

International Business in the Wake of Anti-Globalist Populism

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The political right on anti-globalization, that represents the nationalist-protectionist stance, moved to a far-right position as the politics of immigration and refugees entered the political discourse. Businesses should be concerned about this new populism and the increasing discontent in the West, especially the increasing base and influence of the far-right political parties.

BUSINESS entities benefited from global economic integration, a phenomenon that had opened to them an immense potential of gaining access to global resources and markets. Businesses that originated in a region that had attained deeper economic integration had the added benefit of access to the common market that existed within these blocs. Global economic integration propelled by the work of multilateral bodies like GATT/WTO and regional economic integration initiatives taken by the member countries of a bloc, especially in the European Union, created massive business opportunities. In addition, the integration of Eastern European countries, Russia, China, and a whole lot of other developing countries expanded the scope, size, and dimensions of the global economy and global markets. There could not have been a better time for the global business entities to expand.

However, populist resistance to a system, which seemed to work so well for the global business community, soon became a cause of concern and something which they needed to closely watch and respond to. Populism is a direct threat to liberal trade, foreign investments, capital flows, knowledge transfers, movement of workers, and immigration, the very foundation on which global business rests. The rise of right-wing populism with its focus on immigration, and an increasing tendency of protectionism in trade (and nationalistic tendencies in general), are the two biggest challenges for

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businesses, especially in Europe and the US. The European Union's values and the stable business eco-system that it provides seemed to be at stake as also the EU's four freedoms (free movement of goods, services, labour, and capital), the cornerstone of a single market on which the businesses thrive (Diego and Caulkin, 2019).

The end of the divide between the West and East coincided with a rising wave of globalization in the early 1990s. The ever-increasing economic integration of national economies at this stage brought into existence a global economy and, by its logical extension, global markets with a huge potential for global business. While the businesses grabbed these opportunities, the nation-states grappled with the new reality of their diminishing power in the global order. Kenichi Ohmae made this point in his 'The End of the Nation-State' (Ohmae, 1995) and spelled out the need for global governance for global issues which cannot be handled by a nation-state acting alone. Anthony Giddens had earlier stressed the transformative nature of the globalization process as it turned traditional societies into modern societies (Giddens, 1990). This period of initial euphoria over the globalization process coincided with the emergence of a new divide between the pro-globalists and the anti-globalists in the new world order.

'The End of History' did not lead us into a de-ideologized world as was thought of by Francis Fukuyama in his seminal work (Fukuyama, 1992). The first wave of criticism against globalization in the 1990s was led by a series of influential writers and commentators, most notable among them, Dani Rodrik in his observations about globalization has gone too far and the deepening of social fissures between winners and losers in the process that seemed to harm everybody (Rodrik, 1997), Susan Strange in her assessment that economic system led by 'casino capitalism' is weakening the state's capacity to manage its affairs (Strange, 1996), Kofi Anan in his concerns about fairness on account of uneven playing field in the new economic order that worked to the advantage of rich countries (Annan, 2003), and Naomi Klein's views on the negative consequences of the 'consumer capitalism' (Klein, 1999). Though this first wave had started the populist movement, it was the Seattle debacle of the WTO Ministerial in 1999 which gave a clear hint of the rising storm of anti-globalist populism. Sustained support for the movement could, however, be built only after the 2008 Global Financial Crisis when the downside of globalization became much more noticeable.

The 2008 crisis opened the floodgates for the populist rhetoric and a general loss of confidence in the establishment. Martin Wolf, an influential editor of the Financial Times and once himself a supporter of globalization, became critical of the policy response of the US to deal with it in which the elite bankers and big businesses were bailed out using taxpayers' money while the common person

was left to bear the brunt of austerity measures of the government subsequently (Wolf, 2017). Policy changes of privatization, deregulation, focus on inflation targeting, and unfettered global finance in the earlier decades were also pointed out as the reason for the crisis and the rising gap between the rich and the not-so-well-off (Piketty, 2013). The Election of Trump and the vote for Brexit in 2016, seen as an outcome of the discontent, gave a new twist to the wave of populism. The World order at this time appeared to be at an inflection point (Rodrik, 2017 P: 1), it seemed to be in a 'grave' situation as the rejection of globalization and pursuit of nationalist agendas could result in a race to the bottom (King, 2017), and faced the greatest challenge from within (Fukuyama, 2016). Lately, the experiences of the Covid 19 crisis have given a further push to new populism, especially with regard to concerns about the concentration of manufacturing in China or the need to reformat the global supply and value chains.

