governance is a key element in the development process of any country, and in ensuring that globalization benefits all in society. The State, in partnership with civil society and the private sector, has a major role to play in the quest for peace, greater freedom, social equity and sustainable development Improving and reforming public administration and governance systems is critical in addressing a number of issues, including making globalization work for all; alleviating poverty and income inequality; advancing human rights and democracy; protecting the environment and promoting sustainable development; and managing violent conflict and combating international crime. States can either guarantee people's freedom and a measure of social justice, or can hold back development. How the public sector is structured, administered and operated, as well as what policies are pursued, has therefore a great impact on people's well-being.

The promotion of a higher quality of life and the protection of human dignity should be regarded as a crucial element in any effort to globalize. Accordingly, globalization cannot mean the abandonment of all things to market forces. In other words, "the economic sphere cannot be separated from the more complex fabric of social and political life, and sent shooting off on its own trajectory. To survive and thrive, a global economy must have a more solid foundation in shared values and institutional practice. It must advance broader and more inclusive social purposes" (UN, 2000, Millennium Report, A/54/2000, p. 3)[40]. Basic needs must be satisfied as an end in itself, but also as a means to allow people to be able to seize to a greater extent the benefits of globalization. This is especially true in developing countries where people can benefit more from the rapid transformations that mark the beginning of this millennium if the quality and access to education and health are ensured; if physical infrastructures, including transport and communication networks, hospitals and water systems are built or improved; if poverty amidst plenty is reduced; and if the technology gap is narrowed – that is to say, if people have greater opportunities to make choices. As argued by Sen: "what people can positively achieve is influenced by economic opportunities, political liberties, social powers, and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives" (Sen, 1999, p. 5)[41] and the State has a very important role to play in this respect.

With the advance of globalization and increased volatility, there is a need to redefine the role of the State and to strengthen its capacity to manage effectively change and complexity. The general configuration of its responsibilities has changed and this has

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[40] United Nations (2000). Millennium Report of the Secretary-General, "We, the Peoples: The Role of the United Nations in the 21st Century", A/54/2000.
[41] Sen, Amartya (1999). *Development as Freedom*, A.A. Knopf, New York.

introduced important modifications in the way government institutions operate and in the State's requirements for high-level skills, qualitatively and quantitatively. Overall, the course of change points to a shift of focus away from hands-on management and the direct production of services and goods towards strategic planning with a view to the establishment of an enabling framework for private enterprise and individual initiative (i.e. from direct intervention in the economy to regulator). Competing demands on the State from local, regional and transnational levels have also caused a shift of the State's centre of gravity and with it the locus of power. Decentralization, debureaucratization and deregulation are adding to the importance not only of local government, but also of non-state actors on whom significant functions are devolved or outsourced. At the same time, a range of tasks and policy decisions, traditionally handled by national bureaucracies in their respective capitals, is being increasingly transposed to an inter-governmental or supranational level as a result of increased flows between countries of goods, capital, labour and information. Increasingly, the State is called upon to act as "linking pin" of processes of planning, consultation, negotiation and decision-making involving diverse actors, State and non-state, at different levels of governance. The rapid advancements in information and communication technologies have also modified the way national and local governments operate and require constant upgrading of civil servants IT skills and organizational culture.

Public sector capacity-building in terms of institutions, human resources, mobilization and management of resources, as well as innovation and information technology is crucial in ensuring that countries are able to seize the opportunities of globalization. There is a growing need to strengthen national capacity to design and implement people-centred programmes and policies; to strengthen national capacity to ensure that countries benefit from globalization, while minimizing its costs; to enhance citizen participation at all levels of governance and to foster partnerships between the State, civil society and the private sector for development.

In brief, to label globalization in absolute terms as either a totally positive or negative phenomenon is a simplistic approach. Ultimately, globalization benefits society at large in countries that enjoy some degree of political stability, that have in place adequate infrastructure, equitable social safety nets and in general strong democratic institutions. Experience has shown that globalization requires strong, not weak States. Thus, one of the main preconditions to ensure that the benefits of globalization are evenly spread throughout the developed and the developing world and within a given country is good governance, including an efficient and effective public administration.

economic challenges occasioned by globalization. This paper identified the challenges of globalization on the. economic development of Nigeria. Strategies to overcome these challenges were also proffered such as. improving the standard of education, investment in research and development, striving towards trade. equilibrium as well as infrastructural and industrial development.Â Globalization is a phenomenal case study, because of the imperative of its effects on the global.Â National Development The concept of National development has been defined from different perspectives. The growth rate of. a countryâ€Ÿs per capita income compared to those of other countries can be used to describe its level of National development (Lucas, R.E. Jr. In the light of current trends, bureaucratic structures no longer work effectively. Debureaucratizatio. Globalization and the Role of the State: Challenges and Perspectives. Guido Bertucci and Adriana Albertiâˆ—. Globalization is a term which has been used to describe and explain many worldwide phenomena. It has been given positive connotations by those who advocate greater economic integration across national borders, while it has been fiercely criticized by those who perceive it as a threat to social cohesion and as the advancement of unfettered capitalism, which undermines the Welfare State1. The European state have been reassessing and reconfigurating the welfare state. At the same time, states have seen the decentralization of power and responsibility to the regional level, and the transfer of competencies to the European UniÃ³n.Â Some authors point to the role of the multinational enterprise as a uniquely defining feature of globalisation. It is difficult to disentangle the effect of globalisation from the evolution of the most-developed economies towards a â€˜post-industrialâ€™ mode of operation.Â Three broad perspectives have been distinguished on the relationship between globalization and the welfare state (Palier and Sykes, 2001): Securing the Future for Old Age in Europe. Book.