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Globalization, Neoliberalism, and State's Transformation: Origins of the Fall of the West and the Rise of the East

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Abstract- In this article, we analyzed the political and economic transformations through the years that implied a profound transformation of the state around the world. This was approached from a historical analysis that was key to understanding the changes produced by the crisis of the international system by the end of the Cold War. The spread of economic globalization (because of the expansion and Foreign Direct Investment) as well as the consequent transformation of the state in its roles and functioning are relevant for the analysis. For instance, the oil crisis of the seventies, the consequent economic transformations of the eighties, the crisis in the states and their transformations, as well as the global impact that Foreign Direct Investment had after the end of the Cold War, were the main aspects that we addressed to explain the roots of the fall of the West and the rise of the East.

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Globalization, Neoliberalism, and State's Transformation: Origins of the Fall of the West and the Rise of the East

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Introduction

According to Fareed Zakaria, the rise of powers such as China, Russia, and India questioned the fact that republican liberal democracy is the political system that will prevail in the future. This type of power may challenge the Western model, producing the marginalization of other states, and also affecting other non-Western countries that seek their place in an international system dominated by Western institutions (Zakaria, 2008).

The rise of these and other countries forces the West to rethink its role on the international stage by sharing its power with the new poles. Zakaria (2012) in his article "Is it possible to repair the United States?" Strongly criticizes the US political class, giving them a high degree of responsibility in the fall of US socioeconomic indicators, as well as the political bottleneck in solving the crisis economically.

On the other hand, according to Richard Hass (2008), the states have lost the monopoly of international relations against new international actors such as terrorist groups, NGOs, multinational companies, international credit agencies, and others that have had more and more weight and influence on the international scene strengthening the capacities of non-state actors.

In this sense, those who have played an increasingly preponderant role in the dispute over the power of the state monopoly have been the Transnational Companies (TNCs). During the last thirty years, the TNCs have reached a power greater than that of the states in the international concert. As expressed by Jose Antonio Sanahuja:

> this process should not be interpreted in state-centric terms since what is relevant is that power moves to markets, TNCs, and non-state actors whose scope is regional and global ... and goes on to say that… what matters in terms of power, would not be so much where the production is located but who decides on it. (Sanahuja, 2007, p.280)

The weakness of the state is present in the West due to the lack of clear answers to the new challenges that arise in the 21st century. The advance of parastatal actors has meant a reversal of the capacity of the state when designing public policies that mean an advance or improvement for the whole. This lack of response to the advance of economic globalization, manifested by state actors such as TNCs, paradoxically is, to a large extent, a product of the actions of the state.

From the nineties, the states were the ones who deepened their opening policies, leading to the advance of economic globalization. According to Manuel Castells (2005), the current globalization is not the same as the previous globalization, because it is based on communication and information technologies that make it possible to eliminate the distances between countries. Inclusive of everything that has value and excludes everything that does not. Thus economic globalization itself is selective. That's why the states, the governments, and the companies of each country try to situate themselves in that global network; because outside of it there is no growth, there is no development, and there is no wealth. If there is no possibility of investing financial capital or technology in a country, that country or that region, or that sector of the population is marginalized by globalization. Therefore, from this point of view:

> Globalization has an inclusive and exclusive logic, and we are not facing a North-South opposition, but the opposition of who is in the network and who is not. Of course, in the so-

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called north, there is more proportion of the population in the network. (Castells, 2005, p.59)

So it was not only TNCs but what has occurred is that the states to be able to handle globalization have intervened in globalization are those that have driven, Castell (2005) says that from the empirical perspective, the globalizers have been the nation-states, which have liberalized and deregulated, at the same time that the technological infrastructure was available to develop this globalization. In other words, the globalization of capital or international trade does not only depend on whether there is technology to globalize or the business strategy to do it: it depends on the states liberalizing, deregulating, privatizing, and eliminating borders, and that is what they have fact.

But it cannot be affirmed that this reality also applies to all states. As we are going to analyze, this globalization and loss of power on their part of them are representative of Western countries, whether the United States, Europe, or Latin America, but the same cannot be said for the East Asian states.

Our hypothesis argues that East Asian states have managed to consolidate their capacity to act against other parastatal actors during the last thirty years. The state policies for development have been before and after the end of the Cold War and in some cases have gone from being a weak state to a strong one with a capacity for action. Asian countries have achieved this thanks to the consolidation of state power and the economic growth that has characterized them. The most emblematic case of transformation has undoubtedly been that of the Chinese state which has been able to overcome the crisis of the end of communism in the world and become an increasingly efficient one within the framework of a capitalist world.

