

De-Globalization: Fact or Fiction?

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ABSTRACT

Globalization conveys the widely accepted idea that we are living in a border-less world. According to this view, no notice is taken of distance or national policy anymore, dictated by global markets. However, the concept of de-globalization is starting to appear in literature with evidence of a growing awareness. It seems that there is a transition from globalization and trade integration to economic nationalism or de-globalization. Recent data suggests that the level of de-globalization is on the increase globally. This phenomenon may cause vulnerable countries to reassess their position in the global trade environment as conventional trade agreements and partners may be jeopardized. The COVID-19 pandemic has spilled over to the global economy triggering a massive decline in economic activity, mainly because of government mandated lockdowns and general mobility restrictions. This has also had a dramatic effect on the functioning of global value chains, increasing the visible threat of de-globalization. Recent trends associated with the move towards de-globalization among G-20 countries and concomitant risks are also explored.

Keywords: Globalization – De-globalization – Economic nationalism – G-20 countries – COVID-19 – Global value chains.

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RESUMEN

La Ayuda para el Comercio como iniciativa es relativamente reciente, si bien ha sido una idea presente desde los inicios del en el sistema multilateral de comercio. Luego de innumerables presiones de los países en desarrollo, y la necesidad de dar respuestas al aumento de las asimetrías en el sistema a raíz de los acuerdos que crearon la OMC, la iniciativa fue lanzada. Hasta hoy enfrenta muchos desafíos, técnicos y políticos, que reflejan la política de los programas de desarrollo por detrás de cada organismo internacional que la impulsa. La crisis del multilateralismo abrió camino a pensar la Ayuda para el Comercio de maneras más creativas, por medio de procesos regionales o de la cooperación Sur-Sur. El objetivo de este artículo es analizar la iniciativa, a través de sus orígenes, sus desafíos presentes y futuros, en un mundo en convulsión, donde se suma una pandemia entre las amenazas a los objetivos de desarrollo.

Palabras claves: Ayuda para el comercio – Países en Desarrollo – OMC – OECD - UNCTAD

INTRODUCCIÓN

The decline in world trade since the last quarter of 2008 remains one of the most puzzling economic phenomena of the last decade and has shaken the trust in globalization worldwide (Tuca, 2013). According to Prelipcean and Bucatar (2019), one of the most significant events since the early 21st century is the transition from globalization and trade integration to economic nationalism. This contributed to the current umbrella concept of de-globalization appearing increasingly in the literature which also forms the focus of this paper. According to Martin (2018), de-globalization means diminishing integration or a disintegration of the world economy. The world appears to be wavering between two alternatives, namely de-globalization or economic nationalism, or a transition to a very new kind of globalization. According to Postelnicu, Dinu and Dabija (2015) de-globalization would mean to condemn an economy to underdevelopment, backwardness and eventually to a drop-out from the map of civilization. It would mean the annihilation of the synergistic effects created by globalization through investments and trade, which form the essence of economic progress and development. Even the director of the International Monetary Fund at the time, Christine Lagarde, warned governments against protectionism in all its forms, stating that it would affect all global players, in that it would prevent trade from enhancing productivity and spreading new technologies (Prelipcean and Bucatar, 2019). From here, it can be stated that de-globalization or alternatively, an improved level of economic nationalism, is the essence of this paper.

Albertoni and Wise (2020) indicate that “nationalism” is a slippery issue and therefore needs some clarification. For the purpose of this paper, is important to make a distinction between political and economic nationalism. Economic nationalism, so-

metimes called ‘economic patriotism’ or ‘economic populism’ favors government’s intervention with the belief that the economy should serve nationalist economic goals (Gladding, 2018). De Bolle (2019) mentions the rise in obsessive nationalist economic policies across the globe and states that during a crisis, some countries will pursue their narrow self-interests by themselves, often at the expense of the world at large. She emphasizes that countries will fail to engage with one another in the event of a global slowdown and this is strengthened by the quantifiable rise in economic nationalism. Pryke (2020) states that economic nationalism includes practices to create, bolster and protect national economies, while still supporting trade liberalization with governments enforcing the rules. Some heads of states like Jair Bolsonaro in Brazil, or former heads of state like Donald Trump in the United States of America (hereinafter US) convey populist nationalism, pushing agendas of protectionism, isolationism, xenophobia, etc., which may be classified as examples of political nationalism (Albertoni and Wise, 2020). However, the focus of this paper is on economic nationalism rather than political nationalism.

Globalization conveys the widely accepted idea that we are living in a border-less world. No notice is taken of distance or national policy anymore, and national governments must accommodate what global markets dictate (Veseth, 1998). On the political map, the boundaries between countries may be very clear, but on the economic map, that shows the flows of financial and industrial activity, such boundaries have largely disappeared. Economies are no longer immune to external influences and cannot be insulated from global effects. Nevertheless, to define globalization is not a simple matter. According to the New Oxford Dictionary (1998), a ‘global village’ is one where the “world is considered as a single community linked by telecommunications” (p. 780). In general terms, globaliza-

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tion imparts a notion of economic, political and social change that occurs when all participants in a system have access to a common pool of resources. The common resource pool includes markets for capital, science, technology, goods and services, as well as cultural goods.

