
The Future of Globalization

By Lothar Katz

Is it just me, or do you see this, too? Every time I bring up the subject of globalization these days, eyes start rolling and I hear angry comments. While the continuing Euro crisis does not exactly instill confidence, anti-globalization sentiments now seem to reach far beyond financial worries. Even once ardent free-market supporters have apparently lost at least some of their faith.

It seems we have come a long way since the 1990s. Back then, when unbridled optimism ruled, when GATT became WTO and the Euro took shape, the common doctrine was that to harness the true powers of globalization required a free flow of capital and goods with minimal regulation.

In those days, dissenting voices were few and far between. Today, almost everybody agrees that "this thing has gone too far—too few winners left too many losers behind."

I started wondering, as many do, where all this will lead us. Given where we are and what we know now, how is globalization going to evolve (or recede?) going forward? Asking you to keep in mind that my crystal ball is no larger than yours, here are the observations and conclusions at which I arrived:

The Prospect of Furthering Global Rules is Weak

Developing nations long complained that the global system is biased against them. In recent years, it seems that the rich and nearly-rich countries are no longer happy, either. For example, Brazil, Russia, China and others set up their own trade agreements and protect their markets and industries with measures frequently conflicting with the 'global rule set.' Elsewhere, governments also place greater emphasis than before on the interests of their own countries. Just look at the EU's inability to come up with a clear strategy to handle the Euro crisis: national interests prevail as the confidence in common gains is waning.

As the fate of ACTA demonstrates, new global rules are becoming harder and harder to establish. This could be bad news for genuine "global commons" issues, such as setting a new financial order or addressing climate change, which require international cooperation and coordination. In a world where economic power is much more widely distributed today than it was twenty years ago, however, the overall trend is not likely to change.

Technology Continues to Tear Down Barriers

Technological advancements played a huge role in the world becoming 'global.' Developments such as low-cost broadband access, distributed collaboration tools and cloud computing in some ways render borders and time zones meaningless. This goes far beyond areas we already got used to, such as off-shore call centers. Medical doctors in Asia, for example, now perform overnight analyses of brain scans sent over from the U.S. as part of a faster and cheaper diagnostic process.

As technology continues to evolve, we will see more and more areas where the physical location of a person becomes largely irrelevant. Since restricting technological access is

a double edged sword, as many countries had to find, technology continues to enable global business and promote levels of global competition that can only intensify further.

The Promises of Global Business Remain Attractive

Propelled by better technologies, infrastructures, and logistics, globalization has all but eliminated the advantages for businesses across many industries to stay locally or regionally focused. Most of them have found that to be a blessing: entering new markets propelled their growth, greater economies of scale made them more profitable, shifts in demand became easier to deal with, and a much stronger human resource pool became available to them. Today, large corporations often spread project teams across several regions of the world, and while many struggle with the complexity this introduces, the prospect of returning to domestic setups holds little appeal.

In parallel, companies and nations alike realized that access to natural resources has become more important than ever. A number of these resources, from precious metals to rare earths, are crucial in areas such as 'green' technology, which literally ties the future of countries and businesses to their ability to participate successfully in global trade.

For these reasons and others, the incentives for global trade and business remain very strong. Except for North Korea, the days of economic isolationism are simply over.

Where This Leads Us

So, if we are unlikely to see an expanded set of global rules while technology continues to propel global business and many factors keep it attractive, where will all that lead us? For my part, I believe that it opens up a new set of opportunities.

Others before me have observed that the countries that benefited most from globalization are not those who embraced it wholeheartedly, but those who were more selective in the adoption of trade rules and who made sure that the benefits were widely shared.

China, for instance, continually nurtures and protects its key industries, its currency, and its capital flows, maintaining formal and informal barriers to imports where deemed necessary. At the same time, its government maintains policies that ensure that many Chinese benefit from the country's economic progress. On a smaller scale, countries such as Sweden used a similar approach and now enjoy both, a healthy economy and low income inequality.

I am optimistic that more and more governments will recognize the opportunity, and need, to use their latitude to do what is best for their economies and their citizens.

Make no mistake: those calling for protectionism and nationalistic policies are as wrong as the fierce proponents of unregulated markets. Global markets need governance and regulation within a multinational framework, so I hope we won't see those efforts dwindling. But current trends underline that a one-size-fits-all approach to globalization will not work, that nations need to take better care of their own societies' needs and preferences. Individual and regional agreements sometimes serve countries better than any WTO or IMF rule set could. Given the trends outlined above, I think we are going to see more of the former—and I think that's a good thing.

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