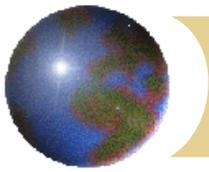


# *Globalization, Global Economics, and Emerging Market*

v06132022

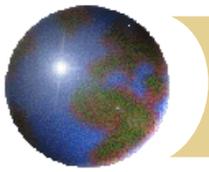
*Dr. Stanley Kwong 邝铁诚*  
*Professor, International Business*  
*University of San Francisco 旧金山大学*  
*San Francisco, CA 94121*

*Strategic Advisor: ChinaSF*  
*Strategic Advisor: Bay Area Council*



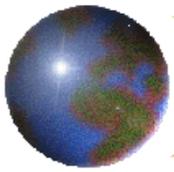
# *What is Globalization?*

- ✦ "*Globalization* is the word used to describe the growing interdependence of the world's economies, cultures, and populations, brought about by cross-border trade in goods and services, technology, and flows of investment, people, and information." "After centuries of technological progress and advances in international cooperation, the world is more connected than ever."
- ✦ "Globalization encourages each country to specialize in what it produces best using the least amount of resources."
  - The Peterson Institute for International Economics, "What Is Globalization?"  
<https://www.piie.com/microsites/globalization/what-is-globalization>
- ✦ Additional Reference:
  - Yale Globalization, <https://yaleglobal.yale.edu/history-globalization>



# Globalization

- ✚ Globalization is a phenomenon driven by technology and the movement of ideas, people, and goods.
- ✚ Globalism is an ideology that prioritizes the neoliberal global order over national interests.
- ✚ Globalization is a synonym for one or more of the following phenomena
  - ✚ *Free markets*
  - ✚ *Economic liberalization*
  - ✚ *Growing dominance of western (or Euro American) forms of political, economic and cultural life (Westernization or Americanization)*
  - ✚ *Global integration*
  - ✚ *The proliferation of new information technologies (internet revolution)*

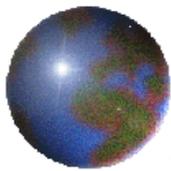


# Globalization

➊ Trend toward greater Economic , Cultural, Political, and Technological interdependence among national institutions and economies.

- ❏ VIDEO: Globalization theories – Khan Academy
- ❏ <https://www.khanacademy.org/test-prep/mcat/society-and-culture/demographics/v/globalization-theories>
- ❏ VIDEO: Globalization- trade and transnational corporations
- ❏ <https://www.youtube.com/watch?v=GmomzubjO1I&t=49s>



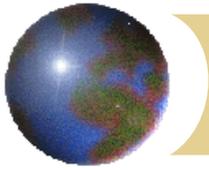


# History of Globalization

Globalization Era	Age of Discovery (15 <sup>th</sup> -18 <sup>th</sup> century)	Globalization 1.0 (19 <sup>th</sup> century – 1914)	Globalization 2.0 (1945-1989)	Globalization 3.0 (1989-2008)	Globalization 4.0
Leading Exports	Raw Material / Basic Goods	Textiles / Industrial Goods	Factories	Global Supply Chain	Digital Goods / Services
Leading Nations					
Exports as % World GDP	<5%	6 → 14%	5 → 15%	15 → >20%	?
Enabling Era	Scientific Revolution (15 <sup>th</sup> -17 <sup>th</sup> century)	1 <sup>st</sup> Industrial Revolution (1780s–mid 19 <sup>th</sup> century)	2 <sup>nd</sup> Industrial Revolution (1870s-1910s)	3 <sup>rd</sup> Industrial Revolution (1960s-1990s)	4 <sup>th</sup> Industrial Revolution (2000s-2010s)
Enabling Innovations					
Characterizing GDP Trend	Europe ↗	Britain ↗↗	World ↗	United States ↗↗↗	China ↗↗↗↗

History of Globalization and Industrial Revolutions – by Peter Norberg, World Economic Forum

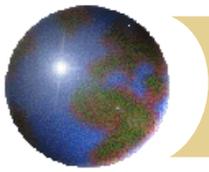
Reference: <https://www.weforum.org/agenda/2019/01/how-globalization-4-0-fits-into-the-history-of-globalization/>



# *Economic and Political globalization*

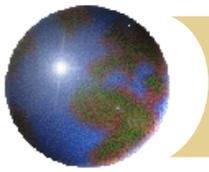
## ✚ Three dimensions of globalization

- ✚ **Economic globalization** refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies.
- ✚ **Political globalization** refers to the growing power of institutions of global governance such as the United Nations, World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO).



# *Cultural globalization*

- ❖ **Cultural globalization** refers to the transmission of ideas, meanings, and values around the world in such a way as to extend and intensify social relations.
  - ❖ Consumption of cultures that have been diffused by the *Internet, popular culture media, and international travel*. This brings increasing interconnectedness among different populations and cultures
  - ❖ A visible aspect of the cultural globalization is the dominance of American consumer culture influencing the entire world.
  - ❖ This influence is represented through that of American TV programs, the diffusion of American fast food (McDonald's and Starbucks), American popular music, fashion, and lifestyle
  - ❖ The global influence of American products, businesses and culture in other countries around the world has been referred to as "Americanization".



# *Globalization of “consumption”*

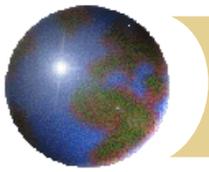
- ✿ Globalization of consumption- a new culture emerging (McDonaldization?) - the Spread of “McWorld”
  - ✦ The global spread of “McWorld” is rapidly bringing the consumer society of the West to the rest of the world.
  - ✦ The globalization of the consumer economy is closely linked with the general economic boom and growth in the movement of goods, services, and money across international borders, which accelerated during the 1990s.
  - ✦ A new genre of “world citizenship” is emerging through Internet, Google, YouTube, Facebook or WeChat where youths from the emerging nations are playing a significant role
  - ✦ They eat fast food, wear Levi’s jeans, listen to Taylor Swift, have a Facebook account, own an iPhone, tweet and text, chat via Hotmail, and think that their governments are trapped in old ideological conflicts.

