

# Globalization closer to home

HEGEMONY

GLOBALIZATION

CORONAVIRUS

During the corona crisis, fears of deglobalization have been growing. In several ways, there will be globalization closer to home, but this will not be a systematic deglobalization movement. A historical perspective teaches us that the current deglobalization is a part of the 21st-century form of globalization.

## Our observations

- The fear of deglobalization we're currently seeing predates the corona crisis or the election of Donald Trump and Brexit and originated even before the 2008 crisis.
- Global trade seems to have peaked after the 2008 crisis (trade-to-GDP ratio).
- The United States and China seem to be "decoupling" more and more, a process threatening to accelerate during the corona crisis. Because of the trade war between the U.S. and China, trade between these countries has dropped to \$260 billion, while American trade with Mexico and Canada has increased to more than \$300 billion per country.
- Kishore Mahbubani sees the corona crisis as a sign of the transition from an American form of globalization to a "China-centric globalization".
- Elements of deglobalization must be understood within the framework of the form of globalization of our time.
- The Japanese economy is characterized by "desourcing" (or "build where you sell"). This paradigm exists beyond the dichotomy between "outsourcing" and "insourcing": a large number of Japanese industrials produce where they sell, diminishing the Japanese dependence on exports.



## Connecting the dots

The term globalization refers to economic integration, but globalization has several dimensions. Globalization also refers to the spatial transformation of city and hinterlands, or an idea of progress creating an area of tension in society. Moreover, globalization is always historic by nature. Through time and space, it takes different forms. Since the 16th century, there have been several “waves” of globalization. Take the colonialization of the “New World”, 19th-century industrial globalization or the American globalization of the 20th century. The globalization of the 21st century can also be characterized in a certain way. The rise of the East is creating a new form of globalization.

“Deglobalization”, which we have been warned about for over ten years, must be understood in this context. Three perspectives can help to achieve this:

1) The regionalization of the world economy. Something that prevents economies from increasingly integrating on a global level, is the regionalization of the world economy. Broadly speaking, three large economic systems are emerging: North-America, Europe and Asia. Because they continue to integrate with each other, the growth of worldwide integration has come to a standstill. Take, for instance, rising Asia: already, more than 60% of trade, foreign investment and air traffic in Asia is intraregional – between Asian countries. In Europe, more than 70% of trade is intraregional. Meanwhile, the U.S. may be “decoupling” from China, but American integration with NAFTA (Mexico and Canada) is growing. “Nearshoring”, protectionism or new forms of industrial politics must all be understood in this context. Moreover, regional integration is propelled by new ideas. Think of the mission of the European Union or the Chinese idea of the Belt and Road Initiative. An important question in this respect is which parts of the world will join which system: will Africa integrate more with Asia, or

with Europe? Will the United Kingdom mostly remain within the European system after Brexit, or will it be able to join NAFTA?

2) Hegemonic conflict between the United States and China. Some elements of deglobalization, such as protectionism, pressure on trade and uncertainty over value chains, is grounded in hegemonic conflict between the U.S. and China. The American economy is less dependent on trade than most countries, enabling the U.S. to use financial and economic sanctions to pressure strategic rivals. Furthermore, criticism of the idea of globalization stems mostly from the status quo powers of the U.S. and Europe, whereas Asia generally embraces globalization.

3) National forms of globalization. The Japanese example of “desourcing” suggests a typically Japanese form of globalization. In the same way that modernization leads to “multiple modernities”, globalization has different sets of national roots. For some countries (e.g. Germany, China), globalization will be more global in nature, but other countries are more regionally oriented. The rise of the East will create a larger field of different forms of globalization. The Japanese example shows that not all Eastern countries will globalize in the same way, or with the same intensity, on a global level.

Three perspectives indicate the nature of 21st-century globalization. Regionalization, uncertainty over hegemonic conflict and different national forms suggest that globalization will be “closer to home”. Criticism of the idea of globalization may endure in the West, but an alternative form will place globalization closer to home. Technological innovation will play a large role in the next phase of globalization. Consider automation, robotics and 3D printers, which will make it possible to facilitate globalization closer to home.

## Implications

- **In the next phase of globalization, (North) America will become the most stable region in the world. NAFTA is least dependent on the rest of the world and the hegemony of the U.S. will stabilize conflict between countries within the region.**
- **The more the world economy regionalizes, and the U.S. decouples from China, the likelier Eurasian integration becomes.**
- **The next phase of globalization will yield new winners (e.g. Mexico, which profits from NAFTA and the decoupling of the U.S. and China) and losers (e.g. the United Kingdom, which, between NAFTA and the E.U., will be on its own).**
- **If the movement of globalization closer to home grows, investments in technologies that facilitate this (e.g. robotics, 3D printers) will increase.**