

# **DE-GLOBAL**



## ***10 Trends Defining the New World***

## DEGLOBAL: 10 Trends Defining the New World

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# What Unleashed Hyper-Globalization

## *1989-2009*

# NEW GEOPOLITICS OPENED THE WORLD

## COLD WAR ENDED



*1989: Berlin Wall fell  
1990: Germany reunified  
1991: USSR ended*

## INDIA LIBERALIZED



*1991:  
Reduced tariffs,  
FDI enabled*

## CHINA OPENED



*1993:  
Deng's 2<sup>nd</sup> big reforms push  
privatization & opening*

## EU BORN



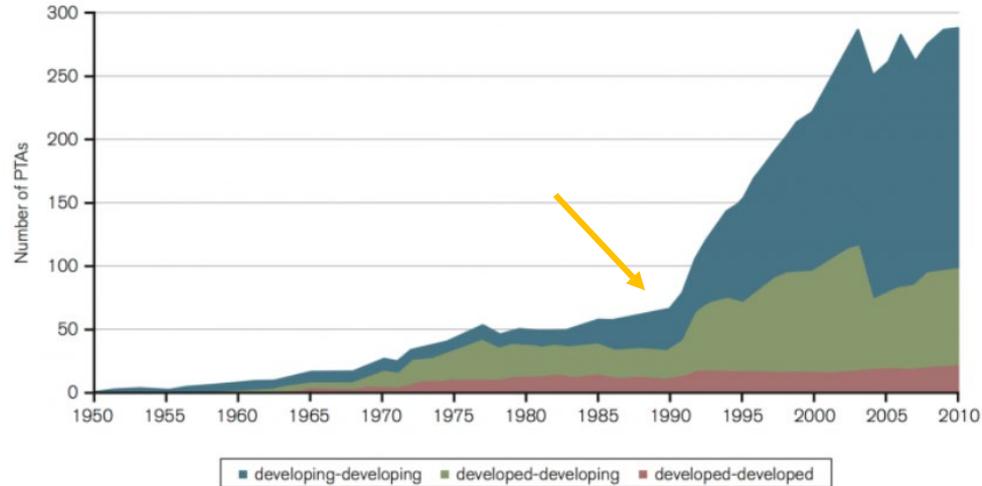
*1993:  
Treaty of Maastricht  
creates EU, Euro*

# NEW POLICIES FACILITATED GLOBAL TRADE & INVESTMENT

1994



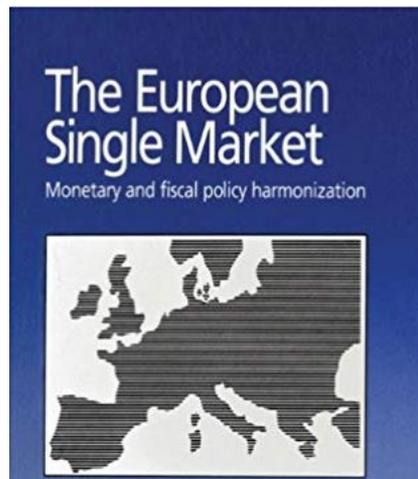
## Preferential Trade Agreements In Force



