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## **GLOCALIZATION: LESSONS LEARNED FROM GLOBALIZATION**

**Stephan Unger**

*Saint Anselm College, Manchester, New Hampshire, USA*

*The process of creating independent international entities in order to preserve the international liberal order is facing increased backlash as deteriorating confidence in democratic structures emerges. One problem is that these institutions supposedly accumulate more and more power over time in order to maintain and develop their function. This poses a substantial threat to liberalism as confidence and trust in democracy eases. This paper highlights the most important failures of globalization and weighs in the concept of glocalization as a possibility to increase wealth through competition enhancement and to contain the threat of emerging socialism across the globe.*

**Keywords:** *globalization, glocalization, free trade, socialism, sovereignty.*

### **Introduction**

Decades of globalization have constituted a paradigm shift from colonialization towards a post-world war global order. The very first idea of liberalism was mostly influenced in the 1930s and 1940s by great thinkers, philosophers and economists such as Friedrich Hayek, Ludwig von Mises, Gottfried Haberler, Wilhelm Roepke, Linonel Robbins, *etc.* who were the founders of the Austrian, respectively the Geneva school of economics.

Their main goal was to create an international order conducive to safeguard peace and liberty, while permitting the establishment of harmonious international economic relations.

The international liberal order should preserve legal ownership, enable free movement of capital and goods and create transparency in economic relations.

Pakhomov (2021) describes how the crises of nation-centric paradigm during the post-World War 2 period had led to the formation of neoliberal globalization. Jung (2018) provides the varied definitions, dimensions, perspectives and dynamics of globalization. He views and analyses a vast array of academic literature on globalization, and finds that due to the concept's inherent complex, multifaceted and multidimensional nature, this notion has gained a relatively small consensus and big controversies (*Ibid.*).

Truevtsev (2016) examines globalization as a political process. He analyzes the influence of globalization on the global, regional, and local political structures, and comes to the conclusion that globalization most significantly influences on the vertically organized political structures such as states and political parties, where this influence almost inevitably leads to some changes, either evolutionary or destructive (*Ibid.*).

In order to assure this preservation, independent international organizations were established. The conundrum of international organization is one of the most pressuring

questions nowadays, as on the one hand, they should preserve liberalism and democracy by not being exposed to the constant fluctuation of democratic elections, while on the other hand, they are the most highlighted subject of criticism by the global population since they are not elected. While the goal of the liberal order to preserve liberty, peace and economic transparency is undoubtedly the key to prevent the emergence of socialism, as Hayek pointed out, the question still remains, how to achieve this goal. Putting international bodies in front of the nose of the people without having some sort of election process seems problematic. The establishment of the European Union is a perfect example for a very well-intended idea to reassure a liberal order after the second world war, especially the integration of the Pan-European market, but also highlights a very good example for a big misconception in the creation of the common currency, which does not reflect the economic reality of the participating countries due to its inability to reflect the real rate of interest in the corresponding countries. Moreover, the inability to devalue the national currency is comparable to Milton Friedman's minimum wage problem – a protective measure of the countries with relatively more economic wealth against countries with lower level of economic capabilities by preventing competition. Instead, countries are supposed to specialize in their main skills and focus on the natural resources available to them which makes sense, of course, from an efficiency point of view.

However, when the market is prevented to determine the real cost of money in a certain country due to a unilateral interest rate, countries are forced to stick to their assigned tasks in this market setup and cannot figure out a way to improve or grow effectively their economy solely based on competition.

The same structure prevents globally certain countries of competing with other countries as the rigid economic structure, to which globalism has developed to, has fallen in a tantrum of a re-enforcing bubble which neglects global repercussions of the populations across nations. But since the economic system was built to prevail liberty, peace, and democracy, it should at least have the support of the people, otherwise it fails. The tendencies of people to dangle after easy solutions can be seen world-wide in the uprise of nationalistic and socialistic movements.

The necessity to come up with a new system that addresses and considers the failures of globalism is becoming increasingly important. Valentina Bondarenko (2021) presents opportunities for the advancement in the solution of the task of obtaining theoretical foundations for working out a unified developmental strategy for the global world. Her suggested paradigm shows the urgent necessity to develop a unified strategy for the development of the global world and also the opportunity and mechanism of its practical implementation and provides a new understanding of globalization, which must inevitably replace the existing model (Bondarenko 2021).

