



## Fragmented Globalisation

This editorial is based on [“Fragmented Globalisation”](#) which was published in Financial Express on 11/03/2023. It talks about how the globalisation is taking a new form amid the recent changes in global economic growth and rising geopolitical tensions.

**For Prelims:** Terms like globalisation, fragmented globalisation, DeRussia Ukraine Conflict, US China Trade War, Global South, de-dollarisation etc., Russia Ukraine Conflict, US China Trade War, Global South

**For Mains:** Changing International Order and Globalisation, India’s role in fragmented globalisation.

For decades, the benefits of [globalisation](#) have appeared to be obvious and unassailable; however, as the international order has come under strain in recent years, the **delinking of global trade and investment by companies and governments** has witnessed an increase in the pace.

The **countries are increasingly turning to regional or bilateral trade agreements** to pursue their interests, rather than relying on global frameworks. This shift in the trend can be attributed to factors like **rising economic nationalism, increasing geopolitical tensions, and the failure of various multilateral institutions** to deliver on their promises.

This fragmented form of globalisation has profound implications for the future of international trade and cooperation, with both opportunities and challenges for countries around the world.

### What is Meant by Globalisation?

- **Emergence:** What today is referred to as globalisation, gained recognition in India with the [end of the Cold war and the disintegration of the Soviet Union in 1991](#).
  - An offshoot of two systems — **democracy and capitalism**, globalisation **rooted for free trade** and increased **inter-country movement of capital and labour**.
  - In a political sense, it refers to increasing global governance via international institutions or growing alignment of national policies.
- **Motivating Factors for Globalisation:** Broadly, economic, financial, political, technological and social factors paved the way to globalisation.
  - Economic factors such as **lower trade & investment barriers** and expansion of financial sector;
  - Political factors include the **reforms in the govt policies worldwide** to facilitate trade and commerce;
  - Social factors include **cultural convergence** along with significant **ease in transportation and communication; and**
  - Technology factors such as **ease in transmitting information worldwide**, and more

recently, the **accelerating shift towards remote work** - made national borders seem largely irrelevant.

## How is Globalisation becoming Fragmented?

- **Advent of Fragmented Globalisation:** While globalisation made markets work better, policymakers lost sight of its **adverse distributional consequences**.
  - Many communities, countries were left behind contributing to a **widespread sense of marginalisation and alienation**.
- **Recent Upheavals in Globalisation:** The most recent example is the [invasion of Ukraine](#) which led to imposition of sanctions on Russia (a [G20](#) country) and the **weaponisation of the international payments system**.
  - The [United Kingdom's vote to leave the European Union](#) was one of the most visible political manifestations against globalisation.
  - Moreover, the [US entering a tariff war with China](#) has also deepened the divide between the two economic powers.
  - With climate change/environmental protection policies gaining recognition, there is a global race for cleantech innovations and **circular economy approaches**.
    - The mass rollout of green technologies from solar PV to electric vehicles is bringing **shifts to global supply chains and transferring manufacturing hubs to more 'suitable' countries**.
- **Is De-Globalisation the Final Consequence:** Despite all these ongoing turmoils, the available data suggest that globalisation is not ending so much as it is changing.
  - Fragmentation of the global economy is now **resulting in the strengthening of regional economic areas, or globalisation of like-minded countries**, and not to a de-globalisation. Global trade will essentially remain an important pillar in global growth.
- **Main Characteristics of Fragmented Globalisation:** This era of fragmented globalisation that has emerged, is **characterised by substitution** rather than negation.
  - In simpler words, the **countries, instead of not participating in global trade, are substituting their existing trade partners** with some other country.
  - For instance, the EU-US-led restrictions have not materially reduced [Russia's oil exports, rather redirected them to China and India](#).
    - Additionally, the world is witnessing a [wave of de-dollarisation](#) with countries looking for ways to create a **parallel cross-border payments and settlement system**.

## How can India Use this New Globalisation to its Advantage?

- **Advocating Regional Integration:** India can potentially play a significant role in shaping the future of globalisation, with its stance on issues related to trade, investment, and economic integration.
  - In recent times, India has benefited from globalisation and has **become a hub for outsourcing**, particularly in the IT and services sectors.
  - India has advocated for regional economic integration, such as through the [South Asian Free Trade Agreement \(SAFTA\)](#) and [BIMSTEC](#) initiatives and must continue to do so.
  - India's progress in making this forum a success will largely depend on factors like its own economic policies, geopolitical developments, and global economic trends.
- **Cooperation between Public/Private Sectors:** Companies in India must work with the Central/State governments to facilitate the **inherently tricky process of rewiring supply chains and to accelerate the green transition**.
  - Policymakers need to thoroughly revise how they think and operate, and long-term investors absolutely should incorporate **more sophisticated geopolitical, sociopolitical, and environmental analyses** into their allocation strategies going forward.
- **India as a Voice of Global South:** While India has also been a strong advocate for free trade and globalisation, pushing for the removal of barriers to trade and investment, **it has also been critical of some aspects** of globalisation, particularly regarding the **unequal distribution of benefits and the negative impacts on local industries and workers**.
  - India has also **argued for a more balanced and equitable approach** to globalisation

- that ensures the benefits are shared more widely and that there are adequate social and environmental protections.
- As one of the emerging global powers, India can become [“voice of the Global South”](#), that is **otherwise under-represented** in global forums.

**Drishti Mains Question:**

“The present form of Globalisation can be best described as a fragmented Globalisation.” Comment.

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