THE INTERNET, GOVERNMENTS AND THE ISSUE OF GOVERNANCE: A NEW CARTOGRAPHY OF POWER?

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Keywords: globalization, internet, e-commerce, new economy, information and communication technologies (ICTs), electronic data interchange (EDI), neo-liberal, nation-states, sovereignty

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Summary

The Internet has been hailed as the greatest innovation in human history and its growth has spawned new industries and new markets. Proponents argue that that the spread of the Internet and e-commerce is generally good for consumers and the economy. New products and services will be offered and new markets will be created. Consumers will also have more choices and more market power. Such images are compelling and indeed, markets will be re-made.

A concomitant issue remains. As the Internet and use of electronic commerce spreads and intensifies internationally, the fate of national sovereignty remains a nagging but significant concern. The Internet, e-commerce and the resultant ‘thick’ cross-border transactions that follows call into question the traditional prerogatives of nation-states to control what can take place within their territorial borders. National governments will face growing challenges not only in managing the terms of international trade and finance, but encounter issues in collecting taxes, controlling the domestic money supply and addressing domestic social and cultural needs. The Internet and other electronic technologies will play an important part in this transformation. This process is, however, under-studied.

This paper will examine some of the provocative implications of these new developments as they relate to nation-states and the issue of governance. It examines, in particular, the issue and changing nature of national sovereignty and the consequences arising from such a shift. It questions the efficacy of current state practices and arrangements and, in particular, the role and effect ICTs has on states, in particular,
Asian states. It argues that to retain their efficacy and sovereignty, governments (including Asian governments) need to re-invent themselves and come to terms with the new information technologies and their attendant practices and effects. Inevitably, issues of greater democracy and attendant socio-political changes arise. The paper canvasses some of these changes in the socio-political topography and the changing context of governance.

1. Introduction

The Internet has been hailed as the greatest innovation in human history, and its growth has spawned new industries and new markets. Companies and markets have been smitten with the allure of the Internet and have seen this new frontier as the new El Dorado. Proponents argue that the spread of the Internet and e-commerce is generally good for consumers and the economy. New products and services will be offered and new markets will be created. Consumers will also have more choices and more market power. Such images are compelling and, indeed, markets will be re-made.

A concomitant issue, however, remains. As the Internet and use of electronic commerce spread and intensify internationally, the fate of national sovereignty reinserts itself as a nagging but significant concern. The Internet, e-commerce, and the resultant ‘thick’ cross-border transactions that follow, call into question the traditional prerogatives of nation-states to control what can take place within their territorial borders. National governments will face growing challenges, not only in managing the terms of international trade and finance, but also in collecting taxes, controlling the domestic money supply, and addressing domestic social and cultural needs. The Internet and other electronic technologies will play an important part in this transformation. Governance, as we know it, will change and be transformed. One author heralds “the twilight of sovereignty” and proclaims its inevitability.

This paper examines, in particular, the issue of the changing nature of national sovereignty and the consequences of the new “digital economy”. It questions the efficacy of current state practices and arrangements and, in particular, the role states play in managing and mediating the effects of information and communication technologies (ICTs) on states’ policies. The paper argues that to retain their efficacy and sovereignty, states need to re-invent themselves and their governments, as they increasingly come to grips with the newly developing ICTs, and the consequent social and economic effects.

2. Towards a New Globalized Economy: A New Architecture?

There is a growing sense that we are rapidly converging and evolving into a single, integrated world powered by the new ICTs. It has rendered the world borderless, and in most part, celebrated. Our daily lives—social, economic and political—are increasingly dominated by these digital transactions and gyrations. Trans-border financial activities now outpace all other forms of economic exchanges, and our central economic and financial markets now seem much less central as transactions are enacted in the safe haven of cyberspace. Using a few keystrokes, we are able to affect nation-states and their economies. These states and their economies typically react like the props in the
virtual world to the promptings of the key comptroller. And in our social world, “one worldism” a la Coca-Cola, Planet Reebok, McDonalds, IBM, Michael Jackson and Madonna, seems to permeate all aspects of our consuming, “invented” and “purchased” selves and cultures. For Ralf Dahrendorf, “it has become hard and for most impossible, to hide in the world…There is no getting away from it, and the effects of globalisation are felt in all areas of social life”. This process is intensified, facilitated and further attenuated by the new ICTs.

