

Destination of Globalization in the 21st Century

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ABSTRACT: Globalization has a profound significance in world economy as a unifying force with historic tradition. Globalization emerged with discovery of trade routes and exchange of merchandises between nations. Trade had been looked upon as engine of economic growth. It was followed since time immemorial. Silk route is a great testimony of trade dated back to second century BC to 14th Century AD. The huge trade operation of yester years stretched from east, to central Asia and traversed western part of the world. There are the artefacts and evidences of other ancient trade routes connected civilizations of old world and exchange of customs, commodities and concepts continued unabated. World trade body GATT and its successor WTO championed the necessity of trade elaborately. WTO since its inception in 1995 struggled hard to develop collaborative, competent, cooperative trade facilities among nations. Trade proliferated by leaps and bounds in 90s and in first decade of 21st century. Standard of living ameliorated for millions on earth due to globalisation, but it was criticised for massive income inequality, dominance of multinationals, environmental damage, cross border of terrorism, spread of communicable disease, and contagion effect of economic crisis. The scepticism about globalisation led to rise of nationalism, trade restriction and separation from economic union. Trade war between two economic giants, Brexit and geopolitical tension in Middle East in recent time cast a shadow on multilateral process. Globalisation is on the cross road as advanced economies are believing in alternative measure with technological advancement and innovation. Recent COVID 19 episode debilitated trade prospect and collaborative ideology to great extent. It is unclear when golden period of globalisation will return again.

KEYWORDS: *Autarky, competitive advantage, Economic impact, Free Trade, Liberalisation policy, Market access, Protectionism, Trade war, WTO guidelines*

I. INTRODUCTION

Globalisation worked well for several economies for considerable period of time. There is long-drawn history of this integrative-collaborative phenomenon. Globalisation can be traced back to ancient time of silk route continued from century second century BC to 14th Century AD. We get the history of trade and transaction for civilization of yester era such as Babylon or Sumerian and Indus valley etc. Globalization completed three phases already. In the current digitised world, it is prevalent in globalisation 4.0 form. Globalization gained a great momentum during industrialization period, made a giant stride during post world war scenario and reached a dizzying height at the end of cold war period in 1990s. It faced a serious jolt during war against terror after collapse of World Trade centre in 2001 and confronted formidable challenges during global meltdown during 2008 recession. Subprime loan crisis and housing bubble burst brought US economy down to its knees. The contagion effect of global recession was pervasive and affected developed and developing nations to great extent. Subsequent sovereign debt crisis in euro zone in 2010 created another ripple effect of economic downturn. Both showed the vulnerability of financial sector, fallacy of

policy measure, slackness in regulatory exercise and rampant malpractice with taxpayer's money. Recent COVID 19 has dealt a damaging blow to globalisation process. Trade restriction and travel ban wrecked havoc for commercial activities, supply chain mechanism and export dependent economies. More countries such as nations of Western Europe are turning inward and indulging in reinforcement of indigenous market and domestic consumption at the time of global pandemic in 2020.

OBJECTIVES OF THE STUDY

The principal objectives of the research paper are deciphered below-

- i. To describe about emergence of globalisation as global economic phenomenon
- ii. To highlight the challenges of globalisation in recent time and uncertainty in future prospect

II. METHODOLOGY

The Descriptive, exploratory and analytical methods were adopted to carry out research operation on aforesaid topic. Secondary sources from reliable origin had been explored extensively to present the historic journey of this integrative

