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Globalization, Tariffs, and Deglobalization

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ABSTRACT: *This paper explores globalization, the use of tariffs, and the emerging trend of deglobalization. It analyzes how rising protectionist policies—particularly the imposition of tariffs—have become significant catalysts in reversing global economic integration. The primary aim of this study is to examine the evolution of globalization and identify the key factors influencing it, drawing on a review of relevant literature and an analysis of a globalization index. Furthermore, the paper investigates the relationship between tariff implementation and the broader trend of deglobalization. The study employs an analytical-descriptive approach. Globalization is defined by extensive interconnectedness and integration, with cross-border exchanges facilitated by advances in technology, communication, and transportation. Since the 1980s, it has constituted a major driving force in the expansion of international trade and the restructuring of the global economy. This trajectory persisted until the onset of the COVID-19 pandemic in 2020, which precipitated a severe disruption to global economic activity. A subsequent recovery continued until April 2025, when the United States administration implemented tariffs on imports from a range of countries. These measures—subsequently modified on several occasions through bilateral negotiations or unilateral U.S. actions—impose varying rates according to the country of origin and the category of goods traded. The present study examines the potential implications of these policy interventions, with particular attention to their prospective long-term effects on global trade dynamics.*

Key Words: *Deglobalization, digital globalization, globalization, international trade, regionalization, tariffs.*

1. Introduction

Globalization has been a significant phenomenon since the 1980s and has shaped the world economy up until the crisis brought on by the Covid-19 pandemic in 2020. It has also been the subject of intense debate among politicians, economists, and scholars. Theodore Levitt (1983) is credited with coining the term "globalization" in his article *The Globalization of Markets*.

As Kolb (2018) notes, globalization is the increasing interdependence of the world's economies, cultures, and populations, driven by cross-border trade, technological advancement, and the movement of investment, people, and information. Countries focus on producing goods in which they have a comparative advantage, leading to more efficient global production. This specialization boosts productivity and reduces costs.

Globalization encompasses multiple dimensions: first and foremost, the economic, but also the scientific-technological and, of course, the cultural—each of which influences customs, traditions, and institutions. In economic terms, globalization refers to the emergence of a single global market. More specifically, market globalization refers to the growing economic interdependence among countries, driven by increased international trade, rising capital and labor flows, and the faster, wider diffusion of technology. More broadly, globalization reflects a global reality that tends to homogenize products, consumption patterns, and cultural models. The technological and informational dimensions have been essential to the development of globalization—not only in Western countries, but also in Asia, particularly in China and India, as well as in some Latin American nations, such as Brazil.

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Another critical dimension of globalization is its financial aspect. A defining characteristic of contemporary financial capitalism is the concurrent interconnection of stock exchanges and financial centers across the globe. From this vantage point, current developments reveal a pronounced degree of market integration. The financial dimension is particularly significant, as its impact on the real economies of entire nations or regions can be beneficial or detrimental, yet invariably decisive. These outcomes, and the challenges they entail, are intrinsically linked to the liberalization and unrestricted movement of capital.

This study adopts an analytical–descriptive approach, making its methodology both theoretical and descriptive in nature. The analysis includes a literature review, an examination of the factors influencing globalization, the presentation of an analytical index of economic globalization, and the use of reliable secondary data sourced from international organizations.

In addition to examining the process of globalization, this study analyzes deglobalization, with particular attention to the resurgence of tariffs, the broader shift toward economic fragmentation, and the emergence of digital globalization in the aftermath of the COVID-19 pandemic. The overarching aim is to enhance understanding of globalization as a complex phenomenon, its multiple dimensions, and the inverse process of deglobalization. In doing so, the paper seeks to contribute to scholarly discourse and deepen insight into these interrelated dynamics.

2. The Evolution of Globalization

In the 1980s, the global average KOF Globalization Index[1]—which represents the average level of globalization across all measured countries—was approximately 39/100, marking the early phase of globalization. Trade liberalization began in developed countries, and overall globalization was moderate. In the 1990s, countries entered an acceleration phase, with the global average KOF Index rising to around 48/100. Economic globalization increased significantly with the fall of the Berlin Wall, the signing of the North American Free Trade Agreement (NAFTA) in 1994, and the establishment of the World Trade Organization (WTO) in 1995. These developments promoted international trade by reducing or eliminating trade barriers such as tariffs and quotas.

The 2000s marked the peak era of globalization, with the global average KOF Globalization Index reaching approximately 58 out of 100 in 2000. During this period, economic globalization was particularly strong, driven by massive trade and investment flows. A major milestone was China's accession to the World Trade Organization (WTO) in 2001, which further accelerated global economic integration. The index increased steadily from 2000 to 2007. However, there was stagnation or a slight decline around 2008–2009, likely due to the global financial crisis. By 2010, the index had resumed its upward trajectory. From 2010 to 2019, the global average continued to rise steadily, from approximately 62 to 65. In 2020, the index declined as the COVID-19 pandemic disrupted international trade, travel, and other economic activities.

