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THE ROLE OF THE ECONOMIC BORDERS IN CONTEMPORARY INTERNATIONAL RELATIONS

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Abstract
In order to adapt to the new context created by globalization, borders have got a dynamic sense, losing some of their traditional functions and acquiring new roles, which transform them from barriers to fluid and permeable lines. Thus, they delimit a space permanently reconstructed by the interdependencies and interactions of its members, contributing to the shaping and development of new regions in international relations. Technology and international and bilateral agreements are "the engines" that generated and allowed the integration of economies and markets, and redefined the economic frontiers.
Keywords: border, globalization, regionalization, international relations theory

1. Introduction

The globalization and regionalization processes are important parts of the current international relations as their influence over state and non-state actors is significant, they generate new forms of association and create

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new power and influence poles in the global economic landscape. Economic and political interests align and unite, but are confronted at the same time with identity and cultural challenges.

In order to understand globalization, we need to study the world and events that have a global impact through a multidimensional perspective, as globalization represents „a multidimensional and multifaceted process that is transforming the organisation of time and space across national borders”[1]. The *New York Times* columnist, Thomas Friedman, states that we cannot understand the contemporary world unless we can see the connections that form between politics, national security, culture, finance, technology and ecology. The borders between these fields are becoming thinner and are about to disappear completely[2]. Because of this reasoning globalization is viewed as the total sum of all the political, economic and social processes that belong to internationalization and transnationalization that are happening in the world right now, as well as all the interactions that happen between them in time[3]. Internationalization refers, in this case, to the development of formal and informal mechanism of cooperation and integration between states (treaties, international regimes, common norms, solutions and cultural patterns), while transnationalization refers to developing new types of structures and formal and informal processes between actors on both sides of the border; this includes economic private institutions and other structures within the market (companies or commercial associations), organizations and social-political associations (pressure groups, NGOs, transnational advocacy networks) and social-cultural networks (mass-media, ethnic cross-border structures or religious ones, etc.)[4].

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[1] Jens-Uwe Wunderlich, *Regionalism, globalisation and international order: Europe and Southeast Asia*, Aldershot: Ashgate, 2007, p. 44.

[2] Thomas L. Friedman, *Lexus şi măslinul. Cum să înţelegem globalizarea,* Bucureşti: Editura Fundaţiei PRO, 2001, pp. 41-47.

[3] Susanne Soederberg, Georg Menz and Philip G. Cerny, *Internalizing Globalization. The Rise of Neoliberalism and the Decline of National Varieties of Capitalism*, New York: Palgrave Macmillan, 2005, p. 6.

[4] *Ibidem*.

The way in which the economic border is defined[5] depends at this time on the perspective from which globalization is analysed, a perspective that determines the relationship between globalization and the nation-state at the same time.

2. Border, Globalization and State

The debate on globalization as part of the theory of international relations is centred on the continuous dispute of state-centric theorists (realists and neo-realists) and non-state-centric theorists[6] (liberals, neo-liberals, cosmopolitans), more accurately between the promoters of sovereign states as the central component of international relations and those that consider the nation-state as beign obsolete, as a component that has lost its pivotal role and relevance within the international relations system, as a result of transnational movement generated by economic globalization.

If we were to present the relation between borders and globalization on an axys, on one side we would have a world that has an integrated global economy, while on the other end we would find an international economic system that still works based on the economic interactions among nations, economic integration is developed on a small scale and the economic border still hold an important role, especially in the relation between a wealthy North and a poor South.

The current available literature on the subject present multiple perspectives on globalization, ones that we will try and describe in relation to their ideas and perspectives and their influence on how the economic border is defined and understool, as well as its role in contemporary global economics.

[5] On this subject, see also the article of Luminița Șoproni, ”The Economic Borders in the Age of Globalization”, in Adrian Claudiu Popoviciu; Dana Cigan (eds.), *The frontier worker – new perspectives on the labor market in the border regions*, București: C.H. Beck, 2013, pp. 53-62.