# Drivers of Globalisation



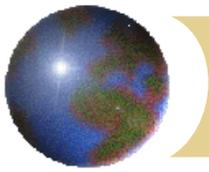
Source: Based on G. Yip, *Total Global Strategy II*, FT/Prentice Hall, 2003, chapter 2.

Exhibit 2.3



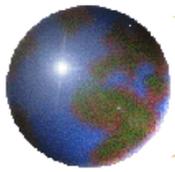
# *Industry Globalization Drivers*

- ✦ Professor George Yip 's 4 sets of “industry globalization drivers” that underlie conditions in each industry (1995)
  1. **Market drivers** define how customer behavior distribution patterns evolve, including the degree to which customer needs converge around the world, customers procure on a global basis, worldwide channels of distribution develop, marketing platforms are transferable, and “lead” countries in which most innovation takes place can be identified.
  2. **Cost globalization drivers**—the opportunity for global scale or scope economics, experience effects, sourcing efficiencies reflecting differentials in costs between countries or regions, and technology advantages—shape the economics of the industry.
  3. **Competitive drivers** are defined by the actions of competing firms, such as the extent to which competitors from different continents enter the fray, globalize their strategies and corporate capabilities, and create interdependence between geographical markets.
  4. **Government drivers** include such factors as favorable trade policies, a benign regulatory climate, and common product and technology standards.



# 1. Market Driver

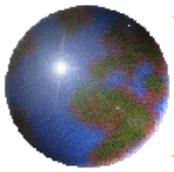
- ❖ One aspect of globalization is the steady convergence of customer needs. The key to exploiting such opportunities for scale lies in understanding which elements of the product or service can be standardized without sacrificing responsiveness to local preferences and conditions.
  - ❖ Coca-Cola offers similar but not identical products around the world. McDonald's, while adapting to local tastes and preferences, has standardized many elements of its operations.
  - ❖ Consumer electronics, software, oil products, and accounting services increasingly look alike no matter where they are purchased.
  - ❖ Large corporations such as DuPont, Boeing, or GE demand the same level of quality in the products and services they buy no matter where they are procured.
- ❖ In many industries, global distribution channels are emerging to satisfy an increasingly global customer base, further causing a convergence of needs.



# Market Drivers

- ❖ One of the primary drivers of globalization has been in respect to market forces
  - ❖ Customers in different parts of the world increasingly demand similar products and services, opportunities for scale arise through the marketing and standardized offerings. Many consumer goods and services are now universally available
  - ❖ As a result of international marketing and brand promotions, consumer desires and lifestyles around the world are increasingly converging.

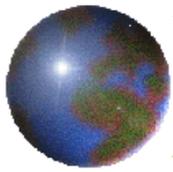




# *Globalization of Markets*

- ❖ Globalization of Markets combine the promotion and selling of goods and services with an increasingly interdependent and integrated global economy.
  - ❖ Refers to convergence in buyer preferences in markets around the world.
  - ❖ Implies that national markets are merging into one huge marketplace.
  - ❖ This trend is occurring in many product categories, including consumer goods, industrial products and business services.

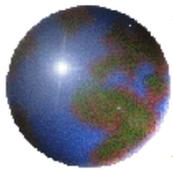




# Global Markets

- ✦ Markets in which buyer preferences are similar across countries
  - ✦ As consumption patterns become more homogeneous, global branding and marketing will become increasingly important to global success.
  - ✦ Within each country, several segments with differing preferences may exist, but the country borders are not important limits
    - *Reduces marketing costs.*
    - *Creates New Market Opportunities.*
    - *Levels Uneven Income Streams.*
    - *Yet Local Needs are Important.*



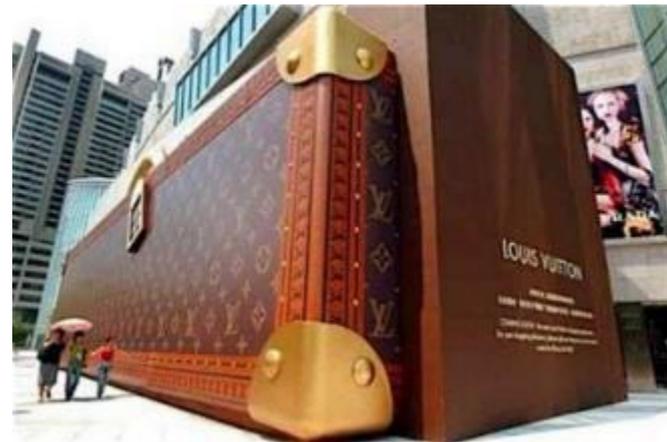


# *Global Products*

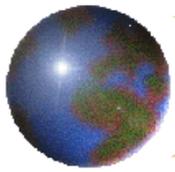
- ✦ The key to success of the globally standardized products is that they are often the best-value products because they offer higher quality and more advanced features at better prices
- ✦ Global products tend to be stronger on the intangible extras such as status and brand image. Global products embody the best in technology with designs from leading markets and are manufactured to the highest standards



*Paris, France*



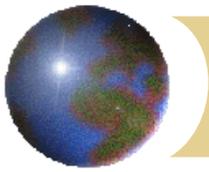
*Shanghai, China*



# *Glocalization*

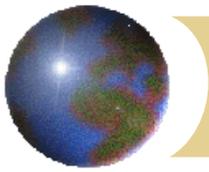
- ✦ “A combination of the words "globalization" and "localization" used to describe a product or service that is developed and distributed globally, but is also fashioned to accommodate the user or consumer in a local market.” (Investopedia.com)
- ✦ Basics: A global company designing products for a local community.