Globalization means different things to different people, depending on each other's perspective. According to Hoffmann and Kumar (2013), the four cornerstones of globalization include transport, telecommunications, trade liberalization and international standardization. These factors have consistently made it easier to buy and sell merchandize globally. International standards fostered global competition, while trade liberalization allowed efficiency in the international allocation of resources. Telecommunication, together with cheaper transport, are important factors in simplifying the relocation of information and goods. Linked to these factors is the fact that globalization describes a trend in international trade where the focus is on more than just trade in final goods and services, but also progressively more in components and services that are used worldwide. Globalization refers to the increasing integration of economies around the world and according to the International Monetary Fund (IMF), it is a historical process, the result of human innovation and technological progress (Tuca, 2013).

In contrast, the de-globalization trend is measured by various indicators, such as international commerce flows, foreign direct

investment (FDI) as well as changes in technology transfer, evolution of tariffs and non-tariff barriers to trade, administrative acts to encourage the purchase and consumption of local goods and subsidies offered to local industry, among others. Also of interest is that although there is a tendency to lower tariffs, countries do rely more on non-tariff measures (NTMs) (Albertoni, 2021). According to Postelnicu, Dinu and Dabija (2015), the process of de-globalization can also be highlighted by keeping track of the following three factors, namely:

- i) Dynamics of imports and exports of goods and services at a global or regional level;
- ii) Dynamics of expats' money remittances; and,
- iii) Inflows and outflows of foreign direct and portfolio investments.

Other factors include restrictions imposed by states on labor movements and national policies for encouraging purchase of local goods (Das, 2017). In most cases, de-globalization has been regarded as a process of diminishing economic interdependence and lower levels of economic integration between countries. Although this paper will address some of these factors it will focus more on the general aspects surrounding the international trade environment. It is important to note that the methodological approach in this paper will be more of a descriptive nature than empirical testing.

The rest of the paper is organized as follows. Following this introduction, the various stages of globalization and de-globalization over the past few centuries will briefly be outlined in the second section. This review is followed by a discussion on free trade versus economic nationalism. The fourth section presents a deliberation about the global factors causing growing economic nationalism. The fifth section elaborates on the impact

of protectionist measures on global value chains, while the sixth section briefly refers to the consequences of economic nationalism. Finally, some concluding remarks are presented.

STAGES OF GLOBALIZATION AND DE-GLOBALIZATION

The world has experienced a dynamic process of globalization and de-globalization stages over the past couple of centuries. Williamson (2002) decomposed the centuries into four distinct periods, as indicated in Table 1.

Table 1: Epochs of globalization and de-globalization

Epoch	Pro or anti-global	Years
Epoch I	Anti-global mercantilist restriction	1492-1820
Epoch II	The first global century	1820-1913
Epoch III	Anti-global retreat	1913-1950
Epoch IV	The second global retreat	1950-2002

Source: Williamson (2002)

According to Williamson (2002) the globalization stages in Epochs II and IV were caused by a decline in transport cost as well as the process of industrialization in both Europe and North America. In a similar vein, Karunaratne (2012) identifies five main “waves” of globalization and de-globalization that occurred over the past 250 years, as it is shown in Table 2.

Table 2: Waves of globalization and de-globalization

Wave type	Duration	Propeller	Economy	Architect
Globalization I	1870-1914	Colonization	Boom	Gold standard
De-globalization I	1914-1930	Protectionism	Slump	Inter-war
De-globalization II	1939-1946	Inter-war	Slump	Inter-war
Globalization II	1946-1973	Free trade	Boom	Bretton Woods
Globalization III	1980-2009	Capital mobility	Slump	Generalized float

Source: Karunaratne (2012)

Although globalization is seen as a way to reduce poverty and income inequality, the 2008/2009 Global Economic Crisis (GEC), has reignited the debate on de-globalization as a potential risk. The once booming global economy, seems to be turning towards a slump where de-globalization policies are surfacing to the policy center stage.

In addition, according to Olivie and Gracia (2020), globalization since 1990 can be divided into three phases, namely:

- i) an initial phase of deglobalization, between 1990 and 1995, which coincided with the geopolitical reconfiguration of Europe;
- ii) a period of sustained globalization, between 1995 and 2011; and,
- iii) the current phase, with moderate ups and downs.

The world trade-to-GDP ratio, a standard measure of globalization, almost doubled during the 1986-2008 period, hence,

referred as “hyperglobalization”. However, since then, it seems that the pace of globalization has slowed down compared to previous decades. This process, coined by *The Economist* as “Slowbalization”, was probably inevitable as the continued growth was not sustainable (Antras, 2020).

The current global situation shows increased policy uncertainty that will constrain trade and investment inflows, coincided with a cautious approach towards economic integration. This issue was amplified following the Brexit referendum and the US presidential election in 2016 as world leaders fretted over a trend of de-globalization. 2016 thus witnessed a combination of economic and political risks, raising fears of throttling earlier efforts of globalization. Debates about the potential threat and impact of inequality and immigration on globalization are doing the rounds and there is a growing perception that both these issues are a result of excessive trade liberalization. The aftermaths of the Brexit vote and the US elections are perceived to be consequences of the developed countries’ subtle opposition towards liberalization initiatives. These last two mentioned concepts caused a change in the conventional allocation of resources from lower (import competing) to higher productive (export-oriented) firms during a process of trade liberalization. However, it seems as if this shift is currently rather responsible for the lower order firms to expand and the higher order ones to contract. The global business environment is increasingly becoming more uncertain as barriers to trade and investment surface globally and this places a rising strain on international trade, FDI and eventually economic growth, especially on vulnerable countries. The current COVID-19 pandemic further exaggerated the process of economic decline and de-globalization.