The approach I am presenting here and put into the context of the failures of globalization, is glocalization. Glocalization is a concept which incorporates the local situation, demand, supply, fears, wishes, and even visions of the local population, but in a context of a global competition. Glocalization can be defined as a description of a product or service that is developed and distributed globally but is also adjusted to accommodate the user or consumer in a local market.

The word glocalization is a neologism, comes from the Japanese word 'dochakuka' and merges the words global and localization. It was coined by sociologist Roland Robertson (1997), who stated that glocalization meant 'the simultaneity – the co-presence –

of both universalizing and particularizing tendencies.<sup>7</sup> It might best be described as the relationship between global and local processes, which are increasingly viewed as two sides to the same coin rather than being diametrically opposed (Robertson 1992).

Glocalization is a bottom-up system of governance for globalization. By its consideration of the local economic and societal environment it is supposedly the best matching mechanism and economic order, respective framework to ensure the exposure and therefore improvement capability of a free market on a local as well as global level.

In the second chapter I will highlight the most known failures of globalization, such as de-industrialization of certain countries, susceptibility of centralization, loss of cultural and national identity, and assertion of unfair trade. In the third chapter I will present the concept of glocalization and what effects it might have on society, the sovereignty of nations, and international trade, before I conclude.

### **Failures of Globalization**

When we are talking about the failures of globalism, we are not talking about failures of the market. On the contrary, we are talking about the attempt of global governance and its failure, respectively, the failure of the structures of the global economic order preventing the market to work properly. The good meant intentions to preserve the liberal economic order have indeed eroded the same, by stomping into the same puddle as most socialistic ideologies: The tendency to try to regulate the market through government intervention, in this case through global governance. This regulation has led to certain perceptions which are nothing else than a manifestation of the improper functioning of the market due to over-regulation. I will next highlight the most obvious short comings of globalization and how the concept of glocalization can help improving the current situation.

### **Vulnerability of the Liberal Order Due to De-Industrialization**

Globalism has been leading to a net transfer of goods to capital. Since capitalism is a positive-sum game, market participants on each side of the transaction can benefit. Let us consider a simplified trade cycle: A developed country provides capital to a developing country, which enables the production of own goods as well as excess goods in the developing country. The excess goods are sold back to the developed country, which in turn satisfies its own needs for developing the necessary economic growth to be able to provide the necessary capital. As long as the rate of money creation corresponds to the rate of economic growth, the value of the provided capital is ensured. This cycle works very well for stages in early development of capitalism. The problem that emerges with ongoing time is the diminishing incentive for the under-developed country to be only capital receiver, due to its increasing industrialization and knowledge gain due to the technology transfer. On the contrary, with the increasing ability to build own financial markets, the under-developed country acquires more and more financial resources to be issuer of debt obligations on its own, therefore being able to raise capital on its own and thus becoming more and more independent of the primary lender of capital. The ultimate race for the countries to take the lead in financial issuance ends in the famous Thucydides Trap.

The problem the initial issuer of capital faces is that he does not have the physical resources to counteract the increasing dominance of the uprising rival, is blackmailable, and vulnerable against any supply chain disruptions caused either intentionally or unin-

tionally by the other counterpart. The most obvious vulnerability of this system was exposed during the latest global pandemic, when global supply chains were disrupted, and production came to a total halt.

The consequences of such a break are much deeper since the realization of such vulnerability causes a general loss of confidence in the system by the population, which automatically poses a threat to any existing economic and political order. Another problem that arises from exaggerated specialization besides highly vulnerable supply chains is labor shortage in supply-chain un-related fields which becomes relevant when these supply chains break. Many countries try to come by this problem through migration, especially through imported labor force from Africa to Europe or South America to North America. However, illiterate migrants cannot solve the problem of shortage of skilled workers (Nitschke 2019). Nitschke analyzes the social problems caused by migration processes and concludes that the integration of immigrants in the European social system is not an administrative, but a complex cultural process that requires huge changes from both sides. Another problem faced by industrialized countries is constituted by their demographics. The aging population will lead to a reduced economic growth in the future, and therefore lead to the necessity to construct a different economic system to maintain and increase standard of living. Goldstone (2016) analyzes the relationship between population ageing and global economic growth. He predicts that the development of globalized production and trade, which stimulated markets around the world and created greater efficiencies in the distribution of capital and production, is diminishing. This effect can already be seen in slower productivity increases and labor force shortages in the U.S. and Europe.