Figure 1 is a chart comparing how the KOF Globalization Index evolved across the decades (1980-2020) for the United States, China, Germany, and India.

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[1] https://kof.ethz.ch

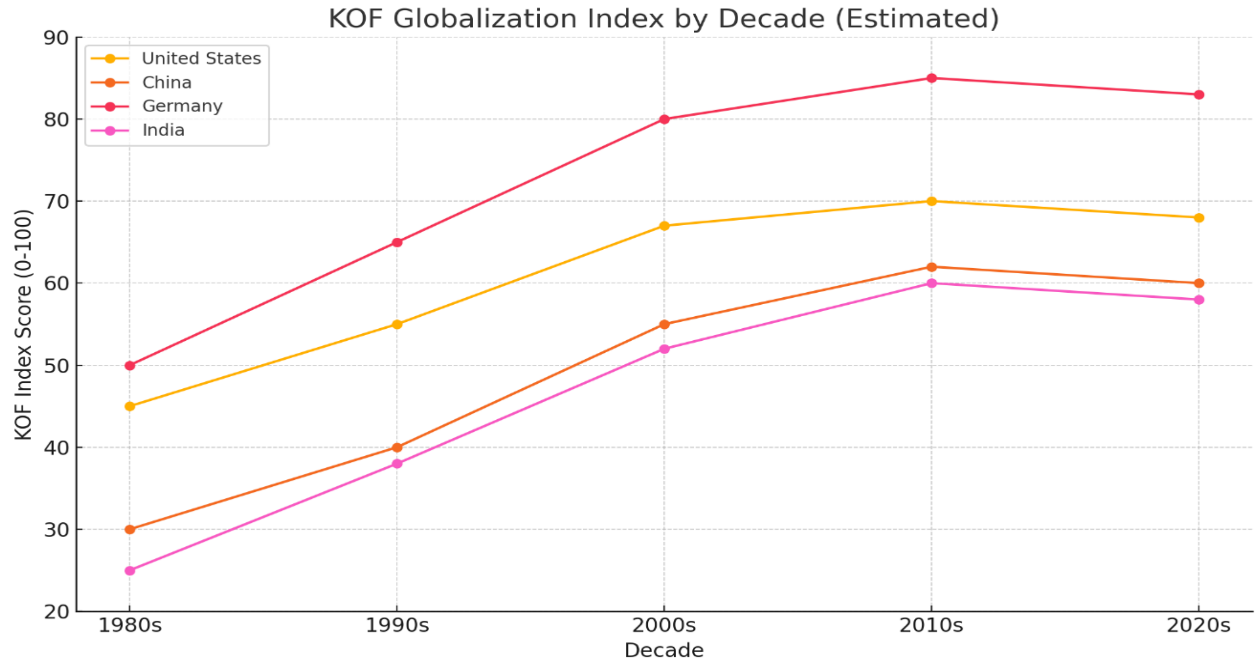

Figure 1. KOF Globalization Index.

Source: KOF Swiss Economic Institute.

From this chart, a few key observations can be made: First, Germany has consistently been among the most globalized countries, especially after its reunification in 1990. The United States showed steady growth, peaking in the 2000s and stabilizing in the 2010s. China experienced the sharpest rise, particularly after joining the World Trade Organization (WTO) in 2001. Finally, India started with a low level of globalization, but its integration increased significantly following the economic liberalization in 1991.

However, Donald Trump's foreign and economic policies during his first term (2016–2020) marked a significant shift toward deglobalization. Central to his "America First" agenda were protectionist trade measures, including the imposition of tariffs on key trading partners such as China, withdrawal from multilateral agreements like the Trans-Pacific Partnership (TPP), and the renegotiation of NAFTA into the United States–Mexico–Canada Agreement (USMCA). These actions signaled a departure from decades of U.S.-led trade liberalization and contributed to a broader rethinking of global supply chain dependencies. By encouraging the reshoring of manufacturing and prioritizing national economic interests over global integration, Trump's policies played a pivotal role in accelerating the fragmentation of global production networks and fostering a climate of economic nationalism—developments many scholars interpret as hallmarks of the current deglobalization trend.

One notable effect of Trump's foreign policy during his first term was the emergence of a new trajectory for global supply chains. This shift has involved a gradual movement away from China toward Southeast Asia and India, and in some cases, a return to North America. As a result, the geographic structure of production chains—shaped over the past thirty years by the relocation of manufacturing facilities and jobs from Western countries to emerging markets—has undergone significant transformation.

