

**Division of International Relations**

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**The Political Effect of Cyber MNCs with Knowledge Power on the Power of Sovereign States in the International System**

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1.1 Overview of the research problem

In recent decades, we have seen an intensification of the process of globalization and with it the strengthening of the multinational corporation's power versus the possible erosion of sovereign states' power. The rise in the importance of Internet and cyberspace in the last decade has led to the rise of new multinational corporations (MNCs) in cyberspace and today the world’s five largest companies by market capitalization are all cyber MNCs(Taplin 2017).

Cyber MNCs' rising power, has been perceived both as an opportunity and as a threat by liberal states. On one hand, these corporations were seen by optimist liberals as part of the liberalizing effects of the Internet: tools for empowering citizens, enabling economic opportunities, increasing freedom of expression and spreading liberal ideas (Diamond 2010). Social media networks have been credited with shifting power from authoritarian regimes to ordinary people who seek freedom and social justice (Shehabat 2015).

On the other hand, the vast amount of information that cyber MNCs accumulate and their influence on people's agendas and perceptions gave them a huge amount of knowledge power that traditional MNCs haven’t had in the past. This power, actively used by cyber MNCs or exploited by other actors, caused state's power erosion and political change in new ways never presented by traditional MNCs, raising challenges to states from the inside and from the outside. Sovereign states need to deal today with issues such as rising populism, growing ethnic tensions, reviving nationalism, intensification of political conflicts and domestic polarization - some of them are connected to cyber MNCs. Researchers found, for example, a strong match between social media (own by cyber MNCs) and populism, with social media providing an ideal platform for "the populist to appeal to ordinary people against a liberal establishment" (Gerbaudo 2018, Postill 2018, Engesser et al. 2017).

When examining the effects cyber MNCs have on states we find the effects are not uniform across different states. We find the magnitude of the effect can be different in liberal states (for example the rise of populism in Brazil has different results than in the UK) and even have an opposite direction effect when regarding authoritarian states (Russia have gain power while Egypt has gone through revolutions). In this dissertation, we will suggest a novel explanation for the variations MNCs cyber effects have on states generating a classification of 4 groups of effects: Polarized, Intensified, Radicalized and Destabilized. We will tie together comparative politics terminology with international relations entities such as cyber MNCs in order the explain the phenomenon.

1.2 The research question

**Our research question is: What were the different effects of cyber MNCs on liberal and authoritarian states and which factors best explain the variations in states’ vulnerability to the political effects of the cyber MNCs?**

We will suggest a new model reflecting the different political influence cyber MNCs have on four distinctive variations of regimes and state capacities (both will be our independent variables). We will consider the following combinations: weak liberal states; strong liberal states; weak authoritarian states; and strong authoritarian states and by analyzing different case studies related to each variation we will suggest they account for the variations in the political effects the cyber MNCs have on states (this will be our DV). This will be an innovative suggestion as the causal factor between regimes and state capacities to cyber MNCs political effects was not suggested before in the known literature.

My research will try to contribute to knowledge in the following areas:

* Showing that cyber MNCs don't have a uniform effect on state power (as suggest by Nye, for example) and the effect is related to the state capacity and political regime and can cover both international and domestic politics.
* New explanations for the weakening of the liberal order in the last decade and the returning of the revisionist powers.
* New effects of Internet technology (represented here by the cyber MNCs) on the power diffusion and power erosion of states. We will argue that sometimes the Internet was the critical ingredient that caused the resulting political effect.

2.1 Literature review

The literature review will try to give a background to the terminology we will use in the research starting with the connection between power and technology. As the research is dealing with cyber MNCs we will describe the special attributes cyber MNCs have and combine the discussion of power and cyber MNCs to understand the diffusion of state's power by MNCs. We will conclude the literature review with our two independent variables: state's political regimes and state capacity which are responsible for the differentiation in the political power effect on states.