### **The Fear and Susceptibility of Centralization**

The creation of independent international organizations appeared to be a viable instrument in order to maintain a global framework which prevails the massive fluctuations of the democratic process, which makes them per definition undemocratic.

Entities such as the International Chamber of Commerce (ICC), the International Trade Organization (ITO), the World Trade Organization (WTO), the successor of the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF), the World Bank, the United Nations (UN), *etc.* were all created for the purpose of global governance.

Garske (2019) analyzes how technology has enabled Anglophone legality to employ, both the structure of the state and the structure of the corporation in its project of globalization. He compares the origins, development, and fundamental differences between the two Western legal forms, Civil and Common, and shows that pragmatic adaptability is an advantage for the English method in constructing a global legal culture.

However, the privilege to set up rules which are not directly affected by the popular vote creates a danger which goes beyond the inability of democracy to influence agendas of these institutions. The danger lies in the problem of accumulation through centralization of power, information and resources.

While the UN depends on the active participation and complementary action of the national authorities in each domain in order to operate internationally as well as in the economic and social domains, it upholds service standards, rationalizes resource allocation, and coordinates local development. In other words, the UN operates de-centrally, but plans centrally.

What can be upheld for international, centralized institutions is, that there is a need for national plans, especially when resources are scarce, and only the center can ensure territorial equality by the central provision of funds and supervising the uniform implementation of national policies (Rhodes 2001).

However, as Milton Friedman stresses the importance of technological development, it appears that resources are only scarce because of the absence of technological progress. This implies that a framework which allows the un-subsidized development of technological progress is capable of overcoming this obstacle, which in turn makes centralization unnecessary and thus proves its inefficiency. This framework can only be offered by the free market, as entrepreneurs engage in competition on the market, where only the best technology prevails.

Nevertheless, governments of nations as well as international organizations tend to accumulate power and put themselves in place of giving directive instead of letting the market decide what it needs.

Tanasescu *et al.* (2012) highlight the importance of reforms of the existing world organizations or even the disappearance of the existing ones and the creation of new institutions which are able to apply the laws objectively, to adopt decisions, strategies and plans, serving the interests of the whole world and not just the interests of the main industrialized countries, able to perceive the problems of each country in turn, to adopt specific measures for each of them, to find solutions as adequate and as close to reality as possible.

### **The Loss of Cultural and National Identity**

Globalization is apparently widely thought of as involving cultural homogenization, as a process involving the increasing domination of one societal or regional culture over all others. Lempert (2018) links individual behaviors that are against rational self-interest and survival (and in defiance of the ‘rational actor’ model of human behavior that is the basis of economic and political science theory) to those aggregate behaviors at the cultural level that constitute ‘cultural suicide’ (cultural extinction or social collapse). He finds that human behaviors are locked into a number of instinctive social behavioral choices that might promote family and group survival under normal conditions but that appear irrational and suicidal when communities reach the limits of their resources (Lempert 2018).

Robertson (2012) analyzes the concept of glocalization in order to heterogenize the aspects of globalization. The heterogenization, however, is perceived and faces a real loss of cultural heritage, respectively national identity, which leads to repercussions of globalization and global trade. Ariely (2012) finds in his research that globalization has a distinct impact on national identity. In Hayek's view, the nation remains the basic unit of international society as some form of federalism among nation-states is needed in situations where these nations are unable to live side by side (Bloor 2019).

For Hayek, a system of worldwide federalism is simply a way to safeguard property rights and freedom against the forces of totalitarianism.