FREE TRADE VS ECONOMIC NATIONALISM

Free trade allows the unrestricted flow of goods and services among and between countries without government-imposed restrictions or interventions. The process of trade liberalization is the progression from a situation of trade restrictions within a country until the objective of free trade is finally achieved. Adam Smith's (1776) laid the foundations for a system of natural freedom which in essence forms the engine of economic development. David Ricardo (1821), the well-known classical economist made a very strong argument for free trade and the benefits thereof. John Stuart Mill emphasized the gains associated with foreign trade, highlighting the direct economic benefits. However, even in light of these theories developed decades ago and longer, in favor of the benefits of liberalized trade, protectionist measures seem to be booming in many developed countries (Prelipcean and Bucatar, 2019). Government interventions or restrictions may include taxes and tariffs, non-tariff barriers, quotas and the like, with free trade opposing any such measures (Fouda, 2012).

The opposite of free trade is a policy of protectionism or in this paper, economic nationalism, where trade between countries is restricted through introducing tariffs on imports or exports, restrictive quotas, or any government regulation designed to discourage imports as well as laws designed to protect domestic industries from foreign take-over or competition (Fouda, 2012). These policies are closely aligned with the concept of de-globalization in an economic context. According to von Mises (2010), the only great achievement of protectionist tariffs is that it prevents production from developing where natural and social conditions are most favorable. Most modern-day economists will agree that a policy of economic nationalism is damaging to an economy and inhibits economic growth (Fouda, 2012).

The essence of the issue at stake is that no country has all the commodities needed within its domestic economy. This global uneven distribution of resources ensures that a policy of economic nationalism cannot be entertained. The consequence of economic nationalism is a situation of deadweight loss. According to Magee (1976), the benefits of free trade outweigh the losses almost 100 to 1. Economic nationalism has also been accused of being a cause of war, in the words of French economist, Frederic Bastiat, ‘when goods do not (cannot) cross borders, armies will’ (Murphy, 2019). When, in 1930, US president Hoover ignored warning pleas in a petition by 1028 prominent economists by signing the “Smoot-Hawley Act”, some tariffs increased by 100%. More than 25 other governments retaliated within the next year by passing similar legislation. The result of this was that world trade crunched to a halt, starting the “Great Depression”, which in turn caused World War II (Fouda, 2012). Moreover, Alan Greenspan (2003) warned the Bush administration in the early 2000’s that it was imperative that the trade policy of “creeping protectionism” should be reversed.

According to Block (1998,) “protectionism” is a misnomer. The only people protected by tariffs, quotas and trade restrictions are those engaged in uneconomic and wasteful activity. Free trade is the only philosophy compatible with international peace and prosperity. The ones gaining from a “protectionist” approach are mainly special-interest groups, big corporations or trade unions, all of whom would try and charge higher prices or earning higher salaries, evident in a free market scenario (Fouda, 2012). Von Mises echoes that by stating, ‘What generates war is the economic philosophy of nationalism: embargoes, trade and foreign exchange controls, monetary devaluation, etc. The philosophy of protectionism is a philosophy of war’ (Butler, 2010). According to Fouda (2012), it is evident that the world

enjoyed its greatest economic growth where no major wars took place, during the period of relatively free trade (1945-1970).

This is not to say that free trade only creates “winners” and no “losers”, however, free trade is a large and unambiguous net gain for civilization. Mankiw (2009) states that very few professional economists would argue against the fact that free world trade increases economic growth and living standards. It is merely because of the “spill-over effect” of new export sectors throughout the economy on increasing competition among producers, stimulating wages and living conditions. In an environment where governments allow citizens to pursue activities within the bounds of law and order and respect for property rights, self-interest generally serves as a catalyst for entrepreneurial and economic growth. This would lead individuals to specialize in their own comparative advantage, skills and abilities and therefore prosper economically. This approach is also in line with Adam Smith who saw little need for barriers, interferences or government control over the economy.

GLOBAL FACTORS CAUSING GROWING PROTECTIONISM OR ECONOMIC NATIONALISM

The role of the USA in sanctioning economic nationalism

The Brexit episode and the election of Donald Trump in the US have brought this new style of politics, posing a great challenge to the existing order. The US government, under the Trump administration, seems to do to trade what Uber is doing to licensed taxis, a vicious force against the conventional way. This has two major implications for the trading world, namely going directly against and violating the World Trade Organization (WTO) rules and secondly, the fear of US retaliation starts altering the resort to trade distortions by other countries

(Evenett and Fritz, 2017). Interestingly is the fact that both the US and the United Kingdom played a dominant role in the post 1945 order, now being the pioneers of seemingly moving in the opposite direction. Even a casual observer will readily see that the international trading system is in great turmoil and that much of this uncertainty originates from the US. The US was ostensibly led by a president who repudiated permanent alliances, embraced economic nationalism, and admired despots. It seems that the world is at the end of both an economic period, that of western-led globalization, and a geopolitical one, the post-cold war “unipolar moment” of a US-led global order (Wolf, 2017).