1994



1993

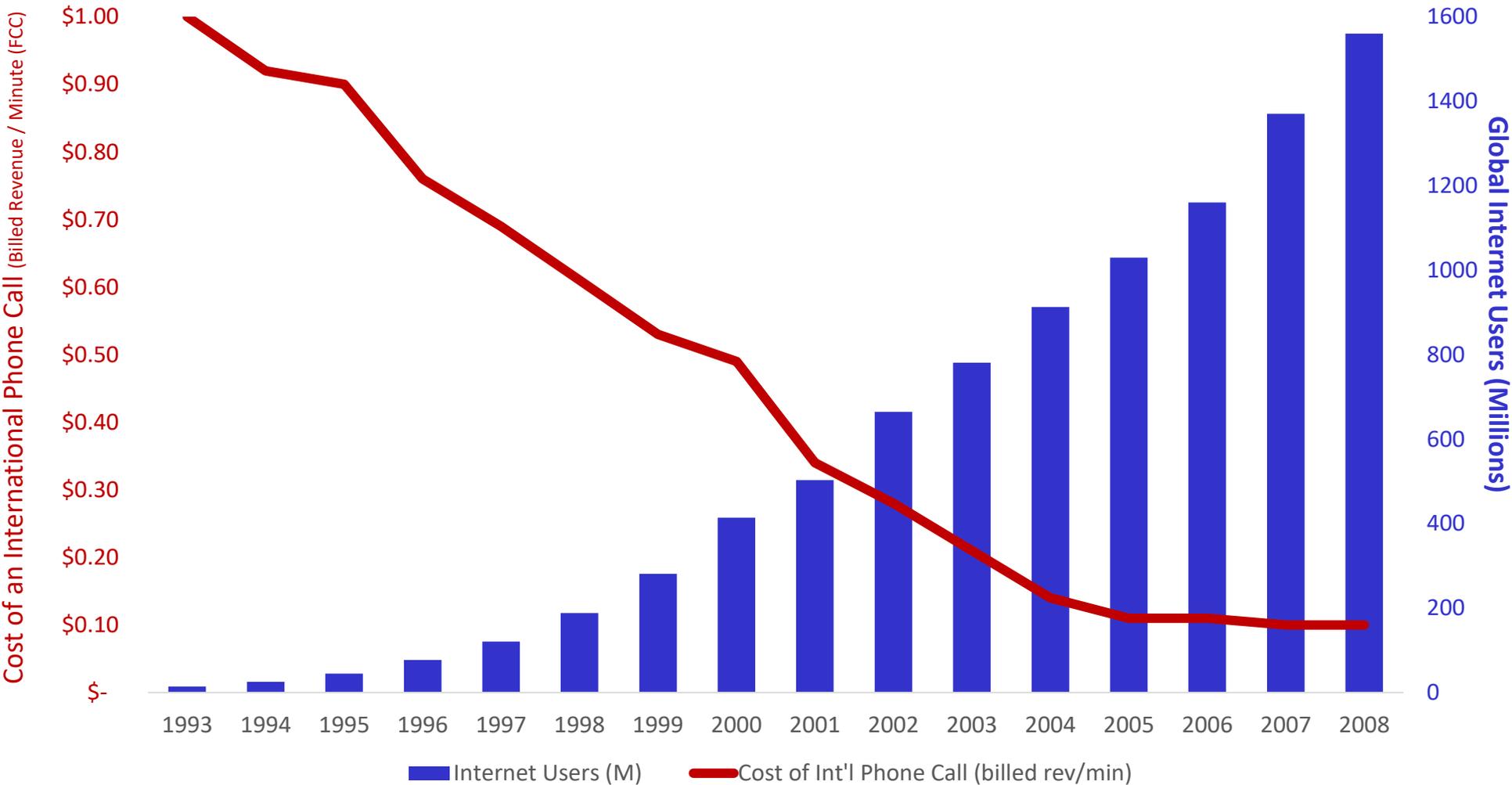


2000



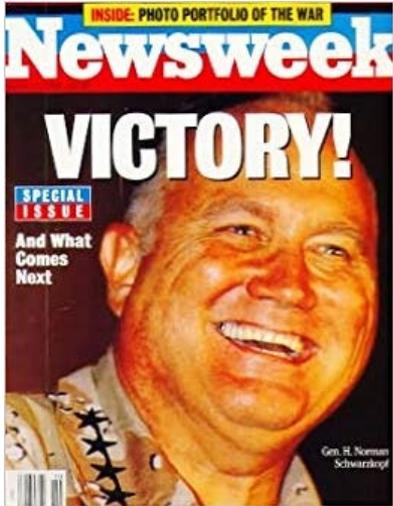
# NEW TECHNOLOGIES FLATTENED THE WORLD

*Cost of International Calls Plummeted, # Internet Users Exploded*

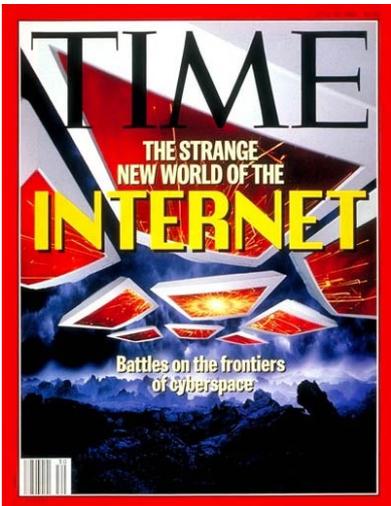