Glen Martin (2021) argues that legitimate government requires a world governing system such as that envisioned by the Constitution for the Federation of Earth that is premised on the dignity and equality of all persons, and that this is fundamentally different than the threat of totalitarianism under a global ‘new world order.’ He further stresses the need to reverse our thinking about freedom in its relationship with necessi-

ty. We require authentic democratic empowerment from the people of Earth if we are to actualize the common good of present and future generations (Martin 2021). The perceived loss of cultural and national identity is also a result of increasing transnationalism. Roudometof (2005) explains transnationalism through a spectrum between cosmopolitan and local, where cosmopolitans and locals occupy the opposite ends of a continuum consisting of various forms of attachment. He distinguishes between the degree of attachment to a locality, like a neighborhood or city, the degree of attachment to a state or country, the degree of attachment to and support of local culture, and the degree of economic, cultural and institutional protectionism.

### **Assertion of Trade Being Unfair**

After emerging economic nationalism in the 1930s, which were characterized by imposition of tariffs and trade barriers, the United States and other major nations agreed on a General Agreement on Tariffs and Trade (GATT) in 1947 in order to combat trade hindering barriers. Due to increasing import pressure from uprising nations such as China, the World Trade Organization (WTO) was founded in 1995 in order to liberalize international trade. The WTO facilitates trade negotiations and disputes amongst its 164 members by overseeing the rules of international trade through a binding dispute settlement system, backstopped by the seven judges of the Appellate Body, who would ultimately rule on decisions made by the WTO panel arbitrating trade disputes (Johnson 2019).

The problem with the WTO's dispute settlement system is that it creates the possibility for judges to interpret trade law and to create legal precedents. Starting with the failure at incorporation of the WTO agreement, which neglected to lay out clear rules, the agreement can be interpreted in such a way that it allows countries to levy tariffs on countries accused of dumping goods at below cost. As the United States accused China of doing so, the U.S. lost one case after another over agricultural subsidies and intellectual property rights. Therefore, the U.S. turned increasingly to separate bilateral and regional free trade agreements to advance their trade interests. Moreover, the U.S. has intentionally crippled the organization's appeals body by blocking the appointment of new judges.

The key idea of having an independent institution which sets up a rule-based framework on trade and allows countries to take trade disputes in front of a court is a very efficient way to prevent trade wars. However, government-funded subsidies are always creating biased market competition, what should be considered when applying the trade rules, which apparently has not happened in the case of the WTO.

The very fact that a certain subsidy is needed already indicates that the market price, at which a product is offered, is disturbed. A fair market price at which goods and services in one country are exchanged is fundamental for entering the international market.

Moreover, Brazilian theologian Dominique Barbé writes concerning the international debt coming from consortiums of first-world private banking institutions such as the World Bank and the IMF: *'Yes! It is institutional violence. The cheap sale of our raw materials, our natural wealth, has paid for the debt... This type of institutional violence kills millions of persons, many more than a world war'* (Barbé 1989: 167).

The functioning of international trade has already been identified as very important by Adam Smith as he interpreted international exchange as an antidote to the tensions

and encounters between countries, so it can be considered an element of stabilization of a political scenery that was already global (Pollifroni 2006).

Moreover, international trade enables and improves the productive specialization of participating countries (Cohen 1981; Cox 1997).

### **The Concept of Glocalization**

In this chapter I want to highlight the importance of the concept of glocalization and how it can help to fix the failures of globalism. After explaining the general understanding of glocalization I will refer to its applicability to decentralization, its impact on society, the sovereignty of nations as well as on trade.

Thomas Friedman (1999) defines glocalization as ‘the ability of a culture, when it encounters other strong cultures, to absorb influences that naturally fit into and can enrich that culture, to resist those things that are truly alien and to compartmentalize those things that, while different, can nevertheless be enjoyed and celebrated as different.’

Glocalization, in a federalist sense, is the process of producing and selling goods and services on a local as well as global basis under a globally agreed framework of rules while considering local characteristics such as cultural, historical, ethnic, educational and economic aspects of the local situation. Following the federalist principal, local producers and sellers would produce and sell their goods and services on-site, that is domestically, since they know their population and consumer preferences best. At the same time they face competition from global vendors and producers, which improves product quality due to a higher degree of distinction.

