

ECONOMICS

VERTICAL

ECONOMICS NATIONALISM vs GLOBALISATION



Author Credentials:

Author:
Mukta
(GAEE, Lady Shri ram College for Women)

Editor:
Kavya Suri (Associate Editor, GAEE India)

Introduction

Globalization, increasing interconnectedness and interdependence of nations, has been a hallmark of the post-World War II era. It promised unparalleled economic growth, cultural exchange, and cooperation. However, the 2008 financial crisis, coupled rising income inequality, and perceived cultural homogenization has fueled a nationalist backlash. Nationalism, with its emphasis on sovereignty, self-reliance, and protectionism, has gained momentum, threatening to undermine the globalized world order.

Globalization: A force for Interconnectedness

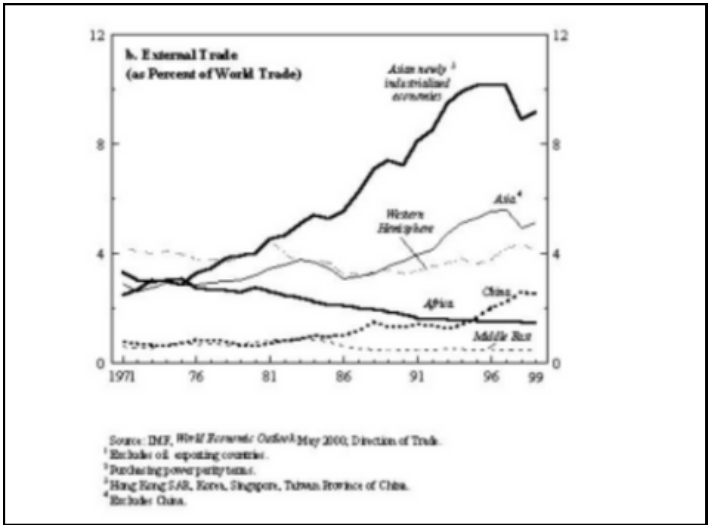
Globalization, often described as the shrinking of the world, refers to the increasing interconnectedness of people, businesses, and governments across national borders. Economic "globalization" is a historical process, the result of human innovation and technological advancements. The term has gained prominence since the 1980s, reflecting the technological breakthroughs that have facilitated faster and more efficient international transactions, including trade and financial flows.

Key drivers of globalization include technological advancements, particularly in transportation and communication, the liberalization of trade and investment, and the emergence of multinational corporations.

One of the primary benefits of globalization is economic growth. By facilitating the free flow of goods, services, and capital, globalization can lead to increased efficiency, lower prices, and greater prosperity. Additionally, globalization can promote cultural exchange and understanding, fostering tolerance and cooperation among different nations.

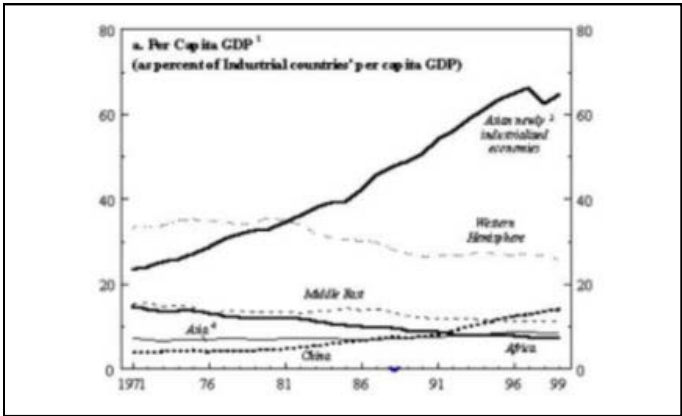
The 20th century witnessed remarkable average income growth, but the benefits were not evenly distributed. Globalization means that world trade and financial markets are becoming more integrated. Globalization has integrated world trade and financial markets, but the extent to which developing countries have participated in this integration varies. Their experiences in catching up with advanced economies have been mixed.

Chart 1



The first chart illustrates that since 1970, per capita incomes in some Asian countries have rapidly converged with those of industrialized nations. However, a larger number of developing countries have made limited progress or experienced declines. In particular, per capita incomes in Africa have decreased relative to industrialized nations and, in some cases, have declined in absolute terms. The second chart provides a partial explanation for these disparities, indicating that countries experiencing rapid economic growth are those that have significantly increased their trade.

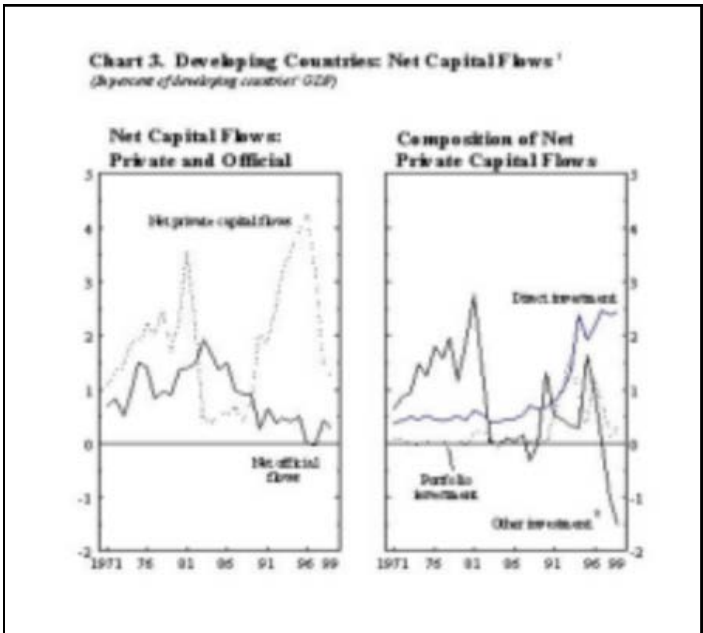
Chart 2: Output Performance and Trade Shares: Developing Countries newly industrialized Asian economies



