



THE STATUS OF GLOBAL ECONOMY IN THE AFTERMATH OF GLOBALIZATION

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Abstract

The Global economic scenario has been divided based on the geographical locations such as 1) The US 2) Asian 3) European 4) Middle East respectively. In this, the US plays pivotal role on shaping the economy of other parts of world as the transactions are happening across the globe on US dollars. By comparing these four economies, the status of development and state of economy of globe in the aftermath of Implementation of Globalization concepts were explained in this article

Key words: Brexit, Sub-Prime Lending crisis, Turmoil, Gross Domestic Product, FDI, FII

1. Introduction

The Global economy had been witnessed hectic activities in the Free Trade Regime since 1991 as the countries ignited their economic engine with Globalization fuel. Earlier, the countries had implemented the globalization concepts with the twin objectives of providing employment opportunities to people and ensuring the health and wealth of overall economy.

From 1991 to 2008, everything like GDP, Technology Transfers, Modernization, Global deals in Business, FDI, FII and Globalized management strategies were implemented in right perspective, of course, the global economy has immensely benefitted on these aspects. Millions of people across the globe came out of poverty, the disposable income of people got increased, the purchasing power of people got enhanced, the consumption got increased, and the services occupied main spot are certain outcomes of Globalization. Apart from that the markets across the globe grown in size which

provided huge leap way to the people of respective countries with the investment on Infrastructure, Technology and other related aspects. During this period, the US had rechristened itself as consumption driven economy and Most of countries in Europe like U.K, Germany, France and Spain followed the US which provided huge benefit to manufacturing countries like China and perhaps India, but in different perspectives. Across the economies, the job creation at least for skilled people, Investment in infrastructure and overall enhancement of standard of living of people became as the reality.

2. The response of Asia towards Globalization

The China and India have been rated as growth engines of Asia and perhaps they reached this destination by adopting completely radical strategies. The China had chosen the path of manufacturing driven with special emphasis on exports and India embraced the opposite way of becoming as consumption driven economy with emphasis on internal consumption.

The China adopted the concept of closed economy with special emphasis internal investment on local companies, where every aspects of economy comes under the control of government and it has extraordinary powers on manipulation of its currency, renmenbi against the US dollar thus provide competitive edge on exports. Due to this phenomenon and liberalized global economic scenario, the Chinese exported more and earned huge foreign exchange to the tune of \$ 4 trillion dollars. Their economy ballooned as \$12 trillion dollar one within the shortest span of period.

In other way around, the India integrated itself with consumption driven economy with lot of focus on FDI and FII. While concentrating on internal investment indeed in miniature scale, the policy makers turned their attention towards the foreign investment, resulted huge flow of foreign money thus make the country somewhat comfortable in the arena of foreign exchange reserves (\$ 370 billion) that brings much needed stability on economy. Other economies like Japan, Singapore and Malaysia also done well and created more jobs global citizens and their GDP also got enhanced during this period(1).

3. The Middle East Economy

The economy of Middle East countries based on crude oil price, Due to the opening of economies, the consumption has radically increased which resulted more demand for oil. The increase in demand has provided complete edge on price for oil producing countries such as Saudi Arabia, Kuwait and Iran. The price of crude oil witnessed phenomenal increase up to \$100 dollar/barrel that provided huge benefit in terms of job creation and infrastructure.

The globalization had created synergy across all economies and opened the cash rich western economy especially U.S to others such as India, China and Saudi Arabia thus results the Win-Win situation for the entire world.

4. U.S Economy Crisis

The crux of events happened at US in 2008 had jolted the global economy with contagious effects. The sub-prime lending crisis which leads to extension of credit to the people who doesn't have proper collateral plunged the banks like Lehman Brothers, Bank of America ,Fannie Mac, Freddie Mac and Merrill Lynch of US in to bankruptcy that necessitated the US government to bail out some of them. The global economy experienced shock waves and struggled a lot to come with the terms of this economic crisis as they didn't believe the collapse of well structured banking system of U.S. In the aftermath of economic crisis 2008, the economic landscape of world changed from optimistic to pessimistic, the countries became more vigilant and have initiated various measures to protect their economy from the ill effects of modern financial tools and strategies. All the countries invariably started to concentrate

on local people by skilling and re skilling them to provide employment opportunities for them.

The U.S itself adopted the policy of limited migration, enhanced employment; opportunities for local people to safe guard their interests. The radical policy shift towards protectionism by the country which introduced the globalization created certain confusion and uneasiness among other countries. It seems that the U.S. indeed learned the lessons from their failure in 2008.

5. Impact of Protectionisms

The policy shift of countries from globalization to protectionism changed the economic landscape of many countries especially export oriented one. The most affected one is China. The China's dependence on exports for many decades has proved wrong as the world economy shrunked which leads to reduction of consumption. The reduced consumption level of world countries had impacted the export of china as there was decline in demand of products like steel, electronic gadgets and other products. The reduced export created the impact on foreign exchange reserve of china that got reduced to \$3 trillion from \$4 trillion within a year that motivated the leaders of china for some introspection on conduct of state of economic affairs(2).

