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ARDIAN KASTRATI

University of Prishtina, Kosovo

'GLOBALIZATION - EFFECTS AND PRESSURES ON NATIONAL STATES AND SOCIETIES: THE CASE OF REPUBLIC OF CROATIA'
ARDIAN KASTRATI, MA, PHD CAND. DEPARTMENT OF POLITICAL SCIENCES, UNIVERSITY OF PRISHTINA

Abstract:

There is no doubt that globalization is one of the most challenging developments in the world history. Globalization refers to the process of the intensification of economic, political, social and cultural relations across international boundaries. Globalization has been dominating the political as well as the academic agenda for a couple of decades. There has been much debate among scholars about whether globalization is undermining state sovereignty. Although globalization is widely assumed to be crucially important, we generally have scant idea what, more precisely, it entails. There is a considerable degree of disagreement about what globalization is. Regardless of disagreements globalization fostered by free flow of information and rapid progress in technology is such a driving force that no country can turn back from. Hyper-globalists believe that globalization has made the state superfluous, while others believe it is 'globaloney' and has had no effect on the state's role. One thing is for sure that globalization has changed state's role because most states now have high dependence on others. This article intends to examine the effect of globalization on the sovereignty of states and how nation states have adapted to the new challenges of globalization. While identifying globalization as one of the most important processes in global politics, the article examines the concept of globalization, its history, instruments and problems for the states sovereignty by focusing on challenges, consequences and implications for the Republic of Croatia in particular.

Keywords:

Globalization; Regional Globalization; EU Accession; Croatia; Sovereignty

JEL Classification: F69

Introduction

The concept of globalization is global and dominant in the world today. Globalization is mostly seen as a process of interaction and integration among the people, companies, governments, and a process driven by international trade and investment and aided by information technology. Globalization has its proponents and its critics who debate the issue if we are or we are not on the edge of a global shift with massive political, economic and cultural implications. There is no common agreement on the impact of globalization as specific results of globalization are often seen as positives by proponents and negatives by critics. Scholte notes that in spite of publications on the subject analyses of globalization tend to remain conceptually inexact, normatively shallow and politically naïve (Scholte, 2005). Consequently, globalization today is the epicenter of most intellectual discourses and as such continues to attract scholarly and analytical attention across the globe.

The wave of globalization is certainly not resistible but is often confronted with a lot of negative reactions and frustration from those who see it as a 'destructive leviathan' and economic monster, whose objective is to undermine the nation-state's sovereignty - to those scholars who see it as an integrative process because of the sound involvement of the nation-state through the liberalization and rapid expansion of the market. One thing is for sure that at the turn of the millennium, realities proved that a lot of poor countries had and continued to have choking debts, despite being on board of the globalization ship, but it must also be noted that, globalization plays positive roles in making the states become more transparent and accountable in policy-making. For instance, as globalization increases interactions around the world, international law and international norms and principles gain a more functional role.

While analyzing the effects of globalization in the states sovereignty many scholars have proclaimed the death of sovereignty of states while others believe that sovereignty is still the basis of state interaction. Stephen Krasner highlighted that sovereignty was never quite as vibrant as many contemporary observers suggest. The conventional norms of sovereignty have always been challenged. A few states notably the United States have had autonomy, control, and recognition for most of their existence, but most others have not. However, globalization has changed the role of the state politically because of strengthened interstate relationships and dependence on one another. States were created to be sovereign but now, due to globalization, often give their sovereignty away to in conventions, contracting, coercion and imposition (Krasner, 1999). We had lived in a world of essentially unchallenged sovereignty for several generations but in recent decades the idea of states as autonomous, independent entities is collapsing under the combined impact from the monetary unions, global television, the Internet, governmental and non-governmental organizations. This is not to argue that Exxon, Apple, Coca Cola,

Microsoft, Amnesty International, or McKinsey to be given seats in the United Nations, but it does mean including representatives of such organizations in regional and global deliberations when they have the capacity to react on how regional and global challenges are met.

Multiple effects of the globalization can be also detected to those states that have recently joined to EU. For example accession of Croatia to EU impacted many positive and negative changes within the country. The heavy impact of globalization effects has forced Croatia into remaking its social and economic policies. Accession to EU in particular has become Croatia's leading political and economic determinant. This study is structured in two main parts. The first part examines the concept of globalization, its history, instruments and problems for the states sovereignty. In order to illustrate how the world's and regional globalization processes affect nation-states the second part of the article will explore implications of Croatian accession to the European Union with special emphasis on its economy.

