

GLOBALIZATION VS. DEGLOBALIZATION

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Abstract

The concept of globalization is fairly new, as it has been launched a few decades ago. However the process itself goes way back, during the times of the first explorers. As time passed by, people began to benefit more from the international economic relations that were established throughout the world. But as the negative effects, such as economic crises, international crime, became more and more present in the everyday life of the global citizen, the concept of deglobalization started to be more and more present in people's speech but more importantly in the politicians' speech. Deglobalization, for many, is the solution for all their problems, whether it's the ever-growing general prices, the illegal immigrants and more recently, the pandemic. But in reality, deglobalization is not the answer to the problems that are "created" by the globalization. Or at least not on the long run.

Keywords: globalization, deglobalization, international trade

JEL Classification: F00.

Introduction

When thinking about globalization, the first thing that comes to mind is trading goods and/or services. For the majority of people, the free movement of goods and services are probably globalization's the biggest benefits of all. But for the experts, the other fundamental freedoms, like the free movement of people and capital, are equally as important as the others, due to the fact that these flows ensure the development of the national economies.

There have always been critics of globalization who mentioned that, in general, the developed countries are the main beneficiary of globalization, as the developing countries have recorded low development rates compared to the predictions and that these economies are mainly used for their resources. This is not entirely false, as the majority of multinational corporations choose to invest in developing countries for the cheap labor, or the access to different resources. But recently the critics of globalization have got more reasons to fight even more against this phenomenon. The outbreak of COVID-19, that lead to the pandemic, the supply chain crisis that resulted from the pandemic and lastly the war in Ukraine are the most powerful arguments in arguing against globalization and favoring the opposite trend which is deglobalization.

Analyzing globalization

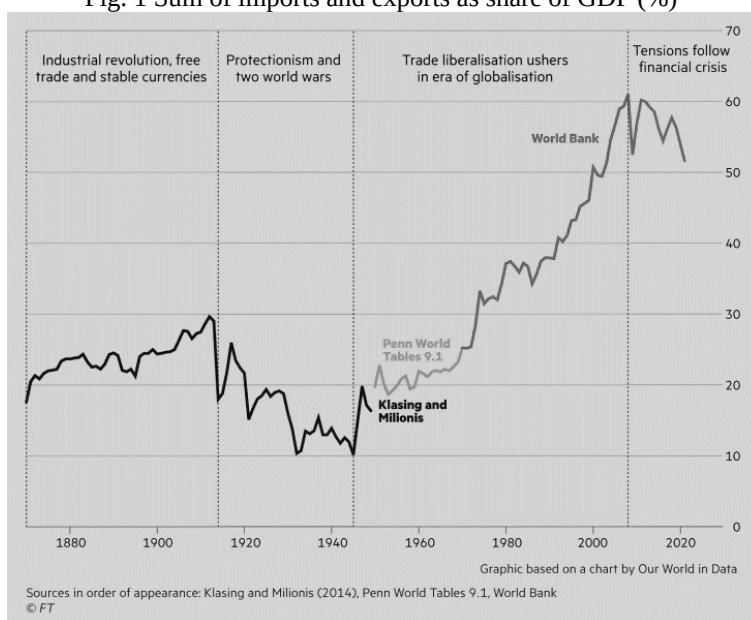
The experts from the International Monetary Fund, consider that globalization, as a process, started somewhere around the 13th century, while the concept was launched around the 1960s, and it is considered that term had been more frequently

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used starting with the 1980s. Although the process and the concept itself have been present for quite some time, there is no universally accepted definition of globalization. Basically, all the experts came up with their own version and every single one of them is accepted. But the IMF has launched a more comprehensive variant. According to their study on globalization¹, the term is used to describe “the increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders”.

When talking about globalization and its benefits or drawbacks the majority of people refer mainly to economic globalization, but in fact there are more aspects of globalization: a social one, a political one and an environmental one.

Fig. 1 Sum of imports and exports as share of GDP (%)²



In general when talking about the benefits of globalization usually that refers to an increased flow of capital (that usually is in the form of foreign direct investments), a wider variety of products to choose from (products that have better quality, better prices or both), transfers of technologies and know-how, higher revenues for individuals, businesses and states.

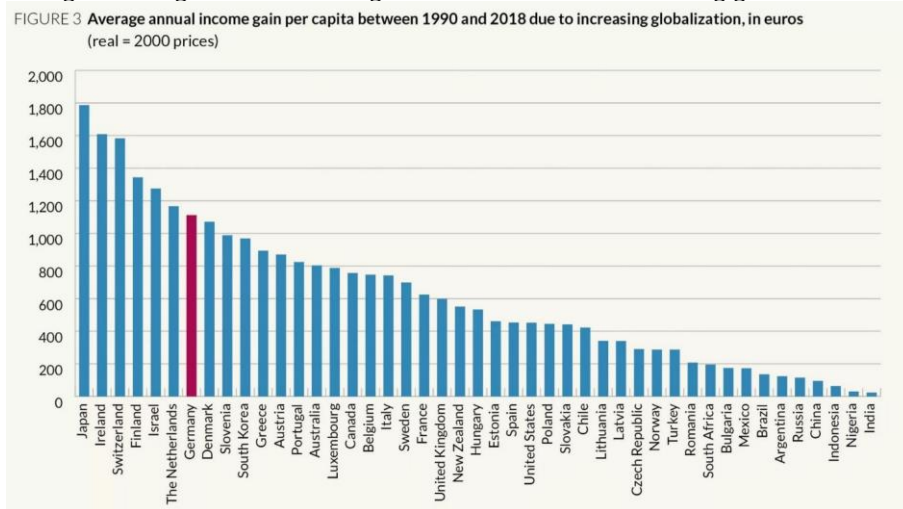
The benefits of globalization and the benefits for a country, as a global player, have been fiercely discussed as many consider that the process favors economic development for all the involved countries, through international trade, free movement of capital and the multinational corporations' activity. It is easily observable the fact

¹ International Monetary Fund – “Globalization: A brief overview”.

² Source: Financial Times – “Deglobalisation: will backlash against Russia lead to downturn in open trade?”.

that due to globalization and mainly international trade, the GDP growth rate has increased exponentially.

Fig. 2 Average annual income gain 1990-2018 due to increasing globalization³



But, globalization is not all good news, since the world economy has encountered a number of periods that challenged even the fiercest supporters of globalization. During the recent years, the rate of economic integration and globalization itself had slow down making way for a lot of theories launched especially by the critics of globalization. The recent pandemic, the shortages in supply chains and of course, the war in Ukraine are the main topics that critics of globalization base their current arguments on.

Deglobalization: a viable solution?

Deglobalization, as a process, is the exact opposite of globalization and it consists of reducing the interdependencies of national economies as the states adopt more independent policies that favor their own economic development.

As the world economy is suffering from these crises, the advocates of deglobalization bring to the table arguments that globalization has failed, that only the developed countries benefit from globalization, while the developing ones are left behind and it is time for a shift in paradigm and deglobalization is the answer for the future. The thing that globalization's critics do not mention is the fact that not globalization was to blame for the loss of jobs inside the developed countries in favor of those from the developing countries. It's the advances in technology that led to more efficient production process.

Although some arguments in favor of deglobalization are partially true, due to the fact that they are based on the shortcomings of globalization, it is impossible to address successfully, as a country, all the challenges posed by the world economy, as some matters require a common effort. For instance, it is true that the recent semi-

³ Global Europe – “Globalization Report 2020”.

conductor crisis, could have been avoided if the supply-chains were a little shorter and not so concentrated in one area. In the same time, there are issues that need to be addressed in a global manner, which in the case of deglobalization would be impossible. Such an issue could be environmental protection and environmental related policies. It is no secret, that such matters are efficiently addressed only in a global manner, with integrative solutions. It is impossible to offer efficient and sustainable resolutions one country at a time, as countries do not have the necessary resources, especially the developing ones and in this area the effects cannot be contained to one area.

Conclusions

It is clear that globalization has lost steam, due to the pandemic, the supply chain havoc that resulted from it and the war in Ukraine. This is not the first time, that globalization is questioned, as a similar context was created more than a decade ago, during the financial crisis in 2007. At that time, as well as today, there were a lot of voices that considered that a failure of globalization, a failure in delivering the promised benefits for the implicated parties and that it was time to try something new, in the shape of deglobalization.

Globalization has offered the developing economies the chance to leave the poverty circle due to the investments done in those countries and attracting them into the world economy, which in the end helped reduce the rates of extreme poverty with almost 75% over a period of 20 years. Deglobalization, on the other hand, and its advocates do not offer any real solutions to the problems they have had identified with globalization and are overseeing real problems that a deglobalized world would have to face. The most important one would be the rise in prices for traded goods and services. Due to the reinstating of trade barriers, the costs will be on an upward trend which, of course, will be reflected in the final prices that the end consumers have to pay.

Another key aspect of globalization is the increased levels of competition, which in case of deglobalization will no longer be present. As a result, the companies' efficiency will be affected, and furthermore, the premises for a monopolies can set more easily. In an isolated economy it is difficult to fight monopolies, especially if it's set by a multinational corporation.

Experts consider that deglobalization is not the future, because globalization represents the future. However, the current process will suffer important changes, based on the current data and on passed experiences, like the financial crises, from 2007.

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