The advantages that the Chinese economy gives to have a strong state and the capacity to design and implement long-term policies are more than evident. While the other states in the West gave way to globalization, China has managed to control the globalization phenomenon and take advantage of it. The economic and commercial expansion of China and the transnationalization of its companies have been possible thanks to the success that the Chinese scheme has meant in the framework of globalization.

I. The End of the Cold War and the Emergence of a New Paradigm

The end of the eighties was a historical period marked by an important change in the world. Like other historical periods, the result was the end of an old system and the beginning of a new one. The year 1789 was the end of the ancient regime in France and had a deep influence on Europe, and two hundred years later, the year 1989 had its meaning and represents the end of the Cold War (and two years later) the end of the Soviet Union. These events had a strong impact not only in eastern Europe but also on the rest of the world.

Between 1989 and 1991 many things happened and the result was the begging of new international order led by the propagation of economic globalization, and nobody in the world could avoid its influence. But to understand the event during those years (and after) is necessary to identify what happened in the years before in the world and precisely in the communist world, more specifically in the Soviet Union. Because this country could not resist the advance of economic globalization and its policy resulted in obsolete facing a new global tendency. This symbolizes somehow the triumph of global capitalism over the other economic systems.

The Soviet Union represents one side of the situation in the eighties. And no one reason explains the crisis in the country and thus in Eastern Europe. Even the politics of Mikhail Gorbachev had responsibility for the success of the disintegration of the Soviet Union but was not the only one. The *perestroika*, as well as *glasnost*, only accelerates the process which has started time before.

The origin of the crisis in the Soviet Union and Eastern Europe is not different from the crisis of the Latin American countries or even the crisis of the Welfare state in developed countries. The oil crisis of 1973 and the consequent surplus of money in the international financial system was the beginning of the problem. During the end of the seventies, the Soviet Union on one side with an excess of oil exportation started an excessive expense by the government that leads to bankruptcy years later. Meanwhile, eastern European countries incurred huge debts to finance their development and maintain the standard of life of the population (Hobsbawm, 1999).

By the middle of the eighties, the situation was unsustainable for many countries around the world industrial production and quality of life declined in communist countries like the Soviet Union and Eastern Europe. But the Soviet economic decline is not the only reason; many complex situations happened in the rest of the world with the economic crisis and explain part of the economic decadence.

One of the most important by the beginning of the eighties was the upswing in the number of interfirm alliances in the capitalist world, another reason was the increase of geographical dispersion of production, and finally, the isolation of the Soviet Union and East Europe avoid the foreign investor (Brooks and Walfort, 2001). While the capitalist world underwent a process of transformation in its economic structure the communist world remains static.

In this context, the situation was at a critical point, and was imminent a change in economic policy. As soon as assumed as leader of the Soviet Union Gorbachev promote a new economic and political orientation for the country. The influence of Gorbachev's policy had an impact on the rest of the European

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communist countries. But this influence was not positive having a different result than expected.

One of the unexpected results of the *glasnost* was the rebirth of nationalism in the Republics of the Soviet Union and East Europe. Thus behind the desire for freedom by the end of the eighties stood the desire for national sovereignty. It was not a revolt against communism as a repressive political and social system; it was a series of national revolts against Soviet domination (Bessinger, 2009).

Gorbachev's answer and the new thinkers in the government were not violent. Despite their intention to avoid any national movement or protest against the communist government, the political situation had not returned. Once started the *glasnost* was impossible to contain the protest and turn back (Forsbery, 1999).

The first major event was the fall of the Berlin Wall in November 1989. After that, the situation had an accelerated impulse in the communist bloc. In December Mikhail Gorbachev and George Bush declared the end of the Cold War in Malta. On September 11, 1990, George Bush in the United States Congress talks about New Global Order (Nye, 1991). And finally, the United States, the Soviet Union, and the European Countries sign a non-aggression pact between the Pact of Warsaw and NATO in Paris in November 1991.

All these events had a strong repercussion on the Soviet Union and other communist countries in Europe. The evidence of the obsolescence of European communism and the failure of Gorbachev's policy was felt in every step given between 1989 and 1991. The political crisis in the Soviet Union in 1991 and the economic crisis finally finished with the Soviet empire and communism in Europe.

The dissolution of the Soviet Union was a traumatic event for the international system. Despite the triumphalism of the United States and western countries and the belief in a new order based on peace and mutual understanding, the reality was going to be quite different than predicted by intellectuals and politicians.

A thesis like *The end of the history and the last man* by Francis Fukuyama (1992) predicted the triumph of liberal democracy and free market over the rest of the political and economic system. The advance of capitalism under the new international order seemed unquestionable.

