

# Globalization and Politics



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The past three years have seen political volatility rising against a backdrop of improving economic growth across the major regions and increasingly becalmed financial markets. How does economic output correlate with voter behavior? As globalization slows, the transition away from "globalization" toward a more decisively multipolar world is an emerging trend that will shape politics. In this essay, we analyze how the potential "end of globalization as we know it" will challenge politicians, and what kind of new political issues may be spawned by a more dispersed world order.

This is a fragment of an article from Michael O'Sullivan published in Credit Suisse Research Institute's "The Future of Politics".

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## Don't Blame Me, Blame Globalization

To many people, the rise of Donald Trump, the UK's vote for Brexit, increasing incidences of separatism and the reemergence of the far right in Europe are unwelcome confusing events. For others, they are the understandable and perhaps necessary choices of electorates confronted with political classes that they feel do not adequately represent their views and fears. On both sides, the blame lands on globalization, with the result that the term is vulnerable to becoming a catchall for the negative aspects of economic growth.

Many aspects of globalization, such as immigration, provoke sharp political and popular backlashes. Moreover, the trends associated with globalization, like social media and the tension between free trade and labor markets, can often make politicians seem powerless.

## Is the World Order in Danger of Being Derailed?

Will globalization collapse violently again like it did in 1913? Our indicators suggest that while globalization has seen better days, rather than disintegrate in chaos, a more multipolar form of world order is taking over. A multipolar world is one where a small number of large regions develop increasingly distinctive models of politics, society, economics, finance and technology. Our sense is that the Americas, Europe and China-centric Asia are already on their way to becoming the three principal "poles" of a multipolar order, with perhaps India and the Emirate states together having the potential to be a future "pole." Independent, mid-sized countries like Russia, the UK and Japan may struggle for influence in this kind of world through lack of economic size or hard power required to match the larger "poles."



Politics has yet to fully deal with the end of globalization.

- Michael O'Sullivan

## A Controversial Pitch for Politicians

Politicians could yet try to avoid the "end of globalization" – for example, by taking real action to distribute its benefits more equally. The perceived consequences of globalization – inequality, the power and profitability of large corporations, and legal and environmental spillovers to national jurisdictions – trigger political realignments. This may lead a number of nations to look at more redistributive tax policies and to curb the influence of large corporations in areas such as data protection, environmental impact and financial flows.

More realistically, attempts to relaunch "globalization as we know it" may struggle in the face of entrenched skepticism. Accepting the "road to multipolarity" may be more realistic and certainly preferable to an "end of globalization" outcome. Establishing a set of rules and institutions now with this in mind would go some way to minimizing the growing pains of the new order and maximizing its stability.

## The Bumpy Road to a Multipolar World

Certainly, the path from globalization "as we know it" to a multipolar world is likely to encounter "friction". Debates over NAFTA, Brexit, fines by the EU on US technology companies are all part of this process, as regional boundaries and identities are reinforced. Such a path is prone to costs in terms of trade disruption and shocks to investment flows. In addition, such transitions can be noisy in terms of the reactions they incur from consumers and political leaders. Politicians may be more tempted to engage in trade based rhetoric, with a "beggar-thy-neighbor" tilt.

## Can Polar Opposites Attract?

At a regional level, the policy narrative in the two large economies has already taken a decisively singular tack. The Trump administration is driven by the desire to "Make America Great Again," while China is ever more focused on the notion of the "China Dream." While the EU has struggled with the political and economic consequences of enlargement, a new narrative is emerging around the EU as it relates to the other large economic "poles." This is driven by the growing awareness that, while the USA and China are leaders in strategic technological fields such as batteries and robotics, Europe is not.

## Time for a New Highway Code

Broadly, we expect a new political dynamic in the large "poles" to be an increasing focus on the purpose and identity of the large regions. As the USA and China are already "well-formed" in terms of their institutions, Europe has the greatest challenge in terms of making this narrative credible. Immigration and the principle of free movement, the need for a simple EU constitution that connects Europeans to the idea of the Union in a pragmatic way, and the economic management of the EU are likely to become more contentious political issues in European nations.

In summary, it is a little late now to blame globalization for the political recession the West finds itself in. Globalization is already past. Its consequences – the rise of emerging economies, the great power and size of corporations, the pyramid-like structure of the world's wealth, flows of immigration will all continue to color political debate for the next five years. Will politics take on a more nationalistic or regionally driven hue? This could lead to barriers to immigration, calls for trade barriers against multinationals, calls for central banks to defend trade and for the erecting of cyberwalls. On the other hand, it could lead to the establishment of new rules of the road for a multipolar world.

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