Four Aspects of Globalization

• **Trade:**
Developing countries as a whole have increased their share of world trade, rising from 19 percent in 1971 to 29 percent in 1999. However, Chart 2 reveals significant regional disparities. The newly industrialized economies (NIEs) of Asia have demonstrated strong performance, while Africa has struggled. The composition of exports is another crucial factor. Manufactured goods have experienced the most substantial increase in share, while primary commodities such as food and raw materials, often produced by the poorest countries, have seen a decline in their share of world exports.

Chart 3: Developing Countries Net Capital Flows



- **Capital movements:**

Chart 3 illustrates a key aspect of globalization: the significant increase in private capital flows to developing countries during much of the 1990s. This surge followed a period of reduced capital flows in the 1980s. While net official flows of aid or development assistance have declined since the early 1980s, private capital flows have grown substantially. Direct foreign investment has become the dominant category, surpassing other forms of private capital flows. Portfolio investment and bank credit have also increased but have been more volatile, experiencing sharp declines during the financial crises of the late 1990s.

- **Movement of people:**

Workers migrate from one country to another in search of better employment opportunities. While the numbers involved are still relatively small, the proportion of foreign-born workers in the global labor force increased by approximately one-half between 1965 and 1990. The majority of migration occurs between developing countries. However, the flow of migrants to advanced economies has the potential to facilitate wage convergence on a global scale. Additionally, there is the possibility of skills transfer back to developing countries, contributing to wage increases in those regions.

- **Spread of knowledge(and technology):**

Information exchange is a crucial, often overlooked, component of globalization. Direct foreign investment not only expands physical capital stock but also introduces technical innovation. More broadly, knowledge of production methods, management techniques, export markets, and economic policies is readily available at a low cost, representing a valuable resource for developing countries.

An Advanced Countries Perspective: Does Globalization harm workers' interest?

Advanced economies also harbor concerns about globalization. The perceived threat of competition from "low-wage economies" displacing workers from high-wage jobs and decreasing the demand for less-skilled workers is a subject of ongoing debate. It is essential to examine whether the changes occurring in these economies and societies are directly attributable to globalization.

The European Union (EU) provides a notable example of the challenges posed by globalization. Despite the EU's growing exports, which supported 38 million jobs in 2019, compared to 21.7 million in 2000, unemployment remains a concern. One in five jobs in the EU is directly or indirectly linked to exports. Sectors most vulnerable to globalization, characterized by a predominance of low-skilled jobs, include textiles, clothing, footwear and leather, basic metals, and fabricated metal products. Manufacturing is particularly susceptible to offshoring due to competition from low-wage countries.

Nationalism: A Defense For Sovereignty

Nationalism is a political ideology that prioritizes national identity and sovereignty. Often characterized by a sense of national pride, a desire to protect national interests, and a belief in cultural superiority, nationalism can be a potent force for social cohesion and political mobilization. However, it can also lead to xenophobia, chauvinism, and conflict.

The recent resurgence of nationalism can be attributed to several factors. Economic uncertainty and social dislocation stemming from globalization have contributed to this trend. As some individuals feel marginalized by the global economy, they may seek solace and belonging in nationalism. Additionally, the increasing pace of immigration can challenge national identities and create societal tensions.



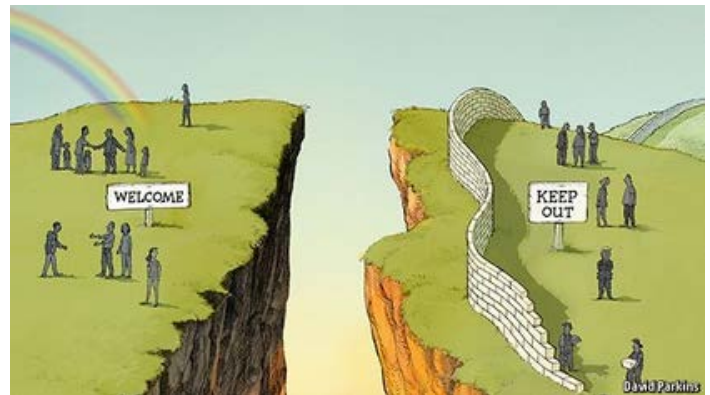
Is nationalism an asset or hindrance in today's globalized world?

