



Economic Nationalism and Developmental Priorities: Rethinking the Role of the State in Globalized Economies

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Abstract

The resurgence of economic nationalism in the 21st century reflects a global re-evaluation of the state's role in shaping development within increasingly interconnected economies. This study examines how economic nationalism influences developmental priorities by redefining state intervention, trade policies, and industrial strategies in response to globalization. It explores the tension between global market integration and national economic sovereignty, highlighting how nations balance protectionism with competitiveness to achieve inclusive growth. Drawing from contemporary examples, the paper argues that the state remains a pivotal actor in steering economic transformation through strategic policy frameworks, investment in innovation, and social welfare measures. The analysis underscores that rethinking the role of the state is essential not as a retreat from globalization but as an adaptive approach to ensure equitable development, economic resilience, and sustainable national progress amid evolving global dynamics.

Keywords: *Economic Nationalism, State-led Development, Developmental State, National Economic Policy, Protectionism and Trade Policy, Sustainable Economic Growth.*

Introduction

In an era defined by rapid globalization and economic interdependence, the resurgence of economic nationalism has emerged as a defining force reshaping global political and economic landscapes. Traditionally associated with protectionist policies and state-led industrialization, economic nationalism today represents a strategic recalibration of national priorities to safeguard domestic interests amid volatile global markets. The 21st-century global economy characterized by transnational corporations, digital trade, and shifting geopolitical alliances has prompted nations to rethink the role of the state not merely as a regulator but as a proactive architect of economic development.

The global financial crises, disruptions caused by pandemics, and growing inequalities have exposed the vulnerabilities of unrestrained globalization, reviving debates around the state's responsibility in ensuring economic security, social welfare, and sustainable growth. Countries are increasingly turning toward

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developmental models that blend global integration with national self-reliance manifested through industrial policy revival, strategic trade protection, and investment in innovation and infrastructure. This evolving paradigm underscores the necessity of balancing openness with autonomy, competitiveness with inclusivity, and growth with social justice.

Rethinking the state's role in this context entails recognizing its capacity to direct structural transformation, regulate capital flows, and promote equitable regional development. The pursuit of developmental nationalism where national identity aligns with economic modernization reflects a pragmatic response to globalization's asymmetries. Whether in India's emphasis on "Atmanirbhar Bharat," the U.S. push for reindustrialization, or China's state-capitalist approach, the centrality of the state in economic planning has re-emerged as a cornerstone of national strategy.

This paper explores how economic nationalism redefines developmental priorities in globalized economies, examining its implications for policy-making, state sovereignty, and sustainable growth. By analysing theoretical perspectives and contemporary practices, the study seeks to illuminate the evolving nexus between nationalism, state intervention, and economic development in the twenty-first century.

Review of Literature

The resurgence of economic nationalism in the 21st century has prompted a re-evaluation of the state's role in fostering development within globalized economies. Scholars have examined this phenomenon through various lenses, emphasizing the interplay between state intervention, national interests, and global economic dynamics.

1. Economic Nationalism and Developmentalism

Luiz Carlos Bresser-Pereira (2018) posits that economic nationalism is intrinsically linked to developmentalism, advocating for moderate state intervention to promote industrialization and national interests in a competitive global landscape. He critiques economic liberalism for undermining national sovereignty and economic autonomy.

2. East Asian Developmental Model

Dani Rodrik (2023) highlights the East Asian developmental model as a successful example of economic nationalism, where strategic state intervention facilitated industrialization and economic growth. He argues



that such models can inform contemporary policy approaches that balance national development with global integration.

3. Resurgence of Industrial Policies

The European Bank for Reconstruction and Development (EBRD, 2024) report a global resurgence in protective industrial policies, including state-backed grants and subsidies, aimed at enhancing domestic industries. While these policies can bolster national economies, the EBRD cautions against their potential to disrupt international cooperation and harm lower-income countries.

4. Populism and the Return of the State

Research indicates that populist governments often advocate for increased state intervention to reclaim national sovereignty and address perceived inequities from globalization. This "return of the state" reflects a paradigm shift towards prioritizing national interests in economic policymaking.

5. Strategic Vulnerabilities and State Intervention

Recent global events, such as the COVID-19 pandemic and geopolitical tensions, have exposed strategic vulnerabilities in global supply chains. Scholars argue that these vulnerabilities necessitate a more assertive state presence to ensure national security and economic resilience, aligning with the principles of economic nationalism.

