



[Get the Report](#)

From Globalization to Deglobalization

Zooming into Trade

Alicia García Herrero • Bruegel © 2020 • 9 pages

Economics / Globalization

Take-Aways

- Globalization, long touted as beneficial to prosperity, is reversing course.
- The trade conflict between the United States and China is a critical component of deglobalization.
- Various forms of protectionism and an increasingly hobbled World Trade Organization are hindering globalization.

Recommendation

Globalization is in decline. Trade wars, an aversion to multilateralism and an enfeebled World Trade Organization are all behind a trend toward deglobalization, a move that began with the 2008 financial crisis. In this thoughtful analysis, economist Alicia García Herrero offers a sharply focused overview of the 2020s international trade climate. Her sobering conclusions bode ill for global trade and economic growth.

Summary

Globalization, long touted as beneficial to prosperity, is reversing course.

The second half of the 20th century saw the advent of globalization: open borders for the movement of goods, investments and people. Then the 2007–2009 Great Recession flattened world commerce. Since then, the growth in trade volume has decreased by more than half, from an average of 7.6% before 2008 to 3.5% from 2009 to 2018.

““There seems to be enough evidence by now to argue that the globalization process, including the free flow of trade, capital and people, has stalled.””

The amount of money flowing across borders also has slowed, particularly in foreign direct investment. Emerging markets have been feeling the sting since the 2010 European sovereign debt crisis. While still fluid, the cross-border movement of people has begun to encounter more and more immigration restrictions.

The trade conflict between the United States and China is a critical component of deglobalization.

Tariff volleys between China and the United States disrupted the global trade in goods. Despite occasional respites to resolve differences through negotiation, the geopolitical relationship between the two countries only seemed to worsen; the United States labeled China a currency manipulator in August 2019.

““Arguably, the Sino-US trade war has been a landmark event for deglobalization forces in the realm of trade.””

US actions against China broadened from taxing imported goods to sheltering technology over concerns about potential security and privacy violations. The Chinese telecommunications firm Huawei's efforts to introduce its 5G technology and smartphones into multiple countries have earned it a place on a list of companies prohibited from doing business with US firms. America also limited Chinese investment within US borders. Further financial decoupling is taking place, as Chinese firms such as Alibaba and SMIC have voluntarily delisted their companies from US stock exchanges.

Various forms of protectionism and an increasingly hobbled World Trade Organization are hindering globalization.

Protectionist policies are spreading to other countries, like Japan. The WTO's reduced effectiveness and waning influence have become another impediment to globalization. The organization's problems started in 2001, as a more diverse membership led to a failure to finalize the Doha round of trade liberalization. In addition, state-controlled economies, like those of China and Vietnam, do not mesh well with the WTO rule book. And the Trump administration inflicted crippling damage by blocking reappointments to the WTO's appeals panel.

"The demise of the WTO could be one of the most relevant turning points toward deglobalization." "

All these developments point to a "race to the bottom" that could tamp down growth in world economies in the 2020s.

About the Author

Alicia García Herrero is a senior fellow at Bruegel, a European think tank.



Did you like this summary?

[Get the Report](#)

<http://getab.li/38834>