Furthermore, the imposition of recent U.S. tariffs, which began in April 2025, is disrupting established patterns of international trade and accelerating the ongoing trend toward deglobalization.

3. The Literature on Globalization

Globalization is a complex, multifaceted phenomenon that has been the subject of extensive academic debate. Scholars have examined its economic, social, political, cultural, and environmental dimensions.

A theoretical precursor to globalization, Joseph Alois Schumpeter argued that capitalist development drives globalization, viewing it as a natural evolution of capitalism in which innovation plays a central role (Schilirò, 2016). Economists have highlighted its positive effects on global well-being and the expansion of consumer opportunities across countries. At the same time, they acknowledge its drawbacks, including reduced state autonomy and the diminished efficacy of traditional macroeconomic policy tools (Schilirò,

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2003). The diversity of opinions and divergence of views on the challenges posed by globalization is particularly evident regarding poverty and inequality—issues that have fueled strong anti-globalization reactions, as exemplified by the rise of the anti-globalization movement.

Among contemporary scholars, Giddens (2000) asserts that globalization is, on the one hand, essentially a product of Western culture, bearing the distinct imprint of American economic and political power, yet producing heterogeneous consequences. On the other hand, he rejects the view that globalization is merely an extension of Western domination over the rest of the world, noting that its negative effects affect all countries—including the United States itself.

In contrast, Bhagwati (2001, 2004) strongly supports the principle of free trade in a free market, defending globalization against its critics. He argues that globalization often fosters greater general prosperity in underdeveloped nations, helping to reduce child labor, increase literacy, and enhance the economic and social standing of women. Bhagwati also supports globalization through direct foreign investment, viewing it as a major opportunity, particularly for developing countries such as India.

Dollar and Kraay (2004) further highlight the substantial benefits of globalization on inequality and poverty, noting that well over half of the developing world lives in economies that have experienced significant increases in trade and reductions in tariffs. They emphasize that the effects on the poor are generally positive, as growth increases tend, on average, to translate into proportionate income gains for the poor.

The key arguments in the literature in favor of globalization are:

Technology Transfer and Innovation: The cross-border diffusion of technology and knowledge enhances productivity and development. Multinational corporations often introduce advanced technologies to developing economies.

Consumer Benefits: Globalization provides access to a wider variety of goods and services at lower prices, while also promoting cultural exchange and diversity in consumer products.

Poverty Reduction: Integration into global markets has enabled some developing countries (e.g., China and India) to lift millions of people out of poverty (Dollar & Kraay, 2004; Sachs,

A contrasting perspective is offered by Stiglitz (2003), who criticizes the role of financial institutions such as the IMF and World Bank in managing the process of globalization. He argues that these institutions have often prioritized the interests of the wealthy and of Wall Street over the needs of developing countries and the poor.

Environmental degradation is another issue associated with globalization. Martinez-Alier (2002, 2014) highlights the negative impacts of the globalizing world economy, noting that resource extraction and waste disposal conflicts disproportionately harm the environments where the poor live and attempt to preserve. Although there is little consensus among researchers regarding the best measures of globalization and its impact on environmental degradation in developing countries, Apergis et al. (2021) examine multiple dimensions of globalization and their environmental consequences in these nations. They argue that such degradation arises because economies pursuing globalization prioritize generating business and employment opportunities over supporting environmental quality during early stages of development.

Rodrik (1997, 2012, 2018) provides a nuanced critique, highlighting the tension between global markets and social stability, particularly in labor markets and the rules that govern them. He argues that excessive globalization risks fragmenting national cohesion and contends that democracy, national self-determination, and economic globalization cannot be fully pursued simultaneously. While acknowledging globalization's role in generating unprecedented prosperity—particularly in Asia—Rodrik emphasizes that its foundations are fragile and advocates for a "smart" globalization: flexible, adaptive, and ethically reflective. He also stresses the importance of addressing environmental pollution and genetically modified organisms, noting that failure to manage these dimensions has fueled political backlash and the rise of protectionism and nationalism.

Among the critics of globalization, Janssen et al. (2008) highlight the erosion of local culture and identity through cultural homogenization. Similarly, Bellanova et al. (2022) emphasize the importance of retaining national control over critical technologies and knowledge to safeguard global competitiveness and national security.

Another significant perspective is offered by Sen (1999), who supports globalization but stresses the necessity of ethical considerations and empowerment. He underscores the interrelation of values, institutions, development, and freedom, with individual freedom framed as a social commitment central to his analysis.

