

# From Local Shocks to Global Waves: The Domino Effect in The Age of Globalisation

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**Abstract**—This paper explores the phenomenon of the domino effect in the context of globalization, mainly focusing on how local shocks can escalate into global waves. Through case studies such as the 2008 financial crisis and the recent Russia-Ukraine conflict, the paper illustrates the interconnectedness of economies and the systemic risks inherent in a globalized world. It discusses how events in one region can trigger a chain reaction affecting markets, trade, and economic stability globally. Additionally, the paper examines the implications for countries like India, which face unique challenges and opportunities in navigating these global dynamics. By analysing various factors contributing to this domino effect, the paper aims to provide insights into effective policy frameworks that can mitigate risks and enhance resilience in an increasingly interconnected economic landscape.

## I. INTRODUCTION

### 1.1 Concept of Globalisation and the Domino Effect

Globalisation is the integration of markets, technologies, and governance across national borders, leading to increased interconnectedness and interdependence among countries<sup>1</sup>. This process encompasses economic, social, cultural, and political dimensions, facilitating the flow of goods, services, capital, and information at unprecedented speeds. According to the World Health Organization, globalisation involves opening international borders to fast flows of various elements, shaping local events by distant occurrences and vice versa.

The domino effect refers to how localised shocks—such as economic downturns, natural disasters, or political upheavals—can trigger reactions that ripple through global economies. For instance, a disruption in one country's supply chain can lead to shortages and price increases in another country due to their interconnected trade relationships. For example, the

2008 financial crisis exemplifies this phenomenon. It originated in the collapse of the U.S. housing market, and it quickly spread to affect economies worldwide.

### 1.2 Scope and Relevance

The increasing frequency and intensity of localised shocks with global implications underscores the relevance of studying the domino effect in the context of globalisation. Events such as the COVID-19 pandemic have shown how a health crisis in one region can disrupt global supply chains, impact trade flows, and lead to economic recessions worldwide.

In India, the effects of globalisation are particularly pronounced. The country has emerged in the global economy since liberalisation policies were introduced in 1991. Also, according to data from the World Bank, India's exports as a percentage of GDP increased from approximately 10% in 1990 to over 20% by 2020, illustrating the country's growing integration into the global economy.

However, India's exposure to global markets also makes it susceptible to external shocks. For example, fluctuations in oil prices or changes in foreign investment can have immediate repercussions on India's economy.

<sup>1</sup> <https://youmatter.world/en/definitions/definitions-globalisation-definition-benefits-effects-examples/>

Also, according to data from the World Bank, India's exports as a percentage of GDP increased from approximately 10% in 1990 to over 20% by 2020, illustrating the country's growing integration into the global economy.

### 1.3 Objective

This paper explores critical instances where local

events have created global effects, focusing on India's role in this dynamic. By examining specific case studies—such as the impact of demonetisation in India or the repercussions of global financial crises—this paper will highlight how India influences and is influenced by global economic trends.

1.4 Research Questions

1. How did the 2008 financial crisis illustrate the domino effect on a global scale?
2. What are the implications of localised shocks, such as pandemics or geopolitical tensions, on global trade patterns?
3. How can emerging economies like India mitigate risks associated with global economic interdependence?
4. How do localised shocks lead to global repercussions?
5. How can countries balance the benefits of globalisation with the risks associated with economic interdependence?

II. ECONOMIC SHOCKS: FROM LOCAL TO GLOBAL CASE STUDY 1: - 2008 FINANCIAL CRISIS

The 2008 financial crisis, originating from the subprime mortgage crisis in the United States, is a stark example of how a localised economic shock can lead to a global financial meltdown. The crisis began with the collapse of housing prices and the subsequent failure of mortgage-backed securities, which led to widespread bank failures and a severe credit crunch. As a result, global GDP contracted by -0.1% in 2009, marking the first global recession since the Great Depression<sup>2</sup>.

The integration of global financial markets meant that the repercussions were felt worldwide. Financial institutions across Europe and Asia faced significant losses due to their exposure to U.S. mortgage-backed securities, leading to a loss of confidence in economic systems and a sharp decline in stock markets globally<sup>3</sup>.