global phenomenon. Effort has been made with assimilation of information from books, write up in business magazines, newspaper articles, web publications of authentic credibility to narrate globalisation as an age old economic ideology that rode the crest of time since mid of 20th century and faced an unprecedented obstruction due to multiple adverse forces such as trade war, geopolitical tension, rise of populism and undoubtedly with outbreak of novel corona virus. The theoretical support has been taken from propositions and principles presented by eminent economic thinkers. Theory on mercantilism focussed on trade during colonialism. Adam Smith and David Ricardo opposed that detrimental process and made trade without restriction and discrimination critical in their proposition. Resource endowment played a pivotal role in production technique, competitive advantage and value creation which had been highlighted by Swedish economist Bertil Ohlin and Eli Filip Heckscher. Research paper focussed on theoretical significance in practical collaborative approach. Institutional roles were also highlighted in unification process with reference to IMF, UNCTAD and WTO. Government policy outlook was also judged to see how far it supported or obstructed integrative framework. Assessment and analysis of the fact has been conducted to illustrate present status and future prospect of globalisation. Further research is possible to align new development in this stream of study.

III. LITERATURE REVIEW

In the article 'Globalization is not ending, it's changing' by Arindam Bhattacharya, Rajah Augustinraj published in Live Mint dated September 22nd, 2017, authors mentioned about gradual spread of consumerism, technology transfer, cross border trade, tourism and mobility of resources in last three decades. They were in denial that globalisation would expire irrespective of surge in nationalism and protectionism in some parts of the world. He asserted that globalisation is in transformation with internet connections and digital technology. Authors referred that global business like Uber, Netflix, Airbnb would do a great business in connected world. They were sanguine about new world order in globalised set up depending on connected consumers, interlinked communities, modern devises and sophisticated machines. They also predicted about heightened flow of data and ideas which are needed to be monitored.

In the article 'The False Dichotomy Between Globalism and Nationalism' by professors David A. Waldman and Mansour Javidan at Arizona State University published in Harvard Business Review(HBR) in June 2020, mention of worldwide approval of globalisation by government officials, academicians and corporate executives remained evident owing to rise in GDP in developed and developing nations, expansion of job opportunities, intensification of economic integration and interdependence among nations

and rise in remittances by expatriated labours. They referred about corporate priority to inculcate global mindset by top brass executives. Authors didn't make a qualm about new trend of rising nationalist sentiment and protectionism on account of global uncertainties triggered by pandemic, trade war, economic slump. Populist leaders exerted effort to restore outsourced jobs and encouraged people to buy indigenous merchandises. They highlighted dilemma that lies on citizens and executives of several geographies to select between globalism or nationalism as they appear to be diametrically opposite but equally important. Examples are cited to highlight the dichotomy of extreme philosophies in case of manufacturing of personal protection equipment PPE and vaccine to tackle pandemic menace. As per them, harmonisation of both global and national concerns at the time of decision making and action plan determination would unequivocally become beneficial.

In the article 'The Next Era of Globalization Will Be Shaped by Customers, Technology, and Value Chains' by James Manyika and Susan Lund published in HBR in February 2020, analysis of McKinsey survey of global executives narrated lucidly. The worry of global CEOs revolve around tariff rate and trade war in today's fragmented setup. Global investment strategies are on transformation. The old concept of cheap labour force and low cost of production might not work well in future as aspiring people with rising purchasing power crave about better lifestyle. Western multinationals will face road blocks from eastern counterpart with rise in nationalist sentiment. Modern Technology, digital platform and logistic services will create new wave of competition. There is mention about boom in tech driven service sector in advanced market. Business model will be prepared on the basis value chain based operation facility and competitive edge.

In the article '5 hidden ways that globalization is changing' by Jeff Desjardins published in Mckinsey featured insight in January 18, 2019 and later reproduced in WEF in Feb 14, 2019, we found the distinct pattern of transformation in globalization framework. There is mention about radical change in global supply chain. Global export as a share of gross output shrunk over a decade. Trade volume growth receded noticeably since global recession in 2008. Surprisingly developing nations are consuming in excess of their production. Trade in service has accelerated and outpaced merchandise trade in last decade. Labour cost arbitrage has become ignorable as only 18 percent of goods are traded from low wage to high wage nations. R&D and innovation in the stream of intangible assists like software technologies, brand management, intellectual property right are becoming focus area. International trade has subsided to interregional trade with the rise in concern about proximity to customer and vicinity of market for companies.

