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## The End of Nation the Rise of Regional Economies: Book Review 2007 The End of Nation the Rise of Regional Economies: Book Review

Kenichi Ohmae's book, *The End of the Nation-State*, represents a solid attempt to profoundly analyze the relationship between the economic globalization and political developments observed in the modern world. The core idea of the book is that states formed on the national and ethnic principles have turned obsolete and irrelevant. In particular, Ohmae contends that nation states have already lost the ability to protect their national currencies and their contribution to the real economic activity is almost non-existent. In the author's opinion, this major move means the beginning of history for majority of the world's population when "larger numbers of people from more points on the globe than ever before have aggressively come forward to participate in history" (p. 1) and the end of nation states.

### The Cartographic Illusion and the Ladder of Development

Since the time of their emergence national states have always been among the key participants in the world economy. However, the time when nation states were highly effective in creation of wealth is over, and nation states of this epoch have turned into simple mechanisms of wealth distribution. The function of wealth creation has shifted toward and distributed among four forces, namely: investment, corporations, consumers, and information technology. Ohmae does a really great job explaining capital and organizational benefit from the advanced modern instruments of communication thus facilitating international transaction and how modern type of consumers affects the flow of goods and services.

"National Interest" as a Declining Industry

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As a result, investments have ceased to be domestically driven and become so profit driven, that even the nation states increasingly invest abroad these days instead of reinforcing their domestic potential. Similarly, industries and corporations also do not perceive the state interests as the primary guideline in their operations and become increasingly involved in transnational activities. Modern consumers enjoy increasingly strong control over governmental decisions which influence economic system of the country. Such developments have led Ohmae to believe that the nation state is being gradually replaced by global democracy of consumerism. The most distinct feature of the new system is that political demands are determined by what people buy, and not their interests as a nation.

#### The Emergence of Region States

Although the nation states refuse to accept the change which greatly diminishes their role in the modern world Ohmae argues that such refusal is futile: the transformation is irreversible. Thus, Ohmae points at formation of economic zones which form the so-called natural business units. This process occurs throughout the world and leads to actual and noticeable improvements in the quality of life. The author calls such formations 'region states' as opposed to nation states and argues that they gradually overtake one major function previously carried out by the nation states: generate real economic activity and improve welfare of citizens. Profit and economic interests are primary for these region states while the national aspects are secondary at best. Therefore, Ohmae's main conclusion is that formation of region states will lead to grave transformation of the globalization process logic, redefine the traditional practices of corporations' operations and continue to diminish the role of nation states in economic life.

## Critical Reflection

Since the book touches upon arguably the most controversial and complex phenomenon of modernity - globalization - the attitude toward Ohmae's hypothesis may be absolutely different. Evidently, the author is a bright representative of the pro-globalist camp, and his views on globalization are too radical. Consequently, the initial hypothesis he draws upon that globalization improves welfare and stimulates economic growth is only a hypothesis with many evidences showing the contrary (Stieglitz 2002).

The emergence of regional economic blocs Ohmae claims to replace the nation states as the key players in global economy is another questionable phenomenon which allows for at least two opinions. On the one hand, the developments of the early 1990s have demonstrated validity of the author's assessments and forecast. Thus, during only four years from 1990 to 1994, the GATT (WAT predecessor) was informed about 33 regional arrangements. Such surge in regional trading arrangement over the 1990s is a striking contrast the post-war decades when regional blocs had been less numerous and less successful as contemporary ones (Frankel 1997).

However, the very idea of regional economic blocs openly contradicts the liberal nature of economic globalization. Globalization relies on the concept of liberal economy and open markets while regional blocs are founded on the policies of protectionism, and despite Ohmae's claims often coincide with political boundaries of nation states. Relatively high costs and some other disadvantages associated with protectionist policies forced many states (for example, in East Asia) reduce the barriers, support industrialization and adopt a more liberal model of economic development. By contrast, other states (mostly African and Latin American) preferred to form regional trading

blocs instead of opening their economies. As a result, there were approximately sixteen different regional trading schemes in the developing world in the beginning of the 1990s (Michalak and Gibb 1997).

The most essential observation in this regard is that these blocs were formed by developing countries to protect their economies from the liberal world trade, and not, as Ohmae argues, to enjoy the benefits of economic globalization. Moreover, such blocs became a serious obstacle on the way toward further development of this trade and formation of the global market. Ironically, the free trade notion which is the main driving force of globalization has led to a new economic division in the world into several major blocks. Nowadays, a significant increase in trade is observed within regional blocs rather than across them (Chortareas and Pelagidis 2004). Evidently, this tendency poses a serious threat to further globalization of the world due to protectionism which is naturally involved in the regional economic blocking.

However, in any case Ohmae offers the reader truly masterful analysis which clearly revealed the processes within the global economy. Although many assumptions and conclusions expressed by the author are questionable to say the least the reader must consider the historic context when the book was published: it was almost impossible twelve years ago to produce a flawless account of such complex economic and political processes. Overall, the book provides information and data that can facilitate understanding of the national economies and the logic of globalization processes.

#### References

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