<sup>2</sup> <https://documents1.worldbank.org/curated/en/185391583249079464/pdf/Global-Recessions.pdf>

<sup>3</sup> [https://en.wikipedia.org/wiki/Great\\_Recession](https://en.wikipedia.org/wiki/Great_Recession)

Global Impact

The 2008 financial crisis had far-reaching

consequences for the global economy. Many banks worldwide incurred significant losses and relied on government support to avoid bankruptcy. Many people lost their jobs as the leading developed economies went through their most severe economic downturns since the Great Depression of the 1930s.

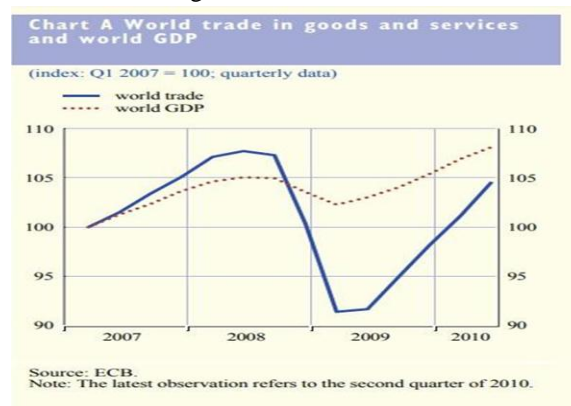
The World Bank reports that the global economy has gone through its steepest downturn since the Great Depression. Global GDP growth declined from 5.1% in 2010 to 3.8% in 2011. The crisis also led to a slowdown in international trade, with world exports of commercial services growing by only 12% in Q1 2011, compared to a healthy average annual growth rate of around 9.5% in the 2000s decade.

The policy response from governments and central banks, including increased spending to stimulate demand, prevented a global depression. However, the recovery was much slower than past recessions not associated with a financial crisis, with the U.S. By 2016, around nine years after the crisis began, conditions had returned to their pre-crisis levels.

Global Trade Collapse

The "Great Trade Collapse" occurred between the second quarter of 2008 and the third quarter of 2009, representing the steepest decline in world trade recorded in history.

According to the European Central Bank, global trade volumes fell by approximately 15%, significantly outpacing the decline in global GDP, which fell by around 2% during the same timeframe<sup>4</sup>.



This divergence highlights the cyclical nature of

<sup>4</sup> [https://www.ecb.europa.eu/pub/pdf/other/mb201010\\_focus02.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/mb201010_focus02.en.pdf)

Global trade is where trade-intensive sectors

experience more significant swings than goods and services.

Impacts on various countries

The crisis affected all major economies, but its impact was particularly severe in emerging markets and countries heavily reliant on exports. For instance:

- China: Monthly exports plummeted from \$140 billion to approximately \$60 billion, reflecting a dramatic contraction in demand for Chinese goods. This decline affects China's economy and has ripple effects across Asia, as many countries depend on Chinese imports for their manufacturing processes.
- European Emerging Economies: Exports from over half of these economies declined by more than 50% between the third quarter of 2008 and the first quarter of 2009. The crisis severely impacted their trade balance, leading to currency depreciations and significant economic adjustments<sup>5</sup>.
- Canada: Monthly exports dropped by about \$10 billion from July 2008 to January 2009, showcasing how even developed nations faced substantial trade contractions<sup>6</sup>.

Indian Impact

India was not insulated from this crisis. The country's GDP growth rate fell from 9.3% in 2007 to 6.7% in 2008, reflecting the adverse effects of reduced foreign investment and shrinking exports. The crisis led to significant stock market losses, with the Bombay Stock Exchange (BSE) Sensex witnessing a nearly 60% decline from its peak in January 2008 to its trough in March 2009<sup>7</sup>.

Moreover, Indian exporters faced challenges as demand from key markets like the United States and Europe plummeted. Industries such as textiles and information technology, which heavily relied on exports, reported substantial order declines, further exacerbating domestic economic challenges.