Power and Technology

When referring to state power, one tends to think of power in old-fashioned ways, as **hard power** or "**the ability to get others to do what they otherwise wouldn’t do**" (Dahl & Douglas 2005), disregarding soft power. **Soft power**, a term coined by Nye (1990), is **the ability to set agendas which determine how others see issues** (Bachrach & Baratz 1963, 632-642) and the **ability, to affect minds so that there will be no need to twist arms when push comes to shove** (Lukes 2009). Usually, hard power includes tangible resources such as force and money while soft power often includes intangible factors such as institutions, ideas, values, culture and the perceived legitimacy of polices (Nye 2012, 21).

Most existing International Relations theories of power were developed in the context of industrial technology. Morgenthau (1978, 322) claimed power or security seeking states gained relative advantages by the development of more efficient production methods (economic power) or advanced weaponry (military power). The information and communications technology changed some of these power perceptions. Internet technology was conceived and developed in the US, and it represents the liberal norms and values of the US government in the early 1990 and the willingness to project US soft power (Carr 2016, 184-185; McCarthy 2015, 74-100). US politicians under the Clinton-Gore administration promoted the open and anonymous environment of the internet which they believed would undermine authoritarianism and repression and promote liberal ideas (Miller 2018). But as Carr (2016, 182-190) claims: "the Internet technology is not discriminating - It can be used to enhance or undermine state power…the Internet is neither democratizing nor repressive...it is an expression of the interests and values of those who engage with it".

A second aspect of power is structural power (different from relational power). Haviland defined structural power as "Power that organizes and orchestrates the systemic interaction within and among societies, directing economic and political forces on the one hand and ideological forces that shape public ideas, values and beliefs on the other" (Haviland, Prins, McBride & Walrath 2017, 657). According to the work of Susan Strange, we can identify four major power structures in the international political economy: Production, Financial, Security, and Knowledge (Strange 1988, 45-133; May 1996, 167-189). In our research will concentrate mainly on the **Knowledge power structure** which deals with channels by which beliefs, ideas, and knowledge are communicated, or confined. Power in the knowledge structure lies as much in the capacity to deny knowledge, as in power to convey knowledge (Strange 1988, 115; Stopford, Henley & Strange 2002; Schwab 2017).

Cyber multinational corporations (MNCs)

Basic definition of MNC is a company that has its headquarters in one country (the home country) and operates in at least one foreign (host) country (Wilkins 1991, 53). These companies are profit-seeking organizations aiming to expand sales, acquire resources, diversify sources of sales and supplies and minimize competitive risk[[1]](#footnote-1).

Today, as part of the globalization process, there are over 100,000 MNCs with over 860,000 foreign affiliates around the world (UNCTAD, 2017).

Scholars are debating on the impact MNCs has on their host countries, mainly in developing countries (Hymer & Cohen 1979) and the relationships of MNCs with their national origins (Ōmae 2002; Doremus 1999; Gilpin 2009, 299). These issues will intensify when dealing with cyber MNCs that has no need for physical infrastructures in the host countries (Doz, Santos & Williamson 2007).

Cyber MNCs obtain outcomes through the use of the electronically interconnected information resources of the cyber domain (Kuehl 2009). Cyber MNCs are divided into two groups: purely digital players/mixed players (search engines, social networks, providers of digital solutions such as cloud solutions, e-commerce, and digital content) and the ICT (information and communication technology) players who provide the infrastructure that makes the internet accessible. Between 2010 and 2015 the number of cyber/digital companies in the top 100 MNC more than doubled (UNCTAD 2017).

Many US cyber MNCs hold liberal ideas such as replacing the "old" social infrastructure “which oppose the flow of knowledge, trade, and immigration” to a new global community and the "game-changing" implications of the Internet on politics (Zuckerberg 2017a; Zuckerberg 2017b, Schmidt & Cohen 2010). These ideas are dated back to Barlow's “Declaration of the Independence of Cyberspace” (Barlow 1996) which was popular in the time the largest Cyber MNCs were established in Silicon Valley.

