

# Globalization Vs Localization: Re-balancing the Economic Priorities

## Outline

### 1. Introduction

**Thesis Statement:** To reduce ongoing economic shocks, preventing inflationary pressures and to avoid supply chain crisis, the world economy is shifting from globalization towards localization. Thus, creating balance between globalization and localization is essential for economic stability.

### 2. A brief overview of shift from globalization to localization

- Self sufficient approach of states
- Protectionism and nationalism

### 3. What are the causes of shift from globalization to localization?

I. Protectionism and economic nationalism

reinforce localization

Case study: "America First Policy" of Donald Trump

II - Increasing supply chain crisis causes regionalization

Reference: UNCTAD Report 2022

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III - Increased focus on reducing carbon footprints is the main factor behind localization

Case study: EU Green Deal

IV - Rising inflationary pressure is shifting economy towards regionalization

Case in point: IMF Report (2024)

V - Presence of populism and hyper nationalism is an other driver of regionalization

Reference: BREXIT (2020) and populism in United Kingdom

VI - Technological advancements support localization by improving local production capabilities of states

Sub-ordinate point: Report published by US Bureau of Labour Statistics

4. Why globalization cannot completely be avoided? : (Anti-thesis)

I - Difference of natural resources and raw materials reinforces globalization

Case in point: IMF Report (2022)

II - Lack of innovation and technological means supports globalization

Reference: OECD report (2023)

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III - Lack of human resources and technical skills is the key driver of global connectivity

Books: The Nexus

IV - Climate induced disasters and need of global cooperation requires global interconnectedness

Books: 21 Lessons for 21st Century

V - Need for diverse <sup>supply chain</sup> resources due to geopolitical tensions causes globalization

Case study: Made in China Policy (2005)

5- How to balance localization with globalization for economic stability?

I - Protecting small businesses and local industries is essential for global economic growth

Reference: Made in India Policy (2003)

II - Ensuring investment in digital advancements for economic stability

Case study: US Chip Act (2022)

III - Promoting the regional trade for re-balancing economic priorities

Reference: EU Free trade agreement

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IV - Ensuring technical education and skills to masses is necessary for global economic growth  
Case study: Taiwan skill development Program

V - Guaranteeing glocalization is indispensable for global economic development

Sub-ordinate points: McDonalds and Coca-cola's cases in Jaws

VI - Ascertaining visionary leadership is quintessential for balancing localization with globalization

Book: From First World To Third World

## 6. Conclusion

Localization poses severe threats to globalization. Ensuring glocalization is necessary for conducive economic prosperity.

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The world economy is shifting from globalization to regionalization due to over-riding impacts of extreme interdependence of states in terms of imports and exports. According to recently published United Nations world openness report, "World openness has fallen by 0.4 percent since outbreaks of Covid-19." There are innumerable factors behind shift of global economies towards localization including: protectionism and extreme economic nationalism, increasing supply chain disruptions, rising focus on reducing carbon footprints and so on. Rising inflation, coupled with presence of populist tendencies across the states is another cause of regionalization. Advancements in technology are equally important in this context. However, globalization cannot completely be replaced by localization. Difference of natural resources and raw materials

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reinforces globalization. Similarly, presence of technological gap, along with lack of human resource across the globe also shows the dependence of economy on globalization. Extreme weather events and need for global cooperation in this context also supports need of global interconnectedness. Nevertheless, creating balance between localization and globalization is indispensable for sustainable economic growth. Protection of local industries, promotion of regional trade and globalization are some of the concrete measures in this regard. To reduce current economic shocks, preventing inflationary pressures and to avoid supply chain crisis, the global economy is shifting from globalization towards localization. Hence, creating balance between localization and globalization is important for global economic stability.

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Global connectedness is measured by the flow of trade, capital, information, people, technology and ideas. However, localization involves shorter supply chains, domestic manufacturing and regional trade. The self-sufficient approach of states in manufacturing of essential products indicates that global economy is shifting from globalization towards localization. According to recently published report of World Economic Forum, "the global trade is descending rapidly since Ukraine war." Protectionism and economic nationalism are the key indicators of backlash to globalization and support of regionalization. To be all and end-all, the world is transforming from extreme connectedness to limited inter-connectedness.