In 2004, Barack Obama famously remarked "there is not a Black America, and a White America, and a Latino America and an Asian America—there is just the United States of America." This statement exemplifies nationalism at its best: a unifying force that transcends divisions of class, race, and religion. Nationalism can provide a common ground for people from diverse backgrounds, uniting them under a shared national identity. The fact that Russians from St. Petersburg and Vladivostok, separated by thousands of miles, can vote on national matters is a testament to the unifying power of nationalism.

Nationalism is a versatile tool that can be defined both inclusively and exclusively, fostering both social cohesion and ethnic conflict. Like any ideology, it can be used for political manipulation, to prop up a corrupt government, or as the impetus to expose one. The ultimate nature of nationalism depends on its adherents.

In contemporary times, nationalism tends to be more unifying than divisive. It has evolved to center around the state making geographical location the primary qualification for participation. While geography does not discriminate, the desirability of unity can vary. After all, Erdogan wants the Kurdish to become Turkish; he might very well use Obama's words, "there is just the Republic of Turkey." Uniting may crush the local culture, but to forge a new national culture has always been a national goal: nationalism forges a new national culture, even if the methods employed may be undesirable.

Some scholars explore the interconnectedness of nationalism and war through the lens of nation-building. Several studies suggest that the number of international wars and the way actors fight wars changed as nation-states emerged and spread through the system (Cederman, Warren & Sornette 2011; Wimmer 2013). Indeed, scholars attribute at least three types of interstate conflicts to nationalism and nation building. First, nationalism propels wars when stateless nationalities seek sovereignty, in line with principles of self-determination (Van Evera 1994; Woodwell 2007; Mearsheimer 2011). Such conflicts arise from an imbalance between states and nations and often lead to regional wars (Miller 2007). Second, nationalism prompts conflict when actors use military intervention to recover national diaspora communities. States can launch military interventions to reunite lost kin (Mylonas 2013). However, the likelihood that a state pursues such violent irredentism depends on several factors including shared boundaries, international pressures, domestic politics, and the content of nationalism (Saideman & Ayres 2008). Third, leaders may provoke international conflict to consolidate national unity against a foreign adversary — a dynamic that explains Bismarck's motivations in the Franco Prussian war, for example (Sambanis, Skaperdas & Wohlforth 2015).



Nationalism and Globalization as Contradictions

Although the impact of globalization has long been a subject of study in general, theorists of nationalism have only recently begun to investigate its impact (Delanty & Kumar 2006). The customary distinction between modernist and primordial theories of nationalism is also reflected in their conflicting interpretations of the influence of globalization on national identity (Kaldor 2004; Tønnesson 2004).

From a global historical perspective, nationalism is neither a simple reaction to globalization nor independent from global connectedness. Instead, nationalism has emerged in conjunction with globalization. It is not an opposition to the global processes but it is an 'inherent element of certain political or social projects to manage global flows' (Middell 2019, 154).

Nationalism and Globalization: Differential Effects

Globalization has created a new divide between 'winners' and 'losers,' with the former enjoying the benefits created by the opening up of borders and the latter possessing less resources (such as education) to cope with the impact of globalization on their status in the labor market and their earnings prospects (Kriesi et al. 2006). This is not a competition for jobs or welfare resources but rather a clash between dominant national identity and rising diversity. This cultural backlash has led the "losers" of globalization to support populist leaders who promise to restore their countries' former glory. The relative importance of economic and cultural factors in explaining the disparities between the "winners" and "losers" of globalization remains a subject of debate.

Nevertheless, it is clear that 'the central psychological consequence of globalization is that it results in transformations in identity, that is, how people think about themselves in relation to the social environment'. It is therefore little wonder that members of this lower social strata view globalization as a threat to their status and their national identity, which, in turn, leads to an increase in nationalistic feelings. This scenario is talked up by the far right as part of their effort to mobilize support – and intensify national sentiment – among those who attribute their (economic and cultural) losses to globalization. This perspective highlights the diverse ways in which globalization can influence individuals based on their status and nationalist feelings.



Conclusion

Nationalism, while aimed at promoting cultural unity, can inadvertently undermine a nation-state's international relations and its standing within the global community. For instance, when nationalistic impulses lead leaders to disregard human rights conventions, it can have detrimental consequences. Nationalists must carefully consider the objectives they seek to achieve, recognizing that pursuing a distinct national identity may come at the expense of certain benefits from globalization.

Extreme nationalism carries a price, and the more forcefully a nation rejects globalization, the higher that price becomes.

The benefits of globalization have been disproportionately enjoyed by developed countries at the expense of developing nations. By liberalizing trade and finance, globalization has exposed poor countries to powerful external forces and marginalized them from the global economy. Reforming the current inequitable international economic system necessitates pursuing a globalization of development, encompassing an enabling international economic environment, a reformed global financial architecture, a comprehensive solution to developing countries' external debt, adequate aid for developing nations, and a fair trade agenda.

Nationalism has played a role in various stages of conflict, serving as a cause, effect, or mechanism for leaders to gain domestic support. Understanding the specific forms of nationalism promoted by different actors and when these forms emerge is crucial for conceptual clarity and a holistic understanding of nationalism and international conflict. The relationship between nationalism and globalization should be approached realistically to ensure that the challenges of globalization do not overshadow its benefits. Nationalists should remember that these benefits can contribute to renewed vigor and elevation for the national community. By playing their game strategically, nationalists can achieve a win-win outcome.