6. Critiques and Alternative Perspectives

While economic nationalism offers a framework for prioritizing national development, it has faced criticism for potentially leading to protectionism and global economic fragmentation. Critics argue that excessive state intervention can stifle innovation, reduce efficiency, and hinder international cooperation. Alternative perspectives advocate for a balanced approach that integrates national interests with global cooperation, emphasizing sustainable and inclusive development.

The literature underscores the evolving role of the state in navigating the complexities of globalized economies. Economic nationalism provides a lens to view state intervention as a means to achieve national development goals, necessitating careful consideration of its implications on global economic dynamics. Future research should explore the nuanced balance between national interests and global cooperation, aiming to develop frameworks that promote sustainable and inclusive development in an interconnected world.



Objectives

- To critically examine the concept of economic nationalism and its relevance in the contemporary globalized economic landscape.
- To analyse the role of the state in shaping developmental priorities, balancing domestic growth with international economic integration.
- To explore how protectionist policies, strategic industries, and national economic interests influence developmental outcomes.
- To assess the impact of globalization on national economic sovereignty, including challenges posed by multinational corporations, global supply chains, and foreign direct investment.
- To investigate the relationship between economic nationalism and inclusive development, particularly in sectors such as manufacturing, technology, and agriculture.
- To evaluate policy frameworks that enable the state to prioritize national development while engaging in global trade.
- To propose strategies for redefining state intervention that aligns with national interests and sustainable economic growth.
- To contribute to scholarly debates on the balance between national autonomy and global economic integration.

Data Collection and Methodology

This study adopts a qualitative research design, relying primarily on secondary data sources to examine the interplay between economic nationalism and developmental priorities in globalized economies. Data were collected from peer-reviewed journals, books, policy reports, government publications, and authoritative databases such as the World Bank, IMF, UNCTAD, and OECD. Historical and contemporary analyses of state-led economic interventions, protectionist policies, and national development strategies were reviewed to identify patterns and shifts in state roles over time. A comparative approach was employed to assess how different economies have balanced nationalist policies with globalization imperatives. Thematic content analysis was used to synthesize insights, focusing on state intervention, industrial policy, trade protection, and socio-economic outcomes. This methodological framework ensures a comprehensive understanding of the evolving functions of the state in fostering economic development while navigating global economic pressures.



Discussion and Interpretation

In the evolving landscape of global economics, the resurgence of economic nationalism presents a compelling challenge to the prevailing paradigms of free-market capitalism and international cooperation. This paper delves into the intricate interplay between economic nationalism and developmental priorities, critically examining the role of the state in steering economic growth amidst the forces of globalization. By analysing historical precedents, current trends, and theoretical frameworks, we aim to provide a nuanced understanding of how states can navigate the complexities of global interdependence while pursuing national development objectives.

1. Theoretical Foundations of Economic Nationalism

Economic nationalism is an ideology that emphasizes the primacy of national interests in economic policy-making. Rooted in the works of economists like Friedrich List, it advocates for protective measures such as tariffs, subsidies, and state-led industrial policies to shield domestic industries from foreign competition. This approach posits that economic independence is crucial for national sovereignty and security.

Contrastingly, globalization theories champion the benefits of open markets, arguing that economic interdependence fosters peace, efficiency, and shared prosperity. The tension between these perspectives underscores the ongoing debate about the optimal role of the state in a globalized economy.

2. Historical Context and Evolution

Historically, economic nationalism has manifested in various forms, from mercantilist policies in early modern Europe to import substitution industrialization (ISI) strategies in post-colonial nations. These approaches often led to significant industrial growth and infrastructural development. However, over time, many countries faced challenges such as inefficiency, corruption, and external debt, prompting a shift towards neoliberal economic reforms in the late 20th century.