# PERCEPTION 1990's: AMERICA HAD ALL THE ANSWERS

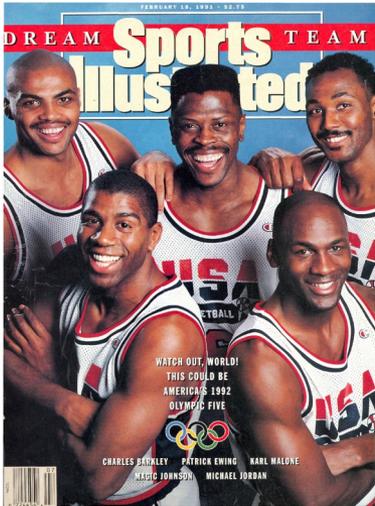
## MILITARILY



## TECHNOLOGICALLY



## CULTURALLY



## ECONOMICALLY



## SOCIETALLY

**United States**



**1999 SCORES**

STATUS **Free**

FREEDOM RATING	CIVIL LIBERTIES	POLITICAL RIGHTS
<b>1.0</b>	<b>1</b>	<b>1</b>

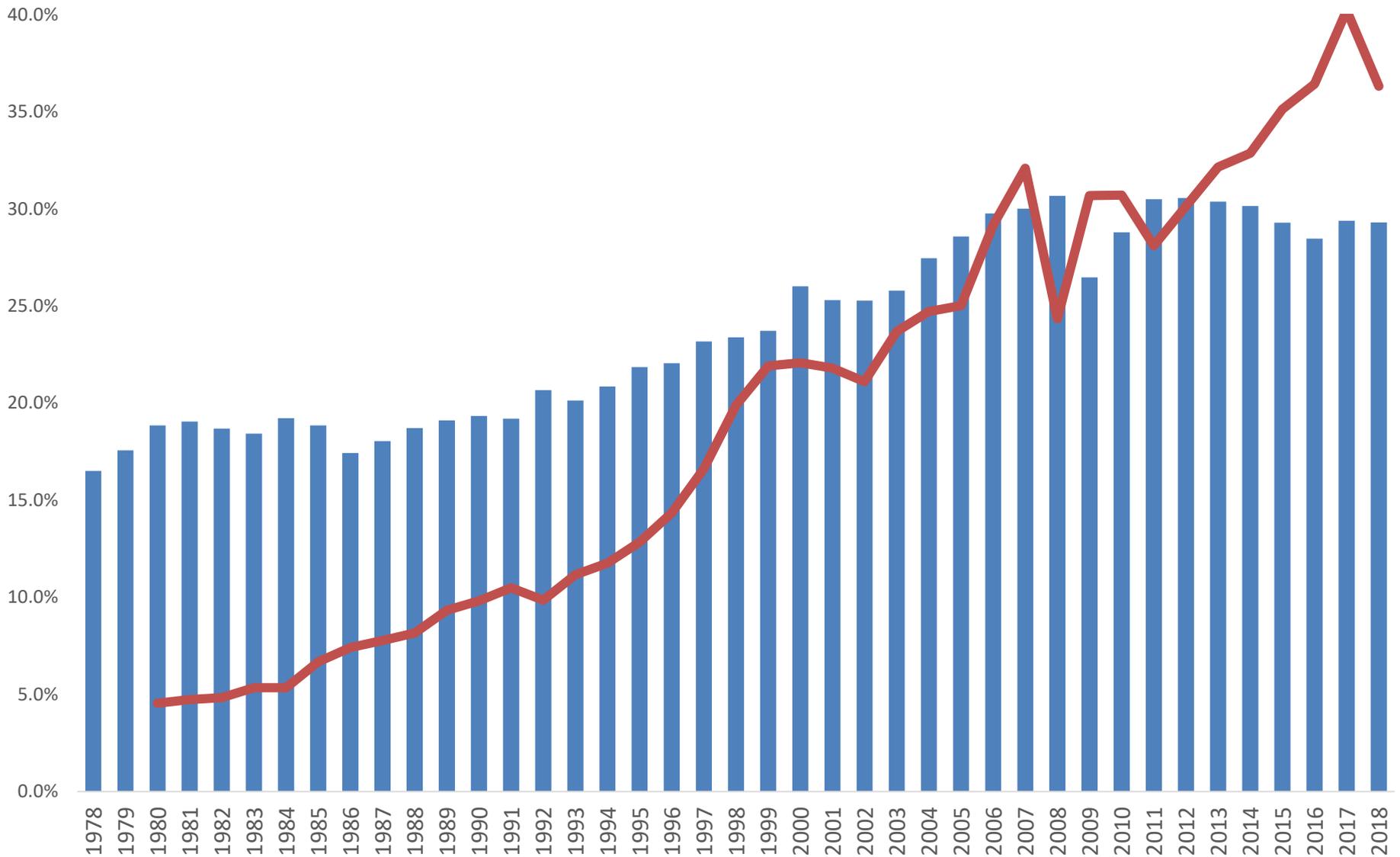
1 = Best, 7 = Worst

# What Hyper-Globalization Unleashed

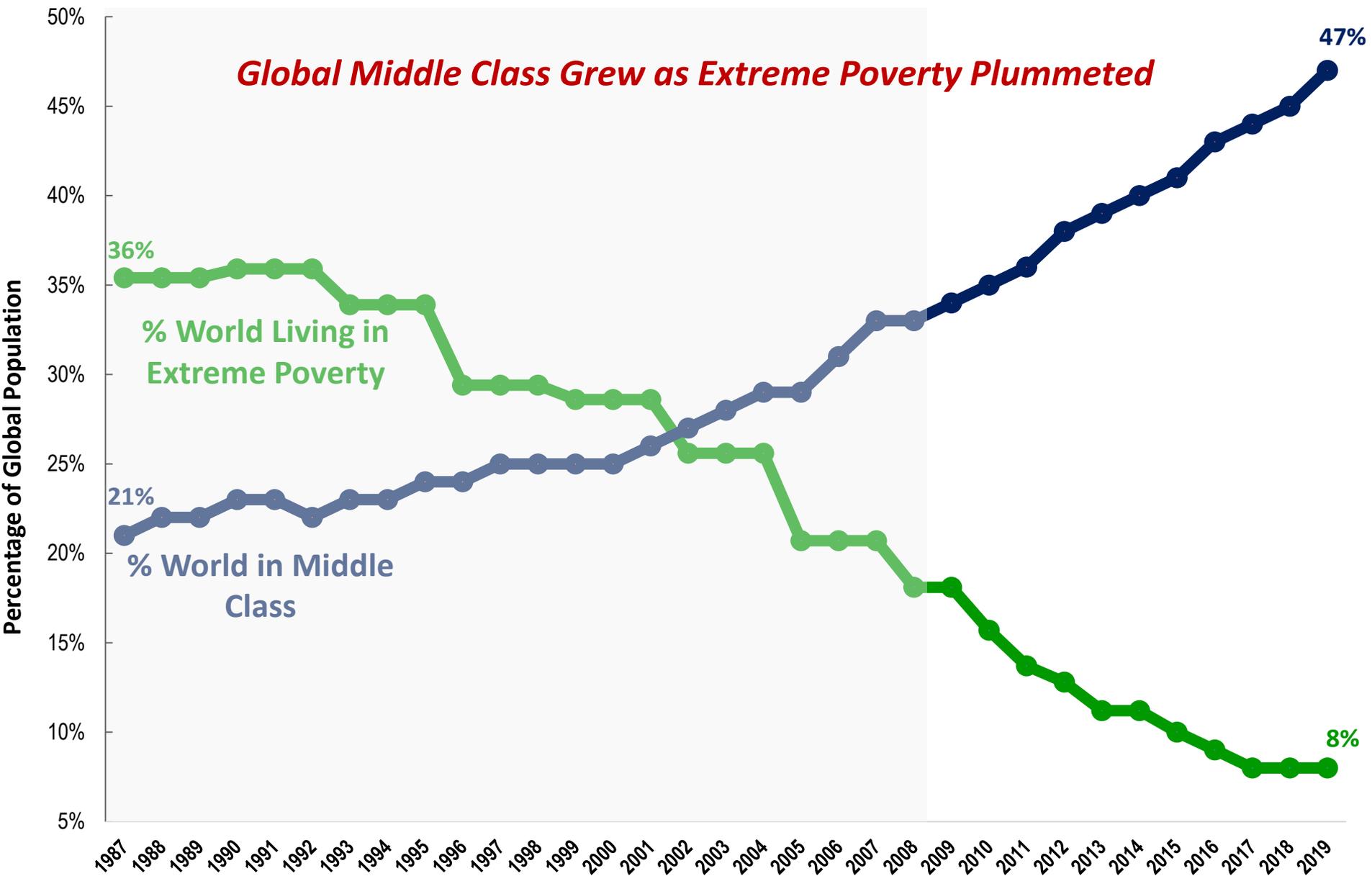
## *1989-2009*

# TRADE & GLOBAL INVESTMENT SKYROCKETED

Trade as % World GDP      Outbound FDI as % GDP