The political right on anti-globalization, that represents the nationalist-protectionist stance, moved to a far-right position as the politics of immigration and refugees entered the political discourse. While the trade deficits were already a major concern, the narrative in the new populism on migrants and refugees who take away the jobs of the natives added a new dimension. The immigrants and the minority groups became easy targets.

The developments of recent years are in a way quite interesting as we now see populist resistance in the very countries that sold this idea of liberal economic order to the world while the countries (in the developing world) that were initially reluctant to buy the idea have been trying to adjust to the new order. Nonetheless, emerging economies also have their share of 'populism' but the anti-globalists there have concerns different from their counterpart in the West. Pro-globalists in the emerging world have more to show in terms of inward FDI, manufacturing capacity enhancement, employment opportunities, and export of goods as well as services. The populism in the West is fueled by the opposite: investment outflows, a shift in manufacturing activity, business process outsourcing, and unemployment/underemployment caused by all these and liberal immigration policies. This win-lose alignment of the outcomes is what makes it challenging to sustain the system.

On the question of right-wing versus left-wing variants of anti-globalization reactions, Dani Rodrik points out the variations seen in Western Europe, Southern Europe, Latin America, and the USA based on how globalization-related shocks have been felt by these societies. Populism finds it easy to ride on ethno-national or cultural cleavages when globalization shocks are felt on immigration and refugee-related issues as has been the case in advanced countries in Europe. However, when the shocks are felt on account of trade, finance, and foreign investment matters, populism gets

mobilized along income and social class lines as seen in southern Europe and Latin America. The USA, on the other hand, has produced populism of both varieties as it experienced both kinds of shocks (Rodrik, 2017 P: 2).

Businesses should be concerned about this new populism and the increasing discontent in the West, especially the increasing base and influence of the far-right political parties and the extensive use of social media to gain support. The uncertainty, instability, and political volatility arising thereof are bad for business. There is a need to draw learnings from the 2008 crisis and to ensure that the mistakes do not get repeated. Businesses remain under a scanner and thus they must remain sensitive to popular concerns. The opportunism shown by local businesses in buying out stressed rivals or foreign companies acquiring strategic assets during a crisis will continue to generate an increasing public outcry. Nick Cohen, during the Covid crisis, warned of the 'Mathew effect' if the government continued to bail out bankrupt big businesses and failed banks at the cost of ordinary taxpayers (Cohen, 2020) in the same tone as when Rick Santelli mentioned 'Chicago Tea Party' in 2009 as a means for the people to express their opposition to taxpayer-funded bailouts of failed banks, bankrupt corporations, and home loan defaulters by dumping the share certificates into the lake Michigan (Henry Olsen, 2010).

The business models based on offshoring of manufacturing, outsourcing of business processes, and getting skilled manpower from abroad through immigration or work permits will remain the target of the far-right groups. The disenchantment of the West, especially the US, with multilateralism and the growing trade protectionism will make it difficult to import from low-production cost locations. There is a growing intolerance to, in addition to immigration from outside the bloc, the movement of workers within the EU. Social media continues to pose a challenge with its reach and impact. 'National Conservatives', with their blend of nationalism and conservatism, are increasingly part of a global movement obsessed with dismantling institutions that are tainted by wokeness and globalism. This new form of conservatism, propounded by Western politicians like Victor Orban (Hungary's Prime Minister), Giorgia Meloni (Italy's Prime Minister), Marine Le Pen (France), and Donald Trump (United States), is different from the kind constructed by Ronald Reagan and Margaret Thatcher ("The peril of national conservatism" P: 8). Business entities certainly have a long list of challenging issues lined up for them.

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Conflict of Interest

The author declares that they have no conflict of interest.

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