

## **Deglobalization – will it Address the Relationship between Globalization and Inequality**

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### **Abstract**

Over the past two decades a common phenomenon that marked trade between countries is the removal of several trade barriers resulting in an integration of the world economy. Globalization paved the way for rise in trade between economies and manifested benefits like growth of world trade, increasing Foreign Direct investment, cross border Mergers & acquisitions, expansion of financial capital flows between countries and decentralization of countries that participate in world trade. However over the last few years the accruing benefits of trade liberalization seems to be fading and globalization is at the crossroads. Uncertainty about globalization surfaced during 2008-2009, as the world economy witnessed severe recession that marked financial turmoil and decline of global trade. The borderless market now seems a myth with some of the powerful nations like the US following protectionist policies and Britain's Exit from the European Union. These very nations were once deemed as pillars of globalization but are now retreating with protectionist policies that strongly indicate a trend of de globalization. This paper aims at understanding the concept of de globalization and the various, the reasons for economies exhibiting protectionist policies and whether it can address the relationship between globalization and inequality.

**KEYWORDS: globalization, de globalization, protectionism, unequal development**

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### **Introduction**

**“We must ensure that the global market is embedded in broadly shared values and practices that reflect global social needs, and that all the world's people share the benefits of globalization”**

Kofi Annan

“Globalization” had become the new buzzword in the last two decades. It pronounced the opening of world trade and the integration of economies through uninhibited trade and financial flows especially by mutual exchange of technology and knowledge. Thus, the countries are able to gain more by being part of a globalised world. It was strongly believed that globalization has the potential to create an inclusive market providing opportunities for both the developing and the developed countries to participate in trade resulting in mutual gain and stronger economies. However, if globalization is assumed to be beneficial for all nations then why are we witnessing signs of de-globalization currently?

The recent years have witnessed a significant decline in the appetite for more global integration, capital flows, and people flows or trade flows. Since the 1990s the pendulum

seemed to be swinging in favor of globalization and free trade across economies of the world. But post financial crisis of 2008, countries confidence in globalization seems shaken leading to increase in the protectionist measures that drift away from globalization. The economic meltdown has popularized a new term “**De-globalization**”

### **De Globalization - What is it?**

**De-globalization** is the process of diminishing interdependence and integration between certain units around the world, typically nation-states. In simple terms it refers to the reverse of globalization when economic trade and investment between countries would slow down.

The term de-globalization is used to highlight the trend where more and more countries are adopting trade policies that place primary importance to their own national interest. These policies are manifested in the form of trade barriers that restrict free flow of goods, services and people across various countries. The intention behind such protectionist policies is to safeguard the interests of companies that operate in indigenous markets and making imports expensive by levying heavy tariffs.

The “Swadeshi” Campaign hailed by Mahatma Gandhi as “Be Indian, buy Indian.” was intended to protect the domestic textile industries of India. Almost a century later the US is re-defining its trade relationship with the other countries based on the same protectionist principle. The usage of terms such as ‘trade war’ and ‘de-globalization’ cropped up after the recent moves in the world market initiated by Donald Trump, the 45th President of the United States US who increased tariffs on steel and aluminum imports by 25 per cent and 10 percent citing national security and protecting jobs of American citizens. This boomeranged as some of the affected countries; especially China retaliated by imposing additional tariffs on American imports including pork and wine. These developments in international trade would trigger a trade war which not only involves US and China, but may soon have other countries like the European Union would be dragged into this conflict.

### **Indications and evidences of De - globalization**

**1. Trumps Protectionist Policies** – Basing his electoral campaign on reviving the lost luster of the US as dominant economy and advocating the need for protectionism, the disruptive Donald Trump won the US elections. Since then it has been observed that there has been a consistent undermining of multilateralism by the US .Trump’s argument was that America’s manufacturing industry had collapsed due to decades of free-trade policies. Among the several reasons he sighted to convince the people of America that there is more pain than gain due to globalization was markets flooded with cheaper goods, unemployment due to outsourcing of jobs to cheaper markets and depressing wages. Outsourcing of jobs to cheaper markets has also been a concern. The anti immigration policy and steep increase in import tariffs further reestablish Trump’s belief in protectionist measures.