In the book”, ‘The Levelling: What’s Next After Globalization; by Michael O’Sullivan published by 2019, author is concerned about demolition of old order and shift in centre of gravity due to sweeping changes in society, economy and outlook of people. Anxiety about looming uncertainties resonated in his narration. He sounded hopeful about ingenuous ideology and framework that can bring a whiff of fresh air for political system, policy making exercise and economic progress. He referred about hyper-connectivity, role of infrastructure in promoting economic growth, rise in power of central bank across geographies and legal stature of genetic engineering in 21st century. The fear of revisiting great depression of 1930 presented as a warning as there are pressing issues like inequality, teetering democracy, indebtedness of nations, growth with scanty productivity and miniscule wage growth rate in advanced economies. In his narrative, recent proceedings of Brexit, Trump ascendance to power and rise of right wing political parties across Europe, Chinese aggressive stance delineated as prime causes to stir up turbulence in global landscape.

IV. HISTORIC PAST OF GLOBALISATION

Globalization can be traced back to ancient history and it emerged as a unifying collaborative process since its inception. Silk route bore the evidence how long extended route from China to Europe continued trade with exchange of goods, assimilation of culture, awareness of new philosophy and acknowledgement of new ways of life. Silk route was pursued by Mongols in eastern Asia and Romans from Europe in 13th and 14th century. It discontinued with outbreak of devastating Black Death in Europe in 14th century which suspected to spread from East Asia to Europe and Scandinavia. At the end of medieval period, Age of discovery sustained the exploration and trade process from 14th to 17th century. Old Roman Empire fell with collapse of Constantinople and expansion of knowledge continued all through renaissance and reformation in Europe. People of Asia, Africa and American came into contact with people of Europe who were in vigorous search of new territory and wealth. European explorers discovered new route and built trade relationship. They were empowered with new technologies and lethal weapons. By 1600, European countries succeeded to establish colonies in overseas countries across continents. Mercantilism was practiced by powerful European nations from 16th to 18th century with an objective to be invincible and wealthy at the expense of impoverishment of colonial states. Government regulations in European nations encouraged producers like East India Company, merchants and traders to augment export and restrain import. Barter system was replaced by metallic monetary systems, specifically gold and silver. Shipment of gold from new world aka colonies in captured territories to homelands like, Spain, Portugal and Britain considered crucial for enrichment and empowerment. Colonies were

prohibited from manufacturing of goods and continued as raw material suppliers and market for finished goods from Europe. Classical economist Adam Smith condemned this trade practice as unsustainable and purely a zero sum game that denuded colonial wealth to serve the prosperity of mercantilist nations. It was diametrically opposite of laissez-faire or free market doctrine. Mercantilism served well for European nations and England gained supremacy with its manufacturing prowess and financial power, Napoleon war of 1803-1815 and American revolutionary war from 1775 to 1783 brought an end to military conflict in Europe and culminated mercantilist policies that defended it. Industrial revolution (1760-1830) that originated in Britain heralded a tremendous change in production process. Use of new technologies and inventions such as steam engine, electricity, internal combustion engine and new machines like spinning jenny and the power loom increased production and relieved human exertion. Factory based production facility created new paradigm of division of labour and specialisation which catapulted higher production and subsequently export oriented economic growth. Many European nations followed footstep of Britain and industrial revolution featured in Belgium, France and later in Germany. International trade flourished since dawn of industrial revolution although it favoured industrially developed nations. World War I (1914-18) disrupted trade momentum severely in the backdrop of rise in militarism, upsurge of nationalism, imperialistic hegemony, territorial disputes among European nations and power vacuum triggered by downfall of Ottoman Empire (1908- 1922). Trade was restored after signing of Treaty of Versailles on 28 June 1919 and bolstered with harmonious relationship propagated by the League of Nations since its emergence in 1920. Although wave of communist revolutions in several European nations from 1917-20 and Russian revolution of 1917 sustained tension in global firmament. Loss of territory and regain of independence kept the world busy post World War I. Great depression of 1929 sent a shockwave across the world and impacted American economy badly. After long drawn recovery, a world encountered another surprise. Rise of Nazi in Germany, expansion of fascism in Italy brewed turmoil and with the invasion of Poland in 1939 World War II started. Prolonged war between allied force and axis power disturbed economic cooperation and disrupted trade possibility substantially. Post war period since 1945, huge effort was exercised by US to reconstruct war ravaged Europe. Bretton Woods Conference (July 1944) attendees proposed about institutional facilities for financial support and monetary cooperation. International Monetary Fund and International Bank for Reconstruction and Development (Transformed to be World Bank) came into existence in 1945. Trade found a governing body with establishment of General Agreement on Tariffs and Trade (GATT) by participation of 23 member nation in Geneva conference in 1947. It