Glocalization in this sense contributes to the capitalistic concept of a positive-sum game, since a producer as well as a consumer are better off than just focusing on a global, international scale and then flooding the domestic market with cheaper goods and services, which leads to crowding out and diminishing variety of local products and producers.

While the consumer experiences a higher degree of satisfaction, as he benefits from the quality and knowledge of international products and know-how, he finds himself simultaneously in a situation where he can choose from a broader range of products.

International competition not only enhances product quality and variety, but it also requires producers to establish at the same time flexible as well as robust supply chains, which makes them immune against supply chain disruptions. Due to the interconnectivity of producers with the global market, the reliance on just one supply chain can be disastrous.

A good example of failing supply chains was exhibited during the latest pandemic as it exposed the catastrophic consequence of supply chain disruption when all supply chains depend on one region. Glocalization would help to alleviate the pain of supply chain disruptions of this magnitude.

But glocalization has to be lived locally too, and not being abused as the use case of Italy is showing. As Italy is world-wide highly regarded as a brand, China sent Chinese workers to Lombardy and Tuscany, which are the two regions with the most Chinese investment, in order to produce designer bags to be able to label and sell them in China as ‘made in Italy.’ This proves the above-mentioned uprising of a developing country at the expense of a developed country. Since it proves to be cheaper for China to send Chinese workers to Italy than hiring Italian workers, Italian workers were denied the job possibilities. One does not need to be a political expert to understand that in a country

where foreign workers are preferred to local workers, increasingly louder calls for state interventions or nationalism emerge.

Hussain (2021) investigates the impact of coronavirus on operations of liberal international order, and post-virus scenario. He argues that liberal adherence to individual freedoms, market economy, and free flow of cross border movement is a source of prosperity for states and individuals, while simultaneously the social behavior of individuals and states operating under the liberal system help pandemics to flourish. He identifies that the crisscrossing of individuals with least restrictions put global health at greater risk, thereby increasing the demand for authoritarianism, propelled nationalism, protectionism and intensified the competition between the major powers. It is projected that the post-pandemic era will witness the greater transformation in the liberal international order (Hussain 2021).

### **Glocalization and Decentralization**

Glocalization encourages competition. Since new opportunities for producers open up, for example, by being able to satisfy the consumer needs better on a local level, manufacturers and marketers have to think about new production venues, supply chains and ways to distribute their goods and services they produce. Product differentiation will allow them to gain advantage in international competition, which manifests in better price/quality ratio. Moreover, due to better comparability to other manufactured products, the pricing of the product will get more accurate and reflect better the market's needs.

As increasing numbers of consumers are saturated by the 'made-in China brand', they are not only looking for product differentiation but also care more and more about product origin. Since consumers increasingly understand that there is no free lunch in the market, and that they pay for the cheaper production prices in a different way, for example, through tighter job market conditions or through wage dumping due to cost-reduction requirements by domestic companies, glocalization of the product life cycle appears to be a consumer-satisfying process.

Liberal-democratic theory assumes that decentralization promotes democratic participation, especially local self-government. Nationally, decentralization is said to promote political education, training in political leadership, and political stability. In local government, it promotes the values of equality, accountability, and responsiveness (Smith 1985; Sharpe 1970). Therefore, glocalization is a viable concept to achieve decentralization on a local as well as global level when competing in the international market environment.

Human values in general are analyzed in the context of modernization by Korotayev *et al.* (2019). The authors investigate the relation between values and modernization applying some elements of the method proposed by Inglehart and Welzel (2005) to the data of Shalom Schwartz. The values survey by Schwartz specifies two main value axes, namely conservation/openness to change and self-transcendence/self-enhancement. Korotayev *et al.* (2019) investigate the possible impact of modernization on this difference. The authors show that the correlation between these two value axes differs in its direction. They find that in both mega zones – 'macro-Europe' (including Europe and former settlement colonies of North and South America and Oceania) and 'Afrasia' (including Asia and Africa) – modernization is accompanied by increasing openness to change (Korotayev *et al.* 2019).

Bulatov *et al.* (2021) analyze West and East European international financial centers as channels for the foreign investment inflow to cities and countries of these centers' location. They find that the centers' competitiveness rests at large on the competitiveness of guest cities which results in substantial foreign investment inflow into these cities and countries. At the same time, all studied international financial centers have their own specialization which helps to attract additional investment to the segments of their specialization (Bulatov *et al.* 2021).