The election of Trump marked an important inflection point, with the US stance rapidly changing from benevolent indifference to outright hostility. His first presidential campaign centered on blatant appeals to protectionism, economic nationalism and isolationism (VanGrasstek, 2019). This includes an erratic, inconsistent and domestically highly contested course away from multilateralism (James, 2017). According to James (2017), since the Taormina G7 summit, the US president (Trump) sees the world not as a global community but an arena where nations, non-governmental actors and businesses engage and compete for advantage. Trump stated in his presidential inaugural speech that “[...]We must protect our borders from the ravages of other countries making our products, stealing our companies, and destroying our jobs. Protection will lead to great prosperity and strength”. It seems that politics contests two challenges, at times overpromising and through that creating a disproportionate level of confidence in its ability to manage. Moreover, then fails to live up to the expectations causing electorates to search for radical alternatives. However, it seems that conventional wisdom is on the retreat and people defending globalization are hesitant.

According to Frum (2020), the Trump administration withdrew from the Trans-Pacific Partnership (TPP) during his first week in office and soon afterwards, he was fighting trade wars against numerous influential countries including Canada and Mexico, the European Union and South Korea, as well as against India and China. In March 2018 he actually tweeted that “trade wars are good and easy to win” as he stilled the growth of imports to the US and slowed its exports markedly. Furthermore, he agreed in a White House briefing on 24 March 2020 that “this crisis has underscored just how critical it is to have strong borders and a robust manufacturing sector”. He also commented that “our goal for the future must be to have American medicine for American patients, American supplies for American hospitals, and American equipment for our great American heroes”. In addition, given the COVID-19 pandemic, in remarks at the White House, he promised, “these vaccines that we’re going to be focused on and manufacturing, they’re all going to be [made] right here in the U.S.A.” (Frum, 2020).

During Trump’s term as president, polls have found a breakdown in trust in the US across almost all allied countries. The premier of Ontario, in Canada, bluntly stated the new thinking in a bitter reply to US restrictions on medical exports to Canada: “I’m not going to rely on President Trump, I’m not going to rely on any prime minister of any country ever again. Our manufacturing, we’re gearing up and once they start, we’re never going to stop them” (Frum, 2020). Once protectionist urges are loosed, they become hard to contain. Interest groups affixes themselves to the expected benefit of protection and therefore the concept spreads. If a country is urged to produce its own vaccines, then they should also produce their own antiviral drugs, and then its own antivirals, and also its own antibiotics. The question now arises why not all its own medications, or own equipment, or own machine-tool industry to produce that equipment? The out-

come of this line of reasoning erects barriers, slicing international supply chains, raising costs and ultimately reducing efficiency.

Evidence of this is that world trade fell considerably after the global financial crisis and thus even during the pre-COVID pandemic stages, the swift growth in world trade had faded. Since the end of the Cold War until 2008, world trade grew more rapidly than world gross domestic product (GDP). However, from 2009 until 2019, world trade grew slower than world GDP. Although trade has recovered somewhat, trade as a percentage of GDP has not, falling since 2008 which is referred to as a period of “slowbalization” (Enderwick and Buckley, 2020).

One term of four years in office has allowed Trump to plot the most unforeseen swing in US trade policy since World War II. However, commentators have speculated that under a Biden administration, economic nationalism may be more targeted and subtle -but it is not going anywhere. From the start of the campaign, current US president Biden made it clear that “economic security is national security.” His “Made in America” agenda obscured the indirect procedures of economic nationalism aimed at promoting goods and services produced domestically. According to president Biden’s “Buy American” slogan, he envisages \$400 billion in government procurement investment that would target goods and services provided exclusively by US businesses (Campanella, 2020). Although Biden can hide behind Trump’s tariffs for hurting the US economy, he would have to perform an intricate balancing act to lift them. This is especially true when considering the China issue, because he is backed by labor unions, which want jobs protected from Chinese competition. President Biden has encouraged a worker-centric trade policy that is intended to ensure that American trade negotiators “will fight for every American job and for the rights, protections, and interests of all-American workers” (Erb and Sommers, 2021).

It seems that when it comes to US trade policy, so far, president Biden has continued the previous administration's policies that economists and other analysts found to be harmful and misguided. Although Biden follows a less aggressive approach toward other countries and foreign leaders, his stance on trade has remained "America First" (Anderson, 2021). Biden has voluntarily extended the key policies of protection of his predecessor and he even added to some of them, signing an executive order tightening the "Buy American" rules for the federal government and proposing tax incentives for ordinary citizens buying American-produced electric motor vehicles. According to the Tufts University professor Daniel Drezner, Biden is also clinging to the idea of "It's totally America First". He states that although he does not think they are more protectionist than Trump per se, but they are also not less either. According to Bryan Riley, the director of the National Taxpayers Union's Free Trade Initiative, Trump was the worst president on trade policy in at least 90 years and therefore he finds it extremely confusing why the Biden administration wishes to continue policies that were unsuccessful and harm Americans (Anderson, 2021).

An opposing factor to the de-globalization argument and the struggle between the US and China was the emergence of a mega FTA, called the Regional Comprehensive Economic Partnership (RCEP) agreement, established on 15 November 2020. According to Kimura and Chen, (2016), the RCEP has a special meaning for Asia in that it is part of the efforts of the ASEAN community to play a pivotal role in the global economy. The RCEP include the 10 ASEAN countries as well as China, Japan, India, South Korea, Australia and New Zealand. These 16 countries have a combined GDP of about a third of world GDP and almost half the world's population. The main aim of this agreement is to create an integrated market and easier access to goods and services among members. According to the

literature, China was the driving force behind the agreement in 2012 in order to counter the US-led TPP FTA, which excluded China. However, since the withdrawal of the US from the TPP, China used the RCEP as a key tool to counter the US prevention efforts in trade with China. Given that the trade between China and these RCEP members make up about 31 per cent of China's total foreign trade value, it is clear that it may be seen as a way to increase its own Asia-Pacific influence (Business Standard, 2022). Furthermore, China expressed that this agreement is a “powerful leverage” and will help to speed up China's industrial transformation (Mullen, 2022). Although it seems as if this agreement is showing a differing viewpoint to the de-globalization argument, the true agenda of some members may be questionable to a certain extent. Is this really a move towards furthering globalization or is there some selfish motive towards expanding self-interest and regional power?

