

De-Globalization to Re-Globalization: It's time for new Perspectives

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The Era of Globalization

We have all been a witness to the significant era of Globalization that helped in creating a boundary-less world allowing free movement and exchange of products, services, technology, capital, people and ideas across nations and continents. The gradual interlinking of various regions, countries and people has been one of the most positive developments in this era.

In past three decades, the process of globalization has helped in lifting millions of people above poverty, with the share of people living in extreme poverty in the developing world falling from 47% to only 14%.

The era has seen significant improvement in the quality of living. Average life expectancy rose from 48 to 71 years, albeit with difference between countries. Infant & maternal mortality rate has almost halved. The process of globalization has provided opportunities to underdeveloped parts of the world to increase their GDP; encouraged communities to acquire new skills, and given employment opportunities to people irrespective of their background across the continents. World trade has multiplied several times during this period.

Emergence of De-Globalization

However, we are now witnessing a different kind of upheaval in the past few years in social, economic and geopolitical spheres. Old paradigms are being replaced by new ones.

The world is changing from 'uni-polar' to 'multi-polar' one, with new power-centers emerging and alignments being made or broken. Regions are going through the cycles of economic crisis and recovery. There are more concerns about security of people and boundaries.

Yet, one particular phenomenon which has taken the policymakers all over the world by surprise has been the widespread disenchantment against the process and policies of globalization, which is now being termed as 'De-globalization'. There have been protests by working class even in developed countries. Media pundits have been proved wrong by the results of Brexit and US Presidential election.

According to Ruchir Sharma in his scholarly analysis in an article, Brexit was not as much a cataclysmic cause as a symptom; a manifestation of the anger unleashed as an after-effect of 2008 global crisis.

Many other independent and interdependent factors also contributed in development of an antiglobalization sentiment across nations. Fiscal crisis in Eurozone nations, oil & commodity price crash, unsuccessful rounds of multilateral trade negotiations, avoidance of countries into entering new trade agreements – all these factors have also contributed in building an atmosphere of economic gloom.

Slowdown in global economy since 2008 has further resulted in loss of jobs, unemployment and almost stagnation of incomes, thereby causing rise in inequality among sections of communities. Pumping out easy money to uplift the economy by Central Banks and Governments, in place of fuelling job growth & incomes, has resulted in accumulation of financial assets owned by rich individuals and corporations at the cost of wage increase of working class.

On one hand, the number of billionaires has been constantly on increase; stock markets indices are shooting up; while on the other hand, wages are stagnant or even decreasing in real terms. In a global survey by McKinsey Global Institute released in 2016, it was revealed that there were 65% to 70% households whose incomes stagnated or declined between 2005 and 2014. This is staggering compared to only 2% in 12 years before 2005. Hence, the people in these segments believe that global economy has not been good for them anymore.

This situation has provided fertile ground for eruption of dissent and a backlash against the process of globalization. In fact, the Brexit vote was more against the global elite and big business houses that received the maximum profits through free markets and open borders. When David Cameron went on canvassing to remain in EU, the argument given was that remaining a part of EU will be good for British economy. Because of high level of trust-gap between general electorate and the big business, the perception was that ‘whatever is good for the business must be bad for the common public’.

Lessons from History

It is not the first time that the process of globalization has to make a retreat. If we look back at history, similar trends cropped up twice during 20 th Century. Extraordinary four-decade period of rising migration and open trade came to an abrupt end with the outbreak of World War I in 1914. This was preceded by a period of rising prosperity where millions benefitted, but inequality also rose. This resulted into discontented lot turning to firebrand nationalists to be their savior by putting controls on free trade and movement.

This retreat of globalization continued for more than three decades, again resulting in weakening of economy and the great depression of 1929. The resentments fuelled by weaker economy and inequality again caused ultra-nationalist and anti-immigrant sentiments in Europe, culminating into the outbreak of World War II and the catastrophic loss of lives and property.

Once again, a similar phenomenon is before us. The hectic pace of progress achieved in period after 1980s through another wave of globalization that was further strengthened by the technological advancement and which brought people nearer. However, the financial crisis of 2008 caused slowdown and provided ground for rise of inequality and unemployment.

Once again, we are witnessing an uprising of populism, protectionism and a backlash against globalization. Again, the borders are being sealed, autocratic leaders emerging, anti-immigrant & antiminorities sentiments gaining momentum. Ultra-nationalist forces are at work in exploiting the frustration to their advantage by blaming neighbours or migrants for loss of jobs and advocating for harsh actions, including armed interventions.