[6] Tim Dunne, Milja Kurki, Steve Smith, *International Relations Theories. Discipline and Diversity*, Oxford: Oxford University Press, 2013, pp. 289-293.

The first perspective we will be taking a look at is *hiper-globalist*. This perspective considers that globalization is the culmination of liberal economy principles, rooted in ideas such as growth and development of national economies in a world without borders. Promoters of these ideas (*neo-liberal thinkers*) present globalization as a framework built upon generating increased figures for commerce, with an emphasis on accelerated growth in both rich economies and developing ones. This sustained growth is viewed as the solution to all the world's economic problems, aimed at reducing the inequality between states and regions of the world. This perspective can be included in framework of the Washington Consensus that views free trade as a benefit for the global economy, generating sustained development for all types of countries.

The modern commercial system that promotes free trade, leading to the decay of the border as an international relations construction, is openly promoted by international organizations that have been built after the end of the Second World War, such as the International Monetary Fund (IMF), the World Bank or the International Chamber for Commerce. These organizations have played an important role in promoting neo-liberal doctrine, encouraging free trade in the detriment of protectionism and promoting a free global market for goods and services.

The forces that promote globalization – free movement of production factors, transnational corporations, new information and communication technology, economic interdependence – see the world as borderless (administrative, economic, political and social), with frontiers playing a much less important role in the prospect of growth and development, and the same goes for national economies that become less relevant. The criteria that guides economy today is that of maximizing profit, which means that companies search the world for cheaper production costs and more profitable markets in which to sell goods and services. This criteria is responsible for the existence of a borderless global economy[7] and not that of other economic indicators (such as the ratio of exports in a country's GDP or the income of a nation's citizens around the world).

[7] Lester C. Thurow, "Globalization: The Product of a Knowledge-Based Economy", in *The Annals of the American Academy of Political and Social Science* no. *570*, July 2000, p. 20.

Journalist Thomas Friedman, that promotes similar ideas to the ones detailed above, talks about the concept of globalization as a means of "integrating markers, nation-states and technologies to a degree that has never been seen before"[8], making the world "flat" and borderless in an economic sense. Part of this growth phenomenon is dictated by "the newly discovered power of the individuals to cooperate and to compete globally"[9], as a result of increased integration of information technology and the changes that this has brought. The IMF shares this perspective, defining globalization as "the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services, of international capital flows, and through the more rapid and widespread diffusion of technology" [10]. The key elements of integration are international commerce and cross-border investments[11], and new information technologies facilitate the free movement of financial and material capital on a global scale, maximizing profits.

Global economics reconfigure the social and political architecture by modifying the power ratios between the state and market forces. Susan Strange states that "where states were once the masters of markets, now it is the markets which, on many crucial issues, are the masters over the governments of states" [12]. Globalization has shifted the balance of power and the negotiating power from states towards the international markets, as states have become more dependant on transnational companies than the other way around[13]. This is the reason why some governments pay taxes to transnational corporations (as tax rebates or other financial incentives) in order to make their market more attractable and also to keep corporations from leaving their borders.

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[8] Friedman, 2001, p. 31.

[9] Thomas L. Friedman, *Pământul este plat. Scurtă istorie a secolului XXI*, Iași: Polirom, 2007, p. 26.

[10] International Monetary Fund, *World Economic Outlook*, May 1997, p. 45.

[11] Tatyana P. Soubbotina; Katherine A. Sheram, *Beyond Economic Growth. Meeting the Challenges of Global Development*, Washington D.C.: The World Bank, 2000, p. 66.

[12] Susan Strange, *The Retreat of the State. The diffusion of power in the world economy*, Cambridge: Cambridge University Press, 1996, p. 4.

[13] Thurow, *op.cit.*,p. 22.

State authority is transferred to international institutions, regional organizations and transnational companies, surpassing and ignoring territorial borders. In this context both transnational companies and states are locked into competition over attracting the most funds for development; their decisions are influenced by neighbouring companies and governments that exist in the region. Under this set of circumstances, the rules can no longer be contained within national borders as global negotiations are held within a "diplomatic triangle" with three key components: the relations between states and companies, relations between states and the relations between companies[14].

