FINANCIAL POST

Terence Corcoran: The next big global thing: Reglobalize!

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They say the "end of globalization is near" — again. The latest version came this week from a Bloomberg Economics report claiming that the "accelerated reversal of globalization" could bring about a new Age of Scarcity, starting with a $1.6-trillion loss in global GDP this year, marking the launch of "deglobalization" that will not fade.

But I say forget those warnings, which have been drumbeats of doom sounded by politicians, academics, activists, economists and the media on a regular basis going back decades. The idea of the end of the greatest force driving global economic well-being shows up as a hot topic on any Google search. Scores of books bear end-of-globalization titles, including many by Canadians. To pick one, there's economist Jeff Rubin's 2010 effort, subtitled "Oil and the End of Globalization." Or there's John Ralston Saul's "The Collapse of Globalism: And the Reinvention of the World." Internationally the list includes "Grave New World: The End of Globalization, The Return of History," a 2017 book by economist Stephen D. King that tracks the history of global economic development and is summarized as an outline of the demise of a modern era of international free trade and political co-operation. "Globalization, long considered the best route to economic prosperity, is not inevitable. An approach built on the principles of free trade and, since the 1980s, open capital markets, is beginning to fracture. With disappointing growth rates across the Western world, nations are no longer willing to sacrifice national interests for global growth; nor are their leaders able — or willing — to sell the idea of pursuing a global agenda of prosperity to their citizens."

King has that right, given the current outpouring of commentary that has fixed on the idea that the pandemic, the Ukraine war and/or climate change have turned the world around, away from open international trade and co-operation and on to a new track that suggests deglobalization is the big new trend. Frederick Kempe, president of the Atlantic Council, recently noted the proliferation of writing about who will shape the future world order.

Canada's central banker, Tiff Macklem, made comments last month that triggered headlines to the effect that the rupture in the global order "is probably beyond repair" and "the era of open trade is probably over." European Economic Commissioner Paolo Gentiloni has said the war in Ukraine spells the end of globalization as we know it. Also on board is Larry Fink, activist head of the world's largest asset manager, who said in his last shareholder letter that "the Russian invasion of Ukraine has put an end to the globalization we have experienced over the last three decades."

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But let's hit the pause button on all this flack and flick to another perspective. There's another side to the story. Take the city state of Singapore, a small, open economy that rose to wealth over the past few decades on the tide of globalization. Singapore has been fretting about deglobalization for many years, but it has largely prevailed as a globalized economic entity. Under the current global economic upheavals, the view from Singapore today is that it is "crucial" that the country continue embracing globalization.

Indonesian Finance Minister Sri Mulyani Indrawati told an IMF economic panel last month that Indonesia is among the emerging economies that are counting on globalized trade for their future economic development. Globalization, she said, has generated high levels of progress in developing nations "because they were open, they are integrated with the global economy." Going forward, she said, the highest risk is national inwardness. Indonesia is a large country, "we are big, we have a lot of land … we have food security, we have energy security, we have coal, we have oil, we have gas, but not all countries have these kinds of luxuries." It is not morally or economically right to turn inward and curb trade, she added.

In Africa, the continental ambition for growth is based on a free trade deal that will expand the economic horizons toward a global scale and open a chance to reap the kinds of benefits that have accrued to Singapore, Indonesia and other Asian nations. The Brookings Institution this week posted Congressional testimony from senior fellow Landry Signé who said the deal, with the support of "smart U.S. foreign policy and assistance (both financial and technical) can promote its success in increasing intracontinental and global trade."

The point is that there's a lot more taking place around the world than verbal panic over deglobalization and screaming about the Age of Scarcity. Russia, pandemics and inflation may be causing turmoil, but the economic benefits — living standards, reduced poverty, wealth expansion — of continued and improved global trade are imperatives that cannot be ignored.

Forget deglobalization. The future is in more of the same, only reoriented and even improved. In recent articles at the free-market oriented Cato Institute, economist Scott Lincicome described the current dynamic as "reglobalization." Corporations and nations "are constantly balancing numerous factors — from costs and quality to transportation and storage to domestic and global political risk, and so on — and adapting when those factors change (which they do a lot)." Foreign supply shocks "are as old as internationalized production itself." The world economy is adapting once again.

Under reglobalization, Canada is set to export more energy, and Mexican economic trade is expanding. Lincicome also cites a news report that outlines how sanctions and other Ukraine war impacts are creating new supply chains around the world, including in Southeast Asia.

As Lincicome summarized things: “Multinational manufacturing is still complicated and still very much global. It’s just different from what it was a few years ago. And it’ll be different again in a few more.” Thanks to reglobalization.