State power diffusion/erosion by MNCs

We use the terms state's "diffusion of power" and "erosion of power" interchangeability as we are interested in the power leaving the state and not the actor who gains it.

States' power erosion is not a new phenomenon. The globalization movement has caused in the last three decades an erosion in several major sovereign states’ symbols such as the currency sovereignty in the EU (Krasner 2001, 20-29). While these decisions were made by the states themselves, the rise of MNCs threatens other aspects of nation-states power, both domestically and internationally (Kehone & Nye 1989; Castelles 2000, 639-699).

MNCs challenge state sovereignty in several levels[[2]](#footnote-2): Globalization is creating interdependency among nation states and MNCs. This weakens states’ will and right to use their military, economic and political power to protect their rights. Vernon assumed most states lack the economic and technological capabilities to free themselves from dependence on MNCs (Vernon 1971). MNCs may also affect the state's cultural sovereignty and legal sovereignty (authority to devise its laws and regulations) (Koskal 2006). Castells (2005, 9-16) mentioned that people questioning the legitimacy of government or the identity of society might result in the instability of the state.

Scholars argue that the diffusion of power from the sovereign states to MNCs is limited. Gilpin (1993, 3) recognizes that MNCs have blurred the significance of national boundaries but have still not replaced the nation-state as the primary actor in international politics. Other scholars argue that there is no clear evidence to prove that the nation states have lost their power to MNCs (Strange 1993, 21; Nye 2010).

Cyber MNCs, mainly from the US, such as Facebook, Amazon, Google and Apple gained in recent years knowledge power, based on the enormous data and information they collect (Foer 2017, Galloway 2017). These power elements helped the business of the cyber MNCs, but they may cause power erosion from sovereign states in new ways, not presented by traditional MNCs.

Cyber MNCs effects were researched but not in a comprehensive way but rather as prismatic explanations in different case studies happened in the last decade. Social media networks, for example, have been described as "a mobilizing force" helping people to "topple an entrenched regime if everybody would come together" (Castells 2012: 81). They were identified as part of the civil revolt in Moldova in 2009, which got the name "the first Facebook revolution"’ (Zuckerman 2011), the unrest in Iran in 2009 ("‘the first Twitter revolution") (Sullivan 2009) and the revolutions in Egypt during the Arab spring. Another example is the role cyber MNCs had around some of the elections in democratic states (US 2016, Five Star Movement in Italy, the Pirate Party in Iceland, the “keyboard army” in the Philippines). Persily claims that the elections showed lost of power and disintegration of the legacy institutions and that "the void was filled by an unmediated populist nationalism tailor-made for the Internet age". (Persily 2017)

State's political regime – Liberal democratic vs. Authoritarian

Regimes constitute a configuration of control over the state, but regimes tend to come and go while states are more enduring. (Fishman, 1990, 428).

A Liberal-democratic regime adopts liberal principles, policies, and methods and has a liberal attitude towards the citizens' rights and privileges, granting them to all individuals equitably and does not think of them as a threat to the existence and administration of the state. A Liberal-democratic regime endorses the existence of many groups and organizations and maintains neutrality among all these groups. The seizure of political power will be made through constitutional means, legal procedures and democratic ways.

An authoritarian regime is characterized by a strong central government that allows the people a limited degree of political freedom, but the political process and all individual freedoms are controlled by the government without any constitutional accountability (Longley 2018). Linz (2009) described the four most recognizable characteristics of authoritarian regime: limited political freedom with strict government controls on political institutions; A controlling regime that justifies itself to the people as a “necessary evil”; A strict government-imposed constraint on social freedoms such as suppression of political opponents and anti-regime activity; The presence of a ruling executive with vague, loosely defined and shifting powers.

