GLOBALISATION **OUTLOOK**

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A SYMBOL OF GLOBALISATION IS RETIRED

21st Century globalization will be different from its 20th century predecessor

There is, maybe, no greater icon of a globalized world than the Boeing 747 Jumbo Jet. In most people's imagination, the symbol of unfettered international travel and commerce.

This year all remaining 747s will be retired and Boeing announced the end of the aircraft's production. The COVID-19 pandemic was the final nail in the coffin of an energy inefficient icon that had been heading towards extinction for many years.

Is the 747 is a symbol of the transformation, and the retreat, of the late 20th century concept of a globalisation without limits? A world order where 'global governance' around a set of clear international rules would supersede the Westphalian politics of nation states.

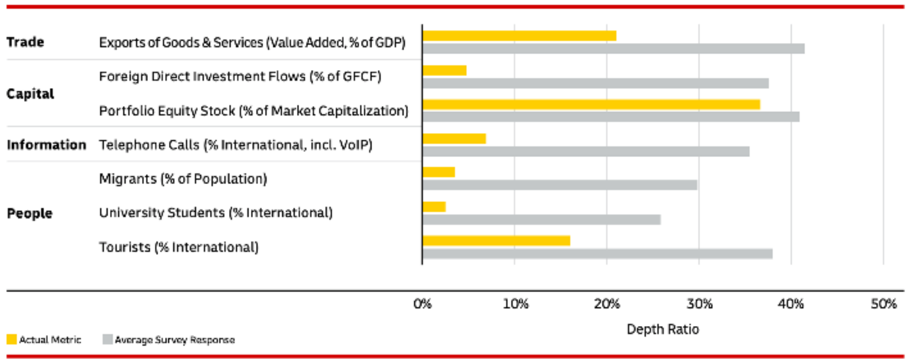
International institutions – the League of Nations (later the UN), the IMF, the World Bank, NATO, the European Economic Community (later the EU) – were the poster children of this post-war world order. All these institutions are struggling to redefine their place in today's world.

Globalization in all its different aspects, including international trade, will not end. But 21st century globalization will certainly be different from its 20th century predecessor.

On average, business managers guessed that the world was five times more deeply globalized than it is

BUSINESS MANAGERS LIVE IN THEIR OWN BUBBLE

For those managers who bemoan the passing of the great age of globalization, a similar reality check is in order. Business managers' perceptions of the extent to which globalization dominates the world is well out of kilter with reality – as the figure below shows.



The figure comes from the DHL Index of Global Connectedness 2019 report and is based on interviews with over 6,000 managers in six countries.

How credible are the cries of economic catastrophe should anyone dare to interfere with the supposedly globalized world?

> "Large surveys show that most people do not realize the limited extent of global connectedness. Actually, one commonality between many of globalization's supporters and its critics is that they tend to believe the world is already far more globalized than it really is...
>
> And CEOs and other senior executives had even more exaggerated perceptions—perhaps because their own lives tend to be far more global than those of most other people."
>
> **DHL Global Connectedness Report, 2019**

