

Globalization



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What is Globalization?



- Globalization connotes growing inter-dependence of the world's economies, cultures, and populations, brought about by
 - cross-border trade in goods and services,
 - technology,
 - flows of investment, people, and information
- A process driven by international trade and commerce
- Implicit in it is acceleration in movements and exchanges (of human beings, goods, and services, capital, technologies or cultural practices) all over the planet

Causes of Globalization (1/2)



- Technology : globalization has been driven by technology, enabled global communication
- Global media
- Trading Blocks : Formation of global trading blocs like RCEP, Trans-Pacific Partnership, various FTAs
- Reduced trade barriers between countries

Causes of Globalization (2/2)



- Transportation networks : Global travel made easier
- Containerizations, a rapid adoption of STF (Schedule Transport Facility) transport containers where transport of goods via sea and oceans reduced transaction costs
- Migration : increased mobility of labor between countries
- Congenial financial system : Integration of the global economy
- Schedule Transport facility.

Advantages of Globalization (1/2)



- Increased output, augmented productivity, more jobs, higher wages, and lower costs of production
- Globalization affords an opportunity to spread values and practices like environmentalism and labour rights throughout the world
- Increased international migration leads to multicultural societies
- Market access makes more goods and services available to more people, often at lower prices.
- Countries benefit by having access to a bigger market for their goods and services.

Advantages of Globalization (2/2)



- Reduced poverty through increased job opportunities in capital-scarce, labor-rich, particularly developing countries
- Spread of Technology causes good ideas to spread more easily.
- Rise of mobile banking, practice of micro lending, AI, Blockchain accelerated development and welfare
- Increases cultural awareness - Globalization increased cross-cultural understanding and sharing.

Disadvantages of Globalization (1/4)



- Workers in developed countries lose out to workers in countries with cheaper labour
- Increases returns to capital in developed countries like the U.S. and decreases returns to labour in those same countries
- It has caused a “**race to the bottom**”
 - companies actively seek the countries with the weakest labour, environmental protections and the lowest wages
- Low-skill jobs in the U.S. can disappear as a result of globalization (though technology plays a big role in this change, too).

Disadvantages of Globalization (2/4)



- Decrease in inequality between countries but an increase in inequality within countries
 - For instance, when the U.S. competes with less-developed countries, its big advantage is its access to capital, whereas less-developed countries' big advantage is their cheap labour. NAFTA is one such trade deal
- Due to accelerated transportation, there is a **global shift of polluting manufacturing** industries which has resulted in environmental degradation.

Disadvantages of Globalization(3/4)



- Globalization failed to deliver desired gains in
 - labour rights,
 - human rights and
 - environmental protection
- Instead of spreading values and practices like environmentalism, human rights and labour rights throughout the world, in practice, that spread has been slow and imperfect
- For example, rather than exporting the labour protections a company abides by in the U.S., the same company might follow lower standards in countries like Bangladesh and India.

Disadvantages of Globalization(4/4)



- While globalization increased the flow of goods, services and capital,
 - still plenty of tax havens,
 - much of the value added by globalization not captured and redistributed by governments
- Empowerment of multinational corporations
- MNCs/MNEs tend to be more empowered at the expense of governments and citizens.
- Reduces state sovereignty and citizens' ability to hold their leaders accountable for conditions in their countries.

Trade Policies



- Broadly, trade policies can be divided into **two categories**:
 - **liberalized trade policy** : *laissez faire*, minimal interference of the government in the affairs of the trade
 - **Protectionist trade policies** driven by objective to improve the well-being of domestic industry by making them more competitive in comparison to imported goods
- **Protectionism** gets reflected in tariff and NTBs
 - SPS, TBT, tougher environmental clearances norms,
 - increase domestic subsidies, depreciation of currency to discourage imports and
 - make exports attractive.

Gated Globalization (1/2)



- A rise in protectionism In recent times
- Various countries begun to strengthen their local domestic businesses and industries and promoting self-sufficiency
- Globalization now transformed itself to ‘gated’ globalization
- Countries becoming increasingly selective in choosing their trade partners.

Gated Globalization (2/2)



- Brexit-An example of gated globalization
- Withdrawal of Britain from EU through a nationwide referendum in June, 2016
- Driving force
 - protect their local jobs, domestic economy
 - felt outsiders take away everything.
 - anti-immigration policies, nationalist sentiments
- Brexit resulted volatility in financial markets across the world
- Brexit exposed weakness of European economy
- Would hurt world exports as weakening European currencies might put renewed downward pressure on major exporting countries.