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Focusing on corporate strategies, Ghemawat (2018) observes that many global strategies fail despite companies' strong brands and cross-border advantages. He attributes this to the misconception of a "flat" world and the supposed "death of distance," arguing that cross-border differences are often larger than assumed. Most economic activity—including trade, investment, tourism, and communication—remains local rather than international. In this "semi-globalized" approach, firms can profitably operate across borders by designing strategies that account for relevant geopolitical differences, identifying the barriers they must overcome, and building mechanisms to bridge them.

Last but not least, global finance has emerged as a critical dimension of the broader process of globalization. Its development can be traced to both institutional transformations—most notably the liberalization of capital flows—and technological innovations, particularly in information and communication technologies, since the 1970s. According to Helleiner (1995), the behavior of states played a central role in promoting and enabling the globalization of financial markets. States supported financial globalization by granting freedom to market actors through liberalization initiatives and by refraining from implementing more stringent controls on financial movements.

States have increasingly embraced this trend due to a combination of factors: competitive deregulation dynamics, political difficulties associated with enforcing more effective capital controls, the growing domestic influence of neoliberal advocates and internationally oriented corporate interests, and the cooperative nature of central bank interactions. Essentially, financial globalization is driven by the dual imperatives of surplus economic sectors seeking satisfactory returns on capital and deficit sectors aiming to minimize borrowing costs.

Broner & Ventura (2016) note that many countries have lifted restrictions on cross-border financial transactions over the past three decades, fueling a new wave of financial globalization. They argue that financial globalization can produce diverse outcomes: (i) domestic capital flight with ambiguous effects on net capital flows, investment, and growth; (ii) capital inflows accompanied by higher investment and growth; or (iii) volatile capital flows resulting in unstable domestic financial markets. Their model demonstrates that the effects of financial globalization depend on factors such as the level of development, productivity, domestic savings, and institutional quality.

According to their framework, at early stages of development, emerging economies benefit from financial systems that allow a higher degree of discrimination, as this tends to promote capital inflows, investment, and economic growth. Such discrimination helps insulate domestic financial markets from enforcement problems associated with foreign debt, thereby minimizing capital flight. In contrast, at more advanced stages of development, countries should adopt financial systems that reduce the scope for discrimination, as this shift is generally associated with increased capital inflows, investment, and growth.

Furthermore, some authors (e.g., Sudjono, 2024) have emphasized the influence of financial globalization on global economic dynamics and the complex challenges it presents, particularly its role in contributing to economic instability, as exemplified by the global financial crisis.

4. Factors Influencing Globalization

This section examines the factors that have significantly influenced the globalization process.

Among the factors influencing globalization, technological advancements are among the most significant. In particular, internet and communication technologies have enabled instant global connectivity. Furthermore, improvements in transportation—such as faster and more cost-effective air, sea, and land travel (e.g., container shipping and high-speed rail)—have facilitated the global movement of goods and people.

Economic factors have also been fundamental in the process of globalization. These include global trade and investment, the liberalization of trade policies, and international agreements (e.g., WTO, NAFTA) that promote cross-border commerce. Multinational corporations (MNCs) play a key role as well—companies operating in multiple countries, spreading products, services, and business practices worldwide. Moreover, the practices of outsourcing and offshoring, where businesses relocate production or services to countries with lower costs, have further interconnected global economies. Additionally, trade agreements and tariffs are closely linked to economic globalization. In particular, trade agreements—both bilateral and multilateral—aim to reduce trade barriers, enhance market access, and promote economic cooperation among participating countries. However, the imposition of tariffs and non-tariff barriers can generate economic tensions, disrupt trade flows, and provoke retaliatory measures (Williams et al., 2025).

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Political factors have played a significant role in making globalization possible. Consider, for example, the influence of international organizations: institutions such as the UN, IMF, and World Bank help coordinate global cooperation and policy-making. Government policies have also been influential—deregulation, open markets, and privatization have encouraged cross-border investment and trade. Finally, geopolitical stability has been important as well; peaceful relations between countries foster globalization, while conflict can hinder it.

Cultural factors have played a decisive role. Media and entertainment, through the global distribution of movies, music, and pop culture, have spread shared values and lifestyles. Tourism and migration have also contributed, as people traveling for work, study, or leisure bring cultural ideas and practices across borders. The dominance of global languages, such as English, further facilitates communication and cultural exchange.

Industrialization and urbanization are also important factors. The development of global supply chains—with complex production networks linking raw materials, manufacturing, and consumption across countries—has been a key driver. In addition, urban hubs, or global cities (e.g., New York, London, Shanghai), serve as centers of finance, innovation, and culture.

Social and demographic trends have also been critical in shaping globalization. Population growth and increased labor mobility have contributed significantly, as labor shortages in developed countries have attracted workers from developing regions. Furthermore, advancements in education and skill development have been instrumental, as a more highly educated global workforce enhances the capacity for international cooperation and knowledge exchange.