Author Credentials:

Priyanshi Joshi
(GAEE, IIFT Rakinada)

Economic Nationalism and globalization are frequently discussed in political and economic discourse, yet their full implications are often misunderstood. While economic nationalism is often associated with protecting domestic industries, and globalization with free trade and international cooperation, these concepts are far more complex, deeply influencing economies, policies, and international relations. This article delves into the true definitions of each, tracing their historical origins, fundamental beliefs, and their influence on global economies. By gaining a deeper understanding of these concepts, we can better navigate the increasingly interconnected yet divided modern world.

Economic Nationalism

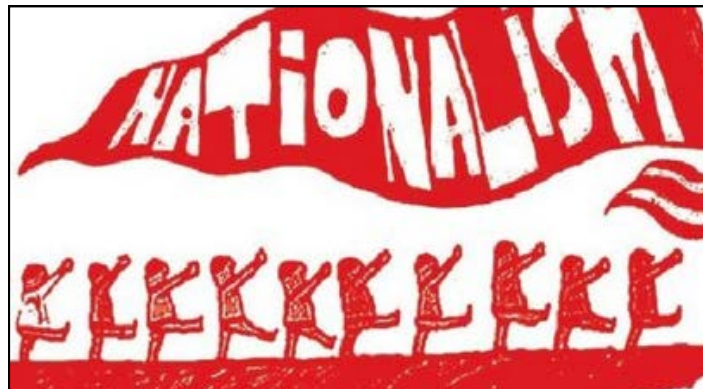
Nationalist economics, also known as economic nationalism, is a belief system that emphasizes government intervention in the economy, such as implementing domestic control and imposing tariffs and restrictions on the movement of labor, goods, and capital. The fundamental principle of economic nationalism is that the economy should work towards nationalist objectives. Economic nationalism, a significant contemporary ideology, differs from economic liberalism and economic socialism.

Economic nationalism involves giving priority to domestic control of labor, the economy, and capital formation in order to safeguard national interests within the global market. This belief extends further than just trade tactics, including a more extensive attempt to protect a country's economy from external influence and competition. It goes against globalization, which supports open markets and free trade between countries.

Economic nationalists doubt the advantages of free trade, saying it can damage domestic industries and job markets. They promote protectionist measures like tariffs and import restrictions to establish a steady and lasting economic atmosphere. According to them, economic protectionism is essential for safeguarding national interests, which may involve both economic success and military strength as well as national security. According to this concept, all markets must serve the state, ensuring that economic decisions align with the nation's broader goals. By prioritizing state control over economic affairs, economic nationalism seeks to strengthen the nation's autonomy and shield it from the vulnerabilities that come with global interdependence. Ultimately, this ideology favors the protection and empowerment of a national economic system in an increasingly interconnected world, challenging the prevailing trends of globalization.

It significantly impacts the world trading system by promoting the idea that the goods of a particular country are superior. This ideology often leads to undervaluation of stock prices, as domestic industries are prioritized over international competition. A key tenet of economic nationalism is the belief that trade restrictions, such as tariffs and import, can benefit a nation by fostering a stable and sustainable economic environment.

The term "mercantilism" is closely associated with economic nationalism, reflecting a historical emphasis on accumulating wealth and power through controlled trade. Under mercantilist principles, economic policies are often tailored to serve national interests, emphasizing self sufficiency and minimizing reliance on foreign goods. These policies aim to protect domestic industries and promote long-term national stability at the expense of unrestricted international trade. Ultimately, economic nationalism challenges the principles of free trade, reshaping the way nations engage in global commerce.



Editor:

Kavya Suri (Associate Editor, GAEE India)

Globalization

Globalization is the process by which ideas, knowledge, information, goods and services spread around the world. In a business context, it describes integrated economies characterized by free trade, the free flow of capital among countries and easy access to foreign resources, including labor markets, with a goal of maximizing returns and benefiting the common good. Globalization is driven by the convergence of cultural and economic systems. This convergence fosters -- and in some cases necessitates -- increased interaction, integration and interdependence among nations. As countries and regions become more interconnected politically, culturally, and economically, the world becomes increasingly globalized.

In a globalized economy, countries specialize in the products and services in which they have a competitive advantage. This generally involves producing and providing goods and services most efficiently, with the least amount of resources, at a lower cost than competing nations. Theoretically, if all countries specialized in their respective areas of expertise, global production would become more efficient, prices would decrease, economic growth would spread, and all countries would benefit.

Policies that promote free trade, open borders and international cooperation drive economic globalization. They enable international businesses to access lower priced raw materials and parts, take advantage of lower cost labor markets, and access larger and growing markets around the world to sell their goods and services.



Globalization has facilitated the unprecedented flow of money, products, materials, information and people across national borders. Technological advancements enable and accelerate this flow and the resulting international interactions and dependencies. These advances have been especially pronounced in transportation and telecommunications.

The importance of globalization can be traced from the fact that globalization has changed the way nations, businesses and people interact. It has redefined international economic activity, expanding trade, opening global supply chains and providing access to natural resources and labor markets.