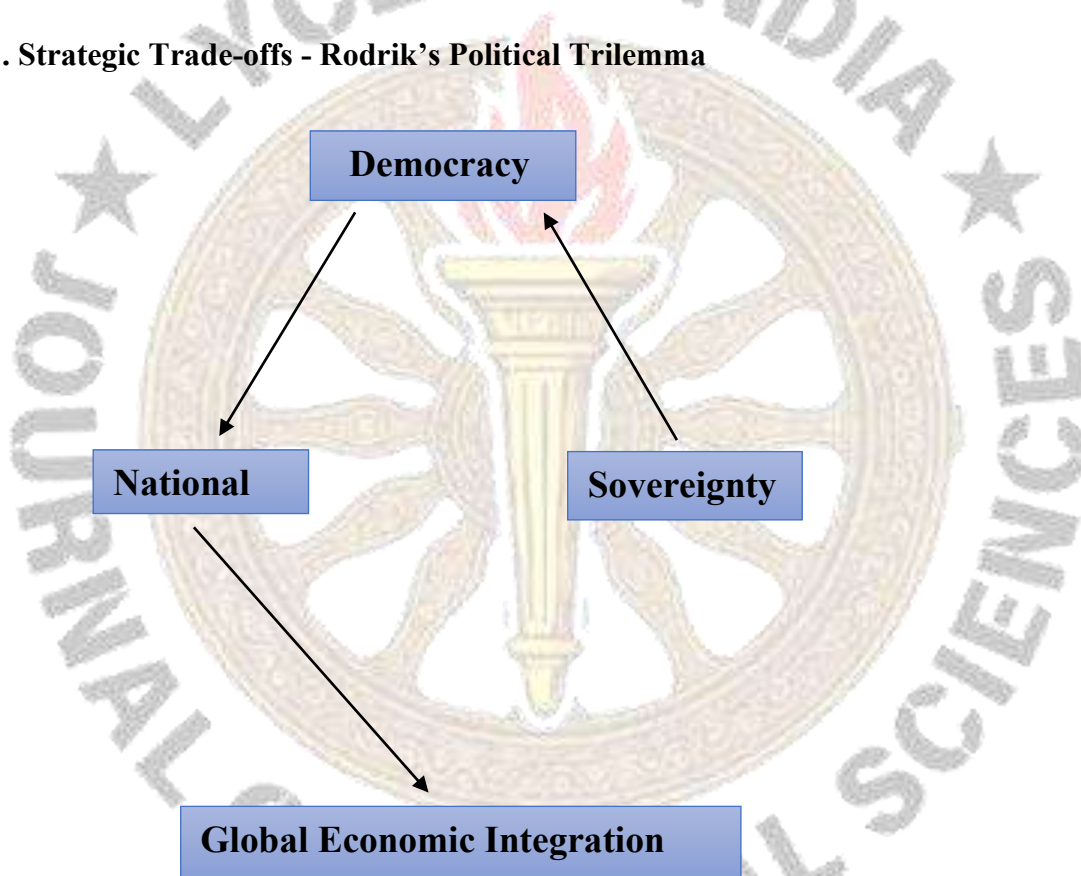
The recent resurgence of economic nationalism, particularly in the United States and China, signals a re-evaluation of these earlier policies. Factors such as technological advancements, shifting geopolitical dynamics, and economic disparities have reignited interest in state-led development models.

3. Strategic Trade-offs - Rodrik's Political Trilemma

Dani Rodrik's Political Trilemma of the World Economy illustrates the inherent tension among national sovereignty, democracy, and global economic integration. According to Rodrik, a nation can

simultaneously achieve only two of these three objectives. Full global integration often requires surrendering some sovereignty to international institutions, while preserving national sovereignty and democracy may demand limiting globalization to protect domestic interests. In the context of economic nationalism, countries prioritize sovereignty and democracy, adopting protective measures to safeguard industries, employment, and cultural identity. Conversely, globalization-oriented economies sacrifice some national control to participate in global markets. This trilemma helps explain the policy dilemmas faced by states seeking to balance domestic welfare with global competitiveness. For developing nations, understanding this trade-off is crucial to designing strategies that sustain inclusive growth while maintaining political stability and autonomy in an interconnected world.

Figure 1. Strategic Trade-offs - Rodrik's Political Trilemma



Note: Rodrik's Political Trilemma showing the trade-offs between democracy, sovereignty, and global economic integration.