Finally, environmental and health factors—such as climate change and other ecological challenges—have necessitated global cooperation and influenced international policies and innovation. Global health crises, as exemplified by the COVID-19 pandemic, have also demonstrated the extent of global interconnectedness, significantly impacting trade, travel, and the coordination of public health responses.

Figure 2 below illustrates the factors discussed above that have influenced globalization.

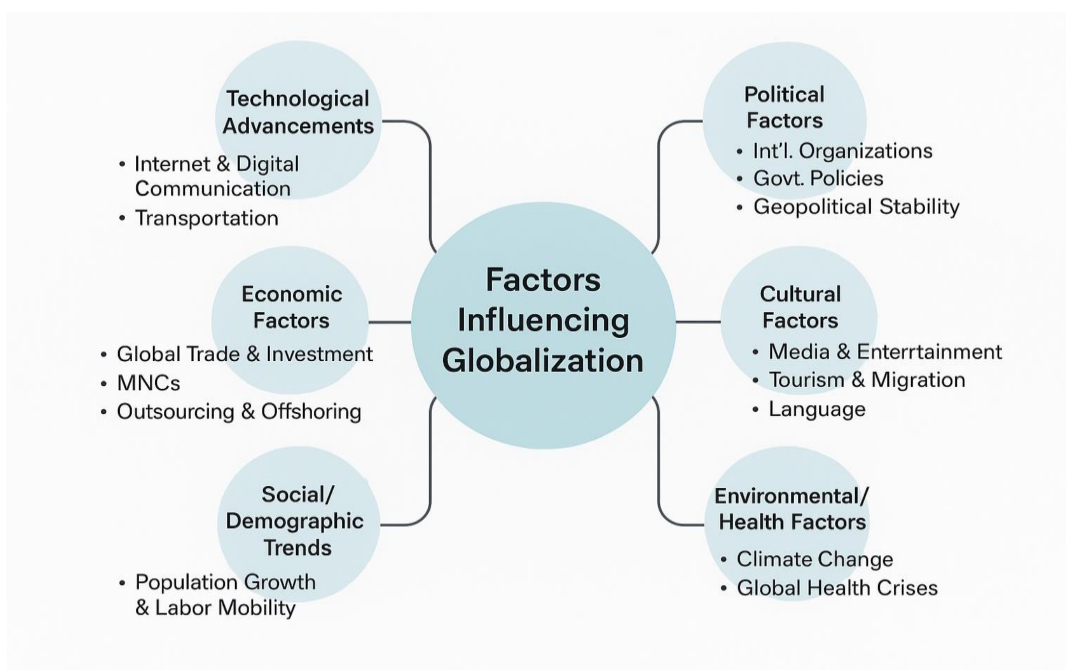

Figure 2. Factors Influencing Globalization.

4.1. The Globalization Index

In analyzing economic globalization, we refer to the accelerated cross-border movement of goods, services, information, knowledge, technology, and capital—processes that have expanded global markets and

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international trade (Steger, 2020). Economic globalization is closely linked to the principle of comparative advantage, and its logic is often compared to that of arbitrage.[2]

This section introduces the Globalization Index, which aims to quantify the degree of globalization (G) based on specific economic drivers. Like any index, it serves as a synthetic indicator that significantly simplifies a complex reality. In the case of globalization, this simplification pertains to a highly intricate socio-economic phenomenon. The index focuses primarily on economic factors and excludes many critical dimensions, such as technological advancement, cultural exchange, political stability, and environmental impact.

The *Globalization Index (G)* is a scalar value representing the overall degree of economic globalization, where $G \in [0,1]$; 0 denotes no globalization, and 1 denotes complete globalization.

Using a simple linear additive formula, the Globalization Index GGG can be defined as:

$$G=\alpha_T T*+\alpha_{FDI} FDI*+\alpha_L L+\alpha_{MNC} MNC_{inf}+\alpha_{OO} OO_G{}^3 \quad (1)$$

Where

$T*$ is the Normalized Global Trade Volume. This variable represents the total value of goods and services exchanged across international borders and can be disaggregated into exports and imports.

FDI* is the Normalized Foreign Direct Investment. The variable represents the total value of cross-border investments made by firms seeking lasting management control in foreign enterprises. It can be divided into inbound and outbound components.

L is the Labor mobility index or metric. It is a composite index reflecting the degree of openness in trade policy, including factors such as average tariff rates, non-tariff barriers, and participation in free trade agreements. In mathematical notation, the Trade Liberalization Index (L) is defined as:

$L \in [0,1]$

where $L=0$ signifies highly protectionist policies and $L=1$ signifies completely free trade.

