

## THE TRANSFORMATION OF NATION STATES UNDER THE IMPACT OF GLOBALIZATION

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*Abstract: From the hyper globalist perspective, nation states are obsolete: globalization leads to the decline of national identities, to world homogenization and to the Americanization of world culture. In this paper, I will analyze the transformation of nation states under the impact of globalization. I will argue that national identities are still strong and persistent. The nation states change their role, but are adapting to the new reality of globalization. Even if the nation states lose power in certain fields, they remain important actors in the globalized world. I will argue that nation states will survive in the future and will continue to influence global politics and economy, along with other international actors like regional and international institutions, NGO and international corporations. In the last years, populist movements around the World put pressure on the globalization phenomenon and suggest the reinforcement of the nation states.*

*Keywords: Globalization, Nation States, Democracy, Nationalism, Populism*

Globalization implies a complex set of processes that determine a transformation of social space, institutions, transactions generating transcontinental or interregional flows and networks of activity, interaction and power (Held, McGrew, Glodblatt, Peratton 1999: 483). Held and his colleagues insisted on the extensity, intensity, velocity and impact of global transformations, generating transcontinental or inter-regional flows. The economic processes played the main role in the process of globalization, but politics, institutions, technology and culture are other important factors. The focus in a globalized world is shifting from local and nationalistic perspectives to an interconnected and interdependent world, characterized by free transfer of capital, goods, ideas and services across national borders. In this complex process, nation states identities are changing and state sovereignties are challenged. In this paper, I will focus on the transformation of the nation states under the impact of globalization. My approach is embedded in transformationalist perspective on globalization.

From the hyper-globalist perspective, nations are uniting both economically and politically. In the age of globalization, nation states are obsolete. From this perspective, globalization is an unstoppable process that leads to a uniformed world. From this point of view, the world economy is controlled more by the current free trade than by governments, whilst national governments lost control over the marketplace and the ability to regulate the economy. Transnational governance organizations became important and we are heading to a global governance system. Consumerism leads to the eroding of traditional cultures and identities as well as to a new global culture. Within hyper-globalist perspective there are different ideological approaches. The neo-liberal supporters focus on the positive outcomes of globalization, associated with economic growth, democratization, human rights recognition, global civil society supporting freedom and civil rights, the development of health policies and so on. The ecologists, the nationalists and the radical left wing supporters focus on the dark side of

globalization. They accuse the new Western colonialism, the erosion of traditions and cultural identities, the greedy multinational companies, the risk of unemployment and so on. Naomi Klein for example considers that globalization leads to a decrease in the quality of education and culture on behalf of marketing, a sort of mental space colonization (Klein 2009). Both neo-liberals and the radicals believe that globalization creates a new pattern of winners and losers in global economy.

From the skeptical perspective, nothing is really new and the effects of the globalization process are highly exaggerated. We witness a separated and regionalized world rather than a global one. The world is not becoming a single market and the process of globalization is shaped by nation states, which still regulate the global economy. The states are not victims of global change, but the main architects of globalization. The skeptical perspective stresses the cultural diversity and the conflicts between civilizations, including anti-Western resistance. (Held, McGrew, Glodblatt, Peratton 2004: 372-373). Paul Hirst and Graham Thomson for example wrote about the “myth of globalization”. They argued that the national and international levels are still separated, the globalized economy is a system of subsumed national economies (Jones 2011: 119-122). Even if the states lost control over ideas, they still control their own territory, are still the main source of law in their territories.

The transformationalist perspective considers that the processes of globalization are not determined, that the outcomes of globalization are very uncertain, contingent. Far from being an unstoppable phenomenon, globalization can be reversible or controlled. From this perspective, the nature of national governments is changing. The nation states are transforming, sharing the power with international organizations, international NGOs, multinational companies. Pollution, drugs, human rights, terrorism are political issues that require international solutions and international cooperation. In order to manage this kind of issues, states are obliged to integrate in networks of power, sometimes to accept sovereignty confinement. David Held argued that national identities are strong and persistent, deeply rooted in ethno-history and is less likely to be crashed by the hypothetical emerging global mass culture (Held 2000: 152-154). Hybrid cultures are born under the impact of globalization, the most obvious examples being the immigrants’ cultures.

Even if from the hyper-globalist perspective the nation states are losing power and the world is heading to a global governance system, many scholars focused, more realistic, on the transformation of nation states under the impact of globalization. Manuel Castells, well known for the concept of information society, considers that the nation states are becoming network-states and continue to influence global politics and economy, as part of new networks of power. In the future, the nation states will be strategic actors, not necessarily sovereign entities (Jones, 2011: 81-83). The nation states are not any longer unique international actors, but they share the power with other entities like international and regional institutions, multinational corporations, international NGOs, terrorist organizations etc. Because in the globalized world local events have global impact, the nation states are part of complex international networks and global structures. In this context, nation states are giving up on their full sovereignty or put together their sovereignty in constructions like the European Union. But, as Brexit and other recent examples suggest, this is not an irreversible process.