The 2008 financial crisis exemplifies how a localised shock in one country can have profound global ramifications. The interconnectedness of financial markets and the reliance of many countries on exports meant that the crisis quickly spread beyond the United States, leading to a global recession and a slowdown in international trade and investment. India's experience highlights how even emerging economies

can be

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[https://unece.org/DAM/oes/disc\\_papers/ECE\\_DP\\_2010-2.pdf](https://unece.org/DAM/oes/disc_papers/ECE_DP_2010-2.pdf)

6 <https://policyoptions.irpp.org/magazines/g8g20/the-great-recession-and-international-trade/>

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<https://www.rba.gov.au/education/resources/explaners/the-global-financial-crisis.html>

affected by such shocks, with the crisis contributing to a slowdown in GDP growth, stock market losses, and challenges for export-oriented industries.

The crisis also underscores the need for robust regulatory frameworks and international cooperation to mitigate the risks associated with financial globalisation. While the policy response prevented a more severe outcome, the slow recovery serves as a reminder of the potential long-term consequences of such shocks. As the global economy becomes increasingly interconnected, understanding and managing the domino effect of local economic disturbances will be crucial for policymakers in the years to come.

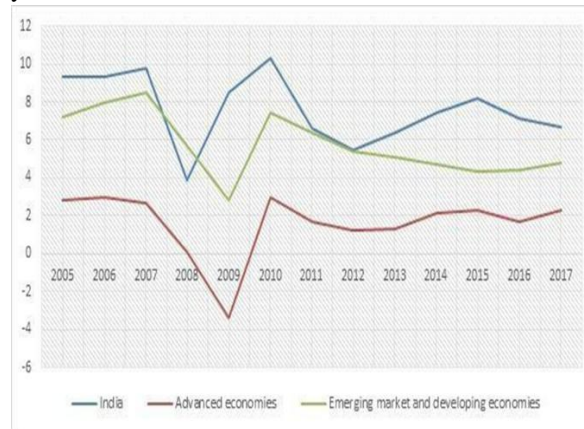


Figure. Real GDP growth, 2005–2017 (annual; in %)

Source: IMF (International Monetary Fund) data

The Indian economy experienced robust growth before the global financial crisis. In the year preceding the crisis, India's GDP growth rate surpassed that of both emerging market economies and developed nations. However, the impact of the crisis was particularly severe in India, with GDP growth plummeting from 9.8% in 2007 to 3.9% in 2008. In

contrast, advanced economies witnessed a less dramatic decline, from 2.7% to 0.1%, while other emerging market economies experienced a drop from 8.5% to 5.7%. In 2009, India's growth rebounded to 8.5%, whereas advanced economies continued to contract, with a negative growth rate of -3.4%, and other emerging market economies registered a growth rate of 2.8%<sup>8</sup>.

**Policy responses in India**

In response to the global economic slowdown, the Indian government and the Reserve Bank of India (RBI) took proactive measures, notably easing monetary policy through interest rate cuts and implementing fiscal stimulus to boost domestic demand. While these efforts successfully spurred economic growth, they also led to a rise in the fiscal deficit. The Fiscal Responsibility and Budget Management (FRBM) Act of 2003 sets a budgetary deficit limit of 3%. Before the crisis, the deficit stood at 2.54% but surged to 5.99% in 2008-09 and 6.46% in 2009-10. Although there has been a general downward trend since then, the deficit remains above the FRBM target. Additionally, these macroeconomic policies contributed to a spike in inflation, with the average Consumer Price Index (CPI) rising from 6.2% pre-crisis to 9.1% in 2008-09 and 13% in 2009-10. (Planning Commission, 2014)

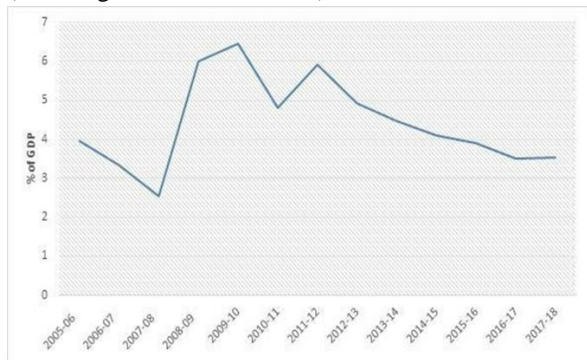


Figure: - Fiscal deficit, 2005-06–2017-18 (% of GDP) in India

Source: - RBI data

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<https://www.ideasforindia.in/topics/macroeconomics/global-financial-crisis-and-india-a-look-at-the-decade-gone-by.html>