MNC_{inf} represents the Influence of Multinational Corporations. It measures the global reach and impact of multinational corporations, potentially based on indicators such as the number of MNCs, their total revenue, and number of countries in which MNCs operate.

OO is the composite variable for other globalization-related factors and represents the Outsourcing and Offshoring Volume. It refers to the total value or volume of production or services relocated to lower-cost countries. This can also be expressed as a proportion of global production or services.

The resulting index OO falls within the range:

$OO \in [0,1]$

An OO value closer to 0 indicates a smaller proportion of global production or services being outsourced or offshored, while a value closer to 1 indicates a larger proportion being relocated to lower-cost countries.

α_T, α_{FDI}, αL, α_{MNC}, α_{OO} are the weighting coefficients that indicate the relative contribution of each factor to globalization. These weights must sum to 1:

$\alpha_T+\alpha_{FDI}+\alpha_L+\alpha_{MNC}+\alpha_{OO}=1$

with each $\alpha_i \in [0,1]$

The assumptions underlying expression (1) are:

1. Linearity/Monotonicity: An increase in any contributing factor is presumed to lead to a corresponding increase in globalization.
2. Additivity: The formula assumes that each factor contributes independently to globalization, although in practice these variables are often interdependent.
3. Normalization: All variables are assumed to be properly normalized to a common scale (e.g., between 0 and 1), ensuring that no single factor disproportionately influences the index due to differences in magnitude.
4. Constant Weights/Elasticities: The weighting coefficients (α_i) or elasticities (β_i) are considered constant over the period of analysis; however, these parameters may vary over longer time horizons or in response to structural changes in the global economy.

[2] A comparative advantage arises when a country can produce a good or service at a lower opportunity cost than another (Ricardo, 1817). The theory posits that countries engage in trade by exporting goods or services in which they hold a relative advantage—typically due to greater cost-efficiency.
[3] The asterisk (∗) denotes the normalized value of the variable.

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While simplified, the formula for G can serve as a reference point for more detailed empirical studies and help illustrate the relative importance of different economic drivers in the process of global integration.

5. Tariffs, International Trade, and Deglobalization

Tariffs constitute a significant concern in the global economy, as they can impede international trade and thereby reduce global GDP. The measures implemented by the U.S. administration in April 2025 have heightened uncertainty in global trade flows. Prolonged negotiations between the United States and its trading partners, together with evolving U.S. demands, have generated considerable disruption in export-oriented economies. According to the August 2025 update of the Harmonized Tariff Schedule of the United States (HTS), which specifies tariff rates and statistical categories for all merchandise imported into the country, there are 150 different tariff rates—varying by country—across 5,000 listed products[4]. This situation has placed both countries and companies in a challenging position when planning their exports. Many are experiencing reduced access to the U.S. market and are likely to adopt more assertive strategies to regain or expand their market share in alternative regions.

The U.S. administration's goals in imposing these tariffs are multifaceted: to rebalance the trade deficit, boost the domestic manufacturing sector, attract increased foreign direct investment (FDI), and enhance U.S. exports by devaluing the dollar.[5] In reality, through this tariff decision, the United States is asserting its military, technological, and, by extension, political supremacy in trade negotiations with other countries. At the start of 2025, the average tariff rate in the United States stood at approximately 2 percent. Eight months later, it exceeded 18 percent, measured on a trade-weighted basis across a range of products from multiple countries. This marks the most significant protectionist shift by the United States since 1861[6]. The increase in U.S. tariffs is projected to generate approximately $400 billion in annual revenue, likely helping to rebalance the trade deficit and offset the tax cuts stipulated in the budget law. However, it's useful to observe that the US market is not as large as often imagined. U.S. imports amount to about 14% of all world imports in 2025 (in 2020 it was 20%). Of course, this is not a small proportion considering the U.S. is the world's largest single-country import market. Consequently, the imposition of tariffs is likely to prompt a reconfiguration of global trade flows, necessitating strategic responses from affected nations through the negotiation of new bilateral and multilateral trade agreements.

The literature on tariffs indicates that they reduce economic efficiency by distorting comparative advantage and increasing consumer prices. Tariffs can disrupt market pricing and alter competitive dynamics (Jahan & Al-Harbi, 2024). Furthermore, tariffs through short-term protection may help specific sectors, but long-term consequences include reduced innovation and retaliation. While strategic trade policies may offer targeted benefits under certain conditions—such as protecting infant industries—they are often risky and susceptible to misuse. Recent U.S. tariff decisions appear to be driven primarily by political motivations. Moreover, these tariffs reflect a broader global trend toward deglobalization, supply chain decoupling, and economic nationalism.