Globalization: History, Concept, Debates and Developments

In the era of globalization, geographical distances are waning away and territorial boundaries are no longer an impediment. Globalization has been invoked to explain everything from call-centers in India, to rising income inequality in the United States, to the Arab Spring. Yet defining this term is more difficult than one might expect. The process of globalization is impelled by the series of cumulative and conjectural crises in the international division of economic and political power, in the functioning of national states and in the decline of the Keynesian welfare state. But, it was not handed down from heaven, it was not decreed by the Pope, it did not emerge spontaneously. Globalization is a relatively new term used to describe a very old process. Globalization as a term came to prominence in the 1980s. Although many consider this process a relatively new phenomenon, globalization has been happening for millennia. The Roman Empire, for example, spread its economic and governing systems through significant portions of the ancient world for centuries. Similarly, the trade routes of the Silk Road carried merchants, goods and travelers from China through Central Asia and the Middle East to Europe and represented another wave of globalization. European countries had significant investments overseas in the decades prior to World War I, prompting some economists to label the prewar period as an earlier golden age of globalization.

Roland Robertson, a professor of sociology at the University of Aberden, was the first person who defined globalization as "the understanding of the world and the increased perception of the world as a whole." In his book "Global Transformations" David Held studies the definition of globalization and says, "although in a simplistic sense globalization refers to a rapid global interconnection, in a deep and on large scale, such

definition requires now a more complex research". He emphasizes that globalization can be thought of as the widening, intensifying and growing impact of world-wide interconnectedness. He analyses the meaning of globalization referring to hyper-globalist thesis, the skeptical thesis, and the transformationalist thesis. For hyperglobalizers, globalization defines a new epoch of human history in which traditional national states have become unnatural even impossible business units in a global economy (Ohmae, 1990). For skeptics globalization implies a perfectly integrated worldwide economy in which 'the law on one price' prevails, the historical evidence at best confirms only heightened levels of internationalization that is interactions between predominantly national economies. At the heart of the transformationalist thesis is a conviction that at the dawn of a new millennium, globalization is a central driving force behind the rapid social, political and economic changes that are reshaping modern societies and the world order (Held, D. and A. McGrew, 2003).

To sum up, globalization can be seen also as an affirmation of world society without a world state. Scholte underlines three main definitions by seeing globalization as internationalization, as liberalization and universalization. When globalization is interpreted as internationalization, the term refers to a growth of transactions and interdependence between countries. In this case, globalization denotes a process of removing officially imposed restrictions on movements of resources between countries in order to form an „open“ and „borderless“ world economy. In this case of universalization, globalization is taken to describe a process of dispersing various objects and experiences to people at all inhabited parts of the earth (Scholte, 2005). Globalization is often interpreted and analyzed through the concept of the sustainable growth. Sustainable development is such development for the needs of the present that does not diminish the possibility and ability of future generations to work on the development of its needs. On the other hand for sociologists, globalization has economic, political, social, cultural and ideological aspects (Giddens 1999).

The contemporary international economic policy is also characterized by unprecedented growth of multinational companies. Multinational corporations affect local and national policies by causing governments to compete with each other to be attractive to multinational corporation investment in their country. Multinational corporations often hold power over local and national governments through a monopoly on technological and intellectual property. Because of their size, multinationals can also have a significant impact on government policy through the threat of market withdrawal (Boundless Sociology, 2016). World economy acts in a trans-legal way which means that it does not act illegally or illegitimately. Trans-legal authority is a constant, more or less institutionalized possibility of impact on different state decisions and reforms across all national boundaries of systems and functions. Multinational companies sign mutual contracts which are no longer under the authority of any national judicial system or any

national substantive law. They agree to use arbitration independent of national legal systems which again has to apply the rules of transnational trade law. Not all of the countries that join to globalization waves can consistently cope with the dynamics of the multinational companies. For example in many companies in Croatia the power of habit for routine way of work, techniques and procedures, among others, is the most important reason of individual resistance to changes in Croatian enterprises (Davor Perkov, Petar Rajsman, 2008).

Globalization has become a buzzword used to denote both good and bad things. For some, globalization is synonymous with the spread of free market capitalism. For others, it is the source of economic domination and oppression of poor nations by rich ones. What both advocates and adversaries of globalization share is a focus on economic aspects. The philosophical differences regarding the costs and benefits of such processes have given rise to ideological and social movements. Joseph Stiglitz criticizes the role The International Monetary Fund (IMF), whose responsibility it is to ensure the stability of the global financial system, and says that it has failed miserably in its mission to stabilize international financial flows, thereby creating international financial crises. He proposes progressive responses to these situations. These include a new, international council to monitor debt repayment. Stiglitz accuses the IMF of distorting developing countries' budget estimates. If poorly designed pro-globalization policies are likely to be costly. They will increase instability, make countries more vulnerable to external shocks, reduce growth, and increase poverty (Stiglitz, 2007).

