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Is Globalism Undermining Globalization?

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“Globalization,” the *bête noir* of isolationists, protectionists, and labor and environmental activists for nearly a decade is now considered by many reasonable, centrist-oriented individuals to be dying, if not dead already.

However, there is compelling empirical evidence to the contrary. Just recently Apple announced it will manufacture 25% of its products in India, in light of disruptions in China. TSMC, the world’s biggest maker of advanced computer chips, committed \$12 billion to build an Arizona-based semiconductor plant in 2020 and has since announced the opening of the company’s second chip plant there, raising its investment in the state to [\\$40 billion](#). Meanwhile, Noah Itech, a Chinese supplier for Tesla, has invested [\\$100 million in a new factory](#) in Monterrey, Mexico, while the Brazilian multinational personal care cosmetics group, Natura, has expanded its presence to 73 countries across all continents except Antarctica.

In reality, a major source of pessimism and attacks on globalization is the widespread confusion between “globalization” and “globalism,” with the latter undermining the former.

Globalism is an ideology, a firm set of beliefs that goods, services, capital and people should be able to move unfettered across borders and that trade agreements should be set in place to foster interconnectedness and interdependence. *Globalization*, on the other hand, is the dynamo, the actual process of cross-border exchanges of products, services, people, information and finance. It is a process that is agile and resilient, while often impacted by external factors such as a pandemic, natural disaster, climate change, civil unrest and public safety.

For those who claim we have entered an era of deglobalization, one should point out that world trade volume and value have [expanded 4% and 6% respectively](#) since 1995 when the WTO was first established. And services trade, *excluded* in global trade reporting, is ever-increasing and exceeds \$6.1 trillion, [over one-fifth of total world trade](#) in both goods and services. Notable also is that services trade, in contrast with merchandise trade, produces a *surplus* every year for the United States.

Whereas globalism is static--after all it is a credo—globalization is *evolving*. Recognizably, trade among nations ebbs and flows. To illustrate, U.S. imports of goods from China dropped to [less than 17% last year](#) from a high of 22% in 2017. Other countries such as Mexico, Vietnam and

South Korea have gained share over China, with [Vietnam boosting its exports to the U.S. to \\$120 billion](#), more than a tenfold increase since 2007. At the same time, China's footprint in the America's is increasing dramatically, and they are now the second largest trade partner after the United States.

Another feature of globalization today is *concentration*. No region is close to being self-sufficient. Every region relies on trade with others for more than 25 percent of at least one important type of good. According to the McKinsey Global Institute (MGI) [40 percent of global trade is "concentrated"](#). To illustrate, the United States imports nearly all of its semitrailer trucks and light goods vehicles from Mexico, while Mexico imports nearly all of its maize, propane, and refined petroleum products from the United States. This concentration improves efficiency and product availability, but complications can ensue especially when products are harder to replace on short notice. Pandemic lockdowns in China and the Russian invasion of Ukraine are two examples.

As a result of the pandemic, the topic of supply chains has moved from the back burner to the front one. Shortages of personal protection equipment, congested ports, and the limited number of supply sources for certain inputs such as semiconductors, served as a wake-up call for companies to diversify and build redundancies into their supply chains and where feasible to onshore or at least nearshore.

Finally, neglected in discussions of trade and globalization is “domestic capability and domestic demand”--locally produced goods for *both* foreign and domestic markets. Firms like Mexican auto parts producer Delphi supply both internal and external markets. As technical capabilities increase among suppliers and local consumer demand grows, producers with large domestic markets, such as China, Brazil and India can direct more of their production internally, lessening their dependency on exports. This creates the illusion of less globalization.

Global trade hit a record [\\$32 trillion](#) for 2022, according to UNCTAD, and despite the lingering impact of the pandemic, high energy prices and interest rates, sustained inflation, and negative spillovers from the war in Ukraine, world trade in goods and services and commercial interconnectedness will continue unabated.

In his 1997 volume *Has Globalization Gone Too Far?*, Harvard Professor Dani Rodrik highlights the severe tension between the market and broad sectors of society. His assessment of globalization today is that it is not collapsing but being reshaped. Whatever the case may be and regardless of one's position, for or against globalization, one thing should be perfectly clear: while globalism may be debatable globalization has evolved to a point where it is *not* reversible.

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