

# Globalization and Its Backlash? The Rise of the Far Right in Europe



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Globalization, which flourished under the auspice of a stable international order in the 20th century, is currently retreating. Britain's withdrawal from the European Union (EU), strategic competition between the US and China, reshuffling of global supply chains due to the COVID-19 pandemic, and the devastating war between Russia and Ukraine are all indicating the shift toward deglobalization. The US has tried to strengthen the competitiveness of its own industries by implementing a series of legislative bills such as the Chips and Science Act and Inflation Reduction Act. The EU has also been trying to introduce similar regulations to reduce dependence on non-EU companies in "strategically important" technologies, such as robotics, microelectronics, high-performance computing and data cloud infrastructure, blockchain, quantum technologies, biomedicine, pharmaceuticals, and so on.<sup>1</sup> It looks like the long-lived international division of labor is on the brink of collapse.

<sup>1</sup> European Commission. 2020. "A New Industrial Strategy for Europe." COM (2020) 102 Final. 2020.3.10.

The retreat of globalization has been evident from movements observed in European politics as well. Last October, Italy elected a far-right prime minister for the first time since Mussolini was put in power 100 years ago. The Sweden Democrats, which advocates anti-immigration policies and opposes refugee admissions, became the second largest party and made a decisive contribution to the right-wing coalition's win in the Swedish general election of September. France's far-right party, Rassemblement National, won 89 seats in June this year, experiencing more than 10-fold growth compared to the previous election and acquiring its own official parliamentary group. These are just a few examples of prevalent sentiments in Europe. The far right – based on nationalism, xenophobia, and Euroscepticism – have risen around all of Europe.<sup>2</sup>

This recent phenomenon resembles what happened in the late 19th and early 20th century Europe. The second half of the 19th century saw a rapid expansion of international trade and migration among industrialized countries including the UK, France, Germany and the US, which was later dubbed the “first wave of globalization.” However, this trend soon had to be reversed facing the backlash represented by the introduction of competitive agricultural tariffs and strong immigration restrictions. World War I and the Great Depression knocked the trend of globalization down to the near bottom. The share of export in World GDP fell to as low as 5% in the 1930s, compared to 15%.<sup>3</sup> It took more than half a century for trade and immigration to recover its peak level during the 1910s.

Deglobalization clearly has many downsides. Specialization through the international division of labor brought about output expansion and welfare improvement in general. Economies of scale accompanying the access to the world market improve efficiency of production. Stable and sustainable economic growth can be achieved through free exchange of goods, services, labor and ideas. If borders are closed and barriers are erected, the fruits of globalization would be negated. The decline of globalization can be a matter of survival for small countries which rely heavily on trade and migration. In fact, when free trade and immigration contracted due to COVID-19, the damage to the economy was most severe in the countries with a high dependence on tourism and foreign workers.<sup>4</sup>

However, the problem is that the fruits of globalization have not been distributed equally to everyone. Free trade and free migration sometimes worsen the welfare of affected people. The international division of labor means that certain domestic industries would lose their position and be withdrawn

<sup>2</sup> Nourbakhsh, S. N., S. A. Ahmadi, Q. Yazdanpanah Dero, and Ali Faraji-Rad. 2022. “Rise of the Far Right Parties in Europe: from Nationalism to Euroscepticism. *Geopolitics Quarterly*, 18(68), pp. 47-70.

<sup>3</sup> Universidad Carlos III de Madrid. Federico-Tena World Trade Historical Database: Openness. <https://www.uc3m.es/ss/Satellite/UC3MInstitucional/es/TextoMixta/1371246243111/> (Accessed on December 21, 2022)

<sup>4</sup> Jang, Y. 2022. “Immigrants and COVID-19 Travel Restrictions.” KIEP World Economy Brief, no. 12-19. Korea Institute for International Economic Policy.

from the market. The influx of immigrants may affect the income and employment of native workers, especially those who are low-skilled and low-educated and those who hold non-regular jobs. The unequal impact of globalization has grown the discontent against it. In the late 19th century, the workers who were dissatisfied with falling wages sent the largest support to the introduction of restrictions against immigration.<sup>5</sup> The same is happening today. Those who drop out of globalization-induced competition support the ideas of far-right politicians and oppose the direction of more trade, more immigrants, and more diversity. Just as globalization is a matter of survival for those who benefit from it, so is it a matter of survival for those who are hurt by it.

The rise of the far-right may be the choice of those who are desperate for their own survival. As long as the gains from free trade and international migration are concentrated in a few hands, globalization is nothing but planting the seeds of its own destruction. In order to continue enjoying the obvious benefits of enhanced efficiency due to international exchange, the question of inequality must be addressed first. **KIEP**

<sup>5</sup> Williamson, J. G. 1998. "Globalization, labor markets and policy backlash in the past." *Journal of Economic Perspectives*, 12(4), pp. 51-72.