



Global Management Consulting Services

Commentaries and Insights from Allawos & Company

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“Are We Entering the Age of De-Globalization?”

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(This Newsletter is a re-print from May of 2014, it seems appropriate to re-visit the issues below given the turmoil in the world today)

Orientation on the stage of world affairs has become difficult. Let us have a look at a major trend that could turn into a real head-ache: de-globalization.

Before WWI, 100 years ago, the world trade was astonishingly integrated. Only after WWII the international order allowed another era of globalization, this time of truly unprecedented scope and nature. Western style market economy on a world-wide scale has brought welfare and peaceful co-operation to many parts of the world, has lifted millions out of misery and created a much more self-confident and empowered middle-class in countries that allow freedom, creativeness and good-governance.

With the financial crisis of the last few years we have witnessed important setbacks, though. Now international politics seems to further threaten these accomplishments. The inter-connectedness and co-dependency in our world does not seem to deter political decision makers from reverting to zero-sum power politics, nationalism, parochialism and protectionism.

Here are just a few examples:

China, the main exporter in this world, is using its newly-won clout for a more aggressive posture in Asia. This leads to a more assertive policy of Japan and other countries of the region. Negative effects on bilateral trade are already noticeable. Protests by students in Taiwan against a Taiwan-China trade pact have to be seen in this light, too.

Russia's aggression against Ukraine and Western sanctions could lead to a major disruption of economic ties in the enormous region from the Atlantic to the Urals that was on its way to becoming

an important, ever more tightly integrated trading region, even where there are no formal trade agreements.

Instead of looking for ways of participating in European innovation, Putin's Russia envisages a competing and Russia-centred Eurasian Economic Area. The ideological foundation for this would be anything that contradicts basic Western values. Russia also seems to be supporting China's idea of trying to replace the dollar as lead currency, another step towards de-integration.

Emerging markets, like Brazil, until recently expanding their role in world economy, are rather retreating and falling back on their mercantilist industrial policy reflexes, as evidenced for example by restrictions on tenders in off-shore oil production.

Turkey's Prime Minister Erdogan, after engineering an economic miracle in his country now seems to do his best in order to undo the very foundations of this development. He also appears to be turning his back on the EU, which in turn has not proven very helpful in Turkey's long efforts to join it.

Instability and crises in many parts of the world, such as the Muslim crescent from Pakistan via Afghanistan, Iran, the Middle East as far as Northern Africa and the Sahel zone prompted by sectarian and/or ethnic strife leaves a growing number of countries as failed States, outside of what may be considered Western style civilization, devoid of the values once professed in the UN Charter and remaining or turning into perennial backwaters.

Americans are turning inward, hopeful that they might be able to leave the troubles of the world behind. Europeans are turning ever more sceptical of economic integration and of trade pacts in general.

What is the remedy, or is there one?

Yes, there is. What is needed is a strong America. A strong America that leads! The last few months and years have proven once and for all: when America is weak, the world becomes a much more dangerous place; peace and welfare are in jeopardy.

Furthermore, what is needed is unity between America and Europe. Only if they work in unison, the world will be able to continue its successful path of the last few decades. Russia's aggressions in Ukraine could be a wake-up call reminding the West to stick together. They should heed the lesson.

This sounds easy, but – of course it's not. So what should businesses do?



Never lose sight of opportunities in Europe and America, for European and American businesses, respectively.



Work with leaders in the US and in Europe towards more transatlantic partnership and common strategies.



Put pressure on governments and the European Commission to expedite the negotiations of the US –EU trade agreement towards a speedy conclusion and / in parallel – help educate the largely sceptical public on the tremendous benefits of this project



Put pressure on Canada and Europe to speedily ratify the CETA (Comprehensive Enhanced Trade Agreement) between them, the first of its kind between highly developed trade areas



Make sure that rapid progress will be made in establishing the Transpacific Partnership (TPP)



Try to find ways of how to interlink the various international trade agreements creatively, even while they are being negotiated, such as the ones between EU and US, EU and Canada, EU and Korea, and the Transpacific Partnership. Bring in technologically highly advanced Israel.



Convince the European Union to be creative and flexible in including other areas and extending the peace and welfare dividend emanating from the EU. Do not make this as difficult as they did for Ukraine.



Help bring Turkey back from the brink that it seems to be heading at.

There are many issues left to be fixed in our world, many crises to focus on. Let us start with the above-mentioned priorities in order to make the West strong again. Let us not turn back a 100 years to a world with multiple power centres and no leadership. A strong America and a united West are the prerequisite for a safer and a better world.

The author is an Austrian diplomat. The expressed opinions are his alone.

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We service the aerospace industry to healthcare, semiconductor to farming and most industries in between.

Our comprehensive consulting services improve the client's condition and leaves behind the tools for growth.

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