This capitalist expansion of the post-Cold War era helped to propagate the so-called economic neoliberalism. Almost all states, from new capitalist countries after the collapse of the Soviet Union to old-style social democracies and welfare states such as New Zealand and Sweden, have embraced some version of neoliberal theory and adjusted at least some policies and practices (Harvey, 2006).

By the beginning of the nineties, neoliberalism has become hegemonic as a mode of discourse. It had pervasive effects on ways of thought to the point where it has become incorporated into the common-sense way many interpret, live in, and understand the world. The neoliberal idea occupied positions of considerable influence in education (universities and think tanks), in the media, in corporate boardrooms, financial institutions, international institutions, and states (Harvey, 2005). Indeed, neoliberalism came to be featured in so many different contexts and theoretical containers that it shoulders a descriptive and analytical burden in the social sciences (Venugopal, 2015).

Even though many countries adopted economic policy markets, the character of implementation changes between countries. The economy market is an economic policy in developed countries and they can carry out easily the neoliberal policies which exist in the function of their companies' benefits. Instead in developing countries, there is no margin to carry out these policies and they have they need to follow the postulates of the market to achieve these reforms.

Since 1991 many new countries were incorporated into the economic market. That represents a change for the capitalist world because it makes possible the increase in world trade and the redirection of capital flux to new capitalist economies. The economic reforms were adopted as economic doctrine in many countries, former communists or not.

The doctrine was not new. As said before the economic reform and the implementation of so-called neoliberalism as economic policy already starts after the end of the Breton Wood system. During the seventies, the western countries start a program reform, and throughout the eighties and nineties, many western and non-western countries join them.

What makes the difference since the end of the Cold War was the incorporation of new countries into a capitalist system with their market and their workforce, the advance in technology, and the availability of capital flux to invest in the new (cheaper) markets. In this way, the transformation of the world and its new global capitalist impulse was given by the propagation of the economic doctrine that was begin implemented in the seventies.

This new doctrine promotes less state control in the economy, more free trade, economic deregulation, privatization, and the free movement of capital. The implementation and impact were not the same everywhere. In Latin America, the conditions after the economic crisis (because of the high debt) were different at the time of implementing economic reform than in developed countries or Asian countries.

The reforms were seen as fundamental to reaching economic growth and macroeconomic stability. The paradigm after the cold war with the propagation of the capitalist world was, you are in or you are out. Many countries that failed in their process of development or even many countries that started a

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process of pro-market policies before 1989 understand the relevance and the implications of these reforms.

The shock of the collapse of the Soviet Union, the crisis in the developing countries, and the crisis of the role of the state as a promoter of economic growth demonstrate to the world the importance of implementing another policy according to the western countries that were promoted since the seventies.

Undoubtedly the fall of the Soviet Union and the end of the Cold War represented the beginning of a new era. A new world more interconnected and led by the hegemony of the United States and global capitalism started. But definitely, defining this new era is not easy.

It is true the hegemony of the United States during this period but many interpretations can misunderstand how deep, real, or ambiguous the propagation of new phenomena that we call globalization, neoliberalism, and the leadership of the United States. The process is at the same time simultaneous and we cannot refer to only one process. There is often much overlap between them and the reality of the situation is likely to exist in all of them at the same time, like liberalization, polarization, Americanization, McDonaldization, creolization, trans-nationalization, and balkanization (O'Byrne and Hensby, 2011).

The result of globalization is a more unified and interactive planet, a globalized world. As Mark Juergensmeyer (2005) said, the attitude that people adopt is a more intensely interactive word that can be said to be one of globalism or global consciousness, or global imaginary. These are all ways of thinking about the new start of global awareness in a world where transnational activity is the norm and everyone is affected by everyone else everywhere on the planet.

This interpretation does not mean that the citizen loses their identity as a member of a country. Even the flexibility of the barriers to economic transactions, one of the most important characteristics of these phenomena, identity, and nationalism remains intact. The origin of many conflicts, wars, massacres, and revolts after the fall of the Soviet Union was originated by nationalism.

However, on the other side, the state as a unique actor with a monopoly of power and foreign relations loses power against the terrorist group and TNCs for example. The case of international transactions is paradigmatic. One of the pillars of globalization is the relative weight of transactions and organizational links that cross national boundaries. Access to capital and technology depends on strategic alliances with those who control global production networks and not any territory (Evans, 2007). That is why the role and control of the state started to become obsolete.

But at the same time, the integration had a strong and decisive impulse. In the way of the trasnationalization of the production and the capital movement in Europe, the European Economic Community became in European Union, North America creates NAFTA (North America Free Trade Agreement) and South America is the beginning of MERCOSUR (Common Market of the South).