The symptoms of present state of retreat of globalization are frighteningly similar to the first two waves of retreats which had resulted into World Wars, followed by still worse economic conditions, thereby further deepening the crisis. It's time we learn from history and take necessary corrective steps.

It is rightly said, “Those who do not learn from history are condemned to repeat it.”

Different Dimensions of De-Globalization

Apart from the unexpected results at political levels, the aspect of de-globalization has many more related dimensions which need detailed attention and analysis. Brexit and de-globalization protests had a Domino effect resulting into rise of ultra-nationalist sentiments. Right-wing leaders and political parties are able to exploit the frustrations of working class for their political advantage. They are busy in convincing the local population about immigrants stealing their jobs and causing social unrest. This propaganda has found much ground in US and European countries like Germany, France, and Netherlands. Even countries like Bulgaria and Hungary are resorting to tough immigration laws.

One of the important aspects is an anti-establishment revolt that was brewing in the minds since the 2008 crisis. Out of 30 major elections in democracies after 2008, only one-third incumbents have come back to power. Also, popularity ratings of incumbent leaders have dropped significantly after 2008.

There are several other side-effects of de-globalization trend. The millennial youth born in an age of prospering globalization and abundant opportunities, seem to feel lost and unable to cope with the changing times. Their personal lives and jobs have been greatly affected due to sudden rush for protectionism and closed borders.

Another impact among these millennial sections has been fast erosion of faith and respect for the democratic process of governance. They are disenchanted with the widespread corruption among political leaders, criminals getting elected, influence of money and muscle power in elections, merit giving way to caste & religious preferences and ineffective governance unable to solve basic problems.

In a study at Harvard, it was shocking to note that percentage of people, especially young ones, who prefer authoritarian leader rather than democratic one has significantly increased in past two decades. They would like to support a strong leader who doesn't care for norms, parliament or elections. Although this trend is being observed in almost all democracies, it is frighteningly higher in countries like Russia, Romania, India, Ukraine, Philippines, Pakistan, and South Africa. In another survey, respondents in US and Europe belonging to 16-24 and 25-34 age groups have expressed the opinion that democracy is rather a bad way to run their country.

Another effect noticed among young generation has been an indifference towards national issues and declining interest in politics. Such a scenario becomes a fertile ground for military interventions or groups with vested interests taking over the reins and autocratic leaders slowly damaging the democratic institutions and processes. Such dissatisfaction and indifference may pose serious challenges in future to reestablish the democratic norms.

Myths about Globalization

Perhaps, globalization has been the most debated, hated and least understood phenomenon in past three decades. In spite of the benefits earned from globalization process, the wave of anti-globalization anger has been sweeping across continents. Yet, it requires a detailed analysis whether the perceptions and presumptions of people about impact of globalization are well-founded on facts or not.

As America is now reeling under this anger and protests, let us have a reality check on how much globalized America has really been so far. In a classic article, “Is America enriching the world at its own expense? That's Globaloney”, the authors Dr. Pankaj Ghemawat and Dr. Steven A. Altman insist with data that America is far less buffeted by international trade, immigration and other aspects of globalization than is normally assumed by American people. The authors have termed this practice of overestimating the level of globalization as ‘Globaloney’.

As per data in the ‘DHL Global Connectedness Index, in 2016, US ranked 100th out of 140 countries surveyed. US had imported just 15% of goods and services for its gross domestic consumption in 2015.

Another revealing data: Just 3% of money spent in US goes to imports from China, while it is normally assumed that everything used in US is from China and all money is going to Chinese firms. Even in case of immigrant population, US ranks 27th in metric of first-generation immigrants with the figure being only 14% of US population.

As highlighted in the paper by Ghemawat and Altman, we all have exaggerated assumptions about the level of global trade. Only a fraction of food products produced is traded internationally on a global basis. Rest all production is still consumed domestically.

In reality, these are the domestic policies like distribution logistics, local taxes, region-wise consumption, labor regulations etc. that have more profound impact on the prices and availability of necessary products. Even the level of inequality is affected by these factors, and by the technological changes.

Moreover, the trade relationships between communities and countries depend more upon the distances involved, geographical patterns, time zone, and language used than on economic policies being pursued by countries under the process of globalization.