State capacity (weak vs. strong states)

State capacity is described as the ability of state institutions to effectively implement official goals (Sikkink, 2012) and deliver crucial political goods (Rotberg 2003). Fukuyama distinguished between governments' policy choices and the strength of state power, which has to do with the ability of states to plan and execute policies (Fukuyama 2004).

Berwich and Christia (2018) identify three activities the state develops capacities for extraction[[3]](#footnote-3), coordination[[4]](#footnote-4) and compliance[[5]](#footnote-5) while others detail extractive[[6]](#footnote-6), coercive[[7]](#footnote-7) and administrative[[8]](#footnote-8) as dimensions of state capacities (Hanson and Sigman 2013; Skocpol 1985). Rotberg, on the other hand, flags the coercive capacity and the supply of human security as the most important political good while the delivery of other political goods becomes possible only when a reasonable measure of security has been sustained (Rotberg 2003). Tellis (2000) echoed it when considering "coercive arms [are] the ultimate measure of power".

Nation-states may be categorized into strong, weak, or failed states. Strong states perform well delivering all political goods mainly due to their ability to control the means of violence in their territory and the possession of an effective set of institutions. Weak states lack effective political institutions and resources to implement their policies, securing their populations from violent conflict and exercise political goods (Miller 2017, 110; Rice & Patrick 2008). The more poorly weak states perform in delivering the different political goods - the weaker they become.

A challenge researches have today is in measuring the state capacity. Different researches use different indicators to measure state capacity. They use a varying combination of content analysis, qualitative review and quantitative data to reach a measure of a state's capacity. Hendrix (2010), for example, used 15 indicators to consider a state capacity while Hanson and Sigman (2013) used 24 different indicators.

2.2 Gaps in the current literature

The current literature describes cyber MNCs effects on other players in a uniform way and does not distinguish between the different political effects states have due to variances in state capacity and political regime. The researches today analyze the different MNCs effects happen in the International Relations with prismatic lenses (rising populism, growing ethnic tensions, reviving nationalism, intensification of political conflicts, domestic polarization, revolutions etc.) finding a causal reason for each phenomenon without suggesting more comprehensive explanations that may be projected on future cases.

**3. Research hypotheses and theoretical explanations**

**3.1 Theoretical explanations**

In this dissertation, we will present a theory that would suggest US cyber MNCs with knowledge power (due to the data they collected or the data conveyed through their infrastructures) have a political effect on states which depends on the state capacity and the state political regime.

**The hypothesis** we suggest is that **variations in the state capacity and the state political regime produce different political effects on states by cyber MNCs**.

The following table classifies 4 main groups which represent different political effects cyber MNCs have on states. Each group depends on a different combination of state capacity and the state political regime.

|  |  |  |
| --- | --- | --- |
|  | **Liberal Regime** | **Authoritarian Regime** |
| **Strong states** | **Polarized**Erosion of hard and soft power which weakens domestic power, deepens polarization and support the rise of populism.US (2016 election), UK (Brexit) | **Intensified**Adding to hard, soft and sharp power of the states in the international order China (soft power) and Russia (election intervention)  |
| **Weak states** | **Radicalized**Erosion of hard power which weakens the state and potentially causing a regime change into an illiberal or authoritarian statesThe rise of populist leaders in Latin America (Brazil and Mexico) | **Destabilized**Erosion of hard power which weakens the state and potentially cause regime instability, revolutions and may even deteriorate into a failed stateArab spring (Egypt and Yemen) and Myanmar  |

In cell 1 we find strong liberal states such as the US and the UK which are going through erosion of their hard and soft power in the last 5 years. This makes them more vulnerable to outside interventions, deepens the in-state polarization and supports the rise of populism without causing a full regime change as may happen in some weak liberal states.