Hyper-Globalization



- Successive US Govts. and the western world played a crucial role in bringing China into the global community - the WTO
- Subsequent outsourcing of manufacturing and industrial capabilities from the West to China allowed Beijing to strategically built its influence through control over global supply chains
- Governments turned a Nelson eye due to enormous financial returns accruing from labor arbitrage
- China used this economic lure to flex its political muscle, first in Asia and now, through BRI, into the very heart of EU
- **Hyper-globalization** processes - steadily building up China's industrial might - causing enormous social and political churn among the western working and middle classes.

Why the US enabled China to WTO?(1/3)



- Two main strategic reasons :
 - Full-on engagement with Beijing would alter the opaque nature of Chinese politics, making it more liberal and open
 - China will offer ‘big market’, and big business’ to the US and western World
- The onset of the COVID-19 pandemic quickly buried the postulate/strategic thinking of the US & the Western World
- Intense engagement with China failed to alter its politics
- Free and open liberal world order run into rough weather.

Why the US enabled China to WTO?(2/3)



- The global pause induced by Covid-19 offers a moment to reflect on the contours of China's strategic emergence
- **BRI** : China selling its political proposition as a new pathway for global growth, solidarity and development
- China's outward expansion through the construction of new supply chains and trade routes designed to serve its economic interests by capturing the flow of raw materials from Asia and Africa and, thereafter, supplying finished products to the world.

Why the US enabled China to WTO?(3/3)



- As the British packaged their imperial design as a show of benevolence that the railways in India were built to benefit Indians, so does China too
- Technological Prowess : China's concerted effort to control and leverage the global data economy for itself.
- By globalizing its technological prowess — from building next-generation communications infrastructure and digital platforms to offering surveillance tools to authoritarian governments,
- China well-positioned to script future administrations and regimes around development, finance, and even war and conflict.

March to Rejuvenation



- ‘So what’ if China is rising?
- What is the great deal about it?
- Can we afford to be a silent spectator to China’s ‘march to national rejuvenation’ (read ambition of becoming World Super power)?

China & the US : A Contrast (1/2)



- In the past, the US too leveraged its pole position in the global economy, its military and industrial strengths, and its technological supremacy to build a world order that responded to its interests
- No equivalence between China & the US
 - Checks and balances in the US in the form of being a democratic society, conditioned by its electoral cycles, largely an open society and freedom of media,
 - No such checks and balances exist in China.

China & the US : A Contrast (2/2)



- The US withdrew, at the peak of its might, from Vietnam because of
 - intense media scrutiny
 - dramatically undermined public support for the war at home
- Will images of damage to the livelihood and ecology along the Mekong convince the Communist Party of China (CPC) to abandon its damming projects upstream?
- Will the thousands of deaths caused by Covid-19 within and outside China make it more transparent?
 - The answers : resounding in negatives.

Way Forward



- The next globalization era, increasingly underwritten by Beijing, may well be less free and less open than ever before
- To balance China's global ambitions, nations may opt to trade with geographies and nations where political trust exists, thereby fragmenting supply chains
- Indeed, India and the World should be ready for a new phase of **'gated globalization'**.

Before we move to 'Quiz'



**Any
Comment/Suggestion/Queries**



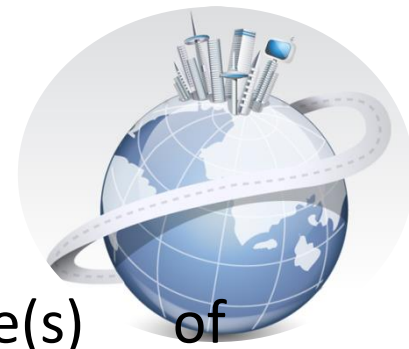
Quiz (1/3)



Quiz Question-1 : Globalization connotes

- a) Growing inter-dependence of the world's economies, cultures, and populations,
- b) Acceleration in movements and exchanges (of goods, and services, capital, technologies or cultural practices) all over
- c) Both a) and b).
- d) None of the above.

Quiz (2/3)



Quiz Question-2: What is/are advantage(s) of globalization?

- a) Greater market access makes more goods and services available to more people, often at lower prices.
- b) Increased output, augmented productivity, more jobs, higher wages, and lower costs of production
- c) Increased international migration leads to multicultural societies
- d) All above

Quiz (3/3)



Quiz Question-3 : What does 'National rejuvenation' imply in the context of China

- a) Be spiritual
- b) Live in peace
- c) wealth and power
- d) All above

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References



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Thank you