Kenichi Ohmae, business consultant, gives his own definition of globalization, pushing the concept even further: he argues that the development of global economy should be the basis for border removal all together. In his view the "borderless world" is the result of the inevitability of the globalization process where all the obstacles have been moved to make way for the means of production. Kenichi argues that the economic border is not relevant anymore, as it can hurt the economic relations between companies and states: "the global economy ignores barriers, but if they are not removed, they cause distortion"[15]. The global economy follows its own rules, beyond that of the state borders. When looking towards the business world with all its constitutive elements (communication, capital, corporations, consumers), Kenichi argues that the concept of border disappears completely[16].

George Ritzer comes with a more nuanced approach, a moderate one; in his view integration is not an inevitable result of globalization as the process can see accelerated integration at times, while other times can see slower integration. Ritzer sees globalization as a process that brings together „increasing liquidity and the growing multidirectional flows of people, objects, places and information as well as the structures they encounter and create that are barriers to, or expedite, those flows"[17]. Even in the case of a global market, there still are economic barriers that slow or block the movement of people, goods and information; such is the case of trade agreements,

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[14] John M. Stopford; Susan Strange; John S. Henley, *Rival States, Rival Firms. Competition for world market shares*, Cambridge: Cambridge University Press, 1991, pp. 18-23.
[15] Kenichi Ohmae, *The Next Global Stage. Challenges and Opportunities in Our Borderless World*, New Jersey: Wharton School Publishing, 2005, p. xxv.
[16] *Ibidem*, pp. 20-21.
[17] George Ritzer, *Globalization: A Basic Text*, Oxford: Wiley-Blackwell, 2009, p. 2.

regulatory agencies, borders, customs barriers and standards or „the digital divide" between the developed states and the developing world[18].

Ritzer introduces us to the second perspective on globalization, represented by *skeptics*,[19] which state that states today present less integration that before the First World War, that period having a much more global economy than that of today. Without neglecting the importance and accuracy of globalization, Hirst and Thompson make the distinction between global and international economy: „There is a vast difference between a strictly global economy and a highly internationalized economy in which most companies trade from their bases in distinct national economies. In the former national policies are futile, since economic outcomes are determined wholly by world market forces and by the internal decisions of transnational companies. In the latter national policies remain viable, indeed they are essential in order to preserve the distinct styles and strengths of the national economic base and the companies that trade from it"[20]. In this case borders become clearly defined and necessary in their role as economic and national identity safeguards. States are still the key actors in the global economy, being the main architects of globalization through the use and promotion of regulation in transnational economics.

This perspective consider economic integration as not relatable to a global scale, but on a regional one as the movement of capital, commerce and investments are centred around Europe, North America and Japan / Eastern Asia, while developing countries are being marginalized[21]. This can also explain the divide that is being drawn among the North-South line as there is great inequality among developed and developing nations[22].

In this context the world is still a mix of individual states that are separated by barriers put in place to stop commerce between rich and poor

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[18] *Ibidem*, pp. 20-24.

[19] Peter Dicken, *Global Shift. Mapping the Changing Contours of the World Economy*, New York: The Guilford Press, 2011, p. 6.

[20] Paul Hirst; Grahame f. Thompson, *Globalization in Question: The International Economy and the Possibilities of Governance*, Cambridge: Polity Press, 1996, p. 185.

[21] Debra Johnson; Colin Turner, *International Business: Themes and Issues in the Modern Global Economy*, New York: Routledge, 2010, pp. 27-28; Joshua Goldstein; Jon C. Pevehouse, *Relaţii Internaţionale*, Iași: Polirom, 2008, pp. 427, 400-401.

[22] Joseph Stiglitz, *Mecanismele globalizării*, Iași: Polirom, 2008, pp. 23, 57-63.

nations. According to Anderson and Bort, borders still safeguard the differences among states, especially when it comes to organizing and economic activity[23]. Robert Gilpin also agrees with this ideas as he points out that "whereas powerful market forces (trade, finance, and investment) jump political boundaries and integrate societies, governments frequently restrict and channel their economic activities to serve the interests of their own societies and of powerful groups within those societies"[24].

