End of globalization – Is India prepared?

Mains: *GS-II – International Relations*

Why in News?

Earlier this month, President Trump said India cut Russian oil imports to please him and warned of more tariffs if displeased, this shows trade is now about power, not cooperation—countries with surpluses are seen as strong, and those with deficits as weak.

What is Globalisation?

- **Globalisation** – It refers to the growing interconnectedness of economies, cultures, and populations across borders, driven by trade, investment, technology, and movement of people.
- **Political context** – It is defined as how governments ran markets and societies, and how they engaged with each other and with networked global institutions that they had established.
- **Origins** – While trade and cultural exchange have existed for centuries, the modern wave of globalisation accelerated after the Cold War in the 1990s.
- **Key drivers** – Technological advances, economic liberalization, free trade agreements, political cooperation, multilateral institutions, social and cultural exchange through media and migration
- **Globalisation's Relevance Today –** Globalisation is being questioned as nations shift toward protectionism and mercantilism, but it still shapes everyday life through products, services, and digital networks.
- It came to be associated with liberalism, democracy, and global cooperation. That system is now over.

What are the past and present status of globalization in the world?

- **Early Globalisation: Built on Force**
  - Wealth accumulation in the industrialised north was on the backs of domestic resource exploitation and overseas resource extraction.
  - Trade was unequal and coercive, not genuinely free.
- **Mid-20th Century: A New Order Emerges**
  - As the rest of the world found its voice and war had ravaged the industrialised countries, it was time for a new order.
  - Sovereignty spread faster than democracy.
  - Global institutions like UN, Bretton Woods bodies, were birthed to offer a normative framework to manage international affairs.

    - Even unilateral actions were justified in terms of democracy, stability, or humanitarianism.
    - The legitimacy of the system depended on restraint, which is now been abandoned openly.
- **Assumptions of the Global System** – This global system rested on several political assumptions
    - open markets,
    - free movement of capital but not people,
    - cross-border enforcement of contracts,
    - negotiations over management of shared resources.
- **Outcomes –** For a while, these assumptions seemed to hold as many countries experienced economic growth and declines in poverty.

What are the unintended consequences?

- **Economic Imbalances –** Returns to capital far outstripped increases in wages.
- As the integration of global markets and supply chains deepened, economic pressures intensified.
- Manufacturing declined in some regions and surged in others & Migration from poor to rich countries increased.
- It was a matter of time before populist politics would take shape to respond to these imbalances.
- **Rise of China –** The geopolitical foundations of the post-colonial era were shaken by the rise of China.
- China entered global markets, gained wealth and power without following multilateral rules.
- China benefited enormously from access to global markets, supply chains, and technology, while keeping state control over capital, labour, and information.
- China's trade surplus reflects the relentless pursuit of a model of excess capacity and external demand, which has stunted the industrial ambitions of poorer countries, including India.
- Over time, China accumulated enough power to emerge as an alternative model for both economic growth and consolidation of domestic political power.
- **Changing Perceptions of Globalisation** – Major economies began to see global cooperation as an opportunity cost or distraction, as populist politics turned societies inward-looking.
- Their response is essentially an assertion of sovereignty at the expense of liberal values, such as the politicisation of migration and the promotion of industrial policy to buy self-sufficiency.
- **Result** – This is why globalisation, as practised, is now dead.

What are the impact on developing countries due to this change in globalization?

- **Loss of support –** The crutch of global cooperation has already been taken away from the developing world.
- **Aid with condition –** International aid is now conditional on the national interests of donor countries.

- **Multilateral institutions failing –** The ability of developing countries to negotiate jointly on matters such as climate change or illicit financial flows is weakening rapidly.
- **Domestic pressures –** Domestically, restless youth now demand much more of their governments.
- **Role of Political elites –** Need to recognise this moment and act decisively, even if they initially do so to further their self-interest to address these challenges.

What is India's role going to be in this emerging global order?

- **India's Paradox** – India is simultaneously too large to ignore and too poor to matter.
- Over the last 15 years, we have squandered the opportunity to convert our demographic advantage into productive capacity.
- **Social Structure –** The social pyramid has become more sharply stratified, with an overwhelmingly poor and powerless base supporting a narrow elite apex.
- Inequality undermines social cohesion and long-term growth.
- **Potential Domains of Strength –** Digital public infrastructure being the most prominent, but also with potential in renewable energy, the services sector, and democratic decentralisation.
- **Barriers to Realisation** – Current political economy limits possibilities, limited economic growth has not expanded the base, lack of sustained public investment in health and education, and weak state capacity undermines competitiveness.
- **Consequence in a Mercantilist World** – In a mercantilist world order, low state capacity will only result in long-term irrelevance, India risks being sidelined despite its size and aspirations.

What lies ahead?

- Without stronger state capability, greater social cohesion, and a social contract committed to sharing growth more evenly.
- India risks remaining a country that lays claim to being a Vishwaguru without the institutional foundations and economic means to achieve it.
- Rhetoric alone will not be enough.

Reference

The Hindu | Is India prepared for the end of globalisation?

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