The 2008 financial crisis exemplifies how a localised

shock in one country can have profound global ramifications. The interconnectedness of financial markets and the reliance of many countries on exports meant that the crisis quickly spread beyond the United States, leading to a global recession and a slowdown in international trade and investment. India's experience highlights how even emerging economies can be affected by such shocks, with the crisis contributing to a slowdown in GDP growth, stock market losses, and challenges for export-oriented industries.

The crisis also underscores the need for robust regulatory frameworks and international cooperation to mitigate the risks associated with financial globalisation. While the policy response prevented a more severe outcome, the slow recovery serves as a reminder of the potential long-term consequences of such shocks. As the global economy grows more interconnected, it becomes essential to grasp how its various components influence one another. Understanding and managing the domino effect of local economic disturbances will be crucial for policymakers in the coming years.

**III. CASE STUDY 2: - COVID-19 PANDEMIC**

The COVID-19 pandemic, which began as a localised outbreak in Wuhan, China, rapidly escalated into a global crisis, leading to a significant contraction in economic activity worldwide. In 2020, global GDP shrank by 3.4%, marking one of the most severe economic downturns since the Great Depression. Widespread lockdowns, reduced consumer spending, and disruptions in international trade and supply chains drove this decline.

The pandemic affected various sectors differently, with industries such as travel, hospitality, and retail experiencing drastic declines. According to the United Nations, the pandemic was projected to push more than 34 million people into extreme poverty in 2020 alone, exacerbating existing inequalities and economic vulnerabilities.

**Indian Impact**

The pandemic significantly impacted India, experiencing a 7.3% contraction in GDP in 2020. The country faced severe challenges as over 122 million jobs were lost during the pandemic's peak. Global supply chain disruptions severely affected vital sectors

such as manufacturing, particularly in automobiles and pharmaceuticals. The Indian economy's reliance on exports meant that reduced demand from key markets like the U.S. and Europe led to substantial declines in orders for Indian goods. The International Labour Organization estimated that India lost around 400 million full-time jobs due to the pandemic's economic fallout.



The Domino Effect of Globalisation on the Indian Economy

Impacts on Other Countries

The effects of the COVID-19 pandemic were felt across the globe, with varying impacts on different

regions:

- **United States:** The U.S. economy contracted by approximately 3.4% in 2020. Unemployment rates soared to historic levels, reaching around 14.7% in April 2020, as businesses closed or reduced operations.
- **European Union:** The EU experienced an average GDP decline of about 6% to 8%, with Southern European countries like Spain and Italy facing some of the most severe contractions (around 11%). The service sector was particularly hard hit due to stringent lockdown measures.
- **China:** Initially affected by the outbreak, China managed a swift recovery with a GDP growth rate of approximately 2.3% in 2020, making it one of the few major economies to grow that year. However, this growth came after significant initial losses and disruptions.
- **Developing Countries:** Many developing nations faced severe economic contractions due to their reliance on tourism and commodity exports. For instance, countries like Thailand and Indonesia saw their economies shrink by over 6%, largely due to declines in tourism revenue.

