

## DE-GLOBALIZATION: A DIFFUSED JOURNEY FROM GLOBALIZATION 1.0 TO 2.0

Ms. Alpa Ghosh<sup>1</sup>

### ABSTRACT

Thomas Friedman once stated, "The world is flat". Localization, Colonization, Regionalization, or Globalisation are the international phenomena which cannot be stopped at will or desisted. Globalization has gone through different flavours. Globalization started as a compulsion of the west ; De-Globalization is also being taken as the compulsion of the west, There are different phases of Globalization, The advent of new world order and emergence of American dominance after the end of world war, America emerged as Superpower, created blocks, cartels to fulfill American Interest. During the height of American Diplomacy and Russian approach of Controlled Structure, it tried to create a new world order through blocks and military alliances.

Globalization, Glocalization, Regionalization, Localization with Global approach, Hyper Localization and De-globalization are the buzz word for the present Global Economics. The world is going through metamorphic challenges due to international conflicting interest and national sovereignty changes in geo-economic, military, political, diplomatic spectrum and demographic variations. Changes which not only transforming the world dynamics but have also affected the fate of countries relying on Globalization or Localization approach.

The world economy is affected by the process of De- Globalisation, which exhibited in three phases. The first phase initiated with Trade Protectionism. The second with increased global convergence and third associated again with de-convergence or trade dominance through Protecting measures directing towards national sovereignty.

**Keywords :-** De- globalization, Localisation, Regionalisation, Colonisation , Glocalisation

### INTRODUCTION

Every country is adopting a different approach to Globalisation. De-globalisation can be stated as a new phase of Globalisation. America is creating Dollarization by using its carrot and stick policy with Gun Diplomacy. On the other hand, China has a policy of OBOR and cheque diplomacy. India started with non-aligned approach aggressively taking its neutral stance in Global diplomacy in the initial years of its emergence, shifting its stance at present, exploiting its potential market to the world economy. Smaller counties are trying to protect their own interest and national sovereignty, whereas Super-powers like America and Russia are trying to create a unipolar world of their own. A world which is dominated by western and eastern ideologies, both China and America are trying to protect their

economic interest and spearheading world domination objectives through geo, economic military and political ambition. Globalisation 2.0 or Industrial revolution 4.0 or De-globalization 1.0 are the new trends of the world. Emergence of India and China in the world stage of International diplomacy are also some of the factors, which can be an insight for 2<sup>nd</sup> Phase of Globalization. (Globalization 2.0).

### Phases of Globalization

1. Emergence of America
2. Emergence of Russia
3. Creation of Cold war Diplomacy
4. Disintegration of Russian Block
5. Emergence of China
6. Slowdown in America and Europe
7. Emergence of BRIC nations
8. Emergence of Dragon and Elephant
9. Trade restriction, and Tariff war
10. De-globalization

<sup>1</sup> Assistant Professor, BSSS, Bhopal

The recent sanctions on Iran and the trade war between America and China is one of the classic examples of De-globalization, The process of De-globalization has gone through different phases. First, it was a western term, after the end of the 2<sup>nd</sup> World war, America emerged as Economic & Military super-power. The world was divided into 2 spheres. Russia led the cold war era, while America emerged as Economic super-power. Globalisation has gone through various phases, The First phase was dominated by the Western world ,a phenomenon of Global dominance, institutions were created , and these institutions were responsible for creating the alliances for the next 50 years, Europe and America with their Military might & technological advancement dominated and plundered the economic resources of the world for the next 50 Years. 1990 saw the disintegration of Russia and Russian block nations, slowdown in Europe and the emergence of BRICS, the new emerging economies. The economic gravity has shifted from European nations to the east, emerging as the battleground to retain economic growth rate.

Globalisation can be classified into 4 different cycles or phases,

1. A world dominated by European colonies
2. A world dominated by America and Russia
3. A world dominated by emerging economies
4. A world dominated by de-globalization, trade restriction, terrorism, trade war, slowdown and recession

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world dynamics but have also affected the fate of countries relying on Globalization approach.

