



Rise And Fall of Globalisation

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This article is based on **“Is this the end of the globalisation era?”** which was published in The HinduBusiness Line on 11/06/2020. It talks about the pros and cons of Globalisation.

Globalisation envisages a borderless world or seeks the world as a global village. It may be attributed by the accelerated flow of goods, people, capital, information, and energy across borders, often enabled by technological developments.

However, isolationism forced by **Covid-19 pandemic** has paused the growth of globalisation in the world. Though the pandemic has hastened globalisation’s decline, protectionism has been increasing since **the global financial crisis 2008**.

The increased unemployment, growing inequality and anaemic growth in the aftermath of the global financial crisis, particularly in the developed world, are the main reasons for the rise of protectionism all across the globe.

In this context, there is a debate all around the world regarding the sustainability of globalisation in the future.

Rise of Globalization

- **Origin of Modern Globalisation:** What today is referred to as globalisation, started with the **end of the Cold war and the disintegration of the Soviet Union in 1991**.
- **Driving Factors:** Globalisation was the offshoot of two systems — democracy and capitalism — that emerged victorious at the end of the Cold War.
 - These ideas were transmitted across the world through free trade and increased inter-country movement of capital and labour.
 - The idea that all countries should unequivocally move towards democracy underpinned with capitalism was packaged in policies commonly referred to as the Washington Consensus or neo-liberalism.

- **Politics of Globalisation:** Politically, it refers to increasing global governance via international institutions or growing alignment of national policies.
 - It involves both benefits (such as coordinated crisis strategies) and costs (such as less national self-determination), too.
 - A liberal democracy combined with free-market capitalism was the best way to organise society.
- **Developing-Developed Countries Collaboration:** The partnership between the developed and the developing countries based on three planks.
 - First was offshoring of manufacturing and low-end services jobs to developing countries.
 - Second, developed countries run large trade deficits by acting as the market for the increased output of developing countries.
 - Third, developing countries financing the trade deficit of the developed countries by accumulating large foreign exchange reserves.

Pros of Globalisation

Access to Goods and Services

Globalization results in increased trade and standard of living. It heightens competition within the domestic product, capital, and labour markets, as well as among countries adopting different trade and investment strategies.

It has also resulted in national capital markets becoming increasingly integrated.

Vehicle of Social Justice

- Transnational companies investing in installing plants in other countries provide employment for the people in those countries often getting them out of poverty.
- The proponents say globalization represents free trade which promotes global economic growth, creates jobs, makes companies more competitive, and lowers prices for consumers.

Increases Cultural Awareness

By reducing cross-border distances, globalisation has increased cross-cultural understanding and sharing.

A neutral globalized society boosts up the rate at which people are exposed to the culture, attitudes and values of people in other countries.

Sharing Technology and Values

It also provides poor countries, through infusions of foreign capital and technology, with the chance to develop economically and by spreading prosperity.

Decline of Globalisation

The global financial crisis was a turning point, as it struck at the twin foundations of **liberal democracy and free-market capitalism**.

- **Suppression of liberal democracy:** The malaise of slow economic growth, wealth inequality and rising unemployment provided a perfect breeding ground for political leaders to appeal for nationalism as the solution to political and economic ills.
The economic rise of China under an authoritarian regime also raised doubts over the efficacy of liberal democracy in solving pressing domestic challenges.
- **Perils of neo-liberal doctrine:** While the free-market ideology has been fighting a battle of credibility since it took the maximum blame for the 2008 crisis, free trade policies have now been severely impacted due to Covid-19.
The pandemic has not only exposed the fragility of highly optimised supply chains that spread across countries but has also shown such inter-country supply chains to be a threat to national security.

Cons of Globalisation

Increasing Inequality

- The general complaint about globalization is that it has made the rich richer while making the poor poorer.
- The **UN Development Program reports** that the richest 20% of the world's population consume 86% of the world's resources while the rest 80% consume just 14 percent.

Malpractices of MNCs

- Multinational corporations (MNCs) are accused of social injustice, unfair working conditions (including slave labour wages, living and working conditions), as well as lack of concern for the environment, mismanagement of natural resources, and ecological damage.
- Also, Multinational corporations, which were previously restricted to commercial activities, are increasingly influencing political decisions.
- Many think there is a threat of corporations ruling the world because they are gaining power, due to globalization.

Fail to Contribute Towards Desired Gains

The argument that globalization has helped people in developing most of the countries out of poverty is somehow controversial. Because the opinions differ as to the quantity and the quality of the jobs being offered by globalization.

Contribute Towards Cultural Homogeneity

- Globalisation promotes people's tastes to converge which may lead to more cultural homogeneity.

- Due to this, there is a danger of losing precious cultural practices and languages.
- Also, there are threats of cultural invasion of one country over another.

Conclusion

Given its enormous potential for economic gains, it would be a waste to categorically repudiate the phenomena of Globalisation. Instead, there is a need for better understanding of Globalization's effects and the interplay of its economics with other issue areas.



Drishti Mains Question

“From being the pre-eminent phenomenon integrating the world, globalisation now looks like a spent force”. Critically discuss.



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<https://youtu.be/3JHCKmew2E8>

This editorial is based on **“Back From The Brink”** which was published in The Hindu on June 12th, 2020. Now watch this on our Youtube channel.