proactively promoted trade without discrimination and remained active in resolve of trade disputes since inception. Globalization got a new momentum once monetary cooperation was confirmed and trade procedure normalised. Cold war between US and USSR since 1945 till dissolution of Soviet Russia in 1990 and Oil Embargo due to Arab Israel War (1973-74) created some setbacks in multilateral framework and trade relationship. Post 1990 globalisation reached a new peak with accentuated cooperation and collaboration among all member nations of GATT. WTO replaced GATT in 1995 and made comprehensive plan for free and fair trade, enhancement of trade capacity and protection of intellectual properties. Globalization process was always revived and promulgated by stalwart institutional facilities of the world by the end of 20th and also in 21st century.

V. ESSENCE OF GLOBALISATION AND ITS IMPLICATION

Globalisation is an integrative collaborative approach. It witnessed several tumultuous moments in the memorable history. This economic interdependence is much broader than international trade and foreign direct investment. It encompasses exchange of ideologies, access to market, labour mobility, technology transfer, and capital flight, promotion of regional culture, spread of education, territorial integrity, and unified effort for scientific discovery and technological innovation. There are four facets of globalization. Firstly globalization of market that concerned about unification of markets across geographies through dismantling of tariff and non tariff barriers. Globalisation of production is the one that stresses on installation of production units in locations as per availability of favourable factors for MNCs. Globalisation of investment where risk mitigation is feasible through investment diversification across asset class in various markets and finally globalisation of technology that supports availability of new, sophisticated technology from advanced to developing and also to less developed economies. International trade and investment had always been viewed as engine of growth Adam Smith was ardent proponent of free trade that reflected in his absolute advantage theory (1776). His successor David Ricardo strongly advocated about trade oriented economic growth with comparative cost advantage hypothesis (1817). Trade had always been supported by classical economists in their fascination about *Laissez faire* notion. Harvard economist Michael Porter propounded Competitive Advantage theory (1985) in support of free market and cross border trade. Swedish economist Bertil Ohlin and Eli Filip Heckscher presented their international trade theory on the basis of factor endowment (1933) and received wide acclaim for it. Wolfgang Stolper and Paul Samuelson further worked on it and came up with Stolper-Samuelson theorem (1941). English economist Tadeusz Rybczynski also expounded

international trade in the light of Rybczynski theorem (1955) where he struck a relationship between factor endowments and outputs. Heckscher-Ohlin theorem had been disputed by American Nobel laureate economist Wassily W. Leontief in his proposition 'Leontief Paradox' in 1953 but value of international trade was not downgraded. Globalization was insignificant after WWII when countries in Asia and Africa gained independence. It gained traction since 1980s when several economies adopted liberalisation policy and open up market gradually for foreign goods, capital, investment and technology. Asian tigers such as Singapore, Hong Kong, South Korea, and Taiwan made astonishing economic progress between early 1960s to 1990s with rapid industrialisation and infrastructural development through foreign capital and export oriented policy measure. American economist Theodore Levitt popularised the term 'Globalisation' with publication of article 'The Globalization of Markets' in HBR May 1983 issue. Time and again, economists of the world cast their support in favour of free market capitalism and liberal democracy.