Economist Joseph Stiglitz won Nobel Prize for his writings about the limits of free trade and free markets. He concludes that free trade does not necessary provide general welfare. Stiglitz is convinced that globalization is an inevitable process, but he thinks that the outcome of the process can be changed. In his writings, he considers that Western wealthy states, especially USA and the international institutions they control (International Monetary Fund, World Bank) are able to shape the outcome of globalization. He criticized the way globalization is conducted, especially because now the phenomenon does not provide solutions for poor societies and for the poor people within the wealthy

countries (Stiglitz, 2003). For him, globalization is controlled by and works for the rich states and strong companies.

Stiglitz argued that the decision making process should imply a democratic mechanism, not technocrat decisions. Globalization doesn't need to damage the environment, amplify social injustice, inhibit cultural diversity and promote corporatist interests, to the detriment of citizens. That is why he asks for globalization's salvation from its supporters. Globalization, like development, is not inevitable. If globalization's outcome will be the standard of living deterioration, unemployment and poverty, if globalization will compromise fundamental values, political forces will rise to slow down or even to stop the process (Stiglitz 2008: 12-14). The great hope of globalization was that it will contribute to improve the standard of living worldwide, but overwhelming evidence shows that globalization failed to provide general wealth. Globalization generates social inequities between different countries and within each society. The concerns that Stiglitz enounced are the unfair rules that govern the globalization, the prioritization of material values in behalf of other values like healthy environment, the undermining of democracy, by diminishing some state's sovereignty, wrong economic policies imposed to poor countries. For Stiglitz, "another world is possible", globalization can be managed to provide different outcomes, acceptable for the majority of people. Not the nation states are under pressure, but the globalization itself. The globalization's success or failure is in fact the success or the failure of nation states that lead the process. He asked for deep reforms of international politics and economy, for a new global social contract between states (Stiglitz 2008: 243).

Recent events suggest that Stiglitz concerns are justified. United Kingdom voted to leave European Union, an event that can be described as a return to nationalism and protectionism. In the UK campaign for Brexit, austerity and immigration played a crucial role. The British prime-minister Theresa May warned that for many people globalization means their jobs being outsourced and wages undercut. The unexpected victory of Donald Trump in US presidential elections, after a successful electoral campaign that promised to withdraw from major trade deals, is a similar example. "Americanism, not globalism, shall be our creed", declaimed Donald Trump. His strategy to limit globalization's effects are obvious not only in economy, but in security politics as well. Presenting the National Security Strategy (NSS), Trump said that "Our government's first duty is to its people, to our citizens—to serve their needs, to ensure their safety, to preserve their rights, and to defend their values". He clearly affirmed that sovereign states are the best hope for a peaceful world. Populist statements like "President Trump's ultimate goal is to leave our children and grandchildren a Nation that is stronger, better, freer, prouder, and greater than ever before" emphasis a shift in US strategy, a step back from traditional role in promoting free trade and globalization.

And it isn't just Trump. During a race to become the Democratic Party candidate, Bernie Sanders criticized the effects of free trade. All over Europe, populist, anti-globalization parties have good results. Nationalist and populist parties accused the free movement of people and goods. They claimed that globalization caused job losses and depressed wages and in the end is endangering the Western civilization.

The base of populism is the economic anxiety and distributive problems, generated by globalization. "Populism" is a vague label for diverse approaches, that include anti-euro and anti-immigrant parties in Europe, left-wing parties like Syriza in Greece, Podemos in Spain, charismatic demagogues like Erdogan in Turkey, Viktor Orban in Hungary and of course Vladimir Putin in Russia. They all share the claim to speak in the people's behalf, an anti-establishment orientation, a certain form of nationalism, opposition to liberal economics and globalization, charismatic leadership and the appeal to authoritarian power. Nationalism and the appeal of the national state greatness are important

for right-wing populists. They focus on cultural differences, the national, ethnic, religious identities, and the blame of outside groups. Donald Trump attacked the Mexicans, Chinese, and Muslims, in Europe populists used Muslim immigrants as targets. Many people perceive different groups as dangerous, competing for jobs, demanding specific public services, using the resources, threatening cultural identities. The “enemies of the people” are different in each country, but essential for populism.