By facilitating the exchange of ideas, goods, and financial resources among nations, globalization has broken down barriers imposed by geographic constraints, political boundaries, and political economies.

For example, globalization enables businesses in one nation to access another nation's resources. Increased open access changes the way products are developed, supply chains are managed and organizations communicate. Businesses find cheaper raw materials and parts, less expensive or more skilled labor and more efficient production methods. With fewer trade restrictions, globalization creates opportunities for expansion. Increased trade promotes international competition, which in turn spurs innovation and, in some cases, the exchange of ideas and knowledge. Furthermore, the movement of people across borders introduces new cultures, influencing and blending with existing ones.

The various forms of exchange that globalization facilitates can have both positive and negative effects. For instance, the exchange of people and goods across borders can bring fresh ideas and help businesses, however, it can also increase the spread of disease and promote ideas that might destabilize political economies. For instance, increased international trade and travel in the late 1990s led to West Nile Virus being introduced to North America, likely as a result of infected species being transported or people traveling there.

Types of Globalization: Economic, Political, Cultural

There are three types of globalization.

- **Economic globalization.** This aspect of globalization centers on the integration of international financial markets and the coordination of financial exchange. Free trade agreements, such as the North American Free Trade Agreement and the Trans Pacific Partnership, exemplify economic globalization. Multinational corporations, which operate in two or more countries, play a large role in economic globalization.
- **Political globalization.** This aspect of globalization encompasses national policies that foster political, economic, and cultural cooperation among nations. International organizations like NATO and the United Nations are integral to political globalization efforts.
- **Cultural globalization.** This aspect of globalization focuses on the technological and societal factors that facilitate cultural convergence. This includes increased ease of communication, the pervasiveness of social media and access to faster and better transportation.

These three types of globalization are interconnected and influence one another. For instance, liberalized national trade policies drive economic globalization. Similarly, political policies also affect cultural globalization, enabling people to communicate and move around the globe more freely. Economic globalization also affects cultural globalization through the import of goods and services that expose people to other cultures.

Effects of globalization

The effects of globalization can be felt locally and globally, impacting the lives of individuals as well as the broader society in the following ways:

- **Individuals.** A variety of international influences affect ordinary people. Globalization can make it easier for people to access raw materials, products and services. It can also lower the prices they pay and their ability to travel to other countries.
- **Communities.** Globalization also changes how local and regional organizations, businesses and economies function and interact. It affects who lives in communities, where they work, who they work for, their ability to move out of their community and into one in another area, etc. Globalization also changes the way local cultures develop within communities.
- **Institutions.** Multinational corporations, national governments and other organizations such as colleges and universities are all affected by their country's approach to and acceptance of globalization. Globalization affects the ability of a company to grow and expand, a university's ability to diversify and grow its student body and a government's ability to pursue specific economic policies.

While the effects of globalization are observable, assessing its net impact is complex. Proponents often see specific results as positive, and critics of globalization view the same results as negative or somewhat ineffective. A relationship that benefits one entity may harm another, and the overall benefit of globalization to the world remains a subject of debate.

Benefits of globalization

Globalization enabled countries to access cheaper natural resources and labor, resulting in lower-cost goods that can be sold globally. Proponents argue that globalization addresses economic challenges by relocating jobs and capital to regions in need, providing developed countries with access to affordable resources and developing countries with opportunities for growth through job creation and investment.

Globalization also promotes free trade by pressuring nations to reduce tariffs and trade barriers, leading to economic growth, job creation, and lower consumer prices. It can stimulate economic development by providing developing countries with access to foreign capital and technology, improving living standards. Additionally, globalization fosters attention to human rights and environmental issues, promoting global cooperation. Increased cultural exchange through travel and shared experiences is another benefit, promoting international understanding and peace.

Negative Consequences of globalization

Critics of globalization argue that it destabilizes markets by undermining national policies and cultures. Labor markets are particularly vulnerable, with outsourcing and migration disrupting local economies. Globalization is also criticized for its negative impact on the environment through greenhouse gas emissions, overfishing, and deforestation in regions with weaker regulations.

The relocation of jobs overseas can lower living standards in home countries by increasing unemployment. Integrated global markets heighten the risk of global recessions, as seen in the 2007-2009 financial crisis. Additionally, globalization threatens cultural identities and increases the risk of pandemics due to increased travel, as demonstrated by the H1N1 and COVID-19 outbreaks.

Comparison

Economic nationalism and globalization represent two contrasting approaches to how nations interact with the global economy.

Economic Nationalism emphasizes protecting domestic industries and prioritizing national interests over international cooperation. Proponents of economic nationalism advocate for protectionist policies, such as tariffs, quotas, and subsidies, to limit foreign competition and safeguard domestic jobs. This ideology seeks to maintain national sovereignty, arguing that economic policies should be tailored to benefit the nation first, often with a focus on self sufficiency, national security, and protecting key industries from foreign influence.

In contrast, globalization promotes open markets, free trade, and international cooperation, aiming for global economic integration. Supporters of globalization believe that by lowering trade barriers and encouraging cross-border investment, countries can access cheaper resources, technology, and labor, leading to increased economic growth, job creation, and innovation. Globalization advocates argue that interconnected economies can more effectively address global challenges, promoting prosperity, cultural exchange, and cooperation among nations.

