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Globalisation, deglobalisation and Brazil

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The past three decades have witnessed significant changes in transportation, communications and data processing, with effects on productive processes, trade flows, international capital mobility, and other aspects.

For high-income economies, this has led to increased business opportunities across new models. Offshoring has enabled competitive gains, better control of production chains and the exploitation of comparative advantages regarding services and a qualified workforce. This process has been facilitated by the reduction of barriers to international trade flows.

From the perspective of developing economies, it has been increasingly recommended as a tool to foster economic and social development. However, in practice, the benefits resulting from greater interaction were counterbalanced with the growing demand for highly skilled workers and rising automation, with impacts on the labour markets of both high-income and developing economies. At the same time, swift international trade flows have allowed high-income individuals increased access to resources for high-yield investments.

Given the magnitude of these effects, political repercussions have led to resistance, unleashing a process that has been called 'deglobalisation', which has resulted in some countries adopting isolationist measures, as well as the strengthening of groups that are against various aspects of interaction with other economies.

The Brazilian economy finds itself in a peculiar situation. Despite enjoying the benefits of extraordinary external demand for some of its products, it has had a fringe participation in commercial transactions as a whole. By the same token, it has a major role in attracting resources, but this does not reflect a more prominent presence in the international economic scenario.

A view that is favourable to globalisation highlights supply-side gains resulting from increased investments, the dissemination of technology, underlying institutional reforms, the need to adopt sound macroeconomic policies, and incentives to increase the qualification of the workforce. On the demand side, the focus is on consumer benefits, such as improved access to a greater variety of goods and services at lower costs, higher-income jobs and better health conditions—therefore, better standards of living.

The globalised world has not been able to completely eliminate poverty; it has, however, increased the distance between income groups and between countries. In addition, facilitated international trade flows and the dissemination of technology have contributed to increasing the 'digital distance' between individuals and populations of different countries: many are not able to keep up with technological progress or participate in important productivity networks. This was illustrated by the restrictions adopted in response to the COVID-19 pandemic and other aspects regarding students of private and public schools in developing economies.

The greater concentration of income associated with globalisation results from the increased demand for high-skill workers, but also from the financial process. In an environment with lower interest rates, lower-income populations tend to increase their level of indebtedness, while higher-income populations tend to allocate a larger percentage of their wealth in higher-risk—and therefore higher yield—investments.

Thus, in addition to the destabilising effects of trade flows—especially short-term capital flows—globalisation is associated with a reduction in absolute poverty levels—one of its least discussed advantages—but also with increased levels of inequality between countries and population groups.

The participation of the Brazilian economy in the process of globalisation has been limited thus far, except regarding capital flows. Participation in trade in goods remains low, the economy remains relatively closed to imports and the number of preferential trade agreements is still relatively low. The country has not entered a deglobalisation stage because it has not even reached a globalised state.

Deglobalisation does not appear to be unavoidable. More efficient productive processes involve increasing digitalisation and the use of components that are more efficiently produced in other countries. With technical progress happening at an ever-quickening pace (and competitiveness presupposes having access to those components in the short term), this reduces the likelihood of producing them internally in a competitive way: the competitiveness of national production depends on an unprecedented level of interaction with external suppliers.

The 'new normal' of productive processes and foreign relations is associated with a seemingly irreversible level of interaction. Consequently, we cannot infer that an economy such as the Brazilian one—with a significant internal market, enormous comparative advantages regarding natural resources and a history of attracting investments—should immediately adhere to a broader market opening course. However, it is time to provide a clear indication to economic agents of a structured, programmed plan to assimilate the potential benefits of more extensive interaction with other economies.

Reference:

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