World Bank report *Migration and Mobility* (October 2017) suggest reforms and international strategies for cross-border labor mobility and economic growth. World Bank is worried about the Western public attitude against refugees and migration. The sharp increase in asylum exacerbated public concerns over immigration, reflecting broader anxiety about reduced job security. The public debate over immigration has blurred the distinction between refugees (forced to move, because of conflict and persecution) and other types of migrants. Refugees are more concentrated in space and time and lack the resources to become fully integrated. “The share of survey respondents citing immigration as the most important issue facing the European Union rose from about 9–10 percent in 2011–12 to a peak of 58 percent in November 2015. The increase coincided with a sharp rise in the number of refugees and asylum seekers” (World Bank 2017, 21). Immigration continued to be the top issue in countries like Hungary, Denmark, the Netherlands and Germany. The perceptions of current migration policies are also negative. The majority of survey respondents do not approve their government’s handling of immigration. World Bank stressed that migration has long helped Europeans respond to economic and political challenges and cross-border labor mobility in ECA is not unprecedented. The challenge is to find adequate response to the public anxiety and migration. World Bank predicted that “differences in income and unemployment rates, as well as demand for skilled labor from the region’s economic powerhouses, will remain key drivers of voluntary migration - and deep regional economic integration will intensify migration flows. Migration will thus continue to play an important role in the economic and social development of the region”. In the age of globalization, migration can’t be stopped. But migration patterns are likely to change with technological progress and further cross-border connectivity, because competition for high-quality jobs will become more intense. Technology and improvements in transport and communications have increased the integration of labor markets and intensified competition for high-skilled workers. Workers everywhere are also increasingly in direct competition with workers from the rest of the world. Globalization of education favored the integration of labor markets for high skilled workers across borders. “Greater global integration and rising demand for skilled workers may reduce their ties to a location or national identity and increase their global perspectives and connections. The duration of skilled migration is therefore likely to decline, and circular migration (as opposed to one-way and long-term movement) is likely to increase. The increasing globalization of education is supportive of this trend” (World Bank 2017, 31).

World Bank report consider that the adequate answer to both migration and populism are the reforms, that should help both migrants and nonmigrants cope with the inevitable increase in flexibility in labor markets—by, for example, ensuring the portability of benefits, increasing income security for workers, and better integrating migrants in host countries. “Policy reforms should not focus on migration challenges in isolation. Rather, reforms should help both migrants and nonmigrants cope with increased and unavoidable flexibility in labor markets. Successful reforms will likely improve the portability of benefits, increase income security for workers with flexible contracts, and better integrate migrants in host countries” (World Bank 2017, 19).

Left-wing populism has success in European countries facing deep financial crisis, like Greek and Spain, or in Central-Eastern Europe. Here, the public anger is used against financial institutions,

greedy multinational companies, international institutions accused to take advantage of national goods. The Hungarian prime-minister Viktor Orban is an emblematic figure of contemporary European populism. He contests European rules, try to limit free trade and migration with a program he called “illiberal democracy.” Typical for Central and Eastern Europe populists, he combined the rejection of liberalism with nationalism and statist economic policies.

More and more people fears globalization’s effects: businesses move from rich countries, where labor is expensive, to countries where labor is cheaper. People in Western countries have to accept lower wages, or lose their jobs. Most economists pay attention to macroeconomic data and ignored the political consequences of globalization. In the last few years, millions voted in Western democracies for anti-free-trade policies, for candidates that promise to limit the effects of globalization and promised to protect national jobs. Globalization can be understood as a long term project of increasing free trade in goods across borders. Recent political movements and people’s vote in Western democracies express strong opinion against globalization. As Stiglitz predicted, globalization can be slow down or even stopped.

In the last decades, especially after de collapse of the communist regimes, governments strongly supported free trade. Mainstream economists backed up the principle of comparative advantage: countries will sustain free trade, in order to gain what each lacks, and everybody wins. People in rich countries could get cheaper goods produced in poor countries. The poor countries will get investments and technology - that means new jobs and the hope of future welfare. The theoretical model seemed so good that many scholars considered globalization and free trade part of modernity, along with the commitment for democracy and human rights. They were convinced that free trade is associated with higher growth and higher growth is associated with reduced poverty.

The volatile political scene reflects people’s fear for economic and social security in Western democracies. Millions of people ask for national sovereignty and national democracy, willing to vote against globalization.