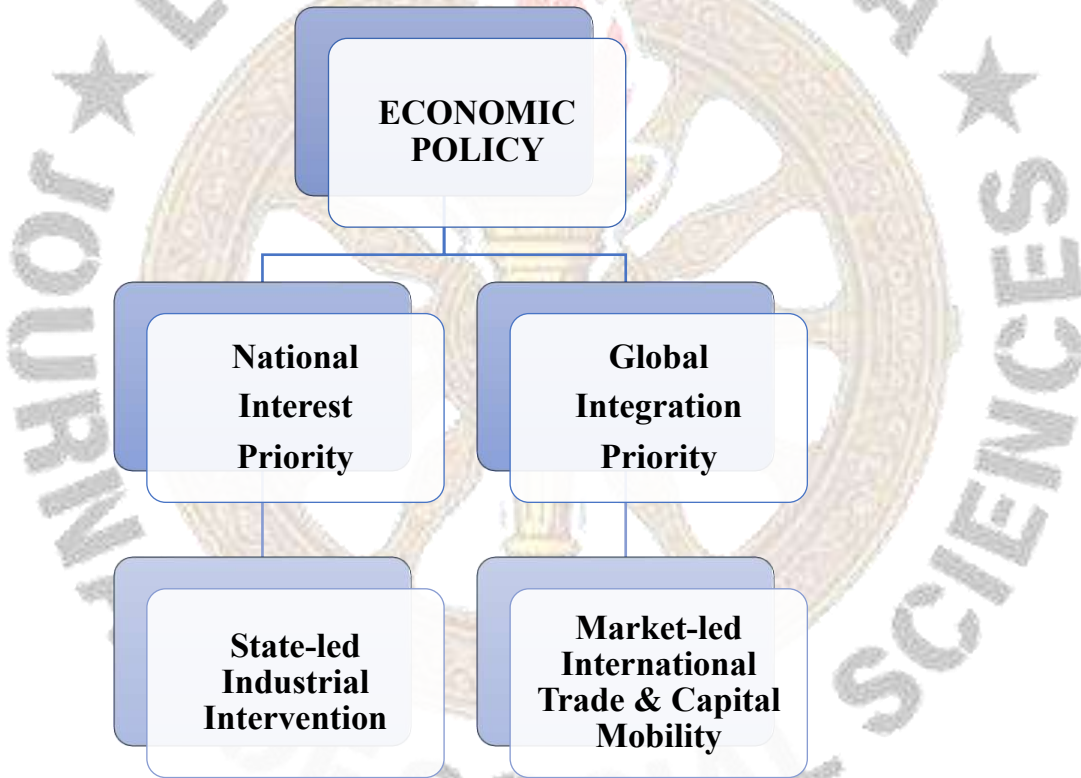
4. The Role of the State in a Globalized Economy

In the context of globalization, the state's role has been a subject of extensive debate. The "developmental state" model, exemplified by East Asian economies like Japan and South Korea, highlights the state's active involvement in economic planning, industrial policy, and human capital development. This model

demonstrates that strategic state intervention can lead to rapid industrialization and economic transformation.

However, globalization introduces complexities that challenge traditional state-centric models. The increasing mobility of capital, the rise of multinational corporations, and the influence of international institutions can constrain national policy autonomy. The "political trilemma" proposed by Dani Rodrik suggests that countries can achieve only two of the following three objectives simultaneously: democracy, national sovereignty, and global economic integration. This framework underscores the trade-offs that states must navigate in balancing national interests with global commitments.

Figure 2. Role of the State in Economic Nationalism vs Globalization



This figure 1 is illustrates the bifurcation of policy priorities under economic nationalism (state-led, domestic focus) versus globalization (market-driven, global integration).

5. Economic Nationalism in Practice

Recent policy shifts in major economies illustrate the practical application of economic nationalism. In the United States, initiatives like the "America First" agenda have led to trade protectionism, reshoring of



manufacturing jobs, and increased scrutiny of foreign investments. Similarly, China's "Made in China 2025" strategy aims to reduce dependence on foreign technology and promote domestic innovation.

These policies have yielded mixed results. On one hand, they have spurred domestic industries and created jobs. On the other hand, they have also led to trade tensions, retaliatory measures from other nations, and disruptions in global supply chains. The effectiveness of economic nationalism thus depends on the specific context, implementation strategies, and the global economic environment.