While economic nationalism focuses on protecting national interests, globalization emphasizes mutual benefit through interdependence. Both approaches have their advantages and disadvantages, and the debate between them shapes global economic policies, trade relations, and political landscapes today.

Economic nationalism and globalization are not mutually exclusive and can, in fact, coexist and benefit from each other. By thoughtfully integrating these approaches, countries can:

1. Enhanced Economic Resilience: By leveraging globalization to access international markets and technologies, while also implementing economic nationalism to protect key industries and jobs, countries can create a more resilient economy. This dual approach helps mitigate risks associated with global economic fluctuations while nurturing domestic growth.

2. Balanced Trade Agreements: Nations can negotiate trade agreements that open up global markets for their exports, while also securing protections for critical domestic industries. This creates a win-win situation where countries benefit from international trade while maintaining safeguards for important sectors.

3. Innovation and Local Growth: Globalization can introduce new technologies and investment opportunities, which can drive innovation and productivity in domestic industries. Economic nationalism can support this by fostering a favorable environment for local entrepreneurs and protecting intellectual property.

4. Job Creation and Skill Development: Global trade can create new job opportunities and economic growth, while economic nationalism can ensure that workers are trained and protected. For instance, industries exposed to international competition can be complemented by policies that support skill development and worker transitions.

5. Cultural and Economic Preservation: While engaging in global trade, countries can use economic nationalism to preserve and promote local culture and traditions. This balanced approach can enhance a country's global presence while maintaining its unique identity.

6. Strategic Investments: Globalization allows access to foreign investment, which can be directed towards sectors deemed strategically important by economic nationalism. This ensures that while a country benefits from global capital, it also retains control over critical industries.

In essence, by combining the advantages of both approaches, countries can maximize economic benefits, protect vital interests, and foster sustainable growth.

Conclusion

In conclusion, economic nationalism and globalization, though often seen as opposing forces, can indeed coexist and benefit together. By integrating protective policies with global market engagement, countries can achieve economic resilience, foster innovation, and balance national interests with international opportunities, leading to a more robust and adaptable global economy.

Author Credentials:

Kanika Kabbar
Harshita Vats
Suhani Sharma
Priya Kumari
(GAEE, Jesus and Mary College)

In today's interconnected world, the dynamics of nationalism and globalization are shaping the global economy in unprecedented ways. Economic nationalism and globalization are often perceived as opposing forces. While one promotes the protection of domestic industries, the other advocates for international cooperation and trade. Yet, the relationship between these two ideologies is more nuanced, often coexisting and interacting in ways that reshape economic landscapes globally.

On one hand, globalization promotes the integration of national economies into the global market, encouraging the free flow of goods, services, capital, and information across borders. This process, accelerated by technological advancements and liberalization policies, has contributed to the economic development of many nations, particularly emerging markets. By opening up to international trade and investment, countries gain access to diverse markets, capital, and technological innovations, enhancing their competitiveness on the global stage. However, while globalization has fostered economic growth, it has also led to significant challenges, including environmental degradation, cultural homogenization, and the rise of economic disparities between and within countries. In contrast, economic nationalism prioritizes domestic industries and markets, emphasizing self-sufficiency, protectionism, and national control over key sectors. Proponents argue that by limiting dependence on foreign markets, governments can protect local jobs and industries, preserving national interests in an increasingly interconnected world.

In this article, we will explore the dynamics of globalization and economic nationalism, examining their impacts on the global economy and how they shape national policies in the context of a rapidly changing world.

Economic nationalism is a complex and often debated ideology that emphasizes the importance of state intervention in the economy to serve national interests. At its core, economic nationalism argues that a nation's economy should be organized in a way that prioritizes its own citizens and domestic industries over foreign entities. This approach can manifest in various policies and practices, all aimed at fostering economic self-sufficiency and enhancing national sovereignty.



One of the primary features of economic nationalism is protectionism. This involves the use of tariffs, quotas, and other trade barriers to limit imports and protect domestic industries from foreign competition. By imposing tariffs on imported goods, governments aim to make local products more competitive in price, encouraging consumers to buy domestically produced items. For example, when a country faces a surge of cheaper imports that threaten local manufacturers, it may implement protective measures to preserve jobs and stimulate the local economy. While this can lead to short-term benefits for specific industries, critics often point out that protectionism can also lead to trade disputes and higher prices for consumers.

Editor:

Devananda S (Associate Editor, GAEE India)

Another key aspect of economic nationalism is the push for national control over critical industries. This means that governments may seek to retain ownership or impose regulations on industries deemed essential for national security or economic stability. Sectors such as energy, telecommunications, and transportation often fall under this scrutiny. The rationale behind this approach is that by maintaining control over key resources, a nation can better safeguard its economy against external shocks and ensure that its interests are prioritized over foreign profit motives. For instance, countries may nationalize oil reserves or telecommunications networks to prevent foreign companies from dominating these vital sectors.

Labor policies also play a significant role in economic nationalism. Advocates of this ideology often support measures that restrict immigration and control the movement of labour. The idea is to protect local jobs from being undercut by foreign workers willing to accept lower wages. By creating barriers to foreign labour, economic nationalists aim to maintain higher wage standards and job security for their citizens. This perspective is particularly prevalent during times of economic uncertainty, when many people feel that their livelihoods are threatened by globalization and competition from abroad.