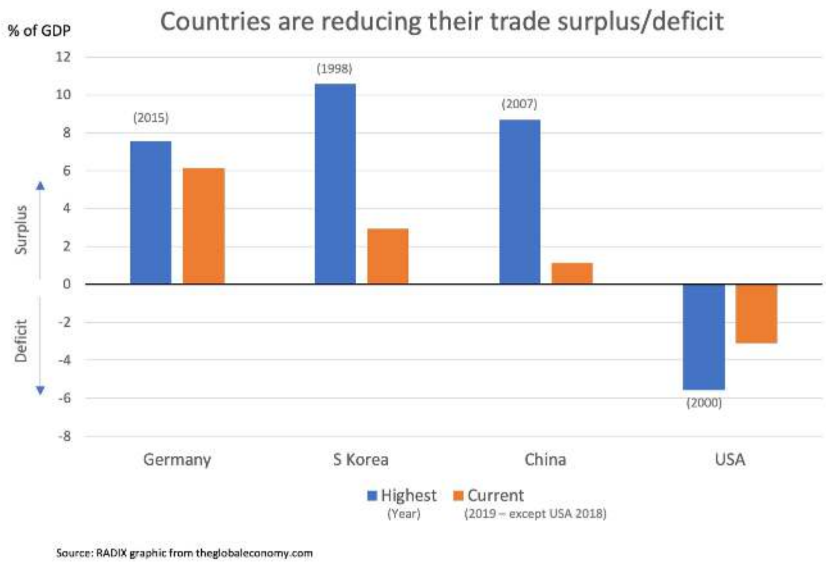
Clearly some countries are more dependent on international trade than others. Germany with its export-oriented economy; France and Spain with their dependence on international (largely intra-European) tourism – as the Covid-19 pandemic has shown.

TRADE SURPLUSES/DEFICITS ARE SHRINKING

China's trade surplus has plummeted to a mere 1.15% of GDP in 2019 from a high point of 8.68% of GDP in 2007.

The larger players in international trade are all reducing their trade surplus/deficit with the German economy remaining among the most exposed to international trade disruption.

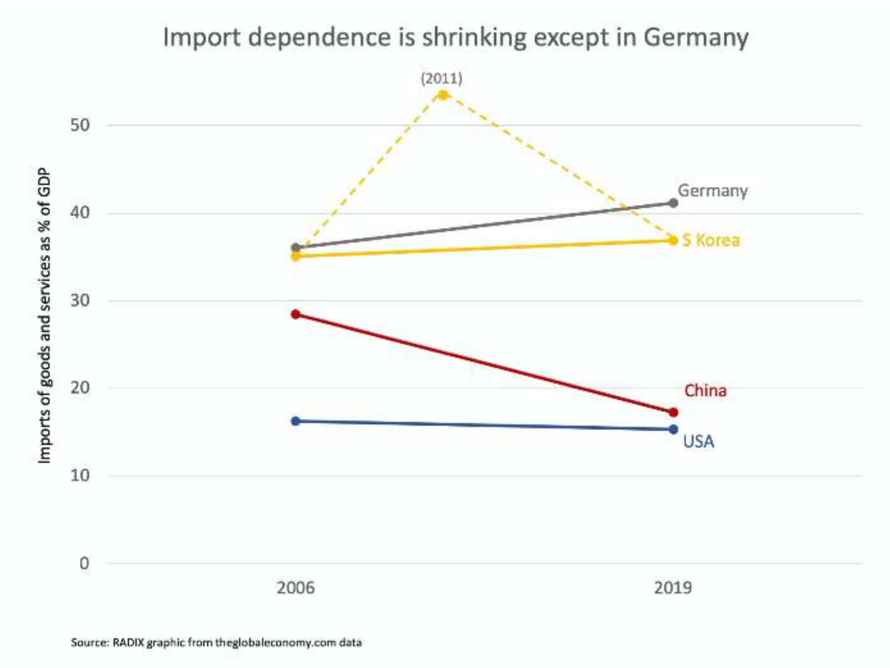
Shrinking trade surpluses/deficits...



...are accompanied by shrinking import dependence...

China has also dramatically reduced its import dependence to levels approaching the US in spite of domestic consumption growing by 8.3% per annum between 2000 and 2018 (compared with 0.9% in Germany and 2.2% in the US). In contrast, Germany's import dependence is increasing while that of the US has decreased marginally.

...except in Germany



China's import dependence may shrink further as its "Made in China 2025" plan unveiled in 2015 calling for widespread import substitution by domestic products and the favouring of national companies at the expense of multinationals takes hold.

Germany remains one of the countries most at risk from further disruption in international trade as other major economies seem to be being successful in driving a more domestically focused economy.

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