



Fragmented Globalisation

This editorial is based on [“Fragmented Globalisation”](#) which was published in Financial Express on 11/03/2023. It talks about how the globalisation is taking a new form amid the recent changes in global economic growth and rising geopolitical tensions.

For Prelims: Terms like globalisation, fragmented globalisation, DeRussia Ukraine Conflict, US China Trade War, Global South, de-dollarisation etc., Russia Ukraine Conflict, US China Trade War, Global South

For Mains: Changing International Order and Globalisation, India’s role in fragmented globalisation.

For decades, the benefits of [globalisation](#) have appeared to be obvious and unassailable; however, as the international order has come under strain in recent years, the **delinking of global trade and investment by companies and governments** has witnessed an increase in the pace.

The **countries are increasingly turning to regional or bilateral trade agreements** to pursue their interests, rather than relying on global frameworks. This shift in the trend can be attributed to factors like **rising economic nationalism, increasing geopolitical tensions, and the failure of various multilateral institutions** to deliver on their promises.

This fragmented form of globalisation has profound implications for the future of international trade and cooperation, with both opportunities and challenges for countries around the world.

What is Meant by Globalisation?

- **Emergence:** What today is referred to as globalisation, gained recognition in India with the [end of the Cold war and the disintegration of the Soviet Union in 1991](#).
 - An offshoot of two systems — **democracy and capitalism**, globalisation **rooted for free trade** and increased **inter-country movement of capital and labour**.
 - In a political sense, it refers to increasing global governance via international institutions or growing alignment of national policies.
- **Motivating Factors for Globalisation:** Broadly, economic, financial, political, technological and social factors paved the way to globalisation.
 - Economic factors such as **lower trade & investment barriers** and expansion of financial sector;
 - Political factors include the **reforms in the govt policies worldwide** to facilitate trade and commerce;
 - Social factors include **cultural convergence** along with significant **ease in transportation and communication; and**
 - Technology factors such as **ease in transmitting information worldwide**, and more

recently, the **accelerating shift towards remote work** - made national borders seem largely irrelevant.

How is Globalisation becoming Fragmented?

- **Advent of Fragmented Globalisation:** While globalisation made markets work better, policymakers lost sight of its **adverse distributional consequences**.
 - Many communities, countries were left behind contributing to a **widespread sense of marginalisation and alienation**.
- **Recent Upheavals in Globalisation:** The most recent example is the [invasion of Ukraine](#) which led to imposition of sanctions on Russia (a [G20](#) country) and the **weaponisation of the international payments system**.
 - The [United Kingdom's vote to leave the European Union](#) was one of the most visible political manifestations against globalisation.
 - Moreover, the [US entering a tariff war with China](#) has also deepened the divide between the two economic powers.
 - With climate change/environmental protection policies gaining recognition, there is a global race for cleantech innovations and **circular economy approaches**.
 - The mass rollout of green technologies from solar PV to electric vehicles is bringing **shifts to global supply chains and transferring manufacturing hubs to more 'suitable' countries**.
- **Is De-Globalisation the Final Consequence:** Despite all these ongoing turmoils, the available data suggest that globalisation is not ending so much as it is changing.
 - Fragmentation of the global economy is now **resulting in the strengthening of regional economic areas, or globalisation of like-minded countries**, and not to a de-globalisation. Global trade will essentially remain an important pillar in global growth.
- **Main Characteristics of Fragmented Globalisation:** This era of fragmented globalisation that has emerged, is **characterised by substitution** rather than negation.
 - In simpler words, the **countries, instead of not participating in global trade, are substituting their existing trade partners** with some other country.
 - For instance, the EU-US-led restrictions have not materially reduced [Russia's oil exports, rather redirected them to China and India](#).
 - Additionally, the world is witnessing a [wave of de-dollarisation](#) with countries looking for ways to create a **parallel cross-border payments and settlement system**.

How can India Use this New Globalisation to its Advantage?

- **Advocating Regional Integration:** India can potentially play a significant role in shaping the future of globalisation, with its stance on issues related to trade, investment, and economic integration.
 - In recent times, India has benefited from globalisation and has **become a hub for outsourcing**, particularly in the IT and services sectors.
 - India has advocated for regional economic integration, such as through the [South Asian Free Trade Agreement \(SAFTA\)](#) and [BIMSTEC](#) initiatives and must continue to do so.
 - India's progress in making this forum a success will largely depend on factors like its own economic policies, geopolitical developments, and global economic trends.
- **Cooperation between Public/Private Sectors:** Companies in India must work with the Central/State governments to facilitate the **inherently tricky process of rewiring supply chains and to accelerate the green transition**.
 - Policymakers need to thoroughly revise how they think and operate, and long-term investors absolutely should incorporate **more sophisticated geopolitical, sociopolitical, and environmental analyses** into their allocation strategies going forward.
- **India as a Voice of Global South:** While India has also been a strong advocate for free trade and globalisation, pushing for the removal of barriers to trade and investment, **it has also been critical of some aspects** of globalisation, particularly regarding the **unequal distribution of benefits and the negative impacts on local industries and workers**.
 - India has also **argued for a more balanced and equitable approach** to globalisation

that ensures the benefits are shared more widely and that there are adequate social and environmental protections.

- As one of the emerging global powers, India can become [“voice of the Global South”](#), that is **otherwise under-represented** in global forums.

Drishti Mains Question:

“The present form of Globalisation can be best described as a fragmented Globalisation.” Comment.

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