Support for local businesses is another fundamental element of economic nationalism. This includes promoting policies that favour domestic companies over foreign ones, whether through subsidies, tax breaks, or preferential treatment in government contracts. By investing in local enterprises, governments hope to stimulate job creation and economic growth. This focus on localism resonates with consumers who are increasingly aware of the social and environmental impacts of their purchasing decisions, leading to a rise in demand for locally produced goods.

Economic independence is a key goal of economic nationalism. In an increasingly interconnected world, many nations seek to reduce their reliance on foreign economies for essential goods and services. This desire for self-sufficiency can be seen in various sectors, such as agriculture, where countries may implement policies to boost domestic food production to avoid dependence on imports. The COVID-19 pandemic highlighted these vulnerabilities, as many countries faced disruptions in supply chains and recognized the risks of relying heavily on foreign production for critical supplies.

ted to Covid-19 should help", said Samuel Bland, European Transport and Logistics Analyst at J.P. Morgan.

While economic nationalism can offer short-term benefits, it is not without its criticisms. Detractors argue that such policies can lead to inefficiencies and a lack of innovation, as domestic industries may become complacent without the pressure of foreign competition. Additionally, economic nationalism can strain international relations, as protectionist measures often lead to retaliation from trading partners, resulting in trade wars that can harm all involved. Critics also warn that an overly nationalistic approach can foster isolationism, undermining the benefits of globalization that have lifted millions out of poverty around the world.

Coming to what Globalisation actually is, at its core, it generally means integrating the national economy with the world economy through removal of barriers on international trade and capital movements and the rapid growth of international trade, investment, and financial Markets. The integration of financial markets has enabled investors and institutions to move capital across borders with ease. This has provided access to a wider pool of funding for businesses and governments, contributing to economic development in emerging markets. This, in turn, has catalysed economic development in emerging markets, as businesses and governments have gained access to a broader spectrum of funding options.

This process has been driven by innovations in communication and transportation, such as the internet, shipping containers, and air travel, which have made it easier and cheaper to move goods, services, and information across borders. This has facilitated the rapid expansion of global supply chains and international trade. The liberalization of capital markets has encouraged multinational corporations (MNCs) to invest in foreign countries, establishing factories, offices, and supply chains worldwide. This has resulted in the transfer of technology, skills, and capital to developing nations, spurring economic growth. It has resulted in better future prospects for skilled people across the globe to expand their earnings and large industries of developing countries to become important players in the international arena. It has reshaped the global economy, impacting nations, businesses, and individuals in various ways.

While it has led to significant economic growth and development for some countries, it has also triggered debates about environmental sustainability through its promotion of increased economic integration, trade, and industrialization as the rapid expansion of global trade and production has had significant environmental consequences, including deforestation, pollution, and increased greenhouse gas emissions. The global race for resources has strained ecosystems and raised concerns about the long-term sustainability of economic growth.

In the realm of public health, globalization has played a role in the rising obesity rates in many countries, particularly in developing nations. The increased availability and affordability of western-style fast food and processed goods have disrupted traditional dietary patterns, leading to a surge in unhealthy consumption habits. Coupled with a decline in physical activity due to urbanization and economic modernization, this has contributed to a significant increase in obesity-related health issues and decline in the potential workforce by affecting the efficiency of the existing human capital.

Globalization has led to the creation of millions of jobs in developing countries, particularly in manufacturing and services sectors. Multinational corporations have outsourced production to countries with lower labour costs, providing employment opportunities that have improved living standards for many; however it has also led to the offshoring of manufacturing jobs from developed countries to lower-cost regions. This has resulted in job losses and wage stagnation for workers in certain industries and the growing idea of outsourcing from developing countries has put the people of developed countries in a dilemma as they have slowly started to lose their job security and the employment generation has reduced significantly. Some critics argue that, as it has led to the outflow of funds from developed to developing nations, it's diminishing the line of superiority and inferiority between them as developing countries are able to provide skilled manpower which accounts for a large share in the national income of the developing nations.

The earliest form of economic nationalism can be traced back to the period of mercantilism which was dominated by the European economy. Mercantilism was a dominant economic policy from the 16th century to 18th century. Mercantilism was based on the belief that a nation's wealth and power were best served by increasing exports and accumulating precious metals, especially gold and silver, which were seen as the primary measures of wealth.

Mercantilism was a form of economic nationalism that sought to increase the prosperity and power of a nation through restrictive trade practices. Its goal was to increase the supply of a state's gold and silver with exports rather than to deplete it through imports.



The post-World War II period marked a resurgence of globalization, particularly with the establishment of institutions like the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT), which aimed to promote international trade and economic cooperation. The fall of the Soviet Union and the rise of neoliberal economic policies in the 1990s further accelerated globalization, leading to the creation of a more integrated global economy.

On the other hand, globalization promotes interconnectedness among nations, facilitating trade, investment, and cultural exchange. It allows countries to benefit from a broader range of goods and services, often at lower prices, while encouraging technological advancements and cooperation. However, globalization can also result in the erosion of local industries and cultural identities, as well as increased vulnerability to global economic fluctuations.