## BACKGROUND

We may live in a borderless world in the age of Globalization. Virtually countries are connected by technology, culture, humanity, ideas, economic resource flows, consumption and demands. De-globalization, is the word which makes the world anxious and investors and business houses nervous. The Timespan between 1914 and 1945 was considered to be the darkest period in global history, when it has gone through world wars, depression and slow down, resulting in the creation of a new world order of collaboration. Globalisation can be defined as the free flow of goods, services, technology, Information, Jobs, Human Capital, Finance, and the synchronization of world order.

Globalization has helped humanity by boosting the world economy, lifting millions of people from their extreme poverty. Creating a history of economic growth by reducing the manufacturing cost, the convergence of wealth and capital but in that process also deteriorated the environment, exploited the resources and environment of third world countries and making the population of the poor world most vulnerable with unequal distribution of wealth, job insecurity and stagnant wages.

Globalisation can be classified into 3 different phases, the first phase of Globalization was between 1850 to 1914, which was characterized by industrialization, urbanization and new transport and communications technologies. The second phase of Globalisation was from the year 1945 till 1990 which saw the world dominated by western influenced globalization, Institutions and Agreements were created with the objective to create a new world order with Western influence. The 1990s noticed the third phase of Hyper-globalization, marked with the collapse of the Soviet Union. Closed economies

initiated structural changes and defined the challenges of globalization.

According to the Economist 'Richard Baldwin, the meaning of Globalization has changed. It made the process of manufacturing much easier involving the integration of multiple stages of manufacturing, design, supply chain, process resulting in manufacturing cost minimization. Industries are becoming multi-locational, World trade growth is growing at a rapid phase due to the massive integration of Industrialization. Financial Integration has impacted the whole world both during slowdown as well as growth. Capital flow and Human capital migration are some of the classic examples creating the borderless world. This has also resulted in a backlash and anti-immigrant laws.

Global trade war has resulted in different forms of tariff barriers, anti-dumping measures, creating extreme de-globalization. There are various factors which guard against extreme deglobalization. It is much more difficult to control data, skills, know-how, knowledge, resulting in outsourcing opportunities and investment and less protectionism. Due to De- globalization resulting in slowing pace of liberalization and weak investment than Protectionism.

Britain's decision to exit from EU, (Brexit), President Trump rhetoric towards a trade war, and pulling out of trans pacific treaty are the desperate measures to protect American hegemony and US Imperial Globalisation. Conflicting political and economic interest is creating the slowing down of Globalisation leading to deglobalization of the world. Slow down created by the US is far compensated by the deal between Japan, Europe and Canada to minimize the Trade losses.

Despite the process of Globalisation, countries vary in terms of ease of doing business and pace of globalization differs depending upon their policies and level of barriers created by them to protect the national interest. Countries have created their own mechanism for protecting

globalization. India and China are contributing to the engine of globalization , whereas America is having a choice to China will never go against India because of common globalization interest, which has created a new environment of World Economic map. This is also the reason why American and European Business establishment are taking a serious note to shift their economic bases to China and India . Recent example can be Tesla Foxcom shifting base to India and China operations. A policy shift has been noticed along with own rules and hidden barriers, A wave of de-globalisation is taking place in west. On the other hand east is going through the process of globalization resulting in major implications for companies and Government.

Many companies across the world are reshoring their manufacturing bases, due to de-globalization in the west and globalization in east. But the real problem will lie in a global slowdown when the majority of companies will approach for a new wave of de-globalisation and global restrictions on trade and commerce. The world is now witnessing the gradual slowdown and de-acceleration, preempted withdrawal of trade restriction and protecting national and regional interest as the prime drivers for the success and failure of Globalization.