As a result of these considerations, we can sum up the skeptics' point of view: the economic border still plays an important role in the global economy, protecting states, especially the developed states that have leverage and can impose their will on the global market in the detriment of poor states and developing states, thus becoming agents of transnational processes of the globalization.

The third perspective on globalization (*the transformative approach*) takes into consideration the consequences of sovereignty erosion as a result of supernational organizations and transnational companies that generate authority diffusion[25]. Many of the economic prerogatives of the states are being handled by these organization (such as the EU, IMF, World Bank, WTO), impacting the relevance of the economic borders through specific policy measures adopted by each state in order to meet their interests and specificity. States have become unable to control the impact of transnational companies and the movement of capital; this has been clear since the financial crisis of 2008 that posed a great threat to the nation state as a whole[26], given the vulnerabilities that have become apparent; at the same time we still see the nation state as an actor on the global scale that doesn't disappear (as believed by the globalist perspective). This is the reason why the interaction between global forces and local initiatives (authorities, organizations and agencies that are national, regional, local) is important in defining the future of the international system.

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[23] Malcolm Anderson; Eberhard Bort, *The Frontiers of the European Union*, London: Palgrave Macmillan, 2001, p. 37.

[24] Robert Gilpin, *Global Political Economy. Understanding the International Economic Order*, New Jersey: Princeton University Press, 2001, p. 81.

[25] Goldstein and Pevehouse, *op.cit.*, p. 401.

[26] Ritzer, *op.cit.*, p. 140.

In opposition to the ideas of hyper-globalists, the transformative approach believes that the nation state is not at a point where it will be replaced by other entities in its role as a tool for local and global governing. The changes act as a complementary addition to the nation state that needs to work in a much more complex system with multiple actors. The state still remains the most important player on the global scale, but it's no longer the only one. If we were to represent the global economic and political space as a matrix we would observe that most governing activities on the global level happen around the area of influence of the nation state[27].

	Private sector	Government sector	Other Organizations
Supranational	Transnational companies	Intergovernmental organizations	NGOs
National	National Companies	Government	National non-profit organizations
Subnational	Local Business environment	Regional and local Administrations	Local groups

Figure 1. Actors involved in governing the global space

Sources: Robert O. Keohane; Joseph S. Nye Jr, "Introduction", in Joseph S. Nye Jr.; John D. Donahue (eds.), *Governance in a Globalizing World*, New York: Brookings Institution Press, 2000, p.13; William C. Clark, "Environmental Globalization", in Nye and Donahue, p. 99.

Its not only the global environment that has become more complex, but also the leadership tools and styles on all three of the matrix areas, because of the new rules, norms and markets. The world is no longer being governed by the rules and laws of nation-states, but by the rules of transnational companies. At the same time, private companies and NGOs pressure the government to create legislation that is more favourable on a

[27] Joseph S. Nye Jr.; John D. Donahue, *Governance in a Globalizing World*, New York: Brookings Institution Press, 2000, p. 12.

local level as well as on an international level. The result of these actions is not the disappearance of the state, but its transformation and the emergence of new governing bodies within the global space.[28]

Based on these concepts, globalization is the main engine for transformation within the global space where there are no longer significant difference between national and international processes in economic, social and political sectors.[29] New infrastructures are developing as well as economic, political and cultural organizations that shape relations and social transactions on new levels, from regional to global[30]. Economies become more flexible in terms of territory and span different nations as a result of capital mobility, transnational companies and the interdependence of national economies that give access to their resources in order to grow and generate development.

Sociologist Anthony Giddens argues that in the same spirit, globalization needs more that the liberalization of markets, it also requires exchange and spread of ideas and technology, with an effect on global social relations. He defines the phenomenon as „the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa"[31], while staying true to Marshall McLuhan idea of the global village where time and space are more compact as a result of new information and communication technology.