IV. COMPREHENSIVE ANALYSIS OF INFLUENCING FACTORS WITH DATA

Healthcare Expenditures	Higher spending on healthcare improves preparedness and response capabilities.	<ul style="list-style-type: none"> <li>- Germany: 11.7% of GDP is spent on healthcare, and mortality rates are lower (around 1,000 deaths per million).</li> <li>- United States: 17% of GDP; higher death rates (1,219,487 deaths).</li> <li>- India: 3.5% of GDP; 533,570 deaths (around 400 deaths per million).</li> </ul>	Countries with higher healthcare expenditures had better outcomes in managing the pandemic.
Population Density	Denser populations can facilitate faster virus transmission.	<ul style="list-style-type: none"> <li>- New York City: High infection rates (over 1 million cases).</li> <li>- Montana: Lower rates (less than 100,000 cases).</li> <li>- Tokyo, Japan: High density with over 14 million people; experienced significant outbreaks but managed through strict measures.</li> </ul>	Urban areas experienced higher infection rates compared to rural areas.
Economic Structure	Economies reliant on tourism and services were more adversely affected.	<ul style="list-style-type: none"> <li>- Spain: GDP contracted by approximately 11% due to tourism dependence.</li> <li>- Italy: GDP fell by around 9%.</li> <li>- Thailand: GDP contracted by approximately 6.1%, heavily impacted by a decline in tourism revenue.</li> <li>- Greece: GDP contracted by about 8.2%, and it is heavily reliant on tourism.</li> </ul>	Countries reliant on tourism faced significant economic downturns.

Government Response	The timeliness and strictness of lockdown measures varied significantly.	<ul style="list-style-type: none"> <li>- New Zealand: Early strict lockdowns; minimal cases (only 26 deaths).</li> <li>- Australia: Effective lockdowns led to low cases (approximately 30,000 cases and 910 deaths).</li> <li>- Brazil: Delayed response; high infection rates (over 34 million cases and 700,000 deaths).</li> <li>- India: Early lockdown but faced challenges in implementation, resulting in over 45 million cases.</li> </ul>	Countries with early and strict lockdowns fared better in controlling outbreaks.
Public Compliance	Adherence to public health guidelines (mask-wearing, social distancing).	<ul style="list-style-type: none"> <li>- South Korea: Effective control through public compliance; lower death rate (35,934 deaths).</li> <li>- Germany: High compliance with mask mandates led to lower transmission rates (approx. 8 million cases).</li> <li>- U.S.: Varied compliance led to high transmission rates (over 111 million cases).</li> </ul>	Regions with higher compliance rates experienced lower transmission rates.
Environmental Factors	Air pollution and climate conditions influenced severity and transmission rates.	<ul style="list-style-type: none"> <li>- Northern Italy: High pollution linked to increased mortality (higher than average death rate of around 250 per million).</li> <li>- Los Angeles, USA: Lower pollution levels correlated with lower severity outcomes during the pandemic.</li> <li>- Studies showed that cities with high pollution levels saw higher COVID-19 mortality rates than cleaner cities.</li> </ul>	Studies indicate that high pollution levels correlate with increased COVID-19 severity.
Demographic Factors	Age, race, and underlying health conditions influenced vulnerability.	<ul style="list-style-type: none"> <li>- In the U.S., Black Americans had a mortality rate nearly twice that of white Americans.</li> <li>- Older adults faced higher mortality rates globally; for example, over 80% of deaths in Italy were among those aged 70 and older.</li> <li>- In India, the elderly population faced significant risks due to comorbidities like diabetes and hypertension; approximately 60% of deaths were among individuals over age 60.</li> </ul>	Vulnerable populations faced higher mortality rates due to preexisting conditions and systemic inequalities.
Technological Infrastructure	Access to ICT facilitated remote work and online education during lockdowns.	<ul style="list-style-type: none"> <li>- South Korea: Advanced digital infrastructure allowed rapid transition to remote work; minimal economic disruption.</li> <li>- India: Limited access hindered effective responses in rural areas; about 50% of rural households lacked internet access.</li> <li>- Estonia: Nearly all citizens had access to e-governance services, facilitating smooth transitions during lockdowns; over 90% internet penetration rate aided remote work and education efforts.</li> </ul>	Countries with robust ICT infrastructure adapted better to remote work needs.