Over the past two decades, global trade is driven by pockets of countries, and the engulfing trade war between India, China and America. This phenomenon of protecting sovereignty and national interest is driven by developed as well as developing nations irrespective of geographical boundaries, According to a recent report of the World bank slow growth rate was recorded not only on Europe and America, but it has also shown saturation in foreign trade and investment irrespective of Global promises to ease Business. World Bank figures indicate that growth rate is having a sluggish show from 3 % to 1.8 % in most of the developed parts of the world leading to the shift of economic growth driver in the eastern part of the world.

*Kristin Forbes, an esteemed economist, has said, "It is time to stop talking about globalization and rethink the assumption that global financial integration is an unstoppable trend".*

Due to globalization, the slowdown has affected every aspect of the market, whether it is the financial market, economic market, agricultural sector or industry, it has impacted every sphere of global growth. The stagnant growth of France and Germany, the exit of Great Britain from Europe (Brexit), near collapse of the economy in Greece and Spain, recession in Italy are some of the significant features of the same. Stagnation in the growth of Japanese economy, the collapse of Venezuela, unrest in middle east and terrorism are some of the compounding factors of deglobalization, which has also lead to conflicting interests, raising the risk of business causing deglobalization.

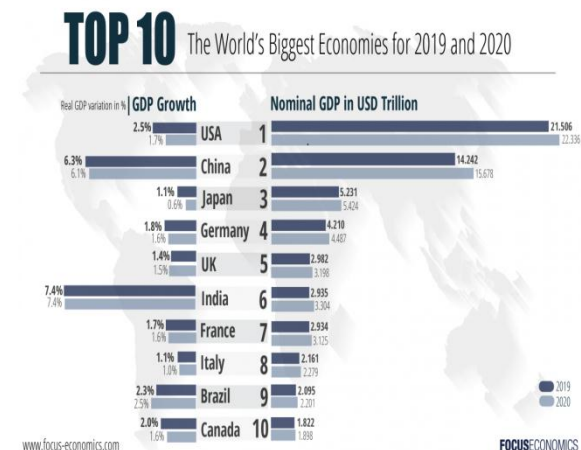
De-globalization is a major cause of the emerging economic trends of the world. Due to the first phase of globalization and trade liberalization, the world has noticed a tremendous growth path but later on, it has created the trade protectionism and stagnation in the world economy.

De - globalization is the result of structural inefficacy of the governments. The level of protectionist measures has increased over the years from 5% to 23 % since the year 2009 till the year 2013, especially among the developed nations, in order to gain trade surplus and competitive advantage. Europe and Japan are also recovering from 2008-2009, and integrating with the world economy which will increase trade pattern and impede de-globalization. De-globalization phenomenon is spreading across the world because of various reasons, including, disparities in income, unequal distribution of wealth, rising unemployment, job losses, and the difference between rich and poor, which are some of the compounding factors responsible for De-globalization. Globalization is having a mixed impact across the world. Some countries are benefitted when they implemented

globalization effectively. On the other hand, there are many examples of negative impacts of globalization when it was not implemented structurally.

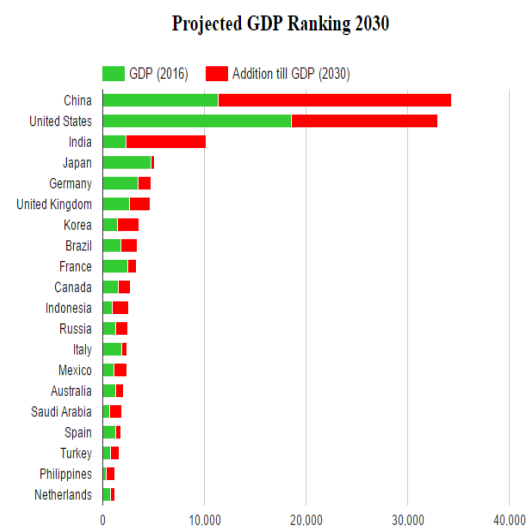
## DISCUSSION

Some of the world's biggest economies are showing signs of growth whereas others' are showing a slowdown in the projected future durations as shown in the following exhibitions.