Cyber MNCs possess more and more knowledge power. Facebook and Google are analyzing every bit of data about their users and their user's surrounding (Jones 2016; Murphy 2016; Foer 2017, Galloway 2017). This knowledge power possessed by cyber MNCs helps them micro-target their consumers in order to sell more ads, but it has supposedly also been used by Cambridge Analytica to reshape people's perceptions around US 2016 elections and the UK-EU membership referendum (Kornbluh 2018, 33-38; Grassegger & Krogerus 2017). There is evidence of successful use of social media in the Brexit referendum, in which supporters were seven times more numerous than opponents on Twitter and five times more active on Instagram (Polonski 2016).

Cyber MNCs also take a major role in today's media industry. Free and unbiased media were always the pillars of liberal states, shining a light on government performance by two mechanisms Bailard calls "Mirror-holding" and "Window-opening" (Bailard 2014). In the last few years, Facebook and Google become the sole dominators of vast majority of media channels (Gottfried & Shearer 2017) which helps them to reinforce "filter bubble" separating people from information that disagrees with their viewpoints and engaging them with content that only confirms their views (Okyle 2016; Pariser 2012). Facebook exposed users to more confrontational and angry posts (including fake news) making people more extreme in their views (Galloway 2017).

Micro-targeting and "filter bubble" reinforcing can also help the anti-democratic influence of authoritarian powers such as China and Russia. These authoritarian states are on the rise (Gat 2008, 457-467; Mead 2014) and they try to replace global democratic norms with authoritarian practices as part of what Miller (2018) calls "The Boomerang Effect" to the attempts to liberalize the world. They use the internet and Cyber MNCs to exercise their "sharp power"[[9]](#footnote-9), preventing a productive discussion from happening in democracies (Zappone 2017) and spreading of fake news to amplify divisive social and political messages and deepen domestic polarization (Spohr 2017). We will explore case studies related to Russian alleged intervention in some liberal states electoral process (Stamos 2017; Issac & Shane 2017; Collins, Poulsen & Ackerman 2017; Collins 2017, Paul & Matthews 2016). This Russian intervention impacted ethnic tensions, revived nationalism and intensified political conflict all around the world while weakening public trust in journalism and electoral outcomes (Howard 2018, 27, Swift 2016).

In cell 2 we find strong authoritarian states such as China and Russia which are gaining more power by using cyber US MNCs knowledge power as s political tool. In addition to the case studies around the Russian interventions in elections in other states, we will examine the use of the Edward Snowden leaks to create a “moral equivalence” against liberal states and the attempts to shape the future of the Internet to be less liberalized and American influenced (Segal 2018, Nocetti 2015, Deibert 2009).

China and Russia fight the influence of US cyber MNCs over their citizens. They build their own sovereign Internet, separated from the global Internet (a digital isolation), limit the spread of US-based MNCs in their countries (Pham 2018; East-West Digital News, 2014; Soldatov & Borgoan 2015) and find new mass surveillance tools and strategies to retain the power advantage they have over their citizens (Lange 2014). They try to avoid instances such as the 2011 Russian almost-revolution (Tobin 2014; White and McAllister 2014). All these actions may explain the differences in the cyber MNCs effect these states have compared to liberal or weak authoritarian states.

In cell 3 we explore weak liberal states such as the new democracies in Latin America. Their erosion of hard power can lead to a wave of authoritarian drift in which democracy will recede and authoritarianism will grow over (Smith 2018; Weyland 2013).

A 2015 research shows that people in Latin America are the most avid social media users in the world (Emarketer 2016). Adding that to the assumption that fake news made on MNCs platforms are effective in polarized societies and that polarization is a major characteristic of the Latin American region’s political scenario, makes these countries susceptible to potential efforts to promote divisive or anti-liberal narratives via online platforms (Gurganus 2018; Carrique 2018; Fonseca & Green 2018). This may give rise to a populist candidate with a tendency to promote an illiberal regime (such as Bolsonaro in Brazil or López Obrador in Mexico). As the checks-and-balances in states with short democratic tradition are weaker than in strong liberal states this can cause a radicalization and a regime change toward a national populism, illiberal and even an autocratic regime.