In the light of these developments, nation-states are increasingly finding themselves under doubt. They are seen as “obsolete”, “dysfunctional”, “Jurassic-type” institutions, unable to respond to the fast changing nature of the new economy and its attendant technologies. Its global nature, reach and speed means that states need to be fleet-footed and fancy-free to ensure that they are not lagging behind. They have to re-negotiate their authority and spheres of influence vis-à-vis the corporate interests “managing” the cyber-economy, resulting in new configurations and alignments of political and economic power. States and governments, suggests one sympathetic critic, lack the ability to engender new inventiveness, or innovations in political expressions and practices. More often than not, they are losing substantial control over many economic and financial matters to entirely new international bodies and new legal regimes, while retaining most of the remaining powers.

In the face of such disarray, heightened by the power of the new economy as it traverses boundaries and transmogrifies economies and societies, local communities are, and have been, demanding a greater say. This has manifested itself in anti-MAI campaigns and other similar anti-globalization campaigns, as seen in Seattle, Prague, Washington and Melbourne in recent years. Despite these actions, globalization and the spread of the digital economy continue to gather pace. The traditional prerogatives of national sovereignty have been irrevocably changed, and nation-states no longer play their traditional roles of being a strong economic developer, producer and interventionist regulator. They now need to make themselves more attractive and committed to facilitating private capital accumulation.

This “subordination” of national interest to that of “global capital” has led Alaine Touraine to declare that “we are no longer either industrial or national societies… (but) entering a process of post-industrial and post-national globalisation”. Implicit in his analysis is the view that there is a general logic and autonomy to the globalization process which exists outside, and is independent of, the power of nation-states. But as various writers have pointed out, just as globalization “destroys traditional social forms of social and economic regulation… (it also) generates new forms of regulation”, but these new forms are still nascent and not universally stable.

Saskia Sassen, an influential critic of globalization, similarly argues that “the particular combination of power and legitimacy we call sovereignty is being de-centered and partly redistributed onto other entities”. According to her, sovereignty has not disappeared or dissipated, but merely transferred wholesale to corporations or new global bodies. They have been “unbundled” and reassigned in limited ways to “a multiplicity of institutional arenas: the new emergent transnational private legal regimes, supranational organisations (such as the World Trade Organization and the institutions
of the European Union), and the various international human rights codes. All these institutions constrain the autonomy of nation states; states operating under the rule of law are caught in a web of obligations they cannot disregard easily”.

This “new” globalization calls into question the efficacy of nation-states, in particular their ability to set national priorities, and the degree and extent to which national economies can usefully be analyzed. The new parameters and contours of this “globalizing thrust” are still evolving but critical, and have resulted in three concurrent developments which have rendered state actions problematic. These include: the de-nationalizing of territory, the creation of new intermediary legal regimes, and the “virtualization” of economic activities.

3. The Death of Space?

Marshall Berman has argued that in modernity’s wake, “all that is solid melts into air”. The process of globalization and the spread of ICTs evoke similar images. There are no stable categories and measures; identities and cultures continually evolve, and nations become diffused. What dominates is rather the discipline of the market, resulting in territories “de-nationalized” and “naturalized” into new “global cities” and “free trade zones/enterprise zones”, competing for highly and profitable specialized functions of corporate headquarters (finance, software and ICT development, accounting, law, strategic planning, etc.).

Participation in the new digital economy enables a greater denationalizing of borders and territories, and yet, it does not create a homogenized social and cultural world. Local “technologies” of control and cultures can co-exist with this new “global architecture of e-commerce/m-commerce.” Economies can be jacked in, and virtually integrated into trading and business calculations, without having their specific national legal and accounting systems or cultural norms radically transformed.

