

global economy the basis of modern nation statehood will be changed in many ways. This process raises problems in the relationship between the state and market and the ability of the state to control resources and regulate economic globalization.

Currently IPE regimes are not inherently liberal or neo-classical. In economic relations between states and regions there is a form of liberal discourse and domestic liberal representation and political plurality. It seems logical that any global processes premised upon such regimes would not be inherently liberal or neo-classical but eclectic and varied. Such global processes and global integration may be acting as a powerful stimulus to economic regionalism and international integration by altering the patterns of mercantilist competition. Technology and global markets have altered how governments view economic development and political autonomy and the range of trade offs between them. Yet the interplay of global processes and nation state regime structure is not uni-directional.

On the one hand global flows entail that states are facing homogenizing pressures on economic policy to attract investment capital. This has driven market-liberal policies to expand export penetration and liberalise trade at both the regional and global levels.<sup>174</sup> On the other hand the nature of this competition drives the formation of larger units both for economic efficiency and political power, which is necessary when bargaining with other regions/nations over the rules and institutions that govern the world economy. Within this picture states are therefore not the only important actors. Regional entities and groupings become important as states band together to increase market efficiencies, achieve economies of scale, increase their bargaining power with other actors in the world system through the regional unit, and appease domestic pressure groups who view regionalism as an economic vehicle to drive prosperity and stability.

Yet a crucial insight as pointed out by realists is that the nation state is stronger than ever.<sup>175</sup> There is no post-modern world, where the nation state is submerged into a tidal wave of globalisation or an agreed upon and benign internationalism of supranational legal stricture. Globalization is not forcing all Western nation states into political, cultural, financial, or economic 'homogeneity'. Neither are

'golden straightjackets' or international capital flows ensuring a global homogeneity and 'sameness' as espoused by globalization enthusiasts such as Thomas Friedman or Francis Fukuyama.

Though conflicting pressures may change the role and methods of the nation state, in essence through welfare capitalism and modern state socialism, the nation state exerts more influence on its territorial population and on non-governmental and political actors alike within its defined geography than at any time in history. All regional units are composed of this independent statist state, which at any time, with or without penalties may voluntarily withdraw, formally or informally its participation from any regional or international process. It is hard to conclude either empirically from historical patterns or from understanding the embedded nature of today's modern socialist governance, how the nation state or its power will become marginalized.

Importantly the real political and economic leverage any region has over its constituent nation state members, using any comparison (e.g. % of GNP, absolute budget size, defence, fiscal control, and so on) is quite small. National governments in effect dictate not only their own destinies but in large measure the type of regional unit which will come to pass, irrespective of penalties and regulations that are imposed. Though some aspects of sovereignty are compromised, the overall balance of power rests squarely with the nation state within the IPE. There is very little to suggest that this will change in the foreseeable future especially as government's share of the economy through taxation and regulation continue to mount. In effect we have a converging general model—statist in orientation. Domestically and internationally however, we have two interpretations on how to implement statism—the EU with its more statist model and that of a more realist/liberally influenced Anglo-Saxon model.