All these changes after the Cold War represent a new paradigm, that why a new interpretation of the reality in the world was necessary. Following Robert Keohane and Joseph Nye (2009) the definition of "globalization" could refer to "globalism" a condition that can increase or decrease. According to them, "globalism is a state of the world involving networks of interdependence at multicontinental distances. The linkages occur through flows and influences of capital and goods, information, ideas, and forces, as well as environmental and biologically relevant substances. Globalization and deglobalization refer to an increase or decrease of globalism".

During the first period of propagation, globalization was profitable for the United States and European countries because helped to propagate their companies and conquer more markets for their exports. This situation and the propagation of the new culture of consumption led by North American companies and the weakness of developing countries provoke a reaction and rejection in these countries against globalization.

Globalization was understood as neoliberalism and neoliberalism represents in many countries the abdication against the United States and the western world. It seemed that it was the triumph of one over others, Western over Eastern, North over South. And in this context, undoubtedly most of the emerging economies in the west were the most affected region by this dichotomy.

Globalization in that time indeed meant the beginning of the United States' unipolar rule and the hegemony of global capitalism, but to say that globalization is the same as neoliberalism as we saw is not correct. The globalization process helped the propagation of economic neoliberalism and was useful for it. But definitely, globalization is not only neoliberalism or global capitalist propagation. Globalization is still an inconclusive phenomenon. Started many times in history, the last time after the end of the Cold War takes more impulse and was responsible for the change in many aspects in every corner of the world.

What is certain is that after the fall of the Soviet Union, capitalism could expand thanks to globalization. As a result of this, we have economic globalization, and in many aspects, it was what prompted the change of paradigm in the economic policy of many countries.

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II. The Investments and their Role in Shaping International Relations

To analyze the role and effect of Foreign Direct Investment (FDI) in emerging markets is important to contextualize this process in the framework of economic globalization which is considered in the present work as fundamental to understanding all the processes. As we said before, every factor is related to this process which began in the seventies and was under a period of transformation until the fall of the Soviet bloc in 1991. But definitely, this process of capitalist expansion did not finish but it took impulse and gained strength.

From 1991 to nowadays economic globalization has transformed and changed the world. For this process, William Robinson (2008) examines how capitalism, in this case, corporate capitalism advances from the seventies to today. For him, the features of 20th-century national corporate capitalism are two: one is the state intervenes within each economy, in this circuit or accumulation in the development of capitalism. In this case, the state interviewed by redistributing wealth, and so forth. So the state had a major role to play in world capitalism in the 20th century. And second major feature there is a redistributive component to national corporate capital.

Continuing with this analysis Robinson divides the world during the 20th century into three regions of the world:

- In the first world the development of new deals, the Welfare States, and the social-democratic system, have these two features: state intervention in the economic process and redistribution.
- For the so-called second world, some might have called this socialist, others an alternative distribution model; but in any case, we see the same two features: state mechanism and redistribution mechanisms.
- And in the so-called third world, we have the developmental state of the 20th century, what some have called Keynesianism or Fordism. Played a major role in guiding and regulating the accumulation and other mechanisms were in place for distribution.

Robinson argues that:

> What happens though is that all three of these models of national corporate capitalism enter into a very severe crisis starting in the seventies world economic crisis. There are many ways that we can analyze that crisis but characterizes it as a crisis of nation-state capitalism. It's that at this point, capital outgrows the nation-state and the interstate system as the institution through which capitalism had previously developed. (Robinson, 2008, p.23).

For Robinson this becomes a restructuring crisis what we mean by that is the crisis is so severe that the whole system is once again reconstituted on a new footing. And we have the seventies and the breakdown of the end the dismantling of the redistributive projects of the first world, the social welfare state, and so forth, the collapse of the so-called second world, and the socialist projects with the complete demise of the Soviet Union in 1991. And in the third world, we have the collapse of the developmentalism projects, particularly after the debt of the eighties. So according to the author, it became clear that by the time we get the nineties neither, socialism nor Keynesianism is a viable model for the 21st century (Robinson, 2008). What is happening is that we are entering into a new transnational phase of capitalism, which is coming to supersede the Nation-State phase of capitalism.

