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Globalization in our times: Are we at an ebb, a pause or the end?

Past waves suggest it has always been a fragile process. And while history doesn't repeat itself, it would be wise to learn from it



DEEPAK NAYYAR
is emeritus professor of economics, Jawaharlal Nehru University



Globalization in our times, which gathered momentum from 1980, has been confronted with mounting economic problems and political challenges. Three decades later, by 2010, the smooth sail of globalization had already been disrupted.

In the economic sphere, this era of globalization witnessed rapidly rising income inequalities among people, while the distribution of wealth became even more unequal. The income gap between rich and poor countries widened. In sum, the prosperity created by globalization was captured by a few, excluding the many, leading those excluded to voice their discontents with globalization. The global economic crisis in 2008, precipitated by financial liberalization, led to a contraction in international trade and investment flows, combined with a volatility in capital flows, while the Great Recession that followed led to a sharp slowdown in economic growth. Yet, governments sought to focus on balancing budgets and managing inflation, at the expense of both output and employment, accentuating the difficulties of those excluded. Such macroeconomic policies were shaped by globalization, as governments were sensitive to perceptions in international financial markets.

The political consequences were no surprise. Economies might have become global, but politics remained national. There was a political backlash in the form of resurgent nationalisms riding on populist or chauvinist sentiments. In industrialized countries, nationalist-populist political parties, or xenophobic populist leaders, exploited fears about openness to immigration and trade as a threat to jobs. In developing countries, nationalist-populist political leaders exploited economic inequalities, social divides and ethnic or religious identities to challenge or oust incumbent governments. It would seem that such political parties or leaders from outside the mainstream captured the political space created by unequal outcomes and social discontents associated with globalization. The changing international context injected a new political challenge. Globalization has always required a hegemon to set the rules of the game and ensure conformity by players. This role was performed by the US. However, the economic resurgence of Asia, particularly China, juxtaposed with the aftermath of the global economic crisis, both attributable partly to globalization, have eroded its economic dominance and political hegemony. And, the US, almost in a withdrawal syndrome, seems to be relinquishing its political leadership role in the world. However, there is no country, yet, that could replace the US as the global hegemon.

Thus, by 2020, an uncertain future for globalization loomed large on the horizon. But more was to

come. A novel coronavirus emerged from China, surfaced in different parts of the world in early 2020, as cross-border movements of people rapidly transformed it into a global pandemic. It has persisted for two years, turning the world upside down, and has not yet gone despite vaccinations. The pandemic prompted repeated and prolonged lockdowns everywhere, which shut down economic activities—manufacturing and services—leading to a sharp contraction in output and employment across countries. This meant a serious disruption in integrated global production networks. Just-in-time production systems were paralysed, as intermediates and components made in China or East Asia were no longer available. International trade and investment flows were inevitably stifled. Draconian restrictions on international travel disrupted the globalization process further, for which cross-border movements of people are just as essential as those of goods, services, capital and technology.

The situation might have improved in early 2022. But that was thwarted by the Russia-Ukraine war, which disrupted global supply chains, particularly in food and fuels. Russia and Ukraine together are an important source of supply for wheat, maize and edible oils in the world market, while Russia is a primary source of oil and natural gas. The war might be localized, but the continuing conflict has created global ripples. It has also accentuated uncertainty and risk in economics and politics, making markets nervous, constituting another body blow to globalization.

The pandemic and the war could well be the last straw on back of globalization already under stress. Global supply chains are stockpiling inventories while large international firms are contemplating relocating or dispersing with offshore production, as an insurance against shortages or disruption, reinventing established business models. Governments, worried about global risks, are in search of national economic security or strategic autonomy to reduce dependence on the outside world. Clearly, for our present era of globalization, which seemed unstoppable a decade ago, the end is near.

History suggests that globalization has always been a fragile process. It has come to an abrupt or unexpected end thrice during the past millennium. The underlying reasons were embedded in the consequences of globalization, ranging from the spread of pandemics to economic or political conflict between winners and losers, whether nations or people. The earliest wave of globalization in the Mongol Empire ended circa 1350 when plague germs carried from Central Asia to Europe killed one-third the population of Europe. The next wave of globalization in the age of mercantilism ended circa 1810 with conflict culminating in the Napoleonic Wars. The preceding epoch of globalization in the age of empire ended in 1914 with a World War. And, now, our current epoch of globalization is about to end.

It is clearly not the end of geography. It is not the end of history either. Of course, history does not repeat itself. But it would be wise to learn from history.

QUICK READ

The past millennium has seen globalization end abruptly thrice: the Mongol Empire phase with the plague, the mercantilist one with the Napoleonic Wars and Imperial Age with a World War.