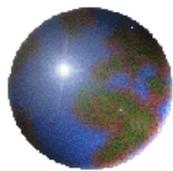
## 2. *Cost Globalization Drivers*

- ✦ Cost globalization drivers
  - ✦ The opportunity for global scale or scope economics, experience effects, sourcing efficiencies reflecting differentials in costs between countries or regions, and technology advantages—shape the economics of the industry.
  - ✦ The globalization of customer needs and the opportunities for scale and standardization it brings will fundamentally alter the economics of many industries.
  - ✦ A single market will no longer be large enough to support a competitive strategy on a global scale in many industries.
- ✦ Global scale and scope economics are already having far-reaching effects. The rivalry within such industries is likely to increase, reflecting the broadening scope of competition among interdependent national and regional markets and the fact that true differentiation in such a competitive environment may be harder to achieve.



# *Globalization of Production*

- ✦ Globalization of Production refers to the dispersal of production activities to locations that help a company achieve its costs –minimization or quality- maximization objectives for a good or service.
- ✦ *The globalization of production implies that firms are basing individual productive activities at the optimal world locations for the particular activities. As a consequence, it is increasingly irrelevant to talk about American products, Japanese products, or German products, since these are being replaced by "global" products.*
  - ❖ Provides access to Low-Cost Workers.
  - ❖ Provides access to Technical Expertise.
  - ❖ Provides access to Production Inputs.



# Today's Globalized Toy

Topper the Trick Terrier is a robotic dog that can talk and stand on its head. But the real trick is where its parts come from. This year 75,000 copies of the dog were made by Qualiman Industrial Co. in Nanhai, China for a Li & Fung American customer, the Original San Francisco Toymakers. It sells for \$29.99 in the U.S.

**PLASTIC EYES:**  
Shenzhen, China

**PLASTIC BODY:**  
Malaysia  
**MICROFIBER FABRIC  
FOR COAT:**  
Korea

**MOTOR FOR LEGS:**  
Shaoguan, China  
**PLASTIC LEGS:**  
Taiwan

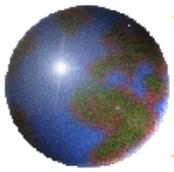
**VOICE-RECOGNITION  
REQUIREMENTS:**  
San Francisco  
**VOICE-RECOGNITION  
PROGRAMMING:** Taiwan

**SPEAKER FOR TOY'S VOICE:**  
Dongguan, China

**TRANSISTORS:** Shenzhen, China  
**IC CHIPS:** Taiwan  
**WIRING:** Dongguan, China  
**PACKAGING:** Hong Kong

Sources: Qualiman Industrial Co. Ltd.; Li & Fung.

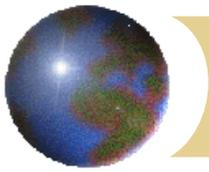




# Borderless Manufacturing

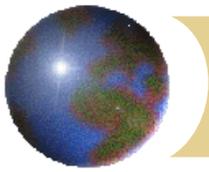


*Performing production slicing to identify the best location/ country to undertake each stage of process, adding value along the way & integrating the entire supply chain*



### 3. *Competitive Drivers*

- ❖ Competitive drivers are defined by the actions of competing firms, such as the extent to which competitors from different continents enter the market, globalize their strategies and corporate capabilities, and create interdependence between geographical markets.
- ❖ Industry characteristics
  - ❖ Total industry sales that are made up by export or import volume
  - ❖ Diversity of competitors: national origin and the extent to which major players have globalized their operations.
  - ❖ Interdependence between their competitive strategies in different parts of the world affect the globalization potential of an industry.
  - ❖ High levels of trade, competitive diversity, and interdependence increase the potential for industry globalization.
  - ❖ Industry evolution also causes industry globalization to accelerate.

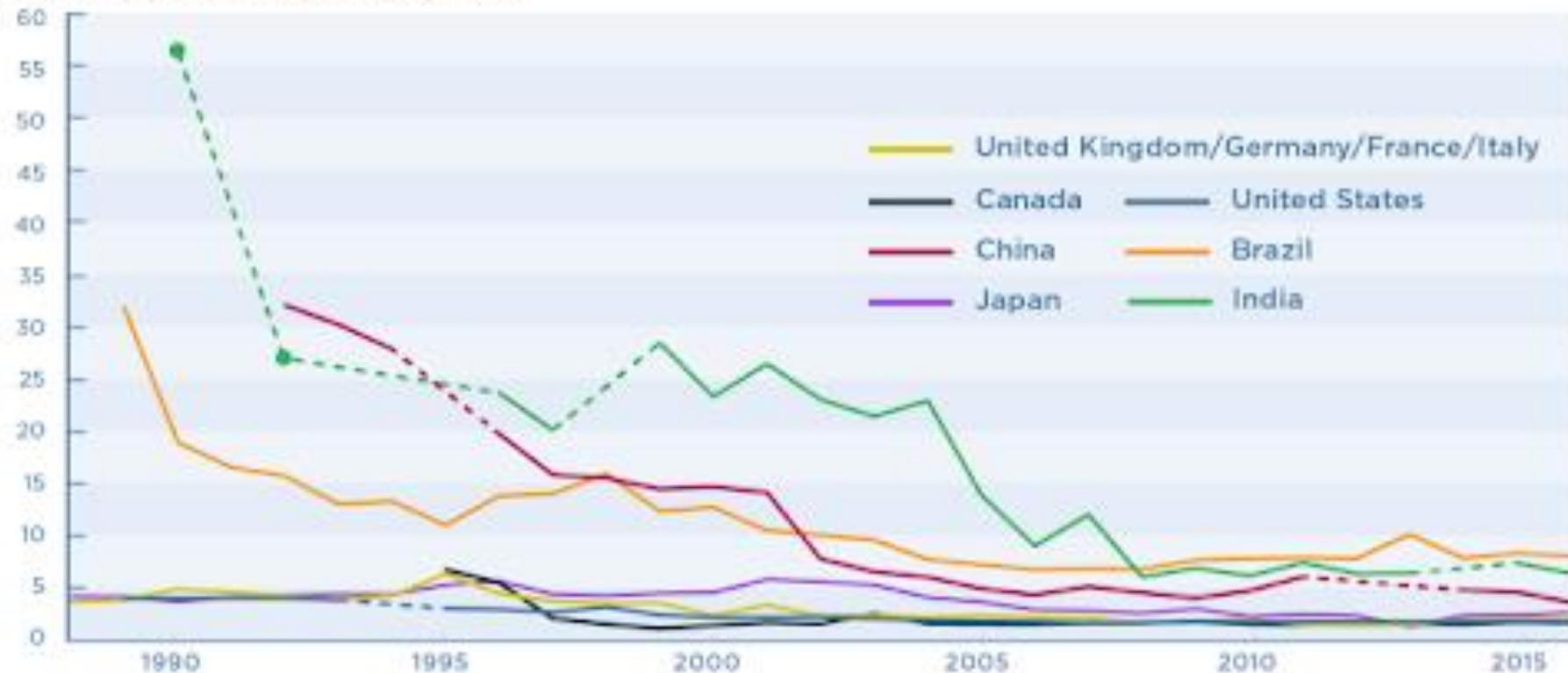


## 4. *Government Drivers*

- ❖ Declining trade barriers
  - ❖ General Agreement on Tariffs and Trade(1947) and the World Trade Organization (1995): Liberalized trading rules and deregulated markets lead to lowered tariffs and allowed foreign direct investments in almost all over the world:
- ❖ Presence or absence of favorable trade policies, technical standards, policies and regulations, and government operated or subsidized competitors or customers— affect all other elements of a global strategy
  - ❖ Multinational companies are paying greater attention to the so-called nonmarket dimensions (Politics and economics) of their global strategies aimed at shaping the global competitive environment to their advantage.
  - ❖ important consequences for how differences in policies and regulations are affecting global competitiveness.

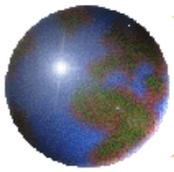
# Major economies dropped tariff rates and kept them low

Average applied tariff rates (1988-2016)

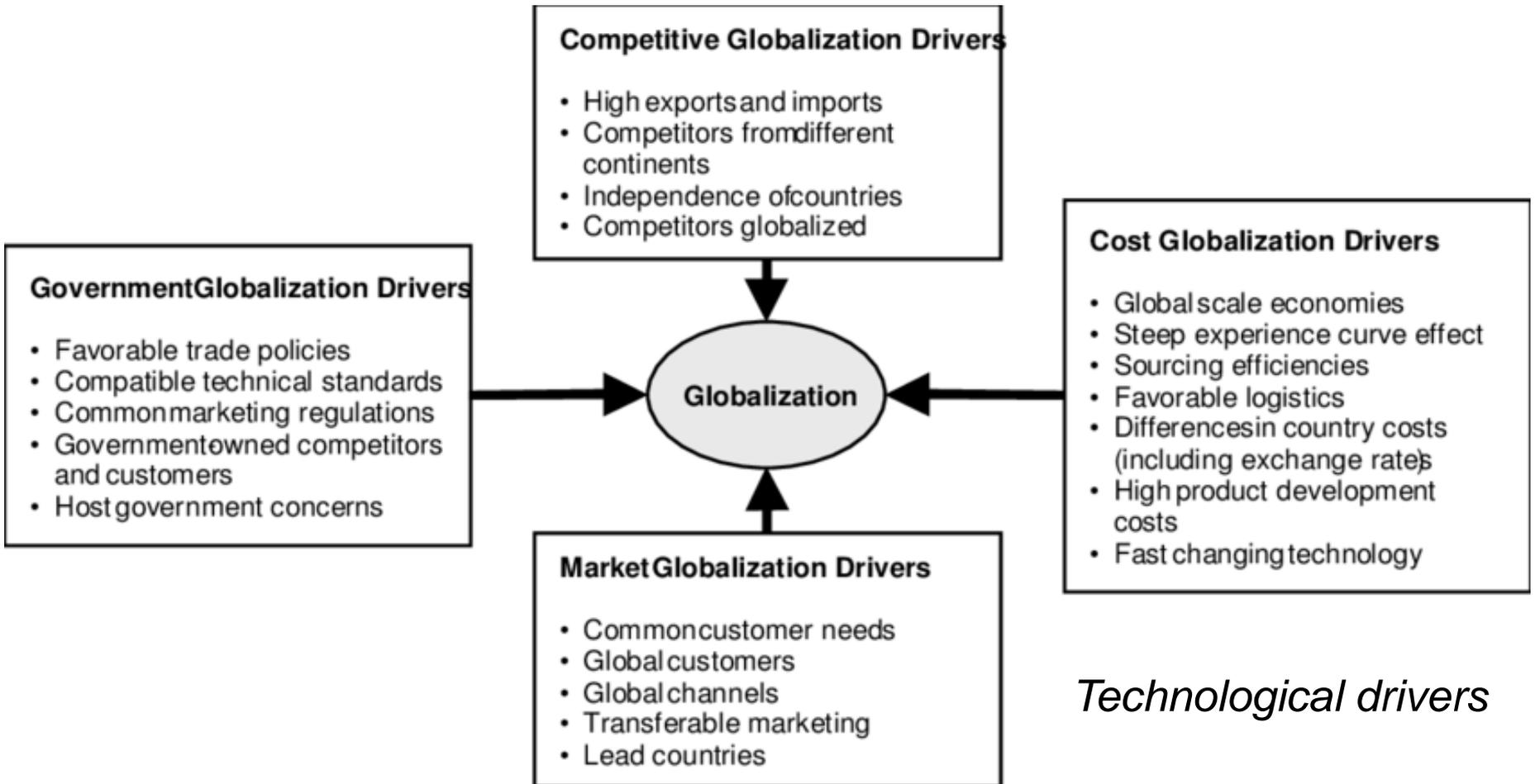


**Note:** Shows world's ten largest economies, 2016. Rates are weighted by trade value. Dotted lines indicate years when data are not available.

**Source:** World Bank DataBank.

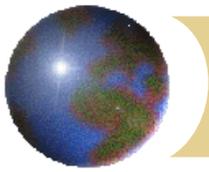


# Globalization drivers according to YIP (1992)



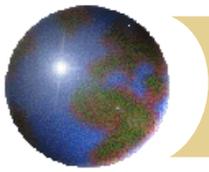
## References:

George Yip, 1995, "Total Global Strategy: Managing for Worldwide Competitive Advantage", Prentice Hall  
HK Openbook, "Industry Globalization Drivers" <http://www.opentextbooks.org.hk/ditatopic/26814>



## 5. *Technological drivers*

- ✦ Technology shaped and set the foundation for modern globalization.
  - ✦ Innovations in the transportation technology revolutionized the industry.
  - ✦ The most important developments among these are the commercial jet aircraft and the concept of containerization in the late 1970s and 1980s.
  - ✦ Inventions in the area of microprocessors and telecommunications enabled highly effective computing and communication at a low-cost level.
  - ✦ Finally the rapid growth of the Internet is the latest technological driver that created global e-business and e-commerce.

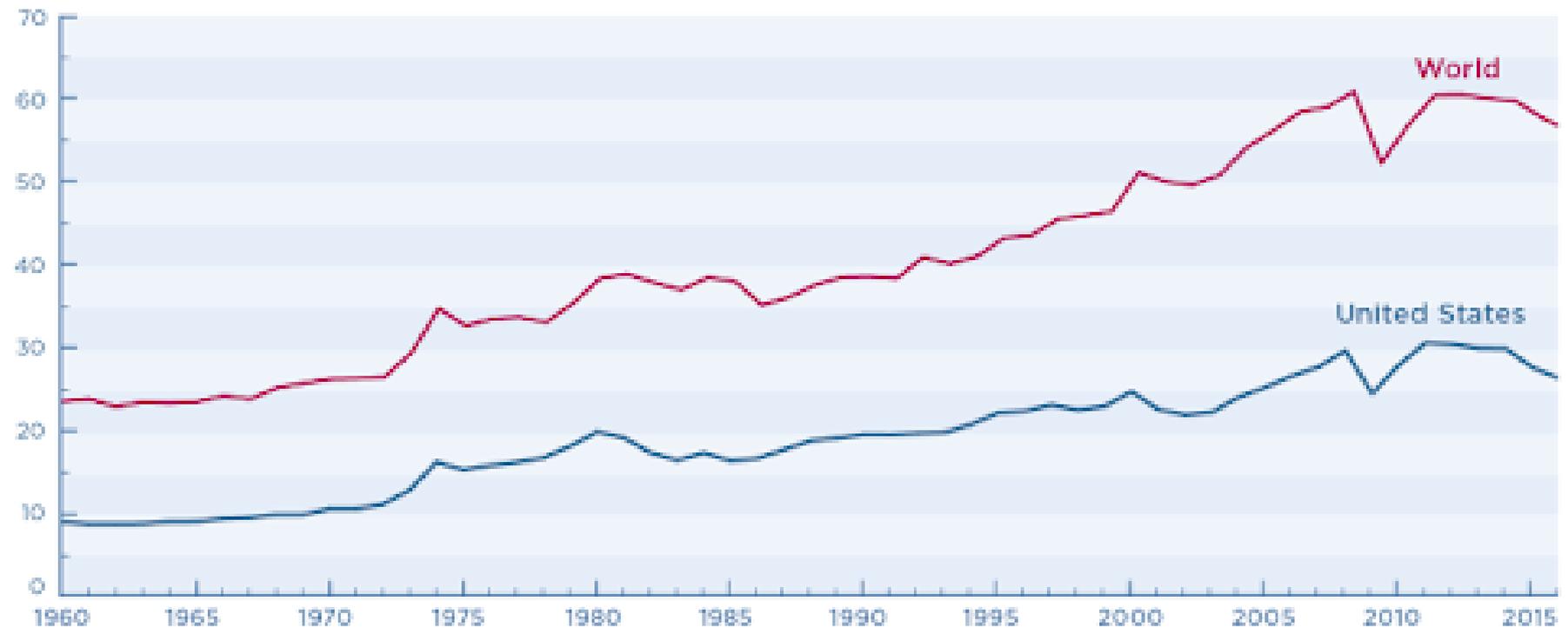


# *International trade*

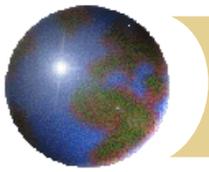
- ✚ International trade, makes goods and services cheaper for consumers and creates new markets for producers.
- ✚ From 1982 to 2007, international trade with the “Globalization of Production” has lifted hundreds of millions of people — especially but not only in China and India — from deep poverty to middle-class comfort or better.

# Trade grew to a third of the US economy and over half of the world's economy

World and US trade as percent of GDP (1960-2016)

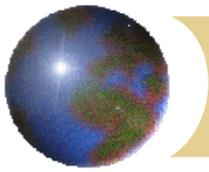


**Sources:** World Bank: World Bank DataBank and International Debt Statistics; International Monetary Fund: International Financial Statistics and Balance of Payments databases; GDP estimates from World Bank and Organization for Economic Cooperation and Development.



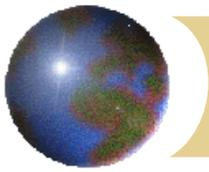
## *Globalization and US*

- ✦ Most of the world today lives within an order that the United States built, one that is both underwritten by U.S. power and legitimated by liberal ideas. (Political globalization)
  - ✦ American commitments to the rule of law, democracy, and free trade are embedded in the multilateral institutions that USA helped establish after World War II
  - ✦ Including the World Bank, the International Monetary Fund, the United Nations, and later the World Trade Organization.
  - ✦ The international order remains an American built system



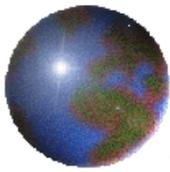
## *Globalization and Asia*

- ✦ *Did globalization create the new "middle class" in Asia, and did it "impoverish" the middle classes in the rich world?*
- ✦ The world's real incomes more than doubled between 1988 and 2011
  - ✦ A shift that involved almost 1/3 of the world population, most of them from Asia
  - ✦ 1<sup>st</sup> time since 1820 that global inequality is deemed to have gone down.
- ✦ The growth fueled by the resurgent Asia, and the stagnation of incomes where Western middle classes are, have attracted the most attention.