## Summary Table of COVID-19 Impacts by Country

To illustrate the overall impacts of COVID-19 across various countries, here's a summary table representing key statistics:

Country/Region	GDP Change (%)	Unemployment Rate (%)	Total Cases	Total Deaths	Most Affected Sectors
Global	-3.4	8.8	776,280,466	7,065,867	Travel, Hospitality, Retail
India	-7.3	14%	45,035,393	533,570	Manufacturing (Auto & Pharma)
United States	-3.4	14.7	111,820,082	1,219,487	Services, Retail
European Union	-6% to -8%	Approximately 10%	~90 million	~1.5 million	Tourism, Services
China	+2.3	~5.6	99,380,194	122,352	Manufacturing
Thailand	-6.1	~4%	6,829,221	162,063	Tourism
Indonesia	-2.1	~6%	6,829,576	162,059	Tourism
Spain	-11	Approximately 16%	~12 million	~120 thousand	Tourism
Italy	-9	Approximately 10%	~8 million	~150 thousand	Tourism

The COVID-19 pandemic has given various factors that shape the outcomes of public health crises across different countries. By comprehensively analysing healthcare expenditures, population density, economic structures, government responses, public compliance, environmental factors, demographic vulnerabilities, and technological infrastructure data for each factor and country impacted by the pandemic, we can better understand how localised shocks can trigger global economic domino effects. This analysis provides valuable insights for policymakers navigating recovery efforts and preparing for future public health challenges in an increasingly interconnected world.

**Case Study 3: - Political and Geopolitical Shocks: The Russia-Ukraine Conflict and Global Energy Crisis**  
The Russia-Ukraine conflict began in February 2022 and has profound implications for global energy markets, leading to significant price hikes and economic repercussions worldwide. Below is an analysis of the global impacts of this conflict, supported by data and insights.

#### Global Context

##### 1. Energy Price Hikes:

- Following Russia's invasion, global oil prices surged dramatically. Brent crude oil prices rose from approximately \$90 per barrel in January 2022 to over \$130 per barrel in March 2022.
- Natural gas prices also reached record highs, with

European gas prices increasing by over 400% at their peak during the crisis.

##### 2. Inflationary Pressures:

- The spike in energy prices contributed to inflation rates soaring globally. For instance, the International Monetary Fund (IMF) has reported that global inflation rose from an average of 3.2% in 2021 to about 8.8% in 2022.
- In Europe, countries like Germany and Italy experienced inflation rates exceeding 10%, largely driven by energy costs.

##### 3. Supply Chain Disruptions:

- The conflict disrupted existing supply chains, particularly for energy-intensive industries. For example, Russia cut gas flows to the EU by around 80% between May and October 2022.
- Many European countries faced significant shortfalls in their energy supply, forcing them to seek alternatives rapidly.

##### 4. Geopolitical Tensions:

- The invasion heightened geopolitical tensions between NATO countries and Russia, leading to increased military spending and shifts in alliances.
- NATO member countries collectively increased defence spending by approximately 4% in 2022, with Germany committing to a historic increase in military budgets.

5. Food Security Issues:

- The war disrupted grain exports from Ukraine, which accounts for nearly 30% of global wheat exports.
- Countries heavily reliant on Ukrainian wheat, such as Egypt and many sub-Saharan African nations, faced rising food prices and potential shortages.

Global Impacts on Various Regions

1. Europe

- Energy Supply Vulnerability: European countries faced severe energy shortages due to their reliance on Russian gas. The EU’s dependence on Russian energy was approximately 40% before the conflict.
- Policy Shifts: The EU initiated the REPowerEU plan to reduce reliance on Russian fossil fuels by increasing renewable energy sources to 45% of total consumption by 2030.

2. United States

- The U.S. saw increased domestic oil production but also experienced rising gas prices, which averaged around \$5 per gallon, contributing to overall inflation.
- The U.S. government implemented measures to release oil from strategic reserves to stabilise prices.

3. India

- As a major oil importer, India faced increased fuel costs that contributed to inflation reaching 7.8% in 2022.
- India capitalised on discounted Russian oil imports amidst Western sanctions, showcasing how local geopolitical events can influence global energy markets and India's economic strategies.

India has seen the biggest surge in import prices, even more than war-torn Ukraine.



Graphical Representations

4. Developing Countries

- Many developing nations faced severe economic strain due to rising energy costs. An estimated 70 million people who recently gained access to electricity found it unaffordable due to the crisis.
- Countries like Sri Lanka and Pakistan experienced heightened economic instability as they struggled with rising import bills for energy. The Russia-Ukraine conflict has triggered a global energy crisis with profound implications for economies worldwide. Increasing energy costs have contributed to rising inflation, supply chain disruptions, geopolitical tensions, and food security issues across various regions. Understanding these interconnected impacts is crucial for policymakers navigating recovery efforts and seeking sustainable solutions in an increasingly volatile global landscape.