It is important here to cite the paragraph of Robinson in his work "Understanding Global Capitalism" (2008) to have a more concrete idea of the notion that we want to transmit to be able to develop the concepts of changes and transformation and the impact of investments that have taken place throughout the 20th century and that have a profound impact in the present. In this sense he argues that what happens is that through the construction of the new model of accumulation which is now a global and transnational model, capital and particularly the transitional fractional of capital that become dominant, restores the prospect for accumulation that has begun to break down in the seventies through four mechanisms: 1) one of those four that it was emphasized by forging if a new capital-labor, one based on a cheeping of labor o deregulated labor, becomes now the general worldwide model. 2) It is a dramatic round of extensive and intensive expansion of capitalism itself. Extensive in the sense those regions of the world or within countries that have previously been outside are now incorporated into the system. 3) The creation of a global legal and regulatory structure to now facilitate the emerging global growth of accumulation. World Trade Organization is an example and conversion of the International Monetary Fund or the World Bank. 4) Facilitate the emergence of a new model of global capitalism, is the neo-liberal structure adjustment programs that seek to create the conditions emerging transnational across borders and within each country.

In this sense for the author the flow of capital that allowed economic globalization made possible the arrival of these to the emerging countries in considerable quantities during the nineties. The inflow of capital occurred in several ways and the one that had the most impact was the FDI.

Since the beginning of the nineties, a big amount of capital inflows start to go to emerging economies. This process reflected the progress in proceeding with the economic reforms in the increasingly adopted market-oriented and stability-oriented policies associated with the concept of the Washington Consensus. For Robinson, the lowering of international barriers to trade and investments, together with improved macroeconomic policies, heightened the attractiveness of emerging economies as capital

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importers either in the form of FDI or as portfolio investment. These factors also spurred the development of emerging economies' financial sectors, including stock markets, thus enabling them to improve the outlook for satisfactory economic growth by enhancing financial intermediation. Moreover, the implementation of the Brady Plan for the resolution of the debt crisis of the nineties which implied a securitization of the bank's rescued claims, generally stimulated bond issues by emerging markets borrowers as the new vehicle of capital inflows after the bank has remained hesitant.

In the year of the Asian crisis (1997), net private capital flows to emerging economies declined to 1% of GDP in 2002, after having stood at 3% of GDP in 1995. While in 1996 the capital flows were evenly spread around 4% of GDP, by 2002 the Asian countries' share had fallen to 1% of GDP and Latin America to only 0.5% of GDP, while European accession countries enjoyed an increase in their share to 7% of GDP (Deustche Bundesbank, 2003).

In all this sequence we must highlight the key role of large companies or better known multinational companies. The analysis of the effect of TNCs is very important because undoubtedly they have become the main carriers of economic globalization. Because of their size, organization, and capacity for lobbying and influence, they are globally organized. They can produce and allocate resources according to the principle of profit maximization and their global expansions have reshaped the macroeconomic mechanism of the operation of the world economies, especially after 1991 (Stallings, 2007).

What makes them more powerful and with more maneuverability at a global level is the fact that they have easy access to foreign capital, both through investments and the international capital markets. Medium and small and micro firms, by contrast, have much greater difficulty in obtaining capital to finance their operations. They cannot resort to the international market, depending on how individual countries' markets are structured what kind of norms regulate the allocation of capital, and the existing resource available to mobilize the investments.

According to the research *"Foreign Direct Investment in Emerging Economies"* made by Klaus Mayer (2005), most of these interactions are bilateral. On the one hand, foreign investors adapt to the local institutional, social and natural environment in designing their strategies. On the other hand, they would influence the environment through for instance political lobbying, setting good examples of labor standards, or polluting the environment. The investment project, in turn, is designed by multinational companies located outside the country, and the structure and strategy thus shape the project and its interactions with the local environment.

According to Mayer (2005), this analysis found four effects of investments in host countries:

- Investments import capital, but at later stage capital is repatriated through profit remittance or project discontinuation, and in this way, the host country pays for the costs of capital. However, investment capital is appreciated by hosts because it tends to be less volatile than other forms of capital flow.
- Investments create employment, especially if it is invested in Greenfield operations. Moreover, additional jobs may be created in local suppliers. Yet investments may also crowd out local firms that use more labor-intensive methods of production and thus more employment.
- Investment increases gross domestic investment, yet part of it may be domestically funded or the capital inflow may increase the exchange rate and thus costs of international borrowing; both effects can lead to crowding out local investment.
- Investment generates exports. Yet investment also generates imports, especially in the case of market-seeking investment in the case of outsourcing operations that process imported components. Multinational companies are typically more internationally oriented, but this affects both sales and procurement. Thus, the net effect of the trade balance may be much smaller than data on exports by investments may suggest.

As we can see in this part, the role of investments in the emerging market is directly related to the transformations that the state has had since the seventies and deepens with the major reforms of the nineties. It is true that the transformation was global and affected developed countries in the way of development, but as we are going to see in the following section, the weakening of the state, as a result of these changes, was greater in the developing countries of the West.