Evaluating correctly since 19th Century, technological advancements and automation have cost many more jobs than immigration or international trade. In reality, globalization has actually been a helpful tool for solution of the same economic & social problems, for which it is now being blamed.

Responses to De-Globalization

Misperceptions about globalization among masses have been further fuelled by political rhetoric. The response of Governments and political leaders to this spate of de-globalization has only deepened the self-destructive trend. Inward-looking policies have put restrictions on imports, immigrant workers, and flow of capital which will further aggravate the woes of people. In fact, the anti-immigrant sentiment is going to cause greater harm to the developed countries that are having shortage of working-age group population.

It is ironical to see that the erstwhile champion of capitalism & free market, the USA under Donald Trump’s administration, is now advocating policies like ‘America First’, planning for construction of walls at its southern border, curtailing visa quotas, blocking immigrants and travelers from specified Muslimmajority countries and withdrawing from international treaties and groups. In fact, the US Presidential election itself was won riding on the popular misconceptions about impact of globalization and promising to ‘Make America Great Again’ by withdrawing from its usual economic and geopolitical policies so far.

On the other hand, a Communist country, China is strongly advocating for continuing the process of globalization. President Xi Jin Ping emerged as a champion of globalization at World Economic forum Meeting at Davos in January 2017. He insisted that despite western backlash, globalization still had the power to transform people’s lives for the better. Xi made it amply clear that China is willing to leadinternational society towards a more just and rational world order through a revised form of globalization.

Former IMF Chief Christine Lagarde, who had already cautioned leaders about coming backlash due to rising inequality four years ago at Davos, has again emphasized on shaking up our governance models and conduct more analytical work before going back on globalization.

It's Time for Re-globalization

The ‘Rewind’ button on a tape recorder should not be taken as ‘Stop’ button. Hence, there is no point in Reversing the process of globalization. What is needed is the Revising or Redesigning Globalization to incorporate the learning of the past three decades and make it more inclusive and sustainable.

Today, although Governments have to do the fresh thinking, but private sector and business cannot shun its role and responsibility in reshaping the process of Globalization. There is thus an opportunity to advance a new kind of capitalism – Inclusive Capitalism – that does not just work for increasing profits but also creates more opportunities for everyone to be a part of this process.

Governments have to redesign their economic policies keeping in mind the diverse needs of its people in different regions and income levels. Business has to work for higher purpose of solving community problems through more value addition. Their survival will depend upon the solutions they provide, the employment they generate and the role they play in uplifting the society.

One of the major lessons being learnt through the wave of de-globalization is the disconnect between the elite & wealthy class people living mostly in cosmopolitan cities and their fellow citizens living in towns and smaller cities, whose incomes were stagnating and who faced the negative impact of globalization process on their jobs. That's why it took all the media pundits and cosmopolitan people by a huge shock when the result of Brexit came, followed by the defeat of favorite Hillary Clinton in US Presidential race. Both these events brought to the fore the so far ignored sentiments of working class.

Why this disconnect?

People are feeling disenchanted to see that decisions affecting their own lives, jobs, incomes and children are being taken by people who are not like them, sitting in faraway places either in multinational boardrooms, foreign banks, capital cities, or in corridors of power. They felt lost and cheated. These people availed the chance provided by referendums to ‘take back control’.

Hence, in the light of above, it is utmost important to find ways to return power to the people by involving their representatives in decision-making on issues of their concern. The regional disparities in terms of resources and requirements must be kept in mind by providing some amount of flexibility in policy designing and implementation.

It’s time to deflect investments and resources to those areas or regions that have been left behind, beginning with education and skill development. Appropriate level of technological advancement must be imposed in different regions and jobs. Impact of automation and the Fourth Industrial revolution must be carefully monitored to create more opportunities rather than taking away jobs. This may require ‘re-skilling’ too.

It’s time, rather than trading products to distant lands for consumption, investments are moved to the lands where these products are needed and customers’ lives can be improved by them. This will also provide ample job opportunities to the local populace.

Also, it’s time to redesign policies to be Region-centric that have so far been Western-centric only. The ‘one-size-fits-all’ kind of economic policies will not work in all regions. It’s not only the economics that has to be revised, but also our models of governance. Let inclusivity and equality of opportunity be the guiding principles of our governance models.

Re-globalization would not only save the process of globalization but also the spirit as narrated in ancient Indian scriptures as “**Vasudhaive Kutumbakam**” (**Whole World is One Family**).

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