Amiti, Redding, & Weinstein (2019) notably point out that the full burden of the tariffs has fallen on U.S. consumers and importers. Their estimates indicate a significant monthly reduction in aggregate U.S. real income by the end of 2018. They also observe similar patterns in countries that retaliated with their own tariffs against the United States, suggesting that the trade war is not a win-win strategy, as it has also reduced real income in those countries.

Other empirical studies show that, in terms of employment, tariffs may lead to short-term gains in protected sectors but result in long-term losses due to inefficiencies. Regarding trade volumes, tariffs typically reduce trade flows (Eugster et al., 2022). Additionally, tariffs disrupt production networks within global value chains. Tariffs and trade agreements also significantly influence the dynamics of international trade, serving as critical mechanisms through which governments regulate the flow of goods and services across borders.

Himanshu (2024) emphasizes that tariffs have a significant impact on the flow of products across borders as well as on domestic gross domestic product (GDP). Tariffs not only affect import and export patterns, but they also influence the structure of international relations. Among the various effects of tariffs on international

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[4] United Staes International Trade Commission (https://hts.usitc.gov).
[5] Tinbergen (1952) posits that the successful attainment of *n* independent policy objectives necessitates at least *n* independent policy instruments—a fundamental principle widely referred to as the Tinbergen Rule. U.S. tariff policy appears to contravene this principle, employing a limited set of instruments to pursue multiple, distinct policy goals.
[6] At that time, the "Morrill Tariff" was enacted to raise revenue for financing the Civil War.

trade, the disruption of supply chains is perhaps the most pronounced. Tariffs are also frequently used as a mechanism to protect certain industries from foreign competition. Moreover, they affect trade balances—one of the key reasons why tariffs are implemented, aiming both to restrict imports and to encourage domestic production.

If we look at the global trade-to-GDP ratio in relation to the world economy, there has been a partial decline since 2016. In 2020, during the COVID-19 pandemic, the ratio dropped sharply, then rebounded significantly in 2022 before easing slightly in 2023. The introduction of tariffs in 2025, along with the erratic trade policy of the U.S. administration, is expected to significantly influence this ratio moving forward.

The imposition of tariffs constitutes a salient dimension of the broader process of deglobalization, occurring alongside related dynamics such as protectionism, reshoring, and the fragmentation of international trade. As demonstrated during the 2008 global financial crisis, both international trade in goods and cross-border financial flows underwent significant stagnation. The crisis further precipitated a marked contraction in long-term cross-border capital movements—most notably foreign direct investment (FDI)—thereby intensifying concerns regarding a potential deceleration of globalization. The resurgence of protectionist sentiment, reinforced in part by tariffs introduced by the United States in 2016, contributed to a further slowdown in global trade. Additionally, the economic dislocation resulting from the COVID-19 pandemic exerted profound effects on global supply chains and the international economy at large, thereby accelerating the retreat from liberalized and interconnected trade networks (Schilirò, 2020). Nonetheless, trade in services, in contrast to trade in goods, has continued to expand, while intraregional trade has simultaneously deepened.

The latest wave of tariffs has prompted scholars to increasingly examine the shift from rules-based trade (e.g., the WTO) toward geopolitics-driven trade policy (e.g., Baldwin, 2025). In this context, Gereffi (2018) traces the evolution of global value chains in response to rising economic nationalism, offering valuable insights into the dynamics of deglobalization.

Plausible long-term effects of U.S. tariff policy on global trade dynamics include the reshaping and fragmentation of global supply chains, as well as a shift toward regional trade blocs. Over time, persistent U.S. tariffs may incentivize firms to relocate production away from targeted countries, thereby fostering greater regionalization. Such measures can increase production costs by reducing economies of scale and forcing less efficient sourcing, which, in turn, may raise consumer prices globally. Another likely effect is trade diversion, as countries subject to tariffs redirect exports to alternative markets, thereby altering global trade flows and diminishing U.S. influence in certain sectors—though not in advanced technologies such as computer component production for AI, where the United States remains a global leader. A further consequence is investment reallocation, with foreign direct investment potentially shifting from countries facing U.S. tariffs toward politically aligned or tariff-free economies.

Nevertheless, the United States' political, technological, and military preeminence has enabled it to negotiate asymmetric agreements with both the EU and Japan, obliging them to purchase energy and armaments and to make substantial investments in the American economy. Moreover, the U.S. government has imposed relatively smaller tariff increases on several countries in exchange for direct investment commitments.

Tariffs, economic nationalism, supply chain fragility, and geopolitical tensions are all contributing factors to deglobalization, understood as the declining integration of economic, political, and social systems at the global level. While the primary outcome is economic fragmentation, deglobalization may also result in higher production costs, diminished innovation, lower trade volumes, and, ultimately, a structural reconfiguration of global trade flows.