It must be noted that a number of fundamental gaps are apparent in the theory of sovereignty and globalization. David Held has identified five 'gaps' with regard of concept of sovereignty in the global context: the world economy, hegemonic powers and power blocks, international law and the end of domestic policy. These 'gaps' definitely impact the changes of today's state's role. In the future there is the possibility of states adapting themselves to the transformations in international society by working together with other states through the vehicle of international or regional institutions. On the other side as pointed out earlier other experts believe that globalization is itself driven by the state. They additionally acknowledge that the future of globalization is unknown. They note the rapid pace of globalization in the early 21st century could be slowed or even reversed by potentially rising levels of protectionism happening in a number of countries.

The Impact of the World and Regional Globalization on the Republic of Croatia

During the 1990s Croatia had to fight a war for independence. As a country that came out as a part of ex-Yugoslav socialist economy (although Croatia was not purely socialist economy) Croatia was undertaking tremendous efforts for the territorial stabilization, state building, consolidation of democracy and simultaneously aspiring EU integration. When

all these transformations take place at the same time it is hard to say that one could find compatibility between globalization and partially socialist inherited economy, or between globalization and nationalism of the 1990's. Throughout history, due to its relatively small size and the significance of its area as a borderline between cultures and the intersection of important traffic flows, Croatia was many times in history imposed to enter in political alliances. Thus in 1102, Croatia entered into a union with Hungary (referred to as the *Pacta Conventa*), as of 1527 it was governed by the Habsburg Monarchy, and in 1918, it formed the First Yugoslavia (the Kingdom of Serbs, Croats and Slovenes) and in 1945, the Second Yugoslavia. After a period of independence, from 1991, Croatia faced with another a historic decision concerning its accession to the EU. This time decision was motivated by economic reasons and cultural continuity, and not by the need to protect its territorial integrity, which was the dominant motive in the previous cases (Croatian Chamber of Commerce, 2016).

The process of the political creation of independent countries in the whole world is followed by the reinforcement of regional economic connections which are crucial for survival in economic processes. Just before the accession Croatia was facing the challenges in expanding its economic activities to neighboring countries. However, the liberalization of international trade was priority among market reforms in Croatia, which proceeded gradually through four stages: (1) membership in the World Trade Organization (WTO); (2) the Stabilization and Association Agreement (SAA) with the EU; (3) negotiation process on EU membership and (4) the full membership in the EU. Advantages of such gradual trade liberalization are reflected in the fact that the country gets the opportunity to gradually and over a longer period of time to protect their own economic interests and to adapt to the new market system (Goldner Lang, Perišin, 2011).

Regional globalization processes have significantly influenced the Croatian economy, creating new threats but also possibilities of development and increasing of competitiveness. It is normal that in order to achieve notable economic and political results Croatia had to rely on the EU market, given its size and vicinity. However, in the context of EU integration there are concerns about the limited possibilities of using the access to this market. The question is where is Croatia in relation to globalization processes and the EU? We must say that by joining the EU, Croatia saw its chance for a full valorization of its resources which would place it among the leading countries in the region, but accession in EU renders many desirable and undesirable effects on economic, technological, political, cultural or social plan. Croatia submitted to EC its 2016 National Reform Programme and its 2016 Convergence Programme. The National Reform Programme presents a fairly ambitious reform agenda, which, if fully implemented within the indicated timelines, would help address its macroeconomic imbalances (Council Recommendation of 12 July 2016).

We may underline that Croatia's EU accession under the conditions of the globalization process imposes to the country needs to position itself in a way so it could absorb some of development impulses from the regional and world globalization processes. The majority of Croatia's export sales are with the neighboring countries and the EU. Stronger dynamics in this process are not to be expected given the limited growth potential of the EU. On the other side, progress in addressing inactivity and unemployment, remains slow. Addressing fiscal vulnerability and existing social challenges requires faster implementation of structural reforms that would underpin private sector growth (World Bank, 2016). The EU accession has significant effects on Croatia's external trade, but also the macroeconomic performance of its neighboring countries. All countries joining the EU have to apply EU trade rules to their former CEFTA partners as well. Hence, since its EU accession Croatia has been applying EU rules to Bosnia and Herzegovina and Serbia too. This might divert Croatia's trade away from these countries. Croatian companies trading with neighboring countries (food industry, transportation, etc) should be focused on growing in the regional level as it is hard to expect that their goods might satisfy large markets, such as the Chinese market (Weyerstrass, 2016).