## *Winners and Losers*

- ❖ 90% of the “winners” of globalization are from “resurgent Asia.”
  - ❖ 150 million from rural China, incomes increased by 2.5X
  - ❖ 40 million people from Indonesia, whose real incomes 2X
  - ❖ 35 million people from urban India, increases of 50%.
- ❖ The rich (*global top 5%*) have benefited immensely from globalization and they have keen interest in its continuation. Their political power has enabled the continuation of globalization.
  - ❖ *The developed countries have benefited from globalization. US and UK have seen huge gains in the services sector, especially in financial services.*

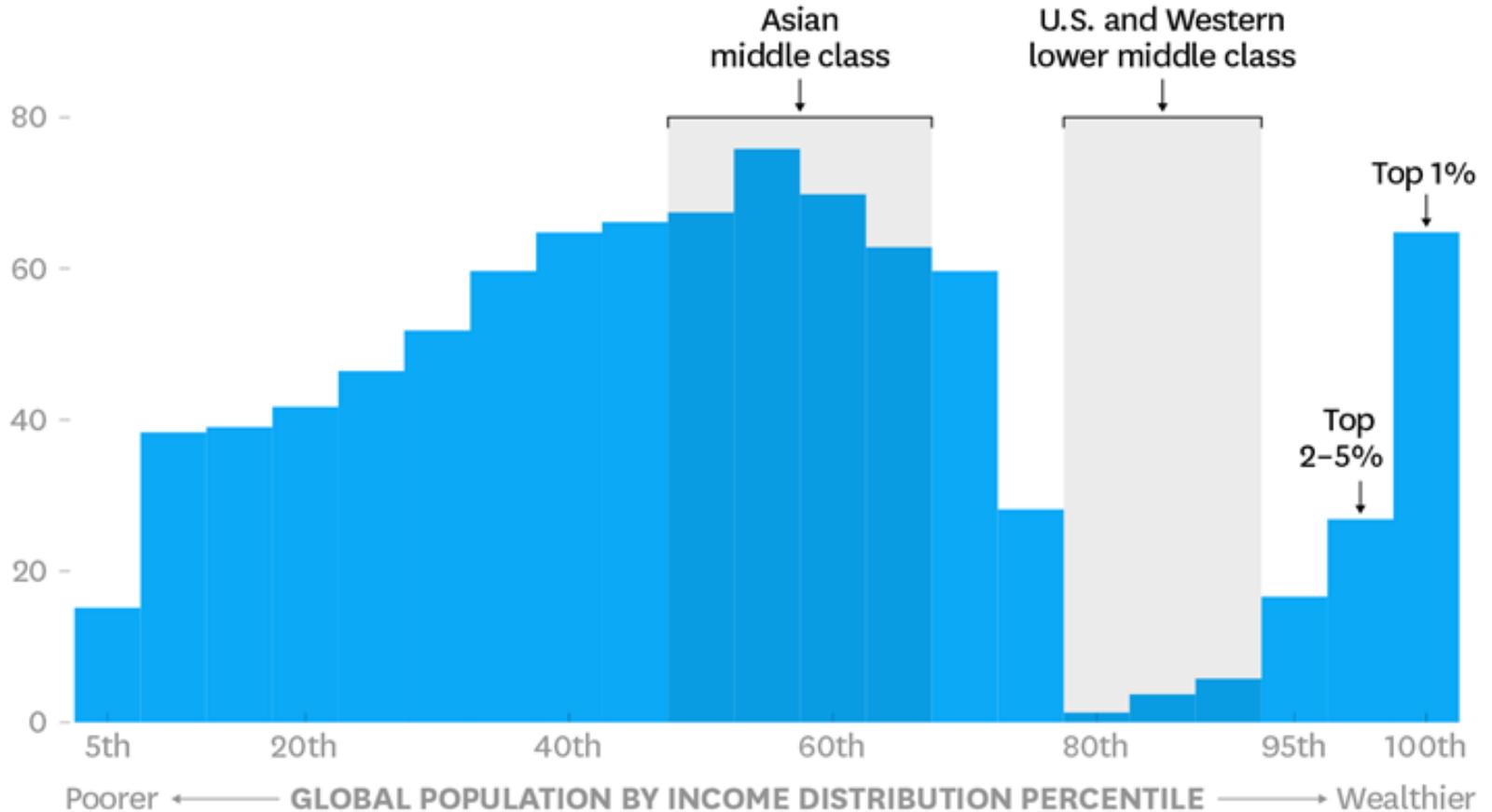


# Who Has Gained from Globalization

The global 1% and the Asian middle class.

REAL INCOME GAINS IN PERCENTAGE, 1988 TO 2008

100% -

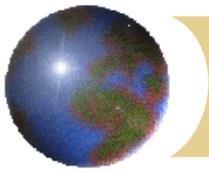


NOTE INCOMES ARE REAL, PPP-ADJUSTED, IN 2005 DOLLARS.  
SOURCE BRANKO MILANOVIC

Wealthy

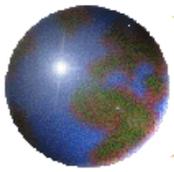
© HBR.ORG

The chart above, the Global Incidence Curve, shows the world's population along the horizontal axis, ranked from the poorest to the richest percentile; real income gains between 1988 and 2008 (adjusted for countries' price levels) are shown on the vertical axis.



