



De-globalisation and Implications

What is the issue?

\n\n

\n

- The US-China trade tussle is perceived to be potential of becoming a trade war. Click [here](#) to know more.
- This is raising global fears of a possible slowing down of the global economic recovery, due to de-globalisation.

\n

\n\n

What is de-globalisation?

\n\n

\n

- "De-globalisation" refers to the trend of countries going back to "national interests first" attitude in trade and economic policies.
- This often takes the form of tariffs or quantitative barriers.
- They in turn impede free movement of people, products and services among countries.
- The idea behind all this protectionism is to shield local manufacturing by making imports costlier.
- The recent tariff decisions by US, China and later the European Union's 25% duty on certain US products reflect the trend.

\n

\n\n

What are the implications?

\n\n

\n

- **Cost** - Tariff wars are just one aspect of de-globalisation policies.

\n

- There are other implications that can cost countries.

\n

- E.g. Britain's divorce with the EU is estimated to cost companies on both sides \$80 billion a year without a trade deal.

\n

- **Trade network** - The world continues to remain highly globalised.

\n

\n\n

\n

- Given this, protectionist moves may overturn the fundamental premise on the basis of which global growth is estimated and organisations such as the WTO regulate global trade.

\n

- Large, industrialised and prosperous nations are breaking ranks to erect new entry barriers for goods and services.

\n

- This can drastically impact the fortunes of their many trade partners.

\n

- **Economy** - All calculations of global economic growth, inflation and interest rates may get collapsed.

\n

- E.g. the US economy imports a lot of inexpensive manufactured goods from China.

\n

- If a tariff war increases costs of imports into the US, its domestic inflation may rocket and US interest rates may increase faster.

\n

- The recent global bull market is grounded on a global recovery.

\n

- De-globalisation can significantly impact this optimism.

\n

- **People** - The US and the UK have already made immigration norms very stringent for outsiders.

\n

- So the wave of de-globalisation now evident in trade can potentially move to the people as well.

\n

\n\n

Will it affect India?

\n\n

\n

- India may not be much affected by the recent tussle over tariffs.
- \n
- As US derives only a little over 1% of its steel and aluminium imports from India.
- \n
- However, de-globalisation with respect to the mobility of services and people is certainly a cause of concern for India.
- \n
- It can impact both the export of services, and the trend of Indians migrating abroad for higher education and jobs.
- \n

\n\n

\n\n

Source: BusinessLine

\n



IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative