

The way forward to globalization.....protectionism?

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Abstract

In 1991, India adopted a biggest revolutionary measure, the introduction of LPG policy i.e. liberalization, privatization and globalization. It emerged out to be the biggest game changer for India as, it not only allowed cross border trading but give an opportunity to India to introduce itself as a largest major economy in the world and further it has been proved that as of now India is one of the most open economy in the world. Indian economist Arvind Panagariya in his speech suggests that developing economies such as India have gained enormously from the freeing of trade. But now when the LPG policy has passed 27 years with full success and achievements the scary clouds have now been grown over due to the very buzzword 'Protectionism'. Many countries are becoming inward focused and globalization is shrinking. Forces of protectionism are raising their head against globalization. The intention is not only to avoid globalization itself but also to reverse its natural flow. The result of all this is that we get to witness new types of tariff and non-tariff barriers. Recently, the US Donald Trump administration 'America First' initiatives have further add fuel to this fire against cross border integration. All these developments represent greater headwind to global trade and growth. According to IMF (International Monetary Fund), if protectionist pressures increase, the combination of declining global trade and growth would increase corporate vulnerability that may lead to financial stability risks. Thus, this paper tries to analyze the different causes and consequences of protectionism and the various ways through which this issue can be handled in more effective and efficient way.

Keywords: globalization, privatization, protectionism, trade barriers

Introduction

The post cold war era was marked by increasing globalization and mushrooming of such institutions for example GATT was replaced by WTO in 1995. And country like India which is the fastest growing economy with second largest population in the world having huge market potential, not only provide the domestic or local sellers its benefits but also to the international companies which wanted to always start their business in areas having good demands.

But in the recent times countries are facing the reverse process i.e. deglobalization which means increasing number of countries using protective measures against free flow of goods and people. Globally, the Inward oriented policies are on rise. This can be seen from various examples:

- Brexit: Britain come out of European union through referendum along with this there are voices of Frexit, Italeave etc
- USA has adopted various protective measures e.g more stringent provisions related to H1B visa. Trade war with china and recently india is being left out from generalised system of preferences (GSP).
- The progress in WTO is seriously halted due to non consensus on various issues like public stockholding, trade in services, e-commerce etc hence there is an considerable erosion of WTO as an institution.
- Multi member free trade organization like TPP failed to take off afer USA exit.
- Rise of nationalism due to increase rise in right wing governments throughout the world also hampered the globalization.
- The refugee problem (syria, myanmmar and climate refugees) in europe also led to migration leading to

deglobalization.

- Economic crises worldwide related to jobs led to son of soil politics which furthers restrict globalization.

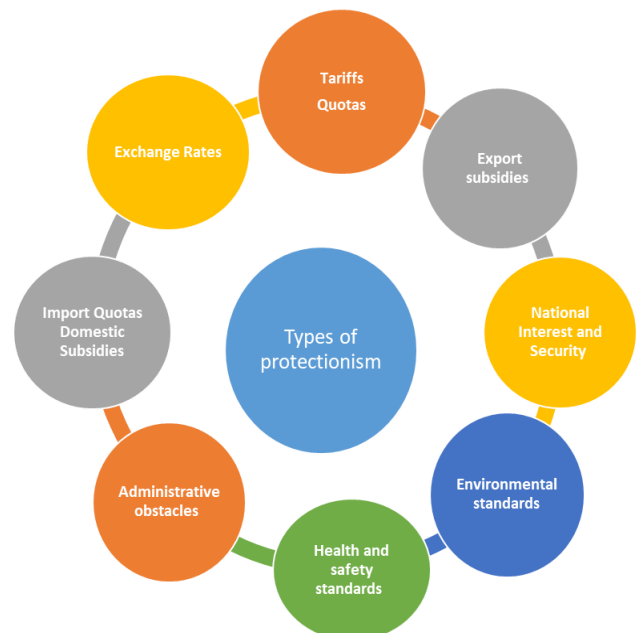


Fig 1

Why nations are shifting towards protectionism

- Globalization of economy has led to shifting of manufacturing jobs to outsourced locations. In the view of develop nations people their job is taken over by the immigrants and hence instead of natives the foeriners are employed on jobs. The influx of people have

caused fear among natives.

- The development of service sector in countries like India causing resentment
- Due to increased migration security problem has arisen which has led to campaign against globalization in developed countries like USA. Therefore there is an increased pressure on govt because of immigration
- Rising wealth inequality and unbalanced approach of organizations such as EU, WTO, UN etc.
- Rise of nationalists right wing governments in nations. developed countries now don't want to spend on other countries and try to invest resources on their own country. Due to the increase in the global unemployment this idea of protectionism has become a goal of populist governments.

Implications

1. Global economic order and institutions will suffer. Globalization had led to progress throughout the world which will be hampered.
2. Locals vs migrants conflict may rise.
3. Rise of conflict and suspicion between various nations. Developing countries will suffer as they argue that the west took the benefits of globalization but when their turn came the west backed out
4. In the scenario of deglobalization India and China are emerging out as the new champions of globalization which should also persuade the other countries not to abandon a well tested path of globalization.
5. We need cutting edge technology and know how for developing a modern economy this could be hampered. More jobs need to be created locally. As constraints in the path of visa availability and other hindrances will reduce migration and people will be forced to settle in their nation only.
6. Loss of foreign remittances by emigrants can become one of the consequences as India having the biggest diaspora who send foreign exchange but the process of deglobalisation can have a dampening effect.
7. The funds and technology required for funding climate change mitigation, might also become a problem as big nations are nullifying these issues. As they think this is just a waste of funds and climate change is a natural phenomenon. Thus, Climate related global effort like Paris Deal will become failure
8. With the rise of cross border extremism and radicalization the international cooperation is an imperative, which might take a backseat.

Conclusion

Protectionism and isolation up to a certain extent can help support the domestic market but excessive application can lead to neglect of healthy competition, leading to compromise in quality. Intermingling of language, culture and people will create an environment of harmony, peace and love. Also talent potential can be utilized judiciously at the international level. WTO and UNO like organizations should take the initiatives to avoid the harsh policies adopted by any nation and at the same time ensure that the needful domestic industry should be protected. Groups like BIMSTEC BRICS should cooperate with to promote globalization on an international scale. Searching new countries that require skill, labour and using multilateral platforms in curbing protectionism winds should be what India must move on. The need of the hour is to

cooperate with the nations to evolve a fair and equitable global community.

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