This can occur because increasingly, there is the new meso- or intermediate, space that is entirely specialized, fragmented and increasingly institutionalized, enabling regulation and management of these matters and issues by organizations such as the World Trade Organisation. In part, this development is driven by the basic but inherent tensions between globally minded corporations and territorially based nation-states. According to Sassen, “(F)irms operating transnationally need to ensure the functions traditionally exercised by the state in the national realm of the economy, such as guaranteeing property rights and contracts. Yet insofar as economic globalisation extends the economy—but not the sovereignty—of the nation-state beyond its boundaries, this guarantee would appear to be threatened”.

These “new” regulatory voids need to be filled, and transnational corporate interests have established their own new intermediate legal regimes to ensure order, coordination, and transparency. This makes it relatively easy and possible for global actors—firms and markets—to fleet across national borders in terms of legal systems, accounting systems, managerial cultures and other “structural” arrangements. The new intermediate order includes international arbitration bodies to settle commercial disputes and debt security; bond-rating agencies such as Standard & Poor’s and Moody’s to serve as
gatekeepers for investment; and accounting and audit firms like Arthur Andersen, KPMG, Price Waterhouse Coopers, Deloitte, Touche and Ross, amongst others, to institute their market discipline and order. The new intermediate order also includes new forms of transnational governance, for issues ranging from environmental protection to trade to human rights. While government representatives have played a role in establishing these new legal regimes, most of these changes have been instigated by the private sector, with governments brought in chiefly to legitimize the results.

National sovereignty has been reallocated and assigned to specialized institutional regimes. For example, the World Bank and the International Monetary Fund play critical roles in ensuring nation-states comply with the market rules and the sovereignty of the market. Interest-based institutions are increasing their spheres of influence and displacing the sovereignty of nation-states. For example, institutions such as the finance community and the telecommunications community have become central props in defining and managing the new economy. And the capstone of this new architecture is the World Trade Organisation, which provides a global decision making structure for setting and enforcing rules in relation to free international trade. Its rules are binding on member countries and, given its decision making arrangements, it is unlikely that small and less powerful countries are able to effect and exact favorable decisions. It is a *de facto* free trade police squad, offering unprecedented protection for corporations in their pursuit of free trade and corporate rights, in areas like copyright and intellectual property rights, for example.

The globalization of electronic commerce, in particular, is subverting the ability of national governments to exercise their national sovereignties. As the new ICTs in the finance markets have rendered national “policing” attempts insipid, prompting crises of control that transcend the governing “capacities of both the state and the institutional apparatus of the economy”, private mercantile credit organizations have been able to similarly track and monitor both the “financial performances” of private citizens and nation-states, via credit checks and records for the former, and the stock-market and credit ratings for the latter. Their territorial reach certainly extends beyond national boundaries, and they can be more effective in locating “errant” clients/citizens. These trends are a real challenge to national governments. The new economy, despite the rhetoric of its proponents, is still place-bound: there is no fully virtualized firm, and no fully digitized industry and economy. Moreover, it tends to coalesce and advance the interests of a small group of people in specific places. Citizenship, particularly in the form of social rights, is re-written as more citizens become disenfranchised, while a new type of rights, of global financial markets, asserts itself aggressively, demanding greater representation by, and accountability to, governments.

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http://www.globalknowledge.org/english/archives/mailarchives/gkd/gkd-nov00/0024.html (Critique of the Global Development Gateway and the World Bank’s approach to the Gateway)


Biographical Sketch

Loong Wong is a senior lecturer at the University of Newcastle, Australia. He has taught and at universities in Malaysia, Papua New Guinea, New Zealand and Australia, and has also worked in industry as General Manager for an AsiaWeek top 500 firm. He has also worked for an e-commerce firm in Sydney and developed a number of key strategic projects for various multinational firms. His research interests cover a wide range of academic disciplines and he has published studies on social change in Asia-Pacific countries, the internet and social change, government policies on the Internet, critical studies of culture and its relationships with international management and more recently on corporate governance in developing economies, including China. He is currently working on a project on e-commerce practices in Australia and also undertaking a systematic study of the discursive impact of Chinese management.