The role of the G-20 countries in permitting protectionism or economic nationalism

Martin (2018) states that “as man's greatest tendency is to trade, he will exchange something that he has for something he has not”. The main objective of this behavior is to improve his standard of living. However, since the 2008/2009 GEC, trade growth has slowed significantly from an average growth rate of 16% per annum (p.a.) in 2003-2008, to only 1.5% p.a. in 2010-2015. Trade in commercial services dropped from a growth rate of 15% p.a. during 2005-2008 to 4.4% p.a. in 2010-2015. FDI net inflows declined from a peak of US\$3.1 trillion in 2007 to US\$1.8 trillion in 2014, before a slight improvement to US\$2.2 trillion in 2015 (Das, 2017). Various underlying factors for this include import moderation by dominant economies, structural factors and increased protectionism or economic nationalism.

The monitoring of commercial and investment measures report, developed by the WTO, the Organization for Economic Co-operation and Development (OECD) and United Nations Conference on Trade and Development (UNCTAD) (20th report), between 16 May and 15 October 2018, provides a factual insight into trade restrictive measures imposed by the G20 countries. According to this report, global FDI flows have declined by more than 40 per cent during the first half of 2018 compared to the same time in 2017. This decline was mainly due to the repatriations of profits from parent companies in the US from their foreign subsidiaries because of corporate tax reforms in the US (Prelipcean and Bucatar, 2019). In addition, during the same time period, FDI inflows to developed economies decreased by more than 50 per cent. The US, generally the most important source of FDI, registered negative investment abroad, mainly because of fiscal reform. Interestingly is that these findings support the idea that this decline in world trade may be the emergence of a phenomenon, called the “new normal” (Prelipcean and Bucatar, 2019).

This paper makes use of the Global Trade Alert database which is freely available and perceived as providing the most comprehensive coverage of policy changes affecting cross-border trade by independent reviewers (Evenett, 2019). Data from the Global Trade Alert Report (2017) indicates that the level of protectionism has gone up in recent times with the G-20 countries accounted for most of the trade-restrictive measures experienced in 2015. The number of discriminatory measures applied in 2015 was 50 per cent higher compared to 2014, as shown in Table 3.

Table 3: Top 10 countries imposing discriminatory measures (2015)

Rank	Countries	No of measures imposed in 2015	Share of world imports (%), 2014
1	US	90	13.5
2	Russia	86	1.6
3	India	67	2.6
4	Brazil	42	1.3
5	Indonesia	42	1.0
6	Argentina	36	0.4
7	Japan	36	4.5
8	UK	36	3.8
9	Italy	34	2.6
10	Canada	27	2.6

Source: Evenett and Fritz, 2017

The G-20 countries accounted for most of the trade-restrictive measures implemented since the first G20 Leaders' summit in November 2008 up until June 2017, are the US, India, Russia, Argentina, Germany and Brazil (Evenett and Fritz, 2017). Although subsidies, trade defense measures and import tariff increases were widely applied, a clear shift towards localization requirements and export incentives were noticeable by the top 10 policy instruments most widely used, as indicated in Table 4.

Table 4: Number of policy instruments used in a discriminatory manner by G20 members

Policy instruments	November 2008 - 2014	Since 2015
State aid	1083	393
Trade defense	984	291
Import tariff	576	183

Trade finance	421	211
Public procurement/localization	290	126
Localization - other	202	97
Export taxes or restrictions	169	43
NTB's	135	60
Investment measures	116	44
Export incentives (non-trade finance)	117	37

Source: Evenett and Fritz, 2017

The top 10 sectors affected the most by discriminatory measures accounted for approximately 40 per cent of world trade in 2015, is indicated in Table 5:

Table 5: Top 10 sectors affected most by discriminatory measures by G20 members

Sector	Number of times hit in 2015	% of world trade in 2014
Basic metals	143	5.4
Transport equipment	107	7.5
Agricultural products	100	2.2
Fabricated metal products	94	1.4
Special purpose machinery	90	5.3
Basic chemicals	86	5.3
Grain mill products & starches	69	1.5
Other chemical products	65	4.9

Meat, fish, fruit, vegetables, oils & fats	62	2.1
General purpose machinery	62	4.9
All other sectors	835	59.4

Source: Evenett and Fritz, 2017

In addition, the aversion to trade liberalization is also observed in policy failures. The WTO Doha Round of multilateral trade negotiations launched in 2001 did not progress in the last 15 years. Advanced economies like the US denouncing on the envisaged TPP and Transatlantic Trade and Investment Partnership (TTIP), which however, also failed to progress due to domestic backlash (Das, 2017). Furthermore, in the context of intense discussion on tariff barriers to protect certain sectors, US firms urged to consider moving home, repatriate profits and questioning the new international financial system regulations are among other examples (Prelicean and Bucatar, 2019). Another reason for this global decline includes China's economic weakening in annual growth to about 7 per cent currently. As a result, China's exports (which accounts for 14 per cent of world exports) contracted by about 3 per cent with imports, dropping by 14 per cent in 2015 compared to 2014.