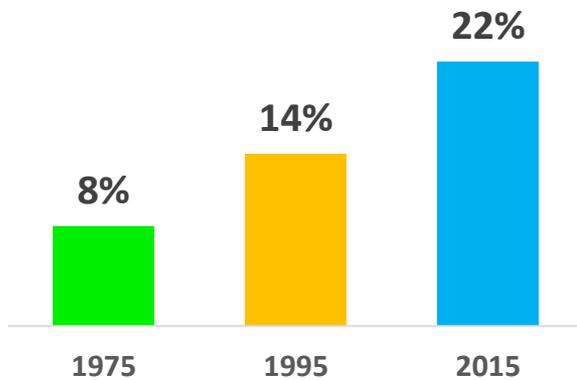
# GLOBAL PROSPERITY



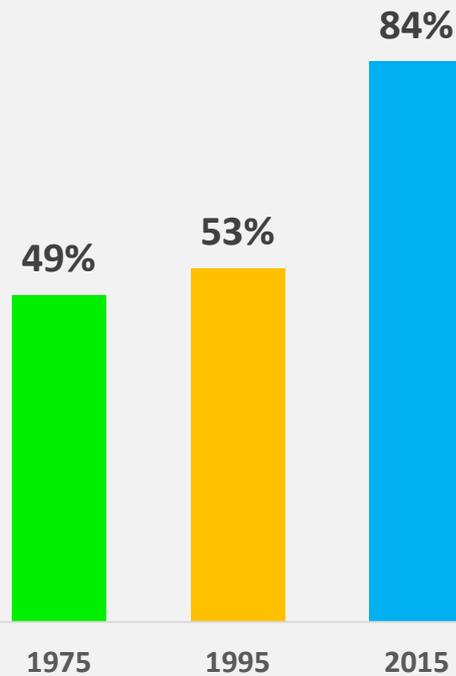
# DOMESTIC DISPARITY

## *Winners Taking All in a Superstar Economy*

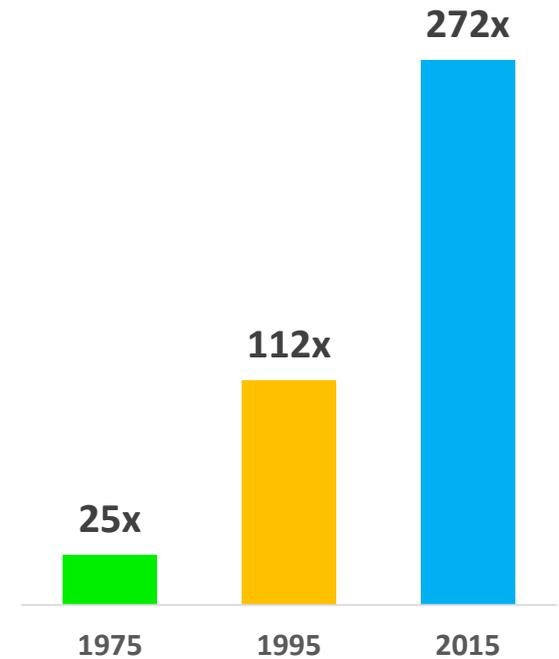
Top 1% U.S. Households  
Share of Fiscal Income