In cell 4 we will explore weak authoritarian states that were impacted by cyber MNCs and the erosion of their hard power that may cause some of these states to a frequent regime change or deterioration into failed states. Snyman-Ferreira (2010) defines internal sovereignty as "the competence and authority to exercise the function of a state within national borders and to regulate internal affairs freely." Cyber MNCs may destabilize and hurt weak authoritarian states internal sovereignty indirectly by being an alternative platform of communication for dissidents. Access to cyber MNCs platforms shifted the balance of power from Arab authoritarian regimes to civil society actors in the first wave of social unrest in 2011 (Campbell 2011, Howard and Hussein 2013, Lotan et al., 2011) and lead to a regime change (such in Egypt and Tunisia) but also to an erosion into failed states (such as Libya and Yemen). The same platform may also led to ethnic cleansing in some states such as Myanmar due to the spread of hate speech (Safi 2018).

Weak authoritarian states differ from the strong ones in the fact that although they were authoritarian offline they were unable or unwilling to police online activity and discussion at a similarly restrictive level. Strong authoritarians were more politically and economically able to invest in censorship infrastructure than the Arab Spring states making them less susceptible to social media leveraged dissent (Fung, Gilman, and Shakabatur 2013).

**3.2 Variables definitions**

3.2.1 State regime - Independent variable. As the research is concentrated on the effects of cyber MNCs we choose to use the FOTN (Freedom on the net) indicator, published by Freedom House, as a tool in the regime classification. A FOTN score of a state accumulates three factors (Freedom House 2018): the first factor is the state's obstacle to access the internet which includes infrastructural and economic barriers to access and government efforts to block specific applications or technologies. The "great firewall of China" and China's limitations on Google, Apple, and American hardware companies in entering products into China (Pham 2018) are just some of the examples for such obstacles.

The second factor includes the limits cast on content on the Internet such as filtering and blocking of websites; censorship; manipulation of content and more.

The third factor includes the violations made on user rights on the Internet such as restrictions on online activity; surveillance; privacy violations etc. A recent example is the communications law adopted by Russia in 2014, which prohibits the storage of Russian citizens’ personal data outside Russia and helps the Russian surveilling their citizens (Soldatov & Borgoan 2015).

We will consider states that have an overall ranking under 30 as has a liberal-democratic regime and the ones that have overall ranking over 60 as authoritarian.

3.2.2 State capacity - Independent variable. This variable will represent whether the state is a weak or a strong state and refer to the institutions and resources available to states for governing the polity (Miller 2017, 109).

In order to classify a state as weak or strong, our main index will be the Fragile States Index (FSI), presented by the Fund for Peace. This index consists of twelve different indicators divided into 4 main groups: cohesion, economic, political and social indicators (The Fund for Peace 2018). We choose this index as cyber MNCs may have a significant effect on some of the indicators constituent this index such as the level of the security threats to a state; divisions and schisms between different groups in society; level of confidence in state institutions and processes; protection of human rights; the existence of independent media, levels of engagement from external actors etc.

Although it may seem as a conclusive factor to define weak states we find it is not quite sufficient as a stand-alone factor for strong states. Russia, China and the US, which researches consider as strong states in the international system are ranked in relatively low places (109, 89 and 25 respectively) by the FSI. This is true also for another popular indicator such as GDP for capita where the US is already ranked 9th in 2017, but Russia is still ranked 78th and China 94th.

In order to have a more comprehensive indicator for strong states, we will crosscheck the FSI with three additional indexes related to military capability strength (representing the coercive capacity), economic strength (representing the extractive capacity) and Internet technology development[[10]](#footnote-10). For the military capability, we will use the Global Firepower ranking as it utilizes over 55 individual factors to determine a given nation's score (GFP 2018). For the economic strength, we will use World Bank data regarding GNI (Gross National Income) as it represents the economic "engine" of the state. Internet technology development, as it relates directly to the effect of cyber MNCs will be represented by the yearly investment in information and communication technologies (ITU 2018).