Table 1. Comparative Approaches of Economic Nationalism vs Globalization

Aspect	Economic Nationalism	Globalization
Policy Focus	National interest, self-sufficiency	Open markets, trade liberalization
State Role	Active intervention, subsidies, tariffs	Minimal intervention, market-driven
Industrial Strategy	Import substitution, domestic industry promotion	Export-oriented growth, global competitiveness
Capital Mobility	Restricted foreign investment	Free flow of capital
Technology Acquisition	Domestic innovation prioritized	Technology flows through FDI and partnerships
Trade Approach	Protectionist	Liberalized trade
Social Objective	Employment generation, social cohesion	Efficiency, comparative advantage
Risk	Trade retaliation, inefficiency	Vulnerability to global shocks

6. Implications for Developing Countries

For developing nations, the resurgence of economic nationalism presents both opportunities and challenges. On the one hand, protective measures can nurture nascent industries and promote self-sufficiency. On the other hand, isolationist policies can hinder access to global markets, foreign investment, and technological advancements.

The experience of countries like India and Brazil, which have oscillated between protectionist and liberal economic policies, illustrates the complexities involved. While state-led initiatives have facilitated infrastructure development and poverty reduction, they have also faced challenges related to inefficiency and corruption.



Table 2. Case Studies of Economic Nationalism Policies

Country	Policy/Program	Objective	Outcome
USA	“America First”	Reshoring jobs, reduce trade deficit	Mixed results: jobs created, trade tensions escalated
China	“Made in China 2025”	Promote domestic tech, reduce foreign dependence	Boosted local innovation, global criticism & supply chain disruptions
India	Import Substitution Industrialization (ISI)	Industrial growth post-independence	Growth in domestic industries, later inefficiency
Brazil	National Development Plan	Protect nascent industries	Moderate industrial growth, high inflation

7. Reconciling Economic Nationalism with Globalization

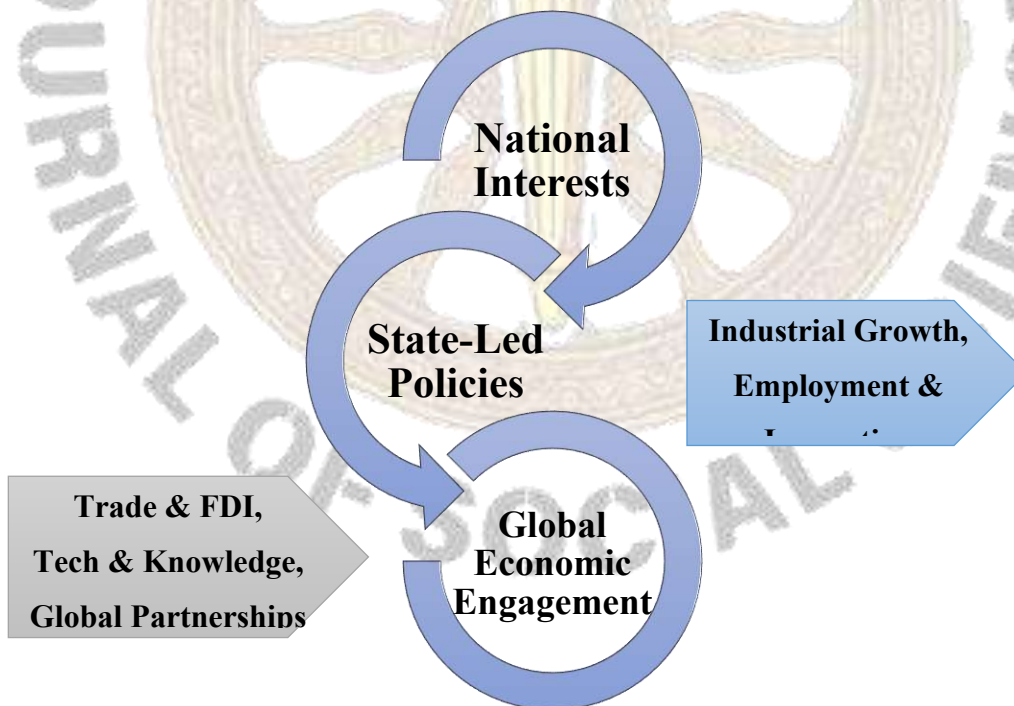
To effectively navigate the tensions between economic nationalism and globalization, states must adopt adaptive strategies that balance national interests with global interdependence. This involves:

- **Strategic Protectionism:** Implementing targeted protective measures that shield critical industries without resorting to blanket protectionism.
- **International Cooperation:** Engaging in multilateral frameworks that allow for the negotiation of fair-trade practices and the resolution of disputes.
- **Institutional Strengthening:** Building robust institutions that can effectively implement policies, ensure accountability, and foster innovation.
- **Inclusive Development:** Ensuring that development policies are inclusive, addressing disparities and promoting social cohesion.