### **Impact on Society**

The acceptance of a global economic framework amongst the population depends solely on their perceived well-being. This well-being is likely to be satisfied when a certain standard of living is met. Since competition generates undoubtedly an increase of wealth by growing businesses, the question arises, at which size competition comes to a halt due to monopolization. Competition among products or entrepreneurs leads to better outcomes in terms of utility satisfaction of the market. This process undoubtedly takes place in the marketplace. But with increasing size of the enterprises, the real exposure towards competition becomes questionable, and finds finally a halt when reaches cross-border level. Globalism suggests that each market participant, for example, a corporation or a country, should ideally specialize in its functions where it has its best production capabilities and know-how of extracting these capabilities. The production or extraction process should not even be limited by country borders, as commodities or resources do not stop to exist just because of a border fence but might be available cross-border.

However, this specialization discriminates other non-key sectors of a country, which leads to societal repercussions on the one hand, and to the artificial suppression of product variety on the other hand. The key to maximize competition would be to allow countries, regions, and localities to figure out by themselves, that is by exposure to the international market, in which area of expertise they would succeed.

By doing so, glocalization would increase the utility and overall benefit for more people than just for the market actors who participate in a purely specialized and subsequently more and more rigid market. Beneficiaries would not only be the market participants, but also the people in the sphere of those, for example, in local communities. The robust basement of wealth generation which would be created by a complete penetration of glocalized business structures in societies would at the same time lead to a fairer distribution of wealth, since dislocations and paternalism caused by governments would be minimized due to their reduced role in the market setting.

### **Glocalization and the Sovereignty of Nations**

Referring to the fear and susceptibility of centralization and the loss of cultural and national identity, glocalization constitutes a framework in which centralization is prevented while prevailing cultural, that is national identity, and offering individuals the freedom to pursue their own luck by not restricting them in their business activity. Through localized production and global trade, wealth can be maximized for every producer while generating the best outcome for the consumer. This process creates a momentum of national pride which not only increases the standard of living, but also the feeling of being able to access a free market and being able to conduct business internationally without having the demotivating and eroding effect of suppression of regulations and paternalism. Moreover, international competition creates the incentive for producers to

find the most efficient way to produce and distribute their products in the best channels. By participating in this process of global competition, national sovereignty should be a catalyzer rather than an amplifier of trade frictions and barriers.

Since competition leads to more efficient ways of distribution, production and investment, the global competition enhances standard of living. Sharfeeq *et al.* (2019) investigate the impact of globalization on the quality of life in the Asian countries and find out that there is a positive impact of political, economic and social globalization on the quality of life in the Asian countries in the long run.

However, sovereign nations, by definition, recognize no enforceable law above themselves. The concept of a collection of 'equal' lawless sovereign entities is bizarre. It makes no philosophical sense. It violates the most elementary concept of justice that declares that freedom and equality can only be empowered and protected by democratic government with enforceable laws over all individuals (Glen 2021). The subsidiary principle, which officially currently prevails in the European Union, is intended to leave decisions at the most local form of government able to handle them. However, British Prime Minister David Cameron nailed it on the head in a speech in 2013 by stating that '*the perception of the people is an increasing interference in national life through unnecessary rules and regulations.*'

Removing the ability of a nation to react on such impositions does not only eliminate a nation's sovereignty, but on the contrary, adds redundancies and inefficiencies.

Glocalization would not only catalyze this problem, but also enable governments to help to build up structures which help the domestic production to flourish and become able to compete internationally, simply by focusing on their core competencies, for example, by provision of the necessary infrastructure. Based on a federal principle, even local authorities would engage in competition by finding most efficient ways to build and support their local corporations and entrepreneurs. This is also very important when it comes to the matter of national security. Taiwo (2017) examines the impacts of globalization on the stability or security of nation states and finds that globalization, though does not have the capacity to reduce the power of the nation states, has a high capacity to challenge and threaten the security and stability of nation states (Taiwo 2017). Therefore, the concept of glocalization is a matter of national security.