Although the G20 countries abandon the pledge to avoid protectionism, the question is whether these countries' behavior regarding protectionism or economic nationalism has really changed. A brief look at what happens between 1 December 2018 and 15 April 2019 in terms of trade distortions shows an alarming situation. It should be mentioned that official monitoring of the G20 state of protectionism was obstructed by a lack of cooperation from governments in substantiating their intervention policies (Evenett and Fritz, 2017). The most

widely used protectionist measure seems to be the increase in import tariffs, accounting for more than one-fifth of all measures introduced since the start of the financial crisis.

The total value of imports affected would amount to US\$864 billion for the period 2009-2017 (Evenett and Fritz, 2017). Since the last G20 summit in December 2018 in Argentina, the G20 has implemented a total of 288 policy interventions aimed at supporting local firms. During the same period in the four preceding years, the total number of G20 protectionist policy interventions ranged between 125 and 175. Between 1 December 2017 to 15 April 2018 it was witnessed 159 hurtful measures implemented by the G20 countries. It is worth mentioning that the US/China conflict was responsible for 42 per cent of the G20 protectionist policies. This implies that during the same time a year later, 88 per cent more examples of protectionism were introduced and employed after the G20 countries dropped their pledge on protectionism. This amounts to trade distortions imposed to the value of \$1.5 trillion of trade, which is \$250 billion more than during the same time last year and double the amount compared to the three preceding years. Notable, is the fact that these figures relate to G20 measures obtained before the deepening of the Sino-US trade in May 2019. The impact of China and the US accounted for only 17 per cent (or 51 trade distortions) of the G20 protectionist policies documented since the last summit in Argentina, indicating a broad-based concern and not exclusively originating from the Sino/US conflict (Evenett and Fritz, 2019).

The percentage of G20 trade policy measures harming foreign interests rose to just under 80 percent, which is in line with the previous four years. The five most used policy instruments that favor local firms include contingent trade-protective measures, subsidies (excluding export subsidies), government procurement

restrictions, export-related measures (including subsidies) and tariff increases. The number of tariff increases implemented during the period between 1 December 2018 and 15 April 2019 was 41, compared to the range of 8-30 during the preceding four years. Since the summit in Argentina, the G20 countries offered financial support to locally-based exporters in 48 instances, which is twice the rate of the previous four years. Subsidies provided by G20 governments also nearly quadrupled since the Argentina summit compared to the average of the previous four years. Although there is a persistent imposition of new taxes on imports, the emphasis shifted towards a more common use of typically undetected state assistance (Evenett and Fritz, 2019).

By 31 October 2020, a total of 2,031 policy interventions had been implemented by governments globally, which had an impact on the commercial interests of their trading partners. Those dramatic policy interventions are 74% larger than the comparable total, recorded for government measures taken in 2019. A comparison of the total number of policy interventions implemented in 2019 with the total of 2,031, reported for 2020, shows an increase in 58% than the comparable total in 2018, the year in the past decade with the highest recorded total policy interventions. Compared to the average for the years 2015-2017, a relatively quieter period for the world trading system, the policy interventions recorded in 2020 is 147% higher than before the COVID-19 pandemic (Evenett and Fritz, 2020).

In conclusion, it seems first and foremost that there has been a marked increase in protectionism or economic nationalism worldwide after the last G20 summit. The non-G20 countries have noticeably increased their resort to economic nationalism, even more than the G20 members have. In the absence of addressing protectionism in general in a meaningful way by G20 members, enforcing the Geneva trade rules is probably an enti-

rely optimistic view. Lastly, international capital flows declined since the financial crisis as financial regulators imposed higher regulatory standards to mitigate risks.

THE CONTRIBUTING ROLE OF THE COVID-19 PANDEMIC

The COVID-19, which supposedly originated in Wuhan, China, during December 2019 has been devastating on the global economic activity. According to Enderwick and Buckley (2020) this pandemic represents the most fundamental disruption to economic activity in a century. It hit the leading economies, paralyzed links between countries, prompted a mix of responses and created uncertainty about its eventual extermination. Some studies also state that globalization was already subject to considerable criticism and concerns and may have reached its peak prior to the pandemic (Livesey, 2018; Witt, 2019). These concerns brought about the growth of economic nationalism, triggering increased protectionist policies and a rejection of the institutional arrangements that have guided the global economy since 1945. The question is whether this pandemic may contribute towards the process of de-globalization because of the reduction in economic activity worldwide. According to Shukla (2020), there is no doubt that economic activity has been reduced across the world because of the lockdown. Albertoni (2021) echoes this by stating that Covid-19 has stopped globalization in its tracks and warns about the damage done by economic nationalism. During March 2020, the countries reporting the most cases of infections were China, Korea, Italy, Japan, the US and Germany. The six countries mostly affected at that stage account for approximately 55 per cent world's GDP, about 60 per cent of global manufacturing and 50 per cent of global manufacturing exports.

According to Luo and Tsang (2020), the COVID-19 pandemic has a more significant effect on the global supply chain, while some also indicate cutting investment expenditure by companies. In a way, it seems that the impact of the pandemic is worse in advanced economies compared to developing economies as the share of durable products is higher than non-durable products in advanced economies. In developing countries, the share of non-durable products is higher and during pandemics the demand for non-durable products exceeded that of durable or luxury products. However, this is purely from a demand side approach without taking other factors into account, burdening developing countries much more.