Heaviest blow to integrative interdependence approach came during Asian economic crisis of 1997-98 when multilateral framework wrecked havoc for South East Asian nations which underwent currency devaluation, capital outflow and economic deceleration. Contagion effect impacted Russian and Brazilian economy also. Dot-com bubble burst in US in 2001-02 with meteoric rise of tech companies and steep downfall caused much pain for investors and globalisation faced a backlash. It had been aggravated by accounting fraud by energy giant Enron in October 2001 and the telecom behemoth WorldCom's financial irregularity in June 2002. Formidable terror strike on US on 11th September, 2001 and subsequent retaliation on Afghanistan elicited global uncertainties. Major disruption to globalization happened after subprime loan crisis in US in 2008 and subsequent European debt crisis in 2010. Global economic meltdown had a catastrophic impact on financial system, economic activity, and social life in last decade. Trust on globalisation plummeted with horrendous contagion effect. Isolationism and protectionism evolved as a viable alternative. This de-globalisation sentiment had been fanned by right wing populist leaders who sold promise of protection to domestic industry, stonewalling borders from migrants and creation of jobs for domestic workforce.

VI. FUTURE PROSPECT OF GLOBALISATION

Globalisation is at critical juncture and the prospect is mired by global recession of 2008, trade war between economic giants since 2018, and geopolitical tension due to North Korea's nuclear program, US Iran proxy war on nuclear arsenal, populism and public dissent in Latin America, political standoff between Russia and West,

Chinese unlawful incursion in neighbouring territories, authoritarian regimes in sub Saharan Africa, terrorism in Afghanistan and Pakistan and social uprising in Middle East and North Africa. Outbreak of global pandemic with spread of COVID 19 struck the death knell in the coffin of globalisation. Since outset of year 2020 it continued to spread from China to rest of the world. Lockdown and social distancing stopped economic activities, restricted travel, trade and tourism, disrupted global supply chain, closed down businesses and sent economy into tailspin. Globalisation is stuck in downward spiral and recovery seems a far cry with rise in scepticism and cynicism across the globe.

VII. CONCLUSION

Globalisation acted as a driving force economic progress through unification of economies, policy liberalisation, collaborative interdependence and seeking prosperity in shared world. The effectiveness of this concept had always been measured with pros and cons. Globalisation transformed several economies across all continents with access to market, technology transfer, capital investment, resource utilization and system upgradation. The benefits of them were reflected in overcoming poverty, upliftment in standard of living and getting access to multiple products at affordable price. Market imperfection was addressed with massive progress of information and communication technology. Better connectivity, cheaper communication facility, cost-effective transportation, superior entertainment, exquisite products through heightened competition, new investment avenues and myriad of services had been presented as an outcome of globalised system. Globalisation driven market economy became a viable model for majority of nations. Prospect is brightened with arrival of digital network and cyber connectivity. Global multinationals are hopeful about digital transformation which will bring another wave of globalisation. But all are not smoothly sailing in placid lake. Thorny issues are disturbing and destabilizing globalization process. Critics have complained about rise in terrorism, spread of communicable disease, loss of biodiversity, dismantling of ecological balance, massive environmental degradation, loss of revenue to govt. exchequer, yawning income inequality and prosperity of affluent nations at the expense of impoverishment of backward countries. Globalisation slowed down since global recession of 2008 and further diminished by rise of populism, protectionism by western advanced economies, lingering trade war and devious geopolitical tension. Recent COVID 19 episode has further debilitated globalisation prospect with trade restriction, supply chain disruption, immobility of people and economic deceleration. Once folly of protectionism spell trouble and people will get disillusioned with populism propaganda, luminous rays of globalisation will shine through clouds of uncertainties and imperfections.

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