Furthermore, in contrast to the broader trend of deglobalization—particularly evident during and after the COVID-19 pandemic—there has been a parallel expansion of digital globalization, driven by advances in digital technologies and characterized by accelerating cross-border flows of data and information (Schilirò, 2020). The digitalization of economies, facilitated by global data networks and digital platforms, has enabled a growing number of countries and enterprises, both large and small, to participate in the global marketplace. The COVID-19 pandemic significantly accelerated this digital transformation, with profound implications for the quantity, nature, and quality of jobs worldwide. Beyond legitimate concerns about job displacement, this transformation is reshaping labor markets—altering tasks, required skills, wage structures, and employment opportunities (Schilirò, 2021). While fostering a domestic manufacturing base, the semiconductor and advanced electronics industries employ a relatively small number of highly skilled, well-compensated

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workers, yet generate long-term value added that surpasses that of traditional manufacturing. The United States currently maintains a leading position in these advanced technology sectors.

Digital globalization has created opportunities to enhance the economic and social well-being of citizens worldwide, but it also presents significant challenges—including the transformation of work and the corresponding need for organizational adaptation and workforce reskilling, the persistence of the digital divide, heightened cybersecurity threats, privacy concerns, and the imperative to ensure that emerging technologies such as AI are deployed responsibly and ethically.

6. Conclusion and Policy Discussion

This study has examined the evolution of globalization, the role of tariffs, and the emerging trend of deglobalization. The findings indicate that, while globalization has substantially advanced international trade and economic integration since the 1980s, recent developments—particularly the imposition of tariffs—are increasingly challenging this trajectory. The COVID-19 pandemic marked a critical turning point, disrupting global supply chains and accelerating protectionist tendencies. The renewed use of tariffs by the U.S. administration in 2025 reflects a strategic shift that may herald a broader retreat from globalization.

By reviewing relevant literature and applying an analytical globalization index, this study identifies key economic factors shaping the globalization process and examines how protectionist measures contribute to deglobalization. The analysis suggests that, in the short term, such policy shifts have generated additional revenue for the U.S. government—likely sufficient to support efforts to rebalance the trade deficit—but are also poised to drive long-term changes in global trade dynamics. These changes include increased regionalization through the emergence of regional trade blocs, the fragmentation and realignment of supply chains, and reduced economic interdependence. Persistent tariffs may prompt firms to relocate production away from targeted countries, increasing production costs due to diminished economies of scale and less efficient sourcing. Such measures may also induce trade diversion, as targeted economies redirect exports to alternative markets, thereby reshaping global trade patterns and reducing U.S. influence in certain sectors. Moreover, tariff-induced uncertainty can hinder FDI. At the same time, asymmetric agreements imposed by the U.S. government may create favorable conditions for FDI inflows when certain countries agree to increase investment in the American economy in exchange for comparatively lower tariffs.

Notably, the anticipated inflationary pressures associated with increased U.S. tariffs have not materialized, as the inflation rate remains below expectations. This outcome is likely attributable to the fact that the higher costs generated by tariffs have not been fully incorporated into final prices. Companies have largely absorbed the higher costs, thereby shielding consumers from the initial effects of the tariffs. Moreover, gains in the New York Stock Exchange and in global equity markets—including the long-struggling Tokyo market—have propelled these markets to record highs. Equity markets appear largely unconcerned about the tariffs and continue to rise—a pattern that may reflect investor overreaction, as suggested by behavioral finance theory, which challenges the assumption of perfect rationality and efficiency in financial markets (Barberis & Thaler, 2003).

The fragmentation of the global economy is now a reality. The weakening of the international system reflects shifting norms and conventions that shape how states interact. From a policy perspective, addressing these challenges requires renewed efforts to reinforce rules-based trade frameworks. To respond effectively, it is essential to produce more precise assessments of the persistence and scale of these disruptions to world order, as well as a clearer understanding of the extent to which the international system can be reshaped through collective action. At the same time, governments should strengthen their commitments to multilateral institutions such as the WTO to ensure that tariff measures remain transparent, predictable, and consistent with agreed trade rules. Such measures would help reduce uncertainty and foster a more stable environment for cross-border commerce. In addition, policies should enhance supply chain resilience by encouraging firms to diversify sourcing and production locations, thereby mitigating the risks associated with concentrated supply chains. Policymakers should also advance digital globalization while managing its associated risks—narrowing the digital divide, investing in digital skills development, safeguarding data privacy, and strengthening cybersecurity.

In sum, while the current environment reflects growing pressures toward deglobalization, carefully crafted policies—balancing national strategic interests with the benefits of open markets—can help preserve the gains of globalization while adapting to new economic realities. As global economic policies continue to evolve,

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understanding the balance between openness and protectionism remains critical for shaping the future of international trade.

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