In this context of global transformation, transnational capital and large companies took advantage of the changes produced mainly after the collapse of the Soviet Union and investments became the main propagator of globalization. Capitals of all kinds were invested in developing countries, and while economic growth and benefits were predicted, reality shows that the lack of regulations and state policies was costly in the medium term and that investments alone did not guarantee prosperity.

III. The Transformation of the State

The rise of China and other emerging countries added to the economic crisis that began in 2008 and has only accelerated the displacement of financial and economic power from the United States and the West to China mainly, followed by Russia, India, and Brazil to a lesser extent (Wilson, 2003). And while this group of countries has managed to establish itself as a forum to outline common policies, it has not yet been consolidated as an alternative to other power blocs such as the G8, the G20 or as a counterweight to international institutions such as the World Bank or the IMF. But

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rather they have been within the international framework imposed by the Western powers.

While the current status quo of the international system remains ruled by Western institutions, the rise of China and other emerging nations is perceived as a threat by sectors of the United States and the West. The American reaction to this situation is evident after the arrival of Donald Trump to the presidency of the United States. The election of Trump could be mainly explained by the commercial effects that affect the American economy as a result of the trade deficit with China. But beyond this argument, Trump's main excuse was the loss of jobs in the American industrial sector (Plumer, 2018).

The anti-globalization manifested by Trump is directly aimed at rejecting free trade agreements, imposing tariffs, and reformulating United States foreign policy. The slogan America First was a clear sign of what the United States president's intentions were. Given that Trump has done enough of what he has said in his election campaign, this has meant a true turning point in the relationship of the United States with the rest of the world (Seligman, 2018).

Faced with this panorama and even though the international system led by the West and its institutions is still far from breaking down and losing influence, what has increasingly put into question is the unipolar rule exercised by the United States. This status quo that seemed indisputable is today strongly questioned (both internationally and theoretically) by several factors beyond the economic crisis and the rise of China. The failed war against terrorism, the invasion of Afghanistan and Iraq, and the torture in the prisons of Guantánamo and Abu Ghraib added to the international economic crisis, have strongly damaged the image of the United States at the international level.

The crisis of American supremacy, in turn, is closely related to the loss of state power resulting from the globalization process. For more than twenty years economic globalization was promoted by the United States and the West to gain ground in the world economy, especially after the collapse of the communist bloc.

As explained above, the end of the Cold War was followed by a series of economic reforms pro markets called neoliberal. These reforms allowed United States companies to start an expansive cycle in new markets that were previously closed. With this process, the process of productive relocation that began in the eighties that allowed the transfer of certain productions to more profitable areas for American companies was accelerated. Of course, American companies led the process in which European and Japanese companies were also part of even greater success (Masaki and Kyoshi, 1990).

One of the most important destinations of this economic relocation driven by globalization was East Asia and mainly China. This same process was encouraged by the government of the United States itself to obtain competitiveness in a favorable global context. The strategies of the North American companies, supported by the government, were based on productive relocation to increase their profitability at the lowest cost. To determine this competitiveness, different socio-political factors of each region were taken into account and the advantages offered by these places (Lopez, 2018).

Thus, the relocation of multinationals meant investments in other regions considered more competitive than the United States or Europe. The common driving forces were the speed and cost of technological change, which in turn accelerated the internationalization of production and the dispersion of the manufacturing industry towards the newly industrialized countries; generating an increase in the mobility of capital, which made this dispersion of the industry easier and faster while it was favored by the fact that transnational communication is cheap and fast (Strange, 1992).

This process was a contributing factor to the economic resurgence of East Asia and was accompanied by a series of factors that gave it a fundamental boost. Following Giovanni Arrighi in his work "State, markets and Capitalism" (2012) we can attribute this to three scenarios that were happening since the seventies. First, the expansion process promoted by the United States government to ensure the success of the capitalist economies in the face of the advance of communism, which implied greater trade and the relocation of companies in the region; second, the Japanese economic expansion and its investment and subcontracting in Southeast Asia; and third the approach of the Chinese government with the Chinese diaspora, which in the process of opening began to make their investments in mainland China is one of the main investors during this process.

In this way, East Asia but mainly China became the creditor of the advantages that this productive relocation meant, and thanks to the state strategies to receive and re-direct investments, within twenty years, it became one of the most dynamic and developed economies in the planet. The role of the Chinese state was decisive in this process, with the opposite case to the West. While the state in the West was retreating, in China it was strengthened thanks to a reorientation and an improvement in its functions according to the interests that the center of the government considered key.

Therefore, the loss of power of the United States and the West can be attributed to the effects of the global expansion that had no limits to incorporating markets as new centers of production that, would ultimately find more benefits than losses. Given that, as Castell (2005) argued well, globalization is inclusive, but

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it is of all that has value, and Asian countries especially China, had the value of abundant labor and state policies that guaranteed so much benefit for the country as for the multinational.