Croatia's advantages are its geo-transport position with the Adriatic coast, the Danube River, its relatively large agricultural area and its respectable water resources. The geo-position is strategically important for the overall course of international trade. The role of these advantages of its location has only partially been taken advantage of and accession to the EU offers the opportunity for a "win-win" solution both for the national economy and the European Union as a whole (Croatian Chamber of Commerce, 2016). On the other side it is also the European Union that benefits from Croatia's accession by increasing its area of political stability, expanding the EU's internal market and by creating new opportunities for EU industry, energy sector, entrepreneurs, and customers.

Conclusions

Globalization - the 'big idea' of the late twentieth century, if it has not already become, it is in danger of becoming the cliché of our times. Proponents of economic growth and expansion see the globalization processes as desirable and necessary for the good of human society while critics argue for the negative effects caused from the globalization process. Nobel Prize winner Joseph Stiglitz argues that the International Monetary Fund encourages failing policies, and that developing countries end up paying the price. He emphasizes that pro-globalization policies have the potential of doing a lot of good, if undertaken properly and if characteristics of each individual country are incorporated. Countries should embrace globalization on their own terms, taking into account their own history, culture, and traditions. The problem, according to Stiglitz, is that globalization has not been pushed carefully, or fairly. On the contrary, liberalization policies have been implemented too fast, in the wrong order, and often using inadequate economic analysis

(Stiglitz, 2007). On the other side Friedman's description in his book 'The Lexus and the Olive Tree' underlines with political creativity that no two nations with McDonalds franchise have ever gone to war.

By 2050 the number of inhabitants on our planet will reach nine billion, which means that in the next 40 years, it will be necessary to produce the amount of food that was produced in the past eight thousand years (estimate by World Wildlife Organization). Or according to the report: "Population: One Planet, Too Many People?" by 2030, the need for water will rise by 30%, whereas the demand for agricultural products will double by 2050. Regardless of this the globalization problem shouldn't be approached with fatalism, as a sort of natural disaster. We live in a world in which the globalization process has advanced so far that it is now out of place to discuss whether this process is a desirable one or not. The question is of how to get involved in this process.

In Croatia's case accession in EU was not particularly favorable in global terms and in the long run. EU's policy is in a way the policy of globalization with elements of regionalization, because along with strengthening international competitiveness of the Union as a whole, it is necessary to ensure cohesion between its members. At this stage Croatia became one of the potential countries in a regional race in exploiting globalization, which could be the backbone of a positive economic growth in the future. Unfortunately, the global financial and economic crisis that hit the EU and the whole world in 2008 caused numerous economic problems. Reforms agreed within the Lisbon strategy were no longer sufficient to solve the problems within EU and this impacted Croatia's EU Integration process. On the other side statehood and full sovereignty won by war and EU accession, both happened in a short period for Croatia. These two primary goals of the Croatian politics in the last two decades often came into a conflict and are best illustrated by the issues of ICTY and border dispute with Slovenia. Consequently, Croatian public was often not sure which goals should be a national priority. It is obvious that the first one was a must but also the second objective was a must for Croatia if the current regional globalization trends are taken into consideration.

However, globalization has changed the role of the state in many ways: politically through interdependence and independence of states, socially through the problems and threats of terrorism and deadly diseases, technologically through the media and internet and economically through the change from national to global economies. Sovereignty is still very attractive to weaker states, whose domestic structures have been influenced by outside actors, and whose leaders have very little control over trans-border movements or even activities within their own country. The world's 190-plus states now co-exist with a larger number of other actors, ranging from corporations to non-government organizations (NGOs), from terrorist groups to drug cartels, from regional to global

institutions. The sovereign state is influenced by them (for better and for worse) and the near monopoly of power once enjoyed by sovereign entities is being eroded.

The role of state is changing not because of their will but because the domestic and international environment in which states operate has been so transformed as to call into question the meaning and essence of sovereignty. The concept of sovereignty is in dilemma. For sure that the sovereign state at international level remains an important instrument but now it cannot perform its functions without cooperation with other states and non-state actors. The laws which the state enforces for economic management are not the result of its sovereign will but mostly a part of global compulsions.

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