

Deglobalisation: Challenges and Opportunities for India

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In an era where the adage “Trade can make everyone better off” has underpinned the global economic philosophy, Deglobalisation is appearing as an alternative for Globalisation, a term to denote the decreased interconnectedness of economies.



Citing models ranging from Ricardian to Heckscher-Ohlin, one can see how different entities trade with each other to enjoy the benefit of comparative advantage- the idea that a particular region can achieve specialisation to enhance overall terms of trade and efficiency. This interconnectedness fostered Globalisation; a term used to describe the increased dependence of economies on each other. Economies were benefitted for several years by this arrangement. However, this global interdependence sparked a counter- movement in economies, particularly EMEs, as they started to harbour a desire for self-reliance yet again. The seismic shocks of 2008 and COVID-19 pandemic gave the world some bitter memories which ushered the world to look for alternatives, and Deglobalisation among all has appeared to be the most promising replacement for Globalisation. The evolution of Deglobalisation has put India and other developing economies in a spot of ambivalence. On one hand we wish to promote self- reliance by encouraging our domestic industries but on the other, we also like to use technology from foreign nations.

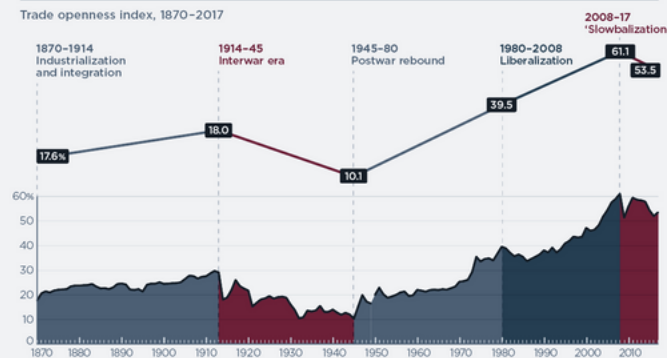
The world witnessed a phase of Hyper-Globalisation during the period of 1990-2008. The gross domestic product (GDP) per capita in low- and middle-income countries has more than doubled in real terms since then.

However, it has been observed that this growth has led to an increase in inequality. According to a UNDP report titled ‘Humanity Divided’, the world is more unequal today than it was at any point since World War II. The report also states that about 75% of the population lives in societies where income distribution is less even now than it was in the 1990s. According to estimates the richest 1% of the world population owns about 40% of the world’s assets, while the bottom half owns no more than 1%. Adding further, international organisations like WTO have lost their credibility in the minds of several nations. It has been observed that they are either too powerful or too weak, further fuelling the prospects of Deglobalisation. The COVID-19 pandemic revealed the fragility of global supply chains. The world witnessed how the idea of “Europe as a single unit” crumbled quickly under the onslaught of the pandemic. For instance, Italy was denied the supply of essential health supplies by its neighbouring EU countries. This highlighted the risk of relying entirely on global supply chains for essential commodities.

Partial Deglobalisation might provide opportunities for India to strengthen its domestic industries by reducing reliance on imported goods and services. This could lead to the growth of local businesses and increased self-sufficiency. Policies like Make in India (2014) and Atmanirbhar Bharat (2020) might help the nation in doing so. Deglobalisation also gives India an opportunity to redefine contours of global trade while promoting its own national interests. As Deglobalisation prompts countries to look beyond their traditional allies, India can seize this opportunity to proactively engage with the emerging economies of Asia, Africa and Latin America. This will enable India to tap the untapped markets with large consumer base, leading to innovation, entrepreneurship, technology adoption etc. This can enrich the human capital via adoption of new methods and ideas. India can also position itself as an attractive option for companies looking to relocate their bases from hubs like the USA, China etc. A more localised approach may encourage sustainable practices and environmental responsibility, as there could

Globalization is in retreat for the first time since World War II

Trade openness index, 1870–2017



be increased emphasis on resource efficiency and reduced carbon footprint. India can encourage its producers to adopt eco-friendly techniques of production and boost its export sector by promoting the export of sustainable products.

It is expected that Deglobalisation will reduce the income divide through policies that provide impetus to indigenous manufacturing and self-reliance. In the Indian context, this might increase the share of manufacturing in GDP and thereby employment in the Indian economy. However, there is a huge risk that it may reduce the income levels of both rich as well as poor resulting in higher poverty headcount. Deglobalisation will lead to lesser trade with foreign nations and hence the blossoming Indian export sector will suffer, leading to job losses. Additionally, in a deglobalising environment characterised by protectionist measures and inward-looking trade strategies, the barriers for Indian exporters to trade with the rest of the world have risen.

With a comparatively low level of technology, it will be difficult for Indian businesses to compete with other nations. Currently India is dependent on developed countries for several technologies like oil and petroleum extraction equipment, electronics and semiconductors, certain high tech aerospace components etc. Any disruption in the supply of these products will make Indian companies in these sectors suffer. For instance, most of the semiconductor production is concentrated in a handful of countries like Taiwan, South Korea, Japan and the United States. Similarly in the case of crude oil production, the leading 3 countries are USA, Saudi Arabia and Russia. Introduction of trade barriers by these countries will increase the import costs of raw materials, leading to a surge in the prices of commodities like electronic gadgets, petroleum products etc.

Deglobalisation as a structural policy framework brings a mixed bag of emotions for India. On one hand it unveils countless opportunities in the form of achieving self-

reliance and on the other, it poses challenges in navigating a more fragmented global economy. Striking a balance between autonomy and global engagement becomes crucial in this evolving landscape. A middle ground is the need of the hour and a gated globalisation could be the preferred option, as the author doesn't see the possibility of absolute Deglobalisation, but rather a 'Slowbalisation' process with India paving the path for other nations to follow, in the decades to come.



Anuj Tiwari, Batch of 2027

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