**2. US withdrawal from the Transpacific Partnership (TPP).** TPP is a major trade deal between America and 11 other nations along the rim of the Pacific Ocean. The Asian-

Pacific deal was Barack Obama's most significant trade deal and took seven years to negotiate. The agreement, signed in February 2016, aimed to remove tariffs and other trade barriers as well as unifying regulations on goods and services. Critics of the deal have said that it threatens US jobs.

**3. America's withdrawal from the Paris Convention** –In December 2015,195 countries came together for a common cause of combating climate change, adapting to its effects and to provide to make efforts enhance support to developing countries to do the same. The countries made a pledge to make efforts to limit the increase in the global average temperature. The agreement the principle of common but differentiated responsibilities, according to which highly developed nations have more responsibility in ensuring that terms of agreement are met by all. The agreement formed on 4<sup>th</sup> Nov 2016 and was ratified by 172 countries .Though the United States signed the agreement under former US president Barack Obama, today the country has pulled out of the Paris climate deal. Trump feels that the agreement is less about climate change and more about other countries gaining advantage over the US. The move is consistent with Trumps America First Policy.US withdrawal significantly undermines the universality of the Paris Agreement. Not only is the US responsible for 15% of global emissions of carbon but it is also an important source of finance and tech support for developing countries in their efforts to fight rising temperature.

**4. Brexit** – On June 23rd 2016, an entire country entered the unknown. The 17.4 million people of U.K voted to become the first country to exit from the European Union (EU).After the World wars resulted in unprecedented death and destruction a simple theory evolved – if countries form strong economic ties, they will be less likely to wage wars against each other .This lead to the formation of the European Union and economic integration between 28 member countries. Although a member of the EU, Britain was unwilling to integrate and give up its sovereignty with the EU .It kept trying to negotiate ways to stay independent from the EU by not opening its borders as freely s the rest of EU members to allow free movement of goods and capital. It kept its currency as the pound chose not to adopt the euro. But the development that made UK's exit very obvious was Lisbon Treaty in 2009 which gave an official mechanism under its article 50 for members to leave the EU. One among the reasons for UK to exit the EU was that UK as one of the wealthy members of the EU was contributing too much money to the EU budget. Cameron complained that the bloc has evolved gradually into a powerful bureaucracy that infringes on British sovereignty and its national interests on issues such as trade, immigration, financial and labor regulation and social spending.

### **Reasons for De globalization**

- **Shift in Economic Power**

After the 1990's the wave of globalization and liberalization has resulted in the rise of growth of developing nations like India, China and Japan. A shift in the economic power from the West to the Asian nations has become a cause of concern for Western policy makers.

- **Security concerns**

While opening up of markets has increased mutual trade between nations, it has also led to a major challenge of maintaining global security. Terrorist organizations that are anti-globalization at their core use tools of globalization such as the internet to propagate their agenda. Each terrorist attack that takes place in these developed nations brings more people in support of de-globalization.

- **Refugee crisis**

Political turbulences in western Asian nations have led to severe refugee crisis. Citizens of these countries have taken refugee either legally or illegally in European countries. The governments of most European countries are confronted with problems like economic slowdown and inability to create employment opportunities for their own citizens. In such a scenario the European Government is burdened with additional responsibility of providing for these refugees.

- **Threat to Jobs and growing Unemployment**

Ironically, the reason for globalisation to gain popularity which was job creation across economies of the world, has now led to de globalization. The global expansion of MNCs depicted a common trend of taking advantage of cheap labour by setting their operations in developing nations like China and India resulting in wage depression and job losses in advanced nations.

### **Future implications of De-globalization**

As the race of Globalization has resulted in unequal development of economies and countries are slowly shifting towards De globalization, its implications have to be considered. Can De globalization address the relationship between globalization and inequality in the years to come?

De-globalization does not mean isolating from economic integration or negative globalization. It is simply the process of restructuring the world economy. This is possible if countries concentrate on production for indigenous or national markets employing domestic resources and technologies rather than focus on export production. Enabling and investing in a country's domestic manufacturing industries would create jobs, improve wage structure and help in reducing inequality. This is not the case in globalization which exhibits increased dependency on other countries resulting in economic slowdown and inability to create jobs for local communities. Governments of developing countries should provide adequate resources and the necessary physical and institutional infrastructure to unlock growth. In addition to this increasing the scope of democratic (as against government or technocratic) decision making which includes prudent identification of priority sectors that would push economies to a de globalised world and its benefits could be distributed equally across nations.

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