The competitiveness offered by these countries increased over the years and they gained more markets to place their products while this motorized more investments in their territories. The final inclusion of China in the World Trade Organization was a key step that allowed it to expand in world trade. In this sense, the drivers of the process of economic globalization found more advantages in the East than in the West, generating an imbalance in favor of Asian countries. In this sense, much responsibility falls on the other globalizing agent which is the state. The Chinese state in this case has been able to adapt to the rules imposed by Western institutions.

So we can say that the process of globalization is not apolitical nor neutral or symmetrical. The same policies and actions carried out by the different agents do not always have the same effects and consequences. For example, the increase in the power of big business in the West leads to the crisis of state power and its consequent change, while in China this process causes an improvement in the role and effectiveness of the role of the State, which allowed it to increase its advantages over the West.

For instance, to say that in today's globalized world companies are the only ones leading this process is not entirely true. TNCs and financial capital have gained ground and power in the Western world partly because of the weakening of the state. The state today is indeed openly vulnerable to corporate power, but in East Asian countries and China, was mainly the TNCs that had to accede to the demands of the state, accepting in part their rules of the game.

The multinational business power acquired strength in the nineties to be the one who controls the process of global expansion in the West. As was said in the measurement of power between multinational companies and the state there is a break in the West in favor of TNCs.

> Regarding this in his 1991 book Big Business and State Susan Strange said: "the relations between the states are not more than an aspect of the international political economy, and that in that political economy, the producers of the wealth - the transnational corporation - play a key role ... The state has the authority to act under its role as guardian of the territory" (Strange, 1991, p. 248).

The legitimacy of its power to give or retain access to its international market, its natural resources, its work, and its capital is recognized by other states. The only problem is that, through legitimation, all these negative powers. The door can be locked, but when it is open it depends on the TNCs, not on the state to decide if they should enter. There is a problem. If there is too much restoration, and too rigid regulation once they are inside the door, then the foreign-owned companies stay away, or leave, or enter only in a way that minimizes the risk.

This loss of balance after the increase in power that TNCs has created a rift between the territorial power of nation-states and a weak and partial intergovernmental cooperation in which markets had carte blanche and this could be constructive or destructive. The analysis of Susan Strange proved to be quite accurate in the case of the West.

One of the characteristics of this loss of power in the West is that there has been a profound break in the logic of the functioning of the state system. To understand this breakdown of the state system Wallerstein must analyze the three relevant past and fully affect the functioning of the state that eventually ended up weakening. First, the past of the hegemonic era of the United States, 1945-1990; second, the past of liberalism as the dominant ideology of the capitalist world system from 1789 to 1989; and third, the past of capitalism as a historical system, which began in 1450 and may last until 2050 (Wallerstein, 2013).

To Wallerstein:

> The French revolution changed mentalities by imposing the belief that political change was normal and legitimized by popular sovereignty. The attempt to deal with this reality took the form of the creation of three ideologies: conservatism, liberalism, and socialism. The apparent difference was in his attitude toward such a normal change: the dubious conservatives who wanted to slow him down to the maximum; the liberals who wished to handle it rationally; and the socialists who wanted to accelerate it to the maximum (2013, p. 24).

In theory, all three dialogues looked disapproving of the state. But, in practice, the three dialogues found that they had to strengthen the state vis-à-vis society to achieve their objectives. In the end, Wallerstein argues:

> The three ideologies united around the liberal program of orderly reform promulgated and administered by "experts". The conservative became a liberal-conservative and the socialist became a liberal socialist. The two main changes in the geopolitics of the world system occurred the first in the '70s and the second in the 1980s. These changes mark the collapse of the Wilsonian liberal temptation logic to the working classes of the periphery. The collapse of "statism" in both the third world and the ex-socialist bloc is the collapse of liberal reformism and, therefore, the undermining of a crucial pillar in the stability of the capitalist world economy (2013, p. 27).

According to Wallerstein, the breakdown of the state in the West had many implications for the political, economic, and social order. The state that since the nineteenth century and especially after the post-World War II had increased its power and its functions as never in history, collapsed towards the seventies, dismantling all networks between politics, economy, and society. The changes in the state occurred over the years along,

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with the changes produced both, within the state system and by the changes produced in the international context (Wallerstein, 1993).

The global market, as already mentioned, had gained power concerning the states since the seventies. That is to say, it is in this period when the breaking point occurs after the crisis of the states, and the loss of power before the multinational companies is a sign of its internal weakening and its lack of capacity to function.