To address these challenges will require coordinated international efforts to enhance energy security, diversify supply chains, and invest in renewable energy sources while mitigating the global humanitarian impacts on vulnerable populations.

V. IS THE DOMINO EFFECT NOT THE SOLE CULPRIT?

The domino effect of globalisation is a significant factor in converting local shocks into global waves, but it is not the sole culprit. Several other factors contribute to this phenomenon. Below is an elaboration on these factors, supported by relevant data and examples.

### 1. Globalisation and Economic Interdependence

Globalisation has led to increased interconnectedness among economies, making them more susceptible to shocks originating in one part of the world.

According to the World Bank, global trade as a percentage of GDP rose from approximately 39% in 1990 to over 60% in 2020, illustrating increased economic interdependence.

- Example: The 2008 financial crisis began with the collapse of the U.S. housing market but quickly affected economies worldwide due to interconnected financial systems.

### 2. Supply Chain Vulnerabilities

Modern supply chains are complex networks involving multiple countries and suppliers, making them vulnerable to disruptions.

A report from McKinsey & Company indicated that 75% of companies experienced supply chain disruptions during the COVID-19 pandemic.

- Example: The semiconductor shortage that began in 2020, primarily due to factory shutdowns in Asia, disrupted automotive production globally, leading to significant delays and financial losses for manufacturers.

### 3. Financial Market Dynamics

Financial markets are highly interconnected, with capital flowing across borders, making economies vulnerable to shocks.

- Data: The International Monetary Fund (IMF) reported that global foreign direct investment (FDI) fell by 42% in 2020, highlighting how crises can lead to rapid capital flight from emerging markets.
- Example: During the COVID-19 pandemic, many emerging economies faced currency depreciation as investors sought safety in developed markets, leading to economic instability.

### 4. Technological Advancements

- Role: Technology facilitates rapid communication and information sharing across borders, which can amplify both positive and negative shocks.

- Data: The Digital Economy Report 2021 by UNCTAD noted that global e-commerce sales reached around \$26.7 trillion, showing how

technology drives economic interactions.

- Example: Cyberattacks on significant corporations during the pandemic disrupted operations globally, demonstrating how technological vulnerabilities can lead to widespread impacts.

### 5. Political and Social Factors

- Role: Political stability and social cohesion influence economic resilience during crises.
- Data: According to the Global Peace Index 2021, countries with higher political instability experienced more severe economic contractions during crises.
- Example: Protests and political unrest in countries like Brazil reduced investor confidence and economic slowdown during the pandemic.

### 6. Environmental Factors

- Role: Environmental shocks such as natural disasters can have cascading effects on economies.
- Data: The World Bank estimated that climate-related disasters could cost developing countries \$1 trillion annually by 2030, impacting their economic stability.

Example: Hurricane Katrina 2005 disrupted oil production and distribution, affecting energy prices globally and highlighting how local environmental shocks can lead to broader economic impacts.

While globalisation significantly contributes to the domino effect that converts local shocks into global waves, it operates within a broader context influenced by supply chain vulnerabilities, financial market dynamics, technological advancements, political and social factors, and environmental conditions. Understanding these interconnected elements is essential for policymakers and business leaders to anticipate potential ripple effects of economic policies or external shocks and develop strategies to mitigate risks effectively.

## VI. POLICY FRAMEWORK FOR INDIA TO ADDRESS THE DOMINO EFFECT OF GLOBALISATION

The domino effect of globalisation has exposed India to various economic vulnerabilities, particularly

during geopolitical crises like the Russia-Ukraine conflict. To effectively combat these challenges, India needs a comprehensive policy framework that addresses immediate concerns while fostering long-term resilience.

1. Policy Objectives

- Enhance economic resilience against global shocks.
- Promote equitable growth and reduce social inequalities.
- Harness India's demographic potential through skill development and innovation.
- Diversify trade partnerships to reduce over-reliance on specific markets.