There are multiple causes of localization and protectionism, along with economic nationalism is one of them. Protectionist

policy shows the self-sufficient nature of states. Trade ban and economic sanctions reinforce states towards localization. The case study of regional trade of Iran amid global economic sanctions is in focus in this context. Similarly, "American First Policy" of Donald Trump also shows rising shift towards localization. Thus, protectionism is the key factor behind localization of economies.

In the same manner, increasing supply chain crisis is an other cause of shift from globalization towards localization. Slow down of global supply of goods and services reinforces regional trade. It also causes manufacturing of products on the domestic level. For instance, US-China trade war does not bode well for globalization as it pushes world economies



towards regionalisation. Similarly, in 2023, Japan has introduced export controls, limiting 23 different types of chips sales to China. Hence, world economy is moving from hyper-interconnectedness towards limited interconnectedness.

In the same vein, increasing focus on reduction of carbon footprints is the key factor behind shift of global economies from globalization to localization. Most of the multinational corporations are reducing their production rate owing to emission of green house gases. Moreover, the execution and implementation of green energy plants in industries have also resulted in slowdown of manufacturing of goods across the globe. Therefore, the countries are trying to manufacture essential products at domestic level for meeting their end needs. The case study of European Union

Green Deal is in focus in this context. Almost 50 percent energy needs of Germany are now met by renewable energy resources. All and above, rising focus on reduction of carbon emissions is the key cause of localization.

On the same pattern, rising inflationary pressure is also one of the causes of shift of world economy from globalization to localization. No doubt, the global economic shocks reduce the global imports and exports. Spiking inflation affects the purchasing power capacity of the masses. Similarly, various multinational companies shut their production down amid economic uncertainty. As a result, states move towards regionalization for resilience of their economies. According to recently published International Monetary Fund report,

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"Regional trade has increased by 10 percent especially in global south due to super cycle of 2023". Hence, rising inflation is the key driver of localization.

In addition to above, presence of populism and economic nationalism is also a cause of shift of global economies from globalization towards localization. Political leaders use anti-globalization rhetoric for increasing their votes. Similarly, populist tendencies use the slogan of "economic nationalism" for attracting the public. Resultantly, regionalization gets a traction. For instance Britain exited from European Union in 2020 under the pretext of detrimental role of extreme interconnectedness. Actually, the BREXIT was the result of populism in Britain politics. Thus, populism reinforces localization and self-dependency.

Similarly, advancements in technology causes localization as it increases the capacity of states for manufacturing products at domestic level. Modern technologies have made production of goods and supplies easy. As a result, the self dependent approach of countries have extremely increased. All the technologically advanced states import less and export more owing to their high production capacity. According to the United States Bureau of Labor Statistics, "The US policy of 'Reshoring Movement' has resulted in 70 percent increase in domestic manufacturing investment." Hence, global economy is shifting from extreme interconnectedness towards limited inter-linkage.

There are multiple reasons that globalization cannot completely be avoided. The difference of

natural resources and raw materials is the first and foremost among them. No country can survive in complete isolation amid current technological era. The unequal existence of natural resources across the states reinforce the globalization. Similarly, difference of raw materials is equally important in this context. Every states rely on other states for meeting its end needs. According to IMF report 2023, "Global economic slowdown has decreased from 3.4% in 2022 to 2.9% in 2023". Thus, globalization still exists across the world.

Secondly, lack of innovation and technological means also shows that globalization is unavoidable phenomenon. There is technological chasm among states across the globe. Most of the states import technology for operation

of multiple industries. Similarly, lack of Research and Development in developing states results in their dependence on developed states for innovation. According to the recently published OECD report, "Global trade has increased by 10% to 15% in electronic, automotive, food and pharmaceutical sectors." Thus, globalization cannot be eliminated in true form.

Thirdly, lack of human resource and technical skills is one of the key drivers of global interconnectedness in terms of economy. Difference of human resource causes labor flow across the globe. Similarly, skilled labor class is also one of the main dimension of inter-linkage of global economies. Most of the countries' economies hinges upon the foreign labor, as they have limited

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human capital of their own for production, transport and other sectors. Yuval Noah Harari says in his book: 'The Nexus' that "technological skills in humans means further continuation of global inter connectedness as every single thing's manufacturing requires a specific kind of technical skill". Hence, it is true to contend that complete replacement of globalization by localization is not possible.