3.2.3 Political effect of cyber MNCs on states- dependent variable – the different combinations of the independent variables can result in one of the following four distinguished results which represent the different political effect of cyber MNCs can have on a state:

* **Polarized effect**- Erosion of the state's hard and soft power which weakens domestic power, deepens polarization and supports the rise of populism. Usually, it results in a partisan political system, reduction in the democratic institutions, resistance to multilateralism and globalization and more. The domestic system becomes polarized but the state's checks-and-balances and the strong democratic tradition keep the state liberal.
* **Intensified effect** - Adding to hard, soft and sharp power of the states. The cyber MNCs become a tool in the exercise of power by theses states toward other states.
* **Radicalized effect** - Erosion of the state's hard power which can cause a regime change into an illiberal or an authoritarian state. The rise of populism and the reduction in the democratic institutions are steering the state, who is lack of checks-and-balances and strong democratic tradition, to a national populism and even illiberal or authoritarian regime.
* **Destabilized effect**- Erosion of the state's hard power which can cause a frequent regime change and even deterioration of the state's foundations into a failed state. The MNCs are causing erosion of the coercive power of these states making it hard for the government to keep the state running.

Power erosion will be checked according to Strange's ten powers and responsibilities attributed to the state (Strange 1996, 73-82), Portland's soft power 30 index and the political change happened in the last 5 years in the representing states from each category. We will follow political change such as domestic polarization, the rise of populist voices and candidates, ethnic tension, reduction in democratic institutions, anti-migrant tendency, resistance to multilateralism and globalization, anti-minority tendency, anti-elitism tendency etc. We will try to show a causal connection to the different values of the independent variables and to the cyber MNCs' effect.

**4. Methodology**

The work is qualitative and will be based on analysis of theories in the field of international relations, recent research, online material and various case studies from recent years. Due to the innovation of this subject, there is relatively little literature, and this will lead to increased use of online resources. We will try to set a new theory and will use heuristic case studies to test and validate the theory, as suggested by Lijphart (1971, 682-693).

In our research, we will try to choose case studies to support our theory using structured focused comparison (George and Bennett 2007, 67) and process tracing (Van Evera 2009). We will compare the different distinguish results we get when we have different combinations of independent variables values. This will help us develop the theory about the causal relations between our dependent variable (political change effects of cyber MNCs) and independent variables (state capacity and state political regime).

For our hypothesis, we will use the process tracing technique. We will try to suggest that activities done with MNCs knowledge power and infrastructures cause changes in the citizen's perceptions and beliefs and affect their actions resulting in changes in sovereign state power and political eco-system. Citizen's perceptions and beliefs may be influenced by cyber MNCs targeted information, echo chambers, fake news and more and may change their political efficacy.[[11]](#footnote-11)

Case studies will show that changes in state power and political eco-system can have a variety of effects: from affecting election processes to revolutions and hurting citizen's physical safety. MNCs effects can very easily transform from being used for the promotion of revolutionary ideals (freedom, dignity and social justice) to becoming a space of political polarization and hatred against politically different groups (Shehabat 2015).

We will try to check why the same phenomena have variances in the power erosion and the political effect in the different states when considering Liberal states compared to Authoritarian states and weak versus strong ones (in each category). We will explore 8 case studies (2 in each group researched). In the strong liberal group, we will examine the 2016 US election and the UK Brexit referendum which were determined in a close call and the possible impact cyber MNCs could have had on the results. In the strong authoritarian group, we will examine the Russian possible interventions in several liberal countries elections by manipulating cyber MNCs infrastructure and the battle for the internet sovereignty China is leading. In the weak liberal group, we will follow the rising of populist leaders in Brazil and Mexico using cyber social media. In the weak authoritarian group, we will check the role cyber MNCs had in the Egypt revolution (as part of the Arab spring) and in the hate speech that caused ethnic cleansing of the Rohingya minority in Myanmar.