The transformation of capital and the capitalist system and its expansion was a factor that disrupted the state system and its relationship with economic, political, and social sectors. According to Giovanni Arrighi:

> The effects of these changes occurred due to the emergence of a particular block of government and business agencies capable of leading the system toward a broader or deeper division of labor that created conditions of increasing returns on the capital invested in trade and production. Under these conditions, profits returned to the wider expression of trade and promotion more or less routinely; and the main centers of the system cooperate to support each other (Arrighi, 2005, p.13).

Over time, however, the investment of a growing mass of profits in further expansion of the production of commercial aid inevitably leads to the accumulation of capital on a scale beyond normal investment channels, and above that can be reinvested in the purchase and scale of products without drastically reducing the profit margins. The decreasing returns established in competitive pressures on government systems and commercial agencies are intensifying and the scenario is ready for the phase change from material to financial expansions.

In this progression of increasing returns to decreasing, from cooperation to competition Arrighi (2012) says the relevant organizational structures are not those of the system unit but the systems themselves. Thus, with specific reference to the last cycle of the United States, the relevant organizational structures are not merely those of the vertically integrated and bureaucratically managed corporations, which were only one component of the block of government and business agencies that led to world capitalism through the material expansion of the fifties and sixties. Rather, they are the organizational structure of the order of the Cold War in which expansion was embedded.

Arrighi and Moore (2009) argue that as the expansion developed, it generated three closely related trends that progressively undermine the capacity of these structures to sustain expansion: 1) the tendency of competitive pressures on United States corporations to intensify; 2) the tendency of the subordinated groups to demand a greater share of the pie, and 3) the tendency of the United States corporations to accumulate the benefits of the material expansion in the offshore markets.

The state was losing competitiveness in the West and by the mid-seventies, the lack of response from the state as well as the huge deficit to sustain its policies generated a series of questions against it. The crisis of the state and the lack of competitiveness reached a point of no return towards the end of the seventies. This affected all areas of the state, from economic policy to social security. The crisis of the state was fed back to the exhaustion of the different interventionist models both economically and socially to the point of questioning all their actions, which gave rise to anti-state theories that ultimately lead to the West at its height in the nineties (Arrighi and Moore, 2009).

The fall of the developmental state in Latin America, the interventionist state in the communist bloc as well as the welfare state in Europe, is also highlighted by its structural problems. None of these states could deal with the new trend that was imposed on the international system. The lack of response to these models of states had a great impact on and out of them. That is why the political class who was in charge of this state was considered, in part, responsible for the inability of the state to respond.

IV. Conclusion

As Claus Offe (1984) argues it would be possible to test the thesis that those actors (in ministries, parliaments, and political parties) responsible for social policy institutions and innovations within the state apparatus were constantly confronted with the dilemma that many legal and politically sanctioned demanded and the guarantees were not reconciled with the demands and capacities of the budgetary, financial and labor market policies of the capitalist economy. These actors were inevitably brought into conflict with this policy by uncontrollable environmental factors, and such state policy did not respond to the needs or demands of any particular social group or class but rather reacted to the internal structural problems of the welfare state apparatus.

But these internal crises turned out to structurally affected both, the welfare state in Europe, the developmental state in Latin America, and the interventionist state the communist bloc. The concept of a state that had lasted practically without variations or abrupt changes for more than thirty years was in crisis. In the case of the developmental state in Latin America, it was perceived as ineffective and obsolete, with the industrialization of import substitution being the new villain and guilty of not responding to the crisis and beginning to be perceived as protectionism as part of state corruption.

The transformation of the state meant in the West the breaking of the state system and the power of

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the state in the international system before the new elements of power such as the TNCs, that is to say, meant its weakening. While in the East, the transformation of the state meant the re-adaptation of state functions to the challenges and needs that arose in the face of the globalizing economic impulse promoted from the West, that is to say, that meant its strengthening.

In the East, the state that prevailed until the eighties was either the socialist states or the developmental states. The transformation initiated in those years and deepened in the nineties was possible thanks to the resilience of the state apparatus. The models prevailing in the East imported from the West were combined with political models tending to the almost total control of the state apparatus, a model that allowed them to overcome the crisis of the end of the Cold War and the other crises of the post-1991.

Faced with the situation of change, the states in East Asia and mainly in China tried new development strategies in globalization. To face the globalization process, these strategies focused on the re-adaptation of the state, generating new restructuring within it, as occurred in China.

Since the fifties, the developmental strategies in Asian countries had been industrialization towards the outside favoring the productive process by promoting industrial development oriented towards exports. This allowed them to occupy a considerable space in international trade, which in turn prepared them for the process of productive relocation that would occur from the seventies and with greater force in the nineties, with the investments promoted from the West that was the key to their economic success.

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