The pandemic and Ukraine war could be the last straw for a process already stressed by disparities and discontent that took political expression after the global financial crisis.

Sequoia and Tiger Global are leaving SoftBank far behind

Over-valuation woes weigh heavily on the Japanese VC behemoth



SHULI REN
is a Bloomberg Opinion columnist covering Asian markets.



SoftBank founder Masayoshi Son still has past problems to address

If the fiascoes at WeWork and Greensill Bank were not enough, Klarna Bank should serve as another fine reminder that SoftBank Group Corporation is the unluckiest whale in a crowded venture capital world. Its founder Masayoshi Son somehow always manages to hold the worst cards.

Klarna, a Sweden-based fintech company best known for its buy-now-pay-later offerings, is currently in talks to raise about \$650 million—mostly from existing investors led by Sequoia Capital. If completed, this deal would reset Klarna's valuation to \$6.5 billion, a fraction of the \$45.6 billion it was priced at just a year ago in a \$639 million funding round led by SoftBank.

It is a round-down of an epic scale—unless you are SoftBank. Two years ago, the \$100 billion Vision Fund manager slashed its WeWork valuation to \$2.9 billion from \$47 billion in 2019. While the absolute dollar amount involved with Klarna is much smaller, the blow to Son's reputation for evaluation is nonetheless just as damaging. The second Vision Fund will soon have to write down its Klarna stake, wiping out much of its returns. On 31 March 2022, this \$56 billion fund recorded only \$0.8 billion investment gains. A SoftBank Vision Fund spokesman declined to comment on the queries sent by us.

Meanwhile, Sequoia's Michael Moritz, who also serves as chairman of Klarna, appears to have played his cards well. Sequoia was backing Klarna as early as 2010. And since then, it has led a funding round in 2014 with a reported \$1.4 billion valuation, and invested again in 2019 at \$3.5 billion. As of March, it was Klarna's largest shareholder.

Unlike SoftBank, this deal will not force Sequoia to record unrealized losses, because it had invested early. But more importantly, with a global recession now looming large and Klarna in need of capital as buffer against fast worsening consumer balance sheets, why should Moritz care if Son's unicorn valuations are crash landing again?

It is also worth pondering if SoftBank's Klarna blunder was a panic response to recent seismic changes to the wider world of venture capital, most notably the arrival of New York-based hedge funds. SoftBank started losing access to the hottest startups because the newcomers could write bigger and faster checks.

Last year, Chase Coleman's Tiger Global Management overtook SoftBank as the world's busiest venture capitalist. Tiger

was a money magnet, raising almost \$20 billion in the span of just one year for two new funds. The asset manager had tapped into its banking relationships, reaching investors as wide-ranging as private wealth clients.

Granted, Tiger is a threat to Silicon Valley venture capital funds too. But Sequoia found a solution, overhauling its structure to become an investment advisor just like Tiger, as a way to attract investors who prefer a one-stop shop.

Sequoia is reportedly raising money for two new US-focused funds, valued at up to \$2.25 billion. Its Chinese affiliate is about to close \$9 billion in fresh capital, the biggest pool of money ever raised by a single venture capital firm to bet on local tech startups.

SoftBank, on the other hand, has no defence against Tiger. The company had to go it alone, self-funding the second Vision Fund. To make matters worse, now that capital is no longer his special edge, Son shifted to a spray-and-pray mode. As of March, his second Vision Fund made 252 investments, versus only 94 for the much larger first.

A second major challenge in the VC world is how to retain talented fund managers, who can simply quit and set up their own businesses. As a result, compensation has been soaring and the new structure deployed by the likes of Sequoia can help minimize pay disputes among partners.

Alas, SoftBank has no solution to that either: It has been suffering from a brain drain. The most high-profile departure, in January, was that of former chief operating officer Marcelo Claude, who had helped turn around the troubled WeWork. Claude had apparently asked for up to \$1 billion in compensation; he got \$34 million in severance pay instead. In April, two of the three managing partners at the company's Latin America Fund left to start their own venture business as well. So it is questionable just how good SoftBank's newest investments are—or will be.

Call it karma, or just life coming full circle. Five years ago, SoftBank disrupted the venture capital world with its eye-popping \$100 billion Vision Fund. Now, its value proposition is under attack from almost all corners. A disruptor is getting disrupted, perhaps even crushed. ©BLOOMBERG

MY VIEW | PEN DRIVE

The unfair criticisms of slaughter during Bakra Eid

TAUSEEF SHAHIDI



is a senior assistant editor at Mint

In July 2016, the late actor Irrfan Khan found himself in a soup upon questioning the intent behind animal slaughter during Bakra Eid. An examination of videos from the time shows that the actor was not unequivocally against the practice of animal sacrifice; it's another matter that he had said he wasn't fond of eating meat in unrelated interviews. His criticism, instead, was of the mockery of a ritual with a deeper spiritual origin and the meaninglessness it had acquired over time.