IMPACT ON GLOBAL VALUE CHAINS (GVCs)

The emergence of GVCs has major policy implications for economic growth in developing countries. Conventionally, production was primarily located near the source of the main input or consumers of the final market, but the rising proportion of world trade in intermediate inputs has opened the door for location anywhere in the world. The value chain describes the full range of activities that firms and workers perform to take a product from its conception phase to the end-use and beyond. According to Baldwin (2012), this provides advantages to developing countries through the creation of a path by which countries can industrialize at a much earlier stage of development. This because producing firms establish their production plants where labor is cheaper or utilize other locational advantages present in developing economies. Typical advantages created in the GVC include speed in the movement of goods in the value chain. Developing countries that can provide these required levels of logistics can therefore share in the benefits offered by the GVC. Benefits include, amongst other, to allow imports under privileged tariff treatment for intra-firm trade, permit

the utilization of network technology not normally available and it may open up new sources of capital (Newfarmer, 2012). These factors, combined with sustained improvements in policy environments have caused remarkable growth in intermediates, exports in general and economic growth in various countries.

Globalization has reached a stage where the fragmentation of production and the international dispersion of economic activities have grasped unimaginable shares. Currently, about 60 per cent of global trade consists of intermediate goods and services that are incorporated into various stages of production. This caused the creation of a highly complex network which is referred to as the global value chain. Today, GVCs have become the main feature of the world economy as 28 per cent of total world exports corresponds to the added value that was first imported, and then incorporated into products and services to be exported again. Fragmentation of production has reached such high levels that these productive chains cannot be interrupted, without seriously harming economic efficiency and adding to costs (Postelnicu, Dinu and Dabija, 2015). In the global trade environment, each country aims at taking a position as favorable as possible in the global production chain and attempt not to isolate itself. The GVC framework focuses on the sequence of value added within an industry, from conception, production and end use. It examines the job description, technologies, standards, regulations, products, processes and markets, thus providing a holistic view of global industries both from the top down and the bottom up. These are important aspects which serve as pre-conditions of competitive success for export-oriented economies, the rise of demand-driven workforce development and the proliferation of private regulations and standards (Gereffi and Fernandez-Stark, 2016).

However, the slowdown in global trade, due to the perceived de-globalization seems to enhance the GVC maturation. According to Antras (2020), the overall share of GVC trade in total global trade grew really meaningfully during the hyper-globalization phase between 1986 and 2008, but since the GEC has basically stagnated or even declined. Previously the GVC was highly supported by a production process, fragmented across multiple countries, enhancing trade in intermediate products. However, since the GEC of 2008/2009, it seems as if the importance of GVCs has tapered down somewhat in developed countries, especially the US and Japan (Das, 2017). The contribution of GVCs in the process of international trade has reached a peak with a dimness in especially advanced economies. Rising tensions in international trade between countries and doubts regarding market access are impending the very future of GVCs. An OECD study by De Backer and Flaig (2017) argues that the world economy faces various structural shifts that may intensely change, some even refer to ‘seismic’ changes, the position of GVCs in future. There is a number of factors, except technology, that describe the shifting dynamics in GVCs. Factors such as rising trade costs and economic nationalism since the GEC, have made international production more expensive. Furthermore, localized production (closer to the final market) has become more attractive in advanced countries, based on digital technologies, as well as developing countries since their increased capabilities require less imports. Some also indicate the fact that GVCs have stalled recently, as basically a readjustment and normalization of the previous overshooting in international fragmentation. Moreover, it is interesting that the growing intricacy of international production networks may have peaked and thus some companies started rethinking their sourcing and production strategies.

Prior to the war in Ukraine, the global recovery from the pandemic was expected to continue in 2022 and 2023. The conflict will however hinder global growth creating a new negative supply shock for the world economy. The IMF projects a sharp fall in the global economic growth rate, projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023 (IMF, 2022). In many countries, the beginning of 2021 was marked by a wave of lockdowns and restrictions, which weighed on demand, supply and international trade. By November 2021, the accumulated volume of trade realized since the beginning of the pandemic was still 1% lower than that which would normally be expected. World trade volumes would need to expand by about 2.8% points from the November level to close the gap by March 2022 (OECD, 2022). This would make it the biggest economic down-turn since the Great Depression of the 1930s. Although a swift recovery is possible according to the IMF, it will require a significant effort to get control over the pandemic and restore economic activity and global value chains (Lucas, 2020). According to Lucas (2020), this pandemic has greatly disrupted GVCs which are responsible for more than two-thirds of world trade. The disruption of GVCs is likely to be discussed when debates about deglobalization surface in future. Manufacturing is likely to suffer due to shutdowns, distorted supply chains, transport disruptions and waning demand. Manufactures of durable goods and firms heavily relying on value chains are specifically vulnerable. World trade is likely to decline further in sectors with complex value chains such as electronics and automotive products. The most complex supply chains are regional with China the main hub for Asian countries, the US for North America and Germany as hub for Europe.

During adverse shocks, GVCs have exposed companies to high levels of supply risks through delicate, complex and long GVCs. It has also exposed companies in responding to changing

preferences in consumer demand. This potential changes in GVC dynamics may cause a re-configuration of the international production landscape with noteworthy shifts in competitiveness among nations (De Backer and Flaig, 2017).

