Globalization is not ending, it's changing

In India, as in other parts of the world, people have grown accustomed to the benefits of globalization. Access to global products, transformation of consumer and business technologies, and falling barriers to trade and travel have redefined life over the last 20-30 years. That "phase" of globalization appears to be over. The dominant narrative now in political circles, corporate boardrooms and the mainstream media is that nationalism and protectionism are on the rise, and globalization is in retreat.

It is true that nationalism and protectionism are on the rise; however, drawing from Mark Twain, we believe that "the reports of [globalization's] death are greatly exaggerated". How else do we understand the number of travellers crossing international borders since 2005 increasing annually by around half, to 1.2 billion, of which only a small fraction are refugees? Or that the number of people using the Internet globally has soared from less than a million in 2005 to more than three billion today—with more than four billion projected by 2020; even as the number of connected digital devices more than triples to nearly 21 billion?

Globalization isn't ending, it's changing. What we are witnessing is the emergence of a new global economy, an economy without borders propelled by digital rocket boosters.

Companies that have learnt to thrive in this increasingly connected world have built large global businesses at astonishing speeds. Uber, for example, penetrated more than 80 countries in just six years.

Netflix launched its streaming service in 2010, and has expanded to more than 190 countries in less than seven years, while the augmented-reality game *Pokémon Go* was being played in over 125 countries and generated nearly $1 billion in revenue just six months after its launch.

These examples point to business models that operate very differently from the past. During previous phases of globalization, a country or group of countries emerged as an economic "pole", such as Britain and other maritime powers in the late 19th century, the US after World War II and China more recently, driving global GDP (gross domestic product) growth and global trade.

Globally shared "rules of the game" were introduced and enforced by institutions such as the World Trade Organization (WTO) and the International Monetary Fund, which were strongly influenced by the Western economies. Global economic growth and free trade took precedence over politics and multilateralism over nationalism.

All this is in a state of flux. Economic nationalism (and protectionism) are growing. WTO data indicates that India and the US rank among the countries with the most number of trade restrictive measures in recent years. Global Trade Alert reports that in 2016 alone more than 500 discriminatory measures (and only 300 liberalizing measures) were introduced worldwide.

At the same time, the ability of multilateral institutions to establish and enforce shared rules seems to be weakening and the dominant role of the multilateral financial institutions that traditionally have provided global capital appears to be receding, as new financial institutions, such as China-backed Asian Infrastructure Investment Bank and the New Development Bank, emerge.

Equally profound are the structural changes taking place in the world economy, set in motion by various digital technologies, such as advanced digital manufacturing and global digital platforms.

Advanced digital manufacturing systems ("Industry 4.0"), for example, are enabling businesses to alter their global production and distribution networks by making it feasible to operate smaller, more flexible facilities closer to customers, instead of concentrating production in large plants in countries with low labour costs.

While this is taking place, the global market has been expanding in ways never before imagined, as both traditional companies, such as General Electric, and relative newcomers, such as Uber, Airbnb and India's Flipkart, gain access to borderless global markets through their information technology platforms and networks of local partners.

Together, these shifts are giving rise to a very different kind of globalization, more-fragmented, with decentralized supply chains and more countries involved.

This creates a host of challenges for global corporations.

The traditional practice of assessing prospective markets on the basis of GDP, per-capita income and market penetration may be obsolete. To recognize opportunities, companies need to look beyond macroeconomic statistics. For companies with the right business models, pockets of opportunity may exist even in slow-growth economies, especially in the rapidly expanding digital marketplace.

Chinese company Alipay, for example, is building a global business serving China's rapidly growing market of overseas travellers, who use the mobile payment platform as an alternative to credit cards at department stores and retail chains in more than 100 countries.

The emergence of a new model of globalization does not mean, of course, that the old ways of engaging with the world will suddenly become irrelevant.

Nor are we at an unprecedented moment; the ebbs and flows of globalization are nothing new. Each previous wave of globalization was halted by some crisis, but was then redefined by new technology. And each time, globalization emerged stronger than ever. The current era is no different.

The precise contours of the new global economy have yet to be defined. We do know this, however: instead of tracking cross-border flows of physical goods, money and people, it is becoming increasingly important to measure connected consumers, communities, devices and machines, and to monitor the flow of data and ideas.

Companies that recognize these underlying shifts, identify the new opportunities and adapt to change are likely to thrive in the new world of globalization.

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