The legend of Ibrahim and his elder son Ishmael bears two messages for Muslims: that sacrifice means surrendering something dear in the way of the Almighty as a test of faith; 'qurbani' is not an object. Khan questioned the ritual practice of helpless animals bought and slaughtered, saying he was unable to see any semblance of sacrifice in this. Expectedly, clerics and custodians of the religion were rattled, and condemned Khan's remarks, asking him to shut up and stick to films. As I recall, a few even debated him on

news shows, patronisingly trying to teach him that the ritual held great significance for believers. Khan argued that blindly following a ritual, without imbibing its philosophy, was deeply flawed. His call for introspection was lapped up by prejudiced commentators. They mischievously appropriated the sincere criticisms of an "insider" to single out a community for its alleged savagery. Such attempts to pick on Muslims have multiplied in various spheres since then.

Evidence suggests that such narratives, including those on meat eating, are half-baked. The National Family Health Survey 2019-21 shows that 57% of Indian men consume fish, chicken or meat at least once a week. 53% Hindu men are at least weekly consumers, as compared to 80% Muslim and Christian and 74% Buddhist men. This is a matter of diet, not faith, for Indians.

During Bakra Eid, only ruminants and camelids are eligible for sacrifice. However, the combined share of buffaloes, goats, sheep and cattle in annual meat production was lower than that of poultry, at 51% in 2019-20, according to data from the department of animal husbandry and dairying (DAHD). As for qurbani meat, only one-third is retained by the family, and the rest is given away to the

poor and needy, relatives and friends, including non-Muslims. As is the case with mine, several Muslim families usually share an even larger proportion of meat.

Bakra Eid is celebrated over three days, its festive significance decreasing every day. I recall whenever the first day happened to be a Tuesday (when many Hindus abstain from eating meat), we would do the major cooking the next day, so our non-Muslim neighbours and friends, who far outnumber Muslim ones, could join the festivity.

Spurious debates on animal slaughter, which only surface during Muslim festivals, not only hide our community-wise trends on food preferences and celebratory practices, but also deceptively decouple the practice from its economics.

The meat industry in India is not only significant, but flourishing. The country was the world's sixth largest meat producer in 2018, data from the Food and

Agriculture Organization shows. Our production rose from 4.3 million tonnes in 2008-09 to 6.2 million tonnes in 2013-14. By 2019-20, this increased to 8.6 million tonnes, going by DAHD data. Livestock accounted for 5.2% of India's total gross value added in 2019-20. Meat produce comprised roughly a quarter of livestock output.

Based on per capita availability of meat in 2019-20, the top five states were Telangana, Haryana, Andhra Pradesh, Arunachal Pradesh and Nagaland. The Muslim population share in all these states barring Telangana (for which data on religious break-up is unavailable), is lower than India's average of 14.2%. It's as low as 2% in Arunachal Pradesh and Nagaland and 7% in Haryana. Surely, Muslims alone aren't consumers.

The practice, however, does merit scrutiny on two ethical grounds: animal cruelty and environmental cost. Let's take the second one first. It's true that emissions of green-

house gases per kilogram for red meat products (beef, mutton or lamb) is far higher than for eggs, dairy, vegetables or cereals. Yet, per capita meat consumption in India is as low as one-fifteenth and one-tenth of that in the US and China, respectively. Further, India's per capita protein supply is far lower than the world average. While Western markets must contain outsized emissions, we still need protein sources for overall nutrition.

The evocative images of blood-stained streets and hapless goats awaiting slaughter that do the rounds on social media on Bakra Eid are misleading. Not in terms of what they reveal, but what they conceal—the shabby conditions of slaughterhouses and battery cages. Most of them are unregulated, lack basic facilities like spacing, proper flooring, ventilation and hygiene standards, and are badly in need of regulation and upgrades. They not only cause grave discomfort to live animals, but also lead to unsafe disposal of waste generated by these units.

Muslims are not having it easy, be it hijab bans, Friday prayer disruptions, bulldozer politics or police brutality. Any call for introspection on a moral or spiritual plane, say, like Irrfan Khan's, would be a hard sell in such times. It might even be an unfair ask.

QUICK READ

Negative narratives created around animal sacrifice during a Muslim festival and meat-eating by the community do not hold up under the scrutiny of data on non-vegetarian food in India.

While the consumption of red meat does raise environmental concerns, these are far more relevant to the bulk eaten in the West than to a country short of protein sources for nutrition.