We can start talking about a global economy that is not necessarilly a single economy, homogenous and convergent, but a system that is characterized by the interdependence between different national, regional and supra-national actors, that are grouped in inter-regional networks. Castells argues that this type of economy is actually a regional structure where the local, national and regional economic activities are integrated on a global leve through the networks created around capital, goods and

[28] *Ibidem*, pp. 12-13.

[29] David Held; Anthony McGrew; David Goldblatt; Jonathan Perraton, *Global Transformations. Politics, Economics and Culture,* Stanford: Stanford University Press, 1999, pp. 27-28.

[30] David Held (ed.), *A globalizing world? Culture, Economics, Politics*, London: Routledge, 2004, p. 2.

[31] Anthony Giddens, *The Consequences of Modernity*, Stanford: Stanford University Press, 1990, p. 64.

information[32]. Borders remain relevant, but the economic, social and political activities that are define by these limits (even though the still have local origins) become deteriorated and reorganized: a company that has its headquarters in a specific area becomes internation when its resource collection area becomes international, when the workforce needed by the company moves on a global scale or when the products are advertised and sold internationally.

3. Conclusion: What does the economic border represent in the global economy?

Along time the importance, role and function of economic borders has modified constantly in relation to a number of variables: the economic prefferences that dictated the international relations, the interest of actors on global economic scale, the inability of states to excert stability and maintain economic policies in the face of supra-national organizations or transnational corporations, the need of states and regions to integrate in the global market in order to have access to resources for growth and development. Thus, besides the basic concept of borders as barriers, these take on the role of bridges, resources and symbols of identity, each of these dimensions with their own characteristics depending on the type of border or the specific region[33].

The answer to the question "has the economic border changed in the context of globalization?" depends on the perspective taken on globalization:

- Hyper-globalists argue that the economic borders between states have dissapeared in the context of global integrated economy;
- The realist perspective looks to the role and functions of the border on the global market in the context of bigger gaps between the North and South divide and the tendencies of states to become more protective of their economy (the scenario dictates that states will increase

[32] Manuel Castells, *End of Millenium*, Oxford: Wiley-Blackwell, 2010, p. 352.

[33] Liam O'Dowd, "The Changing Significance of European Borders", in James Anderson; Liam O'Dowd; Thomas Wilson (eds.), *New Borders for a Changing Europe – Cross Border Cooperation and Governance*, London: Frank Cass Publishing, 2003, pp. 19-29.

compentitiveness in order to take control of the global market, thus widening the gap of inequality between rich and poor);

- The economic borders have become diluted as a part of their functions have been lost, while they gained new functions as links and access points; this comes as a result of the decline of nation-state prerogatives on the international level in the face of growing competition from transnational companies and international organizations.

Adapting to the new context brought up by globalization, borders have become more dynamic in their functions and role, aspects that are apparent given by their fluidity and permeability. Technology, as well as international accords, have become the drivers of these changes, allowing economies and markets to become better integrated and helping to redefine the economic borders.

The new economic border defines a new space, a regional one, that we can present as a dynamic entity, constructed around economic, social and political interactions between state actors and non-state actors with common goals, with a contoured regional identity and a high level of social and economic cohesion.

Borders that trace such a region can be defined only through delimitating the sphere of influence of relations and processes within itself (not as clearly defined lines or limits), an approach that is closer to the concept of system region or total region[34]. In this spirit, the border of the new region represents "the area where connections and processes become less relevant and even cease to exist and a new, different kind of system appears"[35], in line with the dimension of economic resource of O'Dowd (the border as a supplier of opportunities for regional actors)[36].

The development of regional structures as growth poles of the global economy is the new step in defining and structuring economic borders, especially in an age of instant communication and liberalization of capital markets, issues that have raised serious questions regarding the governing practices to both states and organizations that assume global governance.

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[34] Dav Nir, *Region as a Socio-environmental System. An Introduction to a Systemic Regional Geography*, Dordrecht: Kluwer Academic Publishers, 1990, pp. 89-91.
[35] *Ibidem*, p. 71.
[36] O'Dowd, *op.cit.*, pp. 24-26.

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