Islam and Burmester (2020) examine the impact of globalization on the local traditional handicraft industry in Brazil and find that globalization has considerable negative impacts on those indigenous traditional handicraft industries which gradually decrease. They propose that the government should play the key role in the restoration of traditional and indigenous knowledge and local identity, pay more attention to integration and regional cooperation, improve regional integration among Latin American countries, preserve and expand the value of local identities, and develop initiatives to make the localization process smoother (Islam and Burmester 2020).

Roudometof (2005) states that the operationalization of the cosmopolitan–local relationship in terms of a continuum does not negate the possibility of glocalized cosmopolitanism, whereby individuals can combine both global and local forms of identity.

### **Glocalization and International Trade**

Glocalization enables an approximation of global market prices of goods and services on a local level before they even enter the international market. Though, products are by its nature in the minute of their creation already exposed to global competition. Howev-

er, glocalization of the trade process requires a functioning subsidiary competition principle in order to achieve a fair value at which the market price can clear. This means that if market prices of products are already disturbed on a local level, for example, by subsidies, then they will have a competitive advantage on the market in the short run, but not in the long run, as dislocations of economic resources in the source country will affect other sectors and create inequalities as considered in socialist countries. However, in a short run, subsidized price dumping creates a crowding out effect and leads to the creation of monopolies. Thus, it requires an independent institutional body which sets up rules on which all trading partners agree to prevent economic malpractices.

Countries which distort their economy are likely to fail in the long-term competition in the international environment since the market pressures on other sectors of the country's economy will become overwhelming, and eventually force the government to re-think its allocations and give up distorting subsidies measures. The core idea of the WTO is to create such a framework. But the fact that the WTO rules allow the access of governmental subsidized products to the international market shows that the rules need to be re-thought. In fact, the core question is to what extent an organization such as the WTO can or even should regulate international trade. The key thought behind this question is to raise the idea that in a free market, measures and counter measures taken by countries reflect legitimate competition tools which reflect a country's ability to dominate a market. This opens, of course, philosophical and moral questions, for example, to which level certain sectors and industries should be depleted or helped. One might ask if competing countries should not be allowed to subsidize certain sectors if they are capable of doing so and can afford it. The answer to this question from a Pareto efficiency perspective is definitive 'No' because resources in such a competition are not efficiently allocated and are, therefore, not wealth-maximizing. One of the main characteristics of market forces is that even though they are brutal, they reflect the reality and approximate the only clearing price which matches supply and demand.

However, glocalization would create competition already at the local level, which in turn would reduce the need for centralized subsidies for certain sectors. This in turn would lead to a competition on the level of a product, not on the country level, and thus create an inclusive market favoring only the most efficient production and service practice which matches best the needs and wishes of a market.

### **Conclusion**

This article provides a spotlighted overview of the main failures of globalism, characterized by its deviations from classic liberalism, which lead to global skepticism and deterioration of confidence in democratic structures, caused by the ignorant persecution of the establishment of a unilateral, global framework, which lacks consideration of local practices, cultures, identities and situations. These are the main reasons for increasing repercussions and rejections of populations across the globe against globalism. Even though division of labor by specialization of countries on their core expertise or commodity endowment is highly desirable and efficient, certain principles of liberty must be considered. Otherwise, the call for either a strong authority or state arises increasingly louder. The setup of a global framework to preserve liberal values must consider local structures and situations such as a country's resource endowment, population density and demography, ethnicity, religious and cultural background, its history, and mentality. Globalism in its current form is unable to consider all these characteristics

and therefore, it is not sustainable. On the contrary, globalism opens various points of criticism such as the creation of vulnerability of the liberal order due to deindustrialization, the creation of fear and susceptibility of centralization, as well as the assertion of trade being unfair. However, the concept of glocalization serves as a very good framework of creating decentralized structures, more wealth through increased competition, a higher and more sustainable standard of living, as well as a broader acceptance of the population as it considers all the above-mentioned factors. The key behind the creation of a glocalized economy is the reduced function of governments and their focus on their core competencies, for example, the support of local producers through the provision of infrastructure and the creation of a legal framework. By doing so, national sovereignty can be turned into a competitive advantage, leading to creation of real and sustainable wealth.

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