



**Lecture: The Relevance of the State in a Globalizing World**

On Monday 21 May 2012, Tak-Wing Ngo - professor of Political Science at the University of Macau in China - delivered his lecture ‘The relevance of the state in a globalizing world’ in the 2011-2012 SID-NL Lecture Series.

**Summary**

Tak-Wing Ngo explained that in recent years, the modern state has been conceived in a rather contradictory way. On the one hand, the rise of multinationals, the increase in international labour migration, and the proliferation of transnational civil networks have eroded the conventional boundary and jurisdiction of the state. On the other hand, the global financial crisis, widespread market failure, the global environmental challenge, and conflicts over natural resource exploitation have highlighted the relevance of the state in dealing with collective action problems.

A new division of labour between the national state and the sub-national state

Ngo argued that a very important adaptation of the modern state during the past few decades is the rise of the sub-national state. We are experiencing a new division of labour between the national state and the sub-national state. Globalisation has broken up the production processes into segments of integrated commodity chains. Multinationals can move their production lines from one country to another in order to take advantage of lower labour costs and a better investment environment. Certain regions may emerge as a financial centre and others may emerge as logistical or industrial centres. In contrast to the national economy as the main unit of growth in earlier times, sub-national territorial units have increasingly become the source of growth, competition, and political contention in a changing global order. This happens in tandem with the current development in the global capitalist economy where cities and metropolitan regions have become the focal points of exchange and accumulation. Global capitalist accumulation has shifted from a focus on national economy to a focus on specific urban regional centres.

Re-territorialisation and re-scaling of the state

This development, according to Professor Ngo, has invited an adaptive response from many states which involves a redefinition of the boundary of the state (re-territorialisation) and a restructuring of the scope and function of the state (re-scaling).

Re-territorialisation means that the economic boundary and the locus of growth have differentiated from the political boundary of the national sovereign state. The boundary is being redrawn to the extent that the local investment environment, the local infrastructural support, the local policies and the local taxation regimes have become increasingly more important than the national regulation. Re-scaling involves a conscious effort by local states, sub-national governments, to promote the global competitive advantage of the regions under their jurisdiction. This means that local states have become actively engaged in

turning their regions into place-specific coordinates of global production and investment complexes. Concretely, a wide range of state-organised programs are implemented for a specific purpose. Examples such as science parks, convention centres, urban redevelopment projects, and techno-poles abound. These programs are usually governed by special rules and regulations not applicable nationally.

Professor Ngo noted that this new division of labour between the national state and the sub-national state is a highly contentious process. First and foremost, it involves a redistribution of state power between the central government and various levels of local administration. Second, it brings about severe competition between different levels of administration across regional localities when they all aspire to become a regional hub. In this process, winners and losers abound. Third, it forges alliances between local authorities, domestic producers, and international investors in numerous forms, and subverts the conventional categories of public-private, domestic-foreign, and national-local divisions. In other words, state re-scaling redraws the boundary of political contestation, and prompts us to reconsider the units of political agency. And, in this context, we will have to rethink the whole idea of the developmental state.

### China

Professor Ngo then highlighted the case of China. Here the process of re-scaling is most obvious. China's integration into the global capitalist system is happening under a decentralised system with multiple levels of administration across a vast number of regions. Since the early 1980s, power and responsibilities have been gradually decentralised to local governments. In



return, local governments are required to balance their own budget, promote local economic growth, sustain a high rate of employment, ensure social stability, and fulfil the tasks handed down by higher levels of governments. Re-territorialisation and re-scaling of the state is most obvious when China set up a couple of special economic zones in the early 1980s, with a unique set of regulations and boundaries governing the conduct of business and the crossing of goods and people (even for Chinese nationals). Within those zones totally different economic systems were allowed. At that time, China was still a profoundly socialist state but in those special economic zones there were mechanisms that resembled a market economy. With the deepening of the market reform, many new areas are being set up with unique regulatory and governance regimes and even political/administrative structures, suitable to the governance of a particular area.

The immediate consequence of these processes is severe competition between localities. Eventually, bargaining and contention between departmental interests along different levels of governance constitute a complicated administrative matrix. Similar processes of re-scaling and re-territorialisation are happening in other places in the world, from India to Germany. The responses from governments may vary but the state will have to adapt its boundaries and function, and renegotiate its traditional jurisdiction. The relevance of the modern state, to a certain extent, will depend on how the two processes of re-territorialisation and re-scaling are being played out in the coming decades.



## Discussion

Willemijn Aerdt – co-chair of the Worldconnectors – moderated the discussion. A member of the audience asked how Ngo sees the future of sub-national growth in the context of the strong supra-national state formation in the European Union. Ngo acknowledged that European states are trapped between regulations that are imposed from above and policies that are advocated by the sub-national states. Due to the financial crisis and demographic changes, the welfare role of the national state has been rolled back and many of its functions have been privatised. Ngo argued that a new consensus about the role of the national state needs to be reached by European citizens. He stressed that this is not a technocratic process but a political process that has to be settled with trial and errors, and perhaps with a couple of breakdowns. Other states will learn from that process and march forward with a new form of governance. In Europe, the nation state is a very stable institution compared with other states such as China or India. For a state with such a long history of stability it becomes difficult to change and adapt because the interests of so many people are already tied up with the status quo.

Then Willemijn Aerdt asked how a state should handle the conflict of interests within a national state, especially in the context of the more difficult issues such as human rights and the welfare state? Ngo suggested that a new division of labour between the central state and the regional state may be a way out. He argued that the sub-national state may increasingly take up a larger role in promoting the development and welfare of its own region. At the same time, the national state may continue its role in national security, and may take up a more coordinating role in preventing negative competition, safeguarding macroeconomic stability and dealing with environmental issues. Those are the issues that will still require collective action and need to be dealt with at a higher level.

Another member of the audience noted that the rise of the sub-national state is causing confusion amongst the people because they still perceive a direct political relationship with their country as voters, as workers or as people in need of health care. Tak-Wing Ngo acknowledged that bringing the popular sector into these processes will generate further dilemma; especially considering regional inequality in development. Certain regions are getting richer while others are being marginalised. In the marginalised regions people will look at the central government for a redistribution of wealth and a more equitable provision of welfare. On the other hand, the regions that are better off will demand more autonomy with different types of tax and welfare regimes. Ngo further argued that unequal development will generate a wave of internal migration.

Ngo argued that we will have to be extremely innovative in redefining not just the role of the state but also concepts such as sovereignty, territoriality and citizenship. When these concepts are being loosened, the entire foundation of the modern state will eventually be shaken. We will then have to come up with a new form of regulating human behaviour, not necessarily in the form of the modern state. Ngo stressed that in the long history of human civilisation, the modern state has only a relatively short history. And we should not forget that the modern state was a product of the development of capitalism. Now that capitalism has taken a different turn, perhaps we can expect a different form of governance to side with this new logic.