The middle east got also affected by the reduction of demand of western countries, the oil demand has reduced that resulted significant declining of crude oil price with the extend of \$50 dollar/barrel. The reduction of crude oil price impacted the economy of Middle East countries and other oil producing countries to the extent of adoption of stringent migration policies, cut in employment allowances, cut in subsidies.

India almost has been isolated from this melee as it consumption oriented economy absorbed the benefit of global price reduction of oil and other capital goods. Its import became cheap which results the huge savings of foreign exchange, to some extent, this has benefitted the economy. But in other words, the global economic meltdown also affected the employment of skilled Indians in abroad which prompted the country to adopt strategic steps of Make in India and Reforms in financial sector

such as GST, Demonetization to ensure the sustainable level of job creation as India is the one of young country which has more that 70% of young population, in order to cater the need of this population, India has to create atleast 1 million jobs every year otherwise, India will become as land of jobless land of world(3).

The countries of European Union also witnessed the growth of 2% in the sustainable basis during the period of globalization. But after some successful years, some countries like Greece, Cyprus and Netherland faced the problem of economic turmoil which prompted the EUB to announce the stimulus package to prevent these economies from brink. The economies of U.K, Germany, France and Spain also got downgraded due to many aspects which reduced the overall confidence of economy. The acceptance of referendum to Brexit of U.K has sent shock waves across the Europe in particular and Globe in general (4).

6. The reasons for Transformation of Globalization to protectionism

Over the many decades of globalization, the countries enjoyed the benefits of it such as enhanced GDP, Job creation to some extent and overall development in infrastructure. But in recent days, almost all nations of world realized that the growth, job creation and other benefits are temporary one and they understood that if any event happened in the remote corner of world creates impact in their economy. Further they realized that the twin objectives of globalization such as Sustainable job creation and development of economy have not achieved despite of surgical adoption of globalization concepts. In addition with that, the world strongly felt that the economic crisis had happened due to adoption of modern financial strategies of globalization. This has reduced the confidence among the countries thus leads them to thing about the old theory of protectionism (5).

7. Future State of Economy

The recent above said events suggested that, In future the world will move towards the protectionism as every country wants to safeguard their economy as well as their people.

The china will become more conservative and it will not allow any modern financial strategies to enter in their country.

Despite of the request of world, the Chinese will never free their economy and they won't allow their currency to change according to the market conditions. The will not ensure the level playing field for both domestic companies and MNC's who wish to invest in China. While committing to the world that they will be more liberal, their underlying agenda is different in nature which leads them to adopt more protectionism.

The U.S has already started to implement the protectionism concept which would reduce the dependence of other countries like China for Goods and India for services. They created flutter across the globe by changing their Visa Regime with stringent regulations, Incentives for Domestic investments and punishment for local companies which wants to invest in foreign countries. These policies have reduced the flair of going to foreign and earn money.

The European Union already in dangerous situation as the main occupant U.K has initiated the process of separation and other countries such as Netherland, Greece and Iceland also wanted to come out from EU as they didn't find any merit on integration of their economies. These measures were indirectly leads to protectionism as every country wanted to separate themselves from the mainstream economies.

The trend of protectionism spreads like anything across the globe which will create either positive or negative effects on overall state of economy. The recent experiences show that the separation would create uncertainties and chaos among the economies and they will end up with more disastrous position in future.

8. Measures to be taken

- 1) All the countries have to join together and diffuse the Trust deficit among them especially the economic superpowers.
- 2) The U.S has to do lot of due diligence before introducing any radical measures in economy policies.
- 3) The U.S may adopt dynamic policies towards the countries, towards the hostile countries, it may adopt some stringent measures and with friendly countries, they can adopt friendly policies.

4) The U.S should send strong signal to the globe that they will lead the world economy with appropriate strategies.

5) The China should open up their economy to the world and they should conduct all economic dealing in transparent manner.

6) They should allow their currency to move tandem with market situations rather than manipulations.

7) The China should become as consumption driven economy as they have to produce more products for their people and have to provide seamless entry to MNC,s .

8) The Chinese should create the level playing field for all the companies which do business in their country.

9) The India should change their economy from consumption driven to Manufacturing driven one.

10) Rather than earning Foreign exchange through inviting companies to India, it has to earn through export of products to various countries.

11) The India should convert its economy from service oriented to manufacturing oriented with special emphasis on agriculture.

12) The U.K.should abolishes its move of separation from EU as it would create dangerous trend across the Globe.

13) Close interaction should happen among the EU leaders to convince U.K to join with EU.

9. Conclusions

It seems that the global super powers are turning their attention towards protectionism rather that globalization. This shift perhaps provides short term benefit to the nations but in the long term, it would have serious consequences on the global economies. All the countries should understand this and suitable policies should be formulated to ensure the unity among the countries thus leads to overall development of economy.

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