In conclusion, the choice between economic nationalism and globalization depends on a nation's specific needs and circumstances. A balanced approach that incorporates elements of both may be the most effective way to harness the benefits of global trade while safeguarding local interests and promoting sustainable development.

Author Credentials:

Kavya Bhatia (GAEE, Hansraj College)

Editor:

Devananda S (Associate Editor, GAEE India)

Introduction

In the 21st century, globalisation has revolutionised economies by promoting international trade, cross-border investments, and interconnectedness. Yet, it is counter-forced by economic nationalism, which basically advocates for protectionism, self sufficiency, and sovereignty regarding economic policies. The global economy finds itself at the crossroads of these two opposing forces, with countries finding it stifling to balance global integration with preservation of national interests.

While globalisation proponents argue that free markets, open borders, and international cooperation promote prosperity and innovation, economic nationalists believe in safeguarding domestic industries and prioritising national interests to reduce dependency on foreign economies. This debate has intensified, particularly in the wake of events like the 2008 financial crisis, Brexit, and the COVID-19 pandemic.

This article explores the fundamental clash between economic nationalism and globalisation, supported by data, examining case studies from India, the United States, and lesser-known Poland.

Globalisation: The engine of growth

Globalisation is one of the main proponents of economic growth. According to the World Bank, global GDP grew by an average of 3.5% annually from 1990 to 2020, largely driven by international trade and foreign direct investment. Countries with open economies, like Singapore and Germany, have benefitted immensely from integration into global supply chains, seeing rapid increases in GDP per capita. China- a major advocate of globalisation- has seen its GDP rise from \$191 billion in 1980 to \$17 trillion in 2021 thanks to globalisation. This has raised about 850 million people from poverty. According to The World Trade Organisation, world trade has grown 40 fold since 1950, facilitating job creation and economic growth.



Economic Nationalism: A response to globalisation's shortcomings

Despite numerous advantages, globalisation has several shortcomings, the benefits of globalisation have not been evenly distributed. Economists argue that it leads to income inequality, environmental degradation, and unfair competition.

Economic nationalism advocates for prioritising domestic production, protecting industries through tariffs and reducing reliance on foreign nations. Since the 2008 financial crisis, nationalist policies have re-emerged, particularly in the West. According to the United Nations Conference on Trade and Development (UNCTAD), the number of protectionist trade measures globally increased by 65% from 2008 to 2020.

Case Studies

India: The Struggle to Balance National Interests and Global Integration

India has long been a proponent of globalisation, opening its economy in 1991, resulting in significant GDP growth. According to the International Monetary Fund (IMF), India's GDP has increased from \$266 billion in 1991 to \$32 trillion in 2022, thanks to global trade and foreign investment.

However, the country has also embraced elements of economic nationalism in recent years. The "Make in India" initiative, launched in 2014, aims to boost manufacturing and reduce dependency on imports, particularly from China. As part of this strategy, India has imposed tariffs on goods ranging from electronics to textiles. By 2021, India's manufacturing sector had expanded by 7%, but protectionist measures have also led to trade tensions, notably with China. India's imports from China reached \$102 billion in 2022, highlighting the difficulty in reducing dependency.

United States: The Rise of Protectionism in the Era of Trump

The United States, long a champion of globalisation, has recently leaned towards protectionism under former President Donald Trump. The "America First" policy sought to bring back manufacturing jobs and reduce trade deficits, particularly with China. The U.S.-China trade war, initiated in 2018, saw tariffs placed on \$550 billion worth of Chinese goods.

The result? U.S. imports from China dropped from \$539 billion in 2018 to \$451 billion in 2020, while American farmers and manufacturers faced retaliatory tariffs. The trade war slowed GDP growth, with estimates suggesting a \$320 billion global economic cost. While the tariffs protected some U.S. industries, they also led to higher consumer prices and disrupted global supply chains.

Poland: A Lesser-Known Example of Nationalism Within Globalisation

Poland, often overshadowed by larger European economies, has balanced globalisation with economic nationalism. As a member of the European Union, Poland has benefited from free trade and foreign investment. The Polish economy grew by 46% annually from 2010 to 2019, one of the fastest rates in the EU, largely driven by exports.

However, since 2015, the Polish government has implemented nationalist economic policies, including state intervention in key industries like banking and energy. While Poland has reaped the benefits of globalisation, it has also strategically protected its national interests. As of 2021, FDI inflows to Poland reached \$14 billion, and the country maintained a trade surplus of \$11.5 billion, showing that protectionism and globalisation can coexist.

Conclusion: The need for a hybrid model

The ongoing battle between globalisation and economic nationalism reflects the complexities of modern economies. Neither approach is a panacea; globalisation has promoted growth and innovation, but it has also exacerbated inequality. Meanwhile, economic nationalism seeks to protect domestic industries but often results in inefficiencies and higher costs.

A hybrid model that combines the best elements of both—open trade with strategic protections—might be the optimal solution. Policymakers must find the delicate balance between integrating into global markets and safeguarding national interests. The future of global economics likely lies not in choosing one over the other but in managing both forces harmoniously.