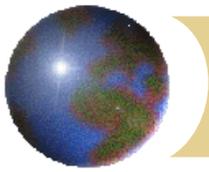
## *Winners and Losers*

- ❖ *Younger, better educated workers located in cosmopolitan urban centers such as New York, San Francisco, and London have seen a phenomenal increase in their income.*
- ❖ The working middle classes in the West have seen no or little improvement.
  - ❖ Older, less educated workers in the rusting industrial belts have lost their jobs to manufacturers overseas.
    - The quality of jobs has deteriorated and little hope among the rust belt's working class that this situation can be turned around
    - Average real gain of the lower bottom half of U.S. workers income was 22% — growth of less than 1% annually.
    - Germany 4% and Japan showed negative growth.



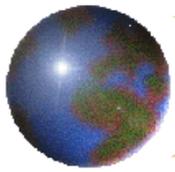
## *Global inequality: Professor Branko Milanovic*

- ✿ Professor Milanovic delineated what became known as the “elephant curve” of inequality because of its shape.
  - ✿ Over the 20 years “high globalization period,” huge increases in wealth were unevenly distributed across the world.
  - ✿ The middle classes in developing economies—mainly in Asia—enjoyed a dramatic increase in incomes. So did the top 1 percent of earners worldwide, or the “global plutocrats.”
  - ✿ the lower middle classes in advanced economies saw their earnings stagnate.
- ✿ Who are the Winners and Losers of Globalization? (MarketPlace)
  - ✿ <https://www.youtube.com/watch?v=bjh-vt6xtfo>
- ✿ How globalization affects inequality and populism in one chart
  - ✿ <https://www.youtube.com/watch?v=t1mWp2qp7A0&t=5s>
- ✿ Reference:
  - ✿ Branko Milanovic, 2016, “Global Inequality: A New Approach for the Age of Globalization”,(Belknap Press, ISBN-13: 978-0674737136)



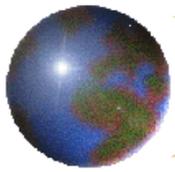
# *Globalization and the West*

- ✦ Globalization may have succeeded in creating wealth, but its failure to enrich the less educated working class in the West risks pushing western governments to turn their backs on globalization through trade barriers and anti-immigration policies.
- ✦ Political activism:
  - ✦ *Populist arguments : Globalization is a zero-sum game. If the poor middle class in Asia improves, the relatively rich in developed country loses*
  - ✦ To manifest their discontent, workers in the advanced economies express their concerns and push for remedies.



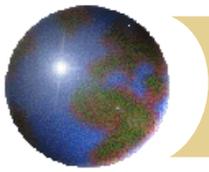
## *Anti-elite backlash in the West*

- ❖ The recent voting patterns in the U.S. and the U.K. are a clear reflection of this despondence.
- ❖ Anti-elite backlash in the West:
  - ❑ Brexit vote
  - ❑ Election of Donald Trump in the US
- ❖ Dissatisfaction translated into
  - ❑ Greater protectionism, new anti-immigration policies, capital controls, or various enervating requirements like “domestic content”
- ❖ This could lead to a pause in income gains realized by the poor and the middle classes in Asia.



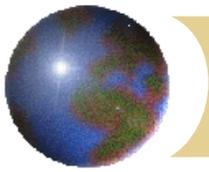
## *Four major geopolitical shifts*

1. Protectionism is growing.
2. Ability of multilateral institutions (WTO, World Bank) to establish and enforce shared rules seems to be weakening.
3. Dominant role of Western countries in the multilateral financial institutions that have provided global capital appears to be receding as new financial institutions emerge, such as the China- backed Asian Infrastructure Investment Bank .
4. State capitalism is on the rise: examples include the growing economic role of state-owned enterprises and sovereign wealth funds and the increased direct government support of domestic industries.



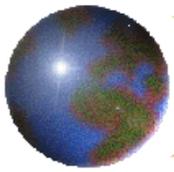
## *Is globalization in retreat?*

- ✦ The dominant narrative in the press is one of growing nationalism, protectionism, and job losses, and the social backlash caused by the increasingly inequitable distribution of global gains.
  - ✦ BREXIT and Political parties in Europe
  - ✦ Trade position articulated by the US administration
- ✦ While the world is becoming more decentralized politically and physically; customers, devices, services, processes, and businesses continue to integrate digitally.
- ✦ *The simultaneous rise of economic nationalism and of digital integration is redefining the economic, business, and political framework that has shaped our understanding of globalization for the past half century, ushering in a radically new model.*



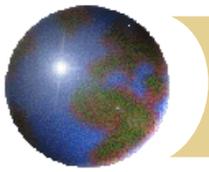
## *Globalization is still going forward!*

- ✦ Since 2022, the number of travelers crossing international borders is predicted to rise to 2.5 billion.
- ✦ The number of internet users has soared to more than 5 billion in 2022.
- ✦ The number of connected digital devices is forecast to more than triple, to nearly 28 billion.
- ✦ Global data flows, which have exploded by tenfold over the past decade, to 20,000 gigabits per second, are also projected to triple by 2022.
- ✦ January 2021: China has 950 million Internet users
  - ✦ 895 million mobile Internet users
  - ✦ 95.1% of the total Internet users connected via mobile



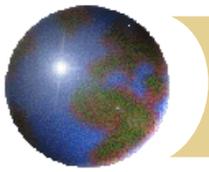
## *Global business of increasingly connected world*

- ❖ Companies that have learned how to carve out markets in this increasingly connected world have built large global businesses at an astonishing speed.
  - ❖ Uber has penetrated more than 80 countries in just six years
  - ❖ Airbnb Expanded To 190 Countries By Thinking 'Glocal'
  - ❖ Globalization Via LinkedIn and Facebook: how social media is playing the vital role to bring people and businesses all over the world close together, making the world a real global village.
  - ❖ Starbucks has added 550 net new stores in China in 2017 bringing the total up to 3,000 stores there in 135 cities
  - ❖ Skechers grew its branded stores in China 116% year over year to 736 locations with a projection of \$500 million in China revenue in 2018
  - ❖ Augmented-reality game Pokémon Go was played in 150 countries and had generated nearly \$1 billion in revenue just 6 months after its launch, showcasing a globalization on steroids.