5. Research contribution, importance, and limitations

This dissertation will attempt to present an innovative argument that cyber MNCs may have four different and distinguished effects on the political eco-system and the power of sovereign states and that the effect is explained by the different possible combinations of the two independent variables– state capacity and state political regime. We will establish casual relations between variations in state capacity and state political regime and the variations of cyber MNCs effect on state political stability.

The current literature regarding power in the international system is referring to MNCs as a homogeneous actor, usually responsible for power erosion in host countries in the third world. We will try to show that the cyber MNCs, particularly the ones that possess knowledge power, have a range of complicated effects: from intensifying strong authoritarian states to destabilizing weak ones. They can cause polarization and contribute to the rise of populism voices in strong liberal states but at the same time to radicalized weak liberal ones pushing them to a regime change.

We will try to contribute to the IR literature on state power diffusion and erosion due to MNCs by presenting the unique effect and attributes of the cyber MNCs (and Internet technology) related to state capacity and state political regime.

We will explore some states as examples but not all states in the same category are going through the same process yet. This work can be a warning sign for other states that have the same characteristics but the full impact of MNCs is not yet noticeable in them.

The main challenge of this research deals with the question if cyber MNCs are the main factor to explain the causal phenomenon which connects the independent variables with the dependent variable. As there can be many reasons for the power erosion of sovereign states we will try to show that cyber MNCs have had a major role causing the dependence variable in all our case studies. For example, Cambridge Analytica’s last-minute efforts in six crucial states (Michigan, Wisconsin, Iowa, Pennsylvania, Ohio and Florida) combined with a system that awards all of a state’s designated electors to the presidential candi­date with the most popular votes, resulted in Trump’s 2016 victory (Gonzalez 2017).

The dissertation is constrained as it is based on case studies from recent years. This area of research is very dynamic, and major MNCs are changing their products and behaviors to minimize the effects mentioned in this research. We think it will take several years to overcome all the problems presented in this research and that some of the damage already done is irreversible, what makes this research still relevant. Some methodological limits are caused by the decision to use databases and reports as our data sources, which may create dependence not only on their data but also on the different variables which they use to collect their data. As these reports are used by many scholars as a reliable source, we can assume they can be used here as a comparable and benign source.

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1. More on MNCs can be found at Caves (2007); Porter (1991) and Dupont (2003). [↑](#footnote-ref-1)
2. See elaborations in Strange,1996 [↑](#footnote-ref-2)
3. The ability to secure resources [↑](#footnote-ref-3)
4. Capability and efficiency of administration in coordinate collective actions [↑](#footnote-ref-4)
5. The interaction between higher levels of the state and lower level agents [↑](#footnote-ref-5)
6. The wherewithal to reach populations, collect and manage information, possess trustworthy agents to manage the revenue, and ensure popular compliance with tax policy [↑](#footnote-ref-6)
7. The state's ability to preserve its borders, protect against external threats, maintain internal order, and enforce policy [↑](#footnote-ref-7)
8. The ability to develop policy and to produce and deliver public goods and services [↑](#footnote-ref-8)
9. Sharp power is a mean for the authoritarian regimes, which systematically suppress political pluralism and free expression at home, to apply the same principles internationally. (Walker and Ludwig 2017). [↑](#footnote-ref-9)
10. These were some of the indicators suggested by Tellis (2000) as part of the “building blocks” of national power. [↑](#footnote-ref-10)
11. The feeling that individual's political action has an impact upon the political process (Campbell, Gurin, and Miller (1954)). Internal political efficacy refers to an individual’s competence in understanding and participating in politics (Niemi et al,1991) whereas external political efficacy is more about individuals' attitudes toward the political system (Acock & Clarke, 1990) [↑](#footnote-ref-11)