De-globalisation and Implications

What is the issue?

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

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

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

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- There are other implications that can cost countries.
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- E.g. Britain’s divorce with the EU is estimated to cost companies on both sides $80 billion a year without a trade deal.
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- **Trade network** - The world continues to remain highly globalised.
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- 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.
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- Large, industrialised and prosperous nations are breaking ranks to erect new entry barriers for goods and services.
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- This can drastically impact the fortunes of their many trade partners.
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- **Economy** - All calculations of global economic growth, inflation and interest rates may get collapsed.
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- E.g. the US economy imports a lot of inexpensive manufactured goods from China.
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- If a tariff war increases costs of imports into the US, its domestic inflation may rocket and US interest rates may increase faster.
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- The recent global bull market is grounded on a global recovery.
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- De-globalisation can significantly impact this optimism.
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- **People** - The US and the UK have already made immigration norms very stringent for outsiders.
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- So the wave of de-globalisation now evident in trade can potentially move to the people as well.
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Will it affect India?

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

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