## *BCG: New Globalization Framework (2017)*

- ✦ Important growth opportunities and the fundamental shifts in business models
  - ✦ These geopolitical and digital shifts are redefining the economic, business, and political models of the globalization framework
- ✦ **New Economic Model.**
  - ✦ The global economy is becoming fragmented and multipolar, with more countries driving global growth. In emerging markets, economic growth rates, development models, and the chief sources of growth—such as manufacturing, services, and consumption—are diverging.



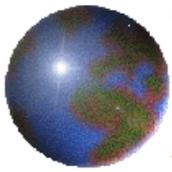
# *BCG: New Globalization Framework (2017)*

## **✦ New Business Model.**

- ✦ Growth in trade, especially merchandise trade, and in cross-border investment is slowing as a result of rising protectionism, shifts in manufacturing costs, and economics of Industry 4.0 technologies, companies must find new drivers of global growth.
- ✦ These forces are decentralizing global supply chains, while growth in digital services and platforms is integrating many parts of businesses and the ecosystems.

## **✦ New Political Model.**

- ✦ As the influence of the biggest economic powers wanes, nationalism and political interests are taking precedence over globally shared economic goals.
- ✦ Changes in policy and regulation are becoming the new normal.
- ✦ There is still potential, however, for countries to collaborate to address cross-border issues such as cybersecurity, international terrorism, and tax havens.



# BCG: New Globalization Framework (2017)

## EXHIBIT 1 | Economic, Business, and Political Shifts Are Reshaping Globalization

	OLD	NEW
GLOBAL ECONOMIC MODEL	<ul style="list-style-type: none"><li>• Global growth driven by one or more countries serving as an economic “pole”</li><li>• High growth rates across emerging markets</li><li>• Strong merchandise trade multiplier effect propelling GDP growth</li></ul>	<ul style="list-style-type: none"><li>• Multipolar and fragmented global growth</li><li>• Divergence in the growth paths of emerging markets</li><li>• Slow growth in merchandise trade; the rise of trade in services as a growth driver</li></ul>
GLOBAL BUSINESS MODEL	<ul style="list-style-type: none"><li>• Physically integrated supply chains led by large, low-cost manufacturing networks</li></ul>	<ul style="list-style-type: none"><li>• Physical decentralization driven by protectionism and Industry 4.0</li><li>• Digital integration of consumers, devices, and companies</li></ul>
GLOBAL POLITICAL MODEL	<ul style="list-style-type: none"><li>• Convergence on economic issues defined by G7 and Bretton Woods institutions</li><li>• Precedence of global economy over politics</li></ul>	<ul style="list-style-type: none"><li>• Less convergence on the agendas of the world’s biggest economies</li><li>• Rising state capitalism</li><li>• Potential for coordination in noneconomic areas such as cybersecurity, privacy, and tax havens</li></ul>

## EXHIBIT 2 | Three Questions for Business in the New Globalization

### HOW AND WHERE DO I GROW GLOBALLY?

- Take a far more differentiated approach to prioritizing countries.
- Directly target new global, borderless segments, such as digitally connected consumers and devices.
- Shift to selling scalable, asset-light services at a lower cost per unit and value-added solutions.
- Address risky markets with new business models and approaches.

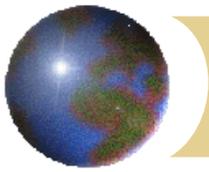
### WHAT IS MY GLOBAL PRODUCTION AND DELIVERY FOOTPRINT?

- Consider a multilocal manufacturing network.
- Build hybrid global-local service delivery capabilities.
- Leverage an ecosystem of platforms and local partners.

### WHAT IS MY ORGANIZATION MODEL AND PHILOSOPHY?

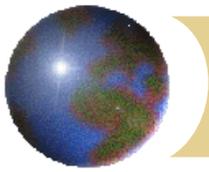
- Become more customer centric; move beyond transactional relationships.
- Become more country centric; increase local decision rights.
- Centralize key functions driven by digital technologies and analytics.

Source: BCG analysis.



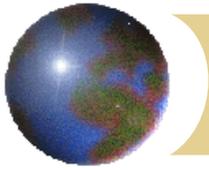
# *Globalization 4.0*

- ❖ The challenges associated with the Fourth Industrial Revolution (4IR) are coinciding with the rapid emergence of ecological constraints, the advent of an increasingly multipolar international order, rising inequality, and worldwide pandemic. These integrated developments are ushering in a new era of globalization.
- ❖ In a world increasingly dominated by 2 global powers, the US and China, the new frontier of globalization is the cyber world.
  - ❖ The digital economy is now becoming a force through e-commerce, digital services, 3D printing. Enabled by artificial intelligence, threatened by cross-border hacking and cyberattacks.
  - ❖ The unprecedented pace of technological change means that our systems of health, transportation, communication, production, distribution, and energy – just to name a few – will be completely transformed.



# Globalization 4.0

- ✦ We have to recognize that we are living in a new type of innovation-driven economy, and that new global norms, standards, policies, and conventions are needed to safeguard the public trust.
  - ✦ The new economy has already disrupted and recombined countless industries, and dislocated millions of workers. It is dematerializing production, by increasing the knowledge intensity of value creation.
- ✦ At the same time, a negative globalization is expanding through the global effect of climate change. Pollution in one part of the world leads to extreme weather events in another. And the cutting of forests like the Amazon rainforest, has a further devastating effect on not just the world's biodiversity, but its capacity to cope with hazardous greenhouse gas emissions.
  - ✦ Reference: Globalization 4.0 – what does it mean? [H](#)
  - ✦ <https://www.weforum.org/agenda/2018/11/globalization-4-what-does-it-mean-how-it-will-benefit-everyone>
  - ✦ VIDEO:
    - How the West can adapt to a rising Asia (Kishore Mahbubani)
    - <https://www.youtube.com/watch?v=dsJWs6Z6eNs>



*Thank you*

谢谢