



Is Globalization Dying?

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This article is based on “Is Globalization Dying?” which was published in The Times of India on 21/10/2019. It talks about the various trends and events highlighting a shift away from globalization.

Recently, the global events like trade war between the United States and China, and Brexit Movement in Britain highlight a loss of faith of Advanced Economies (AEs) in globalisation.

Globalization

Globalization refers to the economic, social, and political integration of nations. It entails the spread of products, technology, information, and jobs across national borders and cultures.

In economic terms, it describes an interdependence of nations around the globe, fostered through free trade.

De-Globalization

It is the process of diminishing interdependence and integration between the nations. It is characterised by the decline in economic trade and investment between countries.

It highlights the trend of several countries wanting to go back to economic and trade policies that put their **national interests first**.

- These policies often take the form of tariffs or quantitative barriers that impede the free movement of people, products and services among countries.
- The idea behind de-globalisation is **to shield local manufacturing** by making imports costlier.

Indicators of De-globalization

There is some evidence of deglobalization in the aftermath of the 2008 financial crisis. The economic data are mixed and indicate a stall, but not a collapse of globalization.

- **Trade Protectionism:** The recent trade war between the US and China indicates a change in attitude of AEs in protecting their interests at the cost of developing countries.
Trade is not growing as quickly as before the Great Financial Crisis of 2008, that may be the consequence of decreased investment in technological innovation.
- **Immigration Control:** Instances of immigration control by US, UK and other European countries have been dominant in past one decade.
Recent decision of Trump administration of building wall across Mexican border highlights emerging trend of protectionism in free movement of people across the borders.
- **Brexit Movement:** Brexit and 'Make America Great Again' are symptoms of underlying processes of de-globalization that have already generated significant trade and investment uncertainty.
This has had a concrete impact on trade & investment flows as firms and consumers are adjusting behaviour in anticipation of further trade shocks.
- **Flow of Capital:** Cross-border financial flows have been reduced due to uncertainty in the global policy making and increased protectionism by AEs.

Impact on Advanced Economies

According to think tank **Capital Economist**, roughly **a third of global per capita income growth** since 1990 has accrued to the emerging markets (EMs) and not to the AEs. Various impacts visible on AEs due to globalization have been described below:

- **Labour Market Loss:** The major hurdle faced by the AEs is the death of relatively low skilled sectors like textile and the support economies that grew around it. There are varying estimates of the job losses caused by cheaper imports from China and other emerging economies.
The re-absorption of this displaced labour has been slow and incomplete which is reflected in the share of **wages to GDP** that dropped by 5% from 2000 to 2017.
- **Technology:** Advanced Economies have largely depended on technological change for per capita income growth and productivity enhancement.
There is deceleration in technological change, during the last decade, partly due to low investment in innovation and partly due to fading additional gains from the internet computer revolution.

- **Growing Inequality:** The slow pace of technological change in AEs had resulted in the stagnation of blue collar incomes which seems to be the major cause of rising inequality in the AEs.
 AEs have blamed globalization for their deteriorating economies and labour market growth.
- **Consumer Credit:** As a bid to keep spending alive, AEs focused on the consumer credit in the early 2000s. This precipitated into the Great Financial Crisis of 2008.
- **Social Cost of Globalization:** The intensity of America's opioid addiction crisis maps directly into regions and demographic groups that have borne of the contraction of economic opportunities that globalization has brought.

Impact on Emerging Markets

Emerging Markets have been the greatest beneficiaries of globalisation in the past few decades. The recent trends of de-globalisation will have profound impact on EMs, which are highlighted below:

- **Trade:** The increase in tariff barriers by the AEs have led to the shrinking of exports in EMs which is silently destroying their job intensive manufacturing sector.
- **Migration:** AEs are the hot destination of high skilled labour from EMs. The increased protective measure by AEs for free movement of high skilled labour is threatening their productive growth and job opportunities.
 De-globalisation with respect to the mobility of services and people can impact both the export of services, and the trend of Indians migrating abroad for higher education and jobs.
- Protectionist moves change the fundamental premise on the basis of which international organisations such as the WTO regulates global trade.
 When large, industrialised and prosperous nations break ranks to erect new entry barriers for goods and services, this can drastically impact the fortunes of their many trade partners.
- Calculations of global economic growth, inflation and interest rates can then observe drastic changes.
 The US economy, for instance, imports a lot of inexpensive manufactured goods from China. If a tariff war increases costs of imports into the US, its domestic inflation may rocket and US interest rates may increase faster.

Conclusion

The biggest losers from de-globalisation would be the EMs who have benefited the most from globalisation. Therefore, the agenda of building a more balanced industrial economy incorporating the needs of both AEs and EMs needs a concentrated effort to make a global economy more inclusive.

Drishti Inputs

Recent incidence in global politics highlights the trend toward de-globalisation. Briefly explain the implication of de-globalisation policies on India.