Implications for India

1. Unrealised Demographic Potential:

- India has a young population, with approximately 65% under 35. However, inadequate job creation limits this potential.
- The World Bank has estimated that India needs to create 10 million jobs annually to absorb new entrants into the labour market.

2. Unbalanced Growth and Inequality:

- Economic disparities have widened, with the wealthiest 10% of Indians owning over 77% of national wealth (Oxfam report).
- Rural areas face higher poverty rates, exacerbated by rising inflation and unemployment.

VII. STRATEGIES FOR INDIA TO MITIGATE RISKS AND HARNESS OPPORTUNITIES

1. Strengthening Domestic Industries and Promoting Innovation:

- Policy Action: Implement incentives for local manufacturing through initiatives like "Make in India."
- Data: The Indian manufacturing sector accounted for approximately 16% of GDP in 2020, with the potential to increase significantly through innovation and investment.
- Outcome: This will reduce reliance on imports, create jobs, and stimulate economic growth.

2. Diversifying Trade Partnerships and Reducing Over-Reliance on Specific Markets:

- Policy Action: Establish trade agreements with Southeast Asia, Africa, and Latin America countries to diversify export markets.
- Data: As of 2021, about 60% of India's trade was with just five countries (U.S., China, UAE, Saudi Arabia, and Iraq).
- Outcome: Diversification will mitigate risks associated with geopolitical tensions affecting specific regions.

3. Investing in Human Capital and Skill Development:

- Policy Action: Enhance skill development programs tailored to emerging technology, renewable energy, and healthcare sectors.
- Data: According to the National Skill Development Corporation (NSDC), India must upskill over 300 million workers by 2022 to meet industry demands.
- Outcome: A skilled workforce will improve productivity, drive innovation, and enhance economic competitiveness.

4. Enhancing Energy Security:

- Policy Action: Invest in renewable energy sources to reduce dependence on fossil fuels. Target a renewable energy capacity of 500 GW by 2030, per the National Solar Mission.
- Data: As of 2021, renewable energy constituted about 24% of India's total installed power capacity, indicating significant room for growth.
- Outcome: This will enhance energy security and contribute to sustainability goals.

5. Strengthening Financial Resilience:

- Policy Action: Establish a sovereign wealth fund to manage surplus revenues from oil imports or other sectors for strategic investments during crises.
- Data: Countries like Norway have successfully used sovereign wealth funds to stabilise their economies during global downturns.
- Outcome: This will provide a buffer against external shocks while enabling long-term investments in infrastructure and development.

6. Establishing a Fiscal and Monetary Policy Council:

- Policy Action: Create a council to effectively coordinate fiscal and monetary policies, ensuring that growth and inflation objectives are tackled together.
- Outcome: Improved coordination can lead to more effective responses during economic downturns or crises.

7. Enhancing Disaster Preparedness Infrastructure:

- Policy Action: Invest in dual-use infrastructure that serves peacetime needs and emergency responses (e.g., healthcare facilities).
- Outcome: This will improve resilience against pandemics or natural disasters.

The geopolitical landscape shaped by globalisation presents both challenges and opportunities for India. India can better navigate these turbulent times by implementing a robust policy framework focused on strengthening domestic industries, diversifying trade partnerships, investing in human capital, enhancing energy security, and building financial resilience. Addressing these issues will not only mitigate risks associated with global crises but also harness India's demographic potential for sustainable growth in the future.

## VIII. CONCLUSION

The domino effect of globalisation presents both challenges and opportunities for countries worldwide. As demonstrated through recent geopolitical events, local shocks can rapidly escalate into global crises, impacting economies across the spectrum. For India, recognising and addressing these vulnerabilities is crucial for sustainable growth.

The implications of unrealised demographic potential and unbalanced growth necessitate targeted strategies that promote innovation, diversify trade partnerships, and invest human capital. By implementing a robust policy framework that strengthens domestic industries and enhances resilience against external shocks, India can navigate the complexities of globalisation while harnessing its demographic advantages for future prosperity. Ultimately, understanding the

interconnected nature of global economies will be essential for policymakers as they strive to create a more stable and equitable world.

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