World Economic Forum (International Organization for Public-Private Cooperation, the forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas) concluded that the rising income inequality and the polarization of societies pose a risk to the global economy. Unless reforms are taken, the globalization process will roll back. The World Economic Forum said the gap between rich and poor best explain the recent vote for populist parties and candidates in Europe and USA. The organization asked for economic reforms, to ease the public anger and anxiety. The WEF’s annual global risks report show that rising income and wealth disparity as well as increasing polarization were among the underlying trends that will determine the shape of the world in the years to come. In the absence of firm reform and international strategic action, analysts fear that populism will spread and “trumpism” will become a permanent feature of future democracies. Many scholars now ask the balance to be restored between the nation state and an open global economy, which is in fact a request to slow down and control the globalization process.

Dani Rodrik was one of the few economists that analyzed the risk of globalization, first in his book *Has globalization gone too far?* (1997). After strong evidence confirmed his concern, he enunciated “the globalization trilemma”: countries cannot have democracy, national sovereignty and globalization. They can only ever have two out of the three (Rodrik, 2011). In the excellent paper *Populism and the economics of Globalization* (2018), Rodrik argued that economic history and economic theory anticipated that economic globalization would produce a political backlash. He distinguished between left-wing and right-wing variants of populism: the first has been predominant in Latin America and the second in Europe, as reaction of different perception of globalization’s

outcomes. Dani Rodrik shows that globalization is not the only, not even the main cause of populism. Changes in technology, the erosion of labor-market protections are also significant for this issue. But in people's imaginary, all those issues are related to globalization. It is easy for populist politicians to mobilize people appealing to ethnic, national and cultural cleavages, especially in Western democracies. Income and social lines are used in poor countries, in Latin America and Eastern Europe.

In Europe, where strong governments have a generous welfare state principle, the gains from trade can be redistributed. Here, the opposition to globalization targets European institutions. Social policies of nations could provide compensation for people losing jobs. Rodrik argued that trade is a convenient scapegoat. In the end, what arouses people's anger is not inequality, but perceived unfairness. New technologies and industrial automation played a greater role in the restructuring of labor-market and income inequalities.

World Bank report *Migration and Mobility* concluded that technological advancement, which led to the globalization of production and work, and the challenges caused by lower commodity prices have contributed to a rise in public anxiety. New technologies will increase efficiency, but they will change the distributions of wealth and income. The major recession changed the behavior of investors, workers, and consumers. The investors are looking for yields in a zero-interest-rate environment, the consumers are looking for cheaper services: new technologies increase efficiency and improve services. But they will require changes in labor market policies and social security systems. Digital technologies create winners and losers and thus change the distribution of income and wealth. Firms that create successful digital networks can grow at an unprecedented rate with small initial investments, while traditional firms may experience sharp losses in valuation. Workers may face a new, digital divide between skill levels. World Bank strongly believe in free trade and international open society: new technologies have made it even more important to be connected to international markets that spark innovations. It is increasingly vital to be connected in multiple dimensions. For European small nations, there is no alternative to close cross-border cooperation, without regional integration, it is impossible to achieve the economies of scale and the degree of competition required to increase prosperity. "Despite the growing economic importance of cross-border connectivity, the political trend seems to be moving in the opposite direction", concluded the report. That is way "the structural challenge is to rediscover a collective passion for regional cooperation with shared goals, in order to benefit from new technological opportunities while protecting local diversity and preventing new forms of inequality (World Bank 2017, 15).

But globalization (large corporations, strangers), not technology, bears the stigma for social unfairness. Dani Rodrik rightfully wrote that "what may look like a racist or xenophobic backlash may have its roots in economic anxieties and dislocations"(Rodrik 2018: 14).

For Dani Rodrik, similar to Joseph Stiglitz, "Today the big challenge facing policy makers is to rebalance globalization so as to maintain a reasonably open world economy while curbing its excesses. We need a rebalancing in three areas in particular: from capital and business to labor and the rest of society, from global governance to national governance, and from areas where overall economic gains are small to where they are large" (Rodrik 2018: 16) The most important challenge that globalization faces is not lack of openness but lack of legitimacy.

## Conclusions

Recent political movements and people's vote in Western democracies express strong opinion against globalization. Despite hyper-globalist theory, not the nation states are under pressure, but the

globalization. Most scholars and politicians ignored the political consequences of globalization. In the last few years, peoples around the Globe opposed the outcomes of globalization. Millions voted for anti-free-trade policies even in rich countries and consolidated democracies.

The rising income inequality and the polarization of societies are vulnerabilities and risk factors to the global economy. Even radical free trade supporters believe that urgent reforms are needed, since the gap between rich and poor led to recent vote for populist parties and candidates worldwide. Nation states, national governments are expected to think reforms of global politics and economy, to provide equity between states and within each society. The globalization, justified or not, bears the stigma for social unfairness. The most important challenge that globalization faces is not the lack of openness, but lack of legitimacy.

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