Fourthly, climate induced disasters and need of global cooperation in this regard also manifests that globalization is inevitable process. Changing climate patterns are affecting all the states across the globe either directly or indirectly. Extreme weather events are severely detrimental for global economic prosperity. The global cooperation for mitigating the impacts of

Climate change is essential. Yuval Noah Harari wrote in his book: '21 Lessons for 21st Century' that 'Global problems needs global solutions and climate change is one of the such global issues.' Thus, it can safely be said that complete shift from globalization towards regionalization is a myth.

Last but not least, need for divers supply chain resources also indicates that globalization cannot completely be avoided. The world is having various issues like geopolitical tensions which, in turn, damage the flow of supply chains. Therefore, diversification of supply chain resources is necessary for sustainable economic development. Perhaps, this diversification of resources is the main driver of globalization. The



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exploration of trade routes for feasible exports and imports also strengthens globalization. For instance, China is exploring various sea routes owing to its ongoing trade war with USA under the umbrella of "Made in China Policy (2030)". Thus, globalization can change its patterns, but cannot be eliminated completely.

There are various ways to balance the localization with globalization for economic stability. Protecting small businesses and local industries is one of them. Business on micro level is essential for economic well-being of the states as they can generate enough revenue from it. Similarly, local industries play equal role in this regard. Local industries reinforce regional trade. They decrease the dependence of states on

other states. The case study of "Made in India Policy (2023)" is in focus in this regard. According to the policy, New Delhi has invested billions of dollars for supporting the local industries. Thus, protection of local businesses is essential for re-balancing the economic priorities.

On the same pattern, investment in digital advancements is also one of the key measures to create the balance between globalization and regionalization. Advanced digital technologies increases the capacity of industries to manufacture products on massive scale. As a result, states are less affected by global supply chain disruptions. For instance, the government of United States has passed CHIPS Act (2022). According to the act, 70 percent technological

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products would be manufactured domestically. Almost 40 billion dollars were invested in technological advancements for chip assembling. Thus, balance between extreme connectedness and limited inter-connectedness is essential for global economic stability.

Additionally, promotion of regional trade is necessary for re-balancing the global economic priorities. Geopolitical tensions, coupled with extreme weather conditions disrupt flow of imports and exports which, in turn, cause economic uncertainty.

Therefore, promoting regional trade is conducive for economic prosperity. Multiple economic blocs have been made for increasing the regional trade. European Union free trade agreement is one of the key models of regionalization. Hence,

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Localization - globalization balance is quintessential for re-balancing economic priorities.

In the same way, ensuring technical education and skills learning by masses is also one of the vital steps for creating balance between globalization and localization. Presence of skilled labour gap can be minimized through imparting technical knowledge. Similarly, skill development programmes are equally important in this context. Similarly, labor cost can also be minimized. For instance, Taiwan is inculcating technical skills among its citizens under the "Taiwan Skill development plan". The country is largest producer of electronic chips across the globe. Hence, technical education and skills learning by masses is necessary for balancing global economic priorities.

In addition to above, guaranteeing globalization is also a key step to create a balance between globalization and localization for economic prosperity. Globalization simply refers the production of specific goods on both global and regional levels. Various multinational corporations have adopted globalization. For example, to appeal the largely vegetarian population in India, Mc Donalds offered vegetarian choices, such as Mc Allo Tikki Burger. Similarly, Coca Cola leveraged local interests in Japan by launching unique flavours, such as green tea coke and sakura cola. Hence, globalization is indispensable for re-balancing economic priorities across the globe.

On the same pattern, visionary leadership can also ensure the balance between localization and globalization. Leading role of political leaders can offset the negative

impacts of extreme interconnectedness. Similarly, visionary leaders can reap fruits of regionalization. Chalking out of balanced policies also hinges upon the political will. Lee Kuan Yew said in his book: "From first world to third world" that "selflessness, dedication, skills and pragmatism like features of a leader are necessary for converting dreams into reality." Thus, visionary leadership can create balance between globalization and regionalization for global economic development.

To conclude, there are innumerable factors causing shift from globalization to localization. Economic protectionist policies, burgeoning supply chain crisis and increasing focus on reduction of carbon footprints are vital causes of localization of global economies. Populist measures

of demagogues are equally important in this context. However, globalization cannot be completely replaced by regionalization. Differences of material resources among states, presence of technological chasm, lack of human resource and need of cooperation for addressing climate change are the key drivers of global interconnectedness. Some measures including protecting local businesses, investing in technological advancement, promoting regional trade and others are essential to create balance between localization and hyper-globalization. Thus, global economies will be melted down if these measures are not implemented in true spirit.

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