**Fig 1: GDP Growth of World's Biggest Economies for 2019 and 2020**

Source: [www.focus-economics.com](http://www.focus-economics.com)



**Fig 2: Projected GDP Ranking by 2030**

Source: World Economic Outlook Database

As shown in the above figure, economies of countries like China, India, South Korea, Indonesia, Turkey, Brazil, and Saudi Arabia are projected to be growing at a faster pace. On the other hand economies of western world are going through a slowdown.

Countries like Germany, Japan, Russia and US which were being considered as the economic growth engine of the world are responsible for de-globalization.

### **Fluctuations in the wealth market of the world (2008-2019): An indicator of De-globalization**

There are a tremendous amount of variations in the stock markets & financial markets across the world. A lot has changed over the decades. The collapse of Lehman Brothers has resulted in sending the shock waves across the Globe. The collapse of BCCI, Lehman Brothers, has created financial trouble across the world which was having a tailspin and catalytic impact on the world financial market. China has emerged as an economic superpower, reaching a robust growth and becoming the production floor of the world. China is creating millions of jobs across the world, significantly challenging western institutions. A tremendous amount of transformation is taking place in the wealth market across the globe. Wealth is calculated based upon the individual capacity, assets and the changes in the values of individual and cash holdings.

### **BRIC economies in the context of developing economies of Asia**

Both China and India contributed to double-digit growth, especially in terms of production and market concept. These markets vary in its size, economic momentum, and the gains in the economic prosperity of these nations. Both these countries are having similarities in a strong cultural bond along with economic engines of the world. These two countries are being considered as future economic engines of the World.

### **Collapse in the Mediterranean World**

Mediterranean region was badly hit because of the recession and slowdown in the economy. European nations are going through the slow pace of economic reforms, bailout packages, poor use of structural funds and lack of transparency in the Government, which are considered some of the reasons for the slowdown. Out of the

worst-performing 20 wealth markets, in the last decade, 8 belong to this category.

Most of the European countries were facing stagnant growth, over many decades due to saturation or slow down in their economy, especially the countries like Greece, Spain, Eastern Europe are some of the classic examples of slowdown and recession.

### **Emerging Economies of Europe**

Despite the subprime crisis, slowdown and recession in some of the smaller countries of Europe, there were emerging economies of Europe, which are known as bright spots due to the promising growth rate. Ireland, Malta and Monaco are some of the countries which have achieved a growth rate above 30% for over 10 years providing a ray of hope for the rest of Europe. On the other hand in countries like Venezuela, a nation of contradiction, the wealth of the nation is not equally distributed causing wealth disparity and contradiction in the society. There are many nations across the world which are war torn and not being included in the list which recovered due to the spate of globalization.

### **CONCLUSION**

The study analyses the changing trends of globalization, how the world has passed through the different phases of globalization, slowdown across the world because of various reasons, be it geopolitical, social, economic, strategic turbulences or it because of destabilization of the world due to war, are some of the specific reasons like economic paradox which lead to de-acceleration of the globalised economy. In this paper, various examples have been cited from across the globe. From South American wealthiest oil-rich nation Venezuela's fate to the slowdown and slow recovery of European economies during after Subprime crisis, Europe redefining of the European Union and Britain's exit from European Union are some of the common phenomena leading to realigning of the world economy with emerging belts of the world. The emergence of BRIC nations, as the global economic engine of the world, the performance of the wealth and financial markets across the

world are also the indicators of economic trends towards de-globalization. Fluctuations in the financial and capital markets are some the indicators of de-globalization. An economic shift has been recorded from the western world to the eastern world. Globalization which was considered as the western world phenomenon has been more aggressively initiated at the policy and structural level in the developing countries irrespective of the protectionist regime of developed countries. The changing patterns of the markets are the indicator of the same. Highly globalised and diversified western markets are facing saturation, across the world due to the protectionist regime of their respective governments, in comparison to more open economies of developing nations.

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