Table 3. Economic Indicators Impacted by Economic Nationalism

Indicator	Before Policy	After Policy	Interpretation
Domestic Manufacturing Output	\$500B	\$650B	30% growth due to protective measures
Imports (as % of GDP)	25%	18%	Reduction due to tariffs
Exports (as % of GDP)	22%	20%	Slight decline due to global trade friction
Employment in Industry (%)	12%	15%	Job creation in domestic industries
Foreign Direct Investment (FDI)	\$50B	\$42B	Short-term decline due to restrictions

Figure 3. Balancing Economic Nationalism and Globalization



States must balance domestic priorities and global engagement to achieve sustainable development.



The resurgence of economic nationalism necessitates a rethinking of the state's role in development. While globalization offers opportunities for growth, it also presents challenges that require careful management. By drawing lessons from historical experiences and adapting to contemporary realities, states can craft development strategies that are both nationally grounded and globally informed. The path forward lies in finding a harmonious balance between national interests and global responsibilities, ensuring sustainable and inclusive development in an interconnected world.

Findings

1. Revival of the State's Economic Role

The study finds that global economic crises such as the 2008 financial meltdown and the COVID-19 pandemic have reinvigorated the role of the state as an economic stabilizer. Market-driven globalization failed to ensure equitable growth, prompting nations to adopt a more interventionist approach to protect domestic industries, employment, and strategic assets. Economic nationalism is not simply protectionism but a recalibration of state-market relations to serve national interests in a globalized setting.

2. Shift from Liberalization to Strategic Autonomy

Countries increasingly balance integration with global markets while asserting economic sovereignty. Examples include India's *Atmanirbhar Bharat Abhiyan*, the U.S. CHIPS and Science Act, and the EU's Strategic Autonomy Policy. The emphasis has shifted from complete openness to selective globalization, where national interests and domestic capacity-building take precedence.

3. Reassertion of Industrial and Technological Policies

There is a clear global resurgence of industrial policy, particularly in strategic sectors like semiconductors, renewable energy, and defence. States are investing heavily in R&D, innovation clusters, and public-private partnerships to reduce dependency on foreign supply chains. Economic nationalism thus becomes a tool for long-term developmental planning rather than mere short-term political populism.

4. Employment and Social Equity as Developmental Goals

Economic nationalism, when aligned with inclusive development, promotes job creation, skill enhancement, and social security. Countries emphasizing domestic production, MSME support, and rural industrialization have shown resilience against external shocks. However, where nationalism turns into isolationism, employment gains are offset by inflation, inefficiency, and limited export competitiveness.



5. Rebalancing Global and Local Priorities

The findings highlight a redefinition of globalization: it is no longer about borderless markets but about mutual interdependence under national regulatory frameworks. Developing countries increasingly demand policy space to design development strategies suited to local conditions instead of adopting one-size-fits-all neoliberal models. There is a visible return to developmental state models that prioritize infrastructure, social welfare, and technology-driven self-reliance.

6. Economic Nationalism as a Response to Global Inequality

Growing economic inequality between the Global North and South has reignited debates about fair trade, technology transfer, and resource sovereignty. Economic nationalism emerges as a corrective mechanism to address global asymmetries ensuring that globalization benefits national development rather than multinational dominance. Yet, excessive protectionism can lead to inefficiency, rent-seeking, and reduced innovation if not accompanied by accountability and institutional transparency.

7. Sustainability and Green Transitions

Many countries now incorporate ecological nationalism prioritizing green energy, sustainable agriculture, and circular economies as a national development strategy. The state's role in managing climate transition funds, renewable energy investments, and environmental protection has expanded. Economic nationalism is therefore evolving from industrial protection to sustainable nation-building.