CONSEQUENCES OF PROTECTIONISM OR ECONOMIC NATIONALISM

Although protectionist measures may be politically attractive, especially over the short run, the long-term effects can however have severe negative consequences. The implementation of trade restrictions may cause retaliatory measures with the probability of increased tariffs globally. This may have a negative impact on consumers, producers, government, investment and trade flows alike. Poverty and income inequality may come under more pressure as tariffs will translate into higher imported prices, reducing the purchasing power of the vulnerable as they generally spend a larger portion of their income on traded goods (Fajgelbaum and Khandelwal, 2016). Higher imported intermediate goods may also direct firms to permit consumers to bear this increase. Lastly, more expensive imported capital goods may impact heavily on lower income countries which rely on these type of goods (Kutlina-Dimitrova and Lakatos, 2017). This merely explains that virtually all protection implies higher prices to either the consumer or another producer, in case of intermediate goods. A warning from the WTO about the global rise in in trade protection detected among G20 countries show that there is an eminent concern.

Companies may also progressively consider ‘decoupling’ from GVC and ‘reshoring’ (reducing reliance on production units abroad). These types of arguments get more support, especially during periods of rising nationalism and populism with additional fears and suspicion and a growing urge towards de-globalization. However, GVCs are developed to enhance

efficiency and productivity and therefore changes to this system would mandate a tremendous effort and probably cause an increase in costs of production (Lucas, 2020).

Numerous changes in the nature of globalization are becoming more evident lately. It seems that government involvement in economic activity has increased markedly. Governments are directing businesses towards the production of essential products such as ventilators, personal protective clothing and equipment and also rethink location of manufacturing plants and to increase supply flexibility. An example is Japan, that set aside US\$2 billion to support their firms shifting out of China closer to home (nearshoring) or back home (reshoring). Firms experiencing supply chain shutdowns are considering their options. A firm like Iris Ohyama is moving its mask production from China to Japan while Mazda has indicated that it will source auto parts more often from Mexico. Another example is the White House National Economic Council Director calling on authorities to pay the costs for US firms to move operations from China back to the US (Enderwick and Buckley, 2020).

Some of the weaknesses mentioned before delivered pressures for change that were exacerbated by the COVID-19 pandemic. The COVID-19 pandemic is also likely to affect the geography of production as well as the management of supply chains. Adding to this, another change potentially affecting globalization is a result of firms reconsidering the flexibility of their global supply chains. Although continuous adaptation in global value chains is required, 'shocks' like the COVID-19 pandemic place an added strain on these GVCs. The expansion of GVCs also depend on exploiting sophisticated levels of specialization. However, these disruptions or 'shocks' cause unpredictable and negative system-wide effects on existing, efficiency-driven GVCs (Enderwick and Buckley, 2020). The continuous loss of well-es-

tablished suppliers can be detrimental to a business, however, technology provides opportunities to restructure supply lines. Advanced control and communication technology may enable a reduced dependence on key supply hubs such as China (Enderwick and Buckley, 2020).

CONCLUSION

One of the main issues at stake currently is probably global economic uncertainty, causing a spiral of economic nationalism because governments are under pressure to stimulate their economies and protect their domestic trade interest. The global financial and economic crisis of 2008/09 have had a devastating effect on the world economy and globalization. Since then global trade in goods and services has substantially slowed down. By evaluating the discriminatory measures applied by especially the G20 countries linked to some geo-political factors, there is ample proof that higher levels of economic nationalism are evident globally. These factors, combined with the COVID-19 pandemic further exaggerated the process of isolation or economic nationalism among countries. This again negatively affected the GVCs which is supposed to cover the full range of activities that firms and workers perform to take a product from its conception phase to the end-use and beyond. The emergence of GVCs had major policy implications for economic growth in developing countries as the rising proportion of world trade in intermediate inputs had opened the door for location anywhere in the world. The recent 'inward-looking' approach or rising levels of economic nationalism seems to counter potential advantages of GVCs. Part of these benefits include establishing plants where labor is cheaper or utilize other locational advantages present in certain countries. Typical advantages created in the GVC include speed in the movement of goods in the value chain and countries that

can provide these required levels of logistics can therefore share in the benefits offered by the GVCs.

From a political economic perspective, government policies have an economic impact on the broader community, be it domestic or global. The current economic crisis and associated risks is global, without offering global solutions. In fact, each country has to search for its own solutions. When addressing local solutions to a global crisis, this in itself refers to a tendency towards de-globalization. Although de-globalization is probably not here with a vengeance, it is slowly but surely creeping to the surface in subtle ways. It is therefore imperative that the advice from economist to government on economic policies should be sound. Based on the threat of de-globalization, vulnerable countries should develop policies to improve connectivity, support small businesses, promote skills development initiatives and identify new sources of growth.

Although the current COVID-19 pandemic has aggravated the process of de-globalization, it may be the stimulant for re-invigorating the global economy as interdependence may once again be vitally important to stimulate the world economy. As long as countries are uneven in their endowments of various types of resources and technologies, they are different in their abilities to produce all types of goods and services. So, as long as countries demand certain goods which, according to their abilities they are not able to produce, economic dependence among countries will remain and globalization will largely persist. Although there is multiple proof that the level of economic nationalism or protectionism in general is on the rise, it may be premature to talk about de-globalization yet and therefore it appears unlikely to see an end to globalization soon.

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