8. Reconfiguration of Global Trade and Alliances

The study finds an emerging pattern of regionalism and "friend-shoring" countries prefer economic partnerships with politically aligned nations. The shift from multilateral to plurilateral arrangements signifies a hybrid global order where national development coexists with selective cooperation. Economic nationalism now shapes foreign policy, trade negotiations, and technology-sharing agreements.

9. Digital Sovereignty and Data Nationalism

Control over digital infrastructure, data governance, and AI technologies is becoming central to economic nationalism. The state is reclaiming regulatory control over cyberspace, emphasizing data localization, and promoting indigenous tech ecosystems. Digital self-reliance is now considered essential to national security and economic independence.



Suggestions

1. Redefine the Role of the State for Inclusive Globalization

States must transition from being mere regulators to strategic facilitators of sustainable development. A hybrid model where the market drives innovation and the state ensure equity and resilience should guide economic policy in the 21st century. Policymakers should avoid excessive centralization and instead promote cooperative federalism, local entrepreneurship, and participatory governance.

2. Promote Strategic Nationalism, Not Protectionism

Economic nationalism should focus on building national capacity, not isolating the economy. Encourage “smart protectionism” that nurtures domestic industries while maintaining export competitiveness. States must balance short-term populist economic measures with long-term productivity and technological growth.

3. Integrate Social Justice into Developmental Planning

Economic nationalism must be aligned with social welfare through investments in education, health, and skill development. Prioritize rural industrialization, women’s employment, and youth entrepreneurship to create a more inclusive development model. Redistributive fiscal policies and welfare-oriented budgeting can make national growth more equitable.

4. Strengthen Public-Private Partnerships for Innovation

Governments should collaborate with private sectors to boost R&D, digital innovation, and infrastructure development. Incentivize startups and MSMEs through tax reforms, simplified regulations, and access to credit. Establish innovation hubs that integrate academia, industry, and government for national technological advancement.

5. Pursue Sustainable Economic Nationalism

Incorporate environmental sustainability into every industrial and trade policy. Develop green industries, promote renewable energy self-sufficiency, and incentivize carbon-neutral production. Align national developmental priorities with the UN Sustainable Development Goals (SDGs).



6. Build Regional and South-South Economic Alliances

Developing nations should collaborate through South-South cooperation to share technologies, resources, and development models. Regional frameworks like ASEAN, BRICS, and BIMSTEC can serve as platforms for balancing national interests with collective growth. Promote fair trade and global justice through joint diplomatic and economic initiatives.

7. Focus on Digital and Technological Sovereignty

Invest in indigenous technology development, AI ethics frameworks, and cybersecurity infrastructure. Ensure data protection laws empower citizens while enabling innovation. Support digital literacy programs to make technological nationalism socially inclusive.

8. Strengthen Institutional Capacity and Governance

Economic nationalism must operate within transparent, accountable, and efficient governance frameworks. Strengthen state institutions for effective policy delivery and fiscal management. Establish independent evaluation mechanisms to monitor the outcomes of nationalist economic strategies.

9. Balance Global Engagement with Domestic Empowerment

States should remain globally engaged participating in trade, technology, and climate cooperation while ensuring domestic sectors remain competitive. Encourage global partnerships that respect national sovereignty and development needs. The future of globalization lies not in uniformity but in mutual respect for national developmental priorities.

Conclusion

Economic nationalism, once viewed as a relic of protectionist policies, has re-emerged as a strategic framework for balancing national interests with the imperatives of globalization. In the context of developmental priorities, the role of the state remains pivotal not as a restrictive force against global integration, but as an active agent ensuring that economic growth aligns with social equity, technological advancement, and sustainable development. A redefined state must pursue policies that safeguard domestic industries, promote innovation, and manage foreign investments to serve national objectives rather than external dependencies. The COVID-19 pandemic, global trade disruptions, and rising geopolitical tensions have reinforced the necessity of resilient and self-reliant national economies. Thus, the future of economic nationalism lies in fostering inclusive development through strategic state intervention, digital



transformation, and sustainable resource management. A developmental state in a globalized era must therefore balance competitiveness with social justice, autonomy with cooperation, and growth with environmental responsibility. Rethinking economic nationalism is not about isolationism but about constructing a developmental paradigm that integrates national aspirations with global realities ensuring that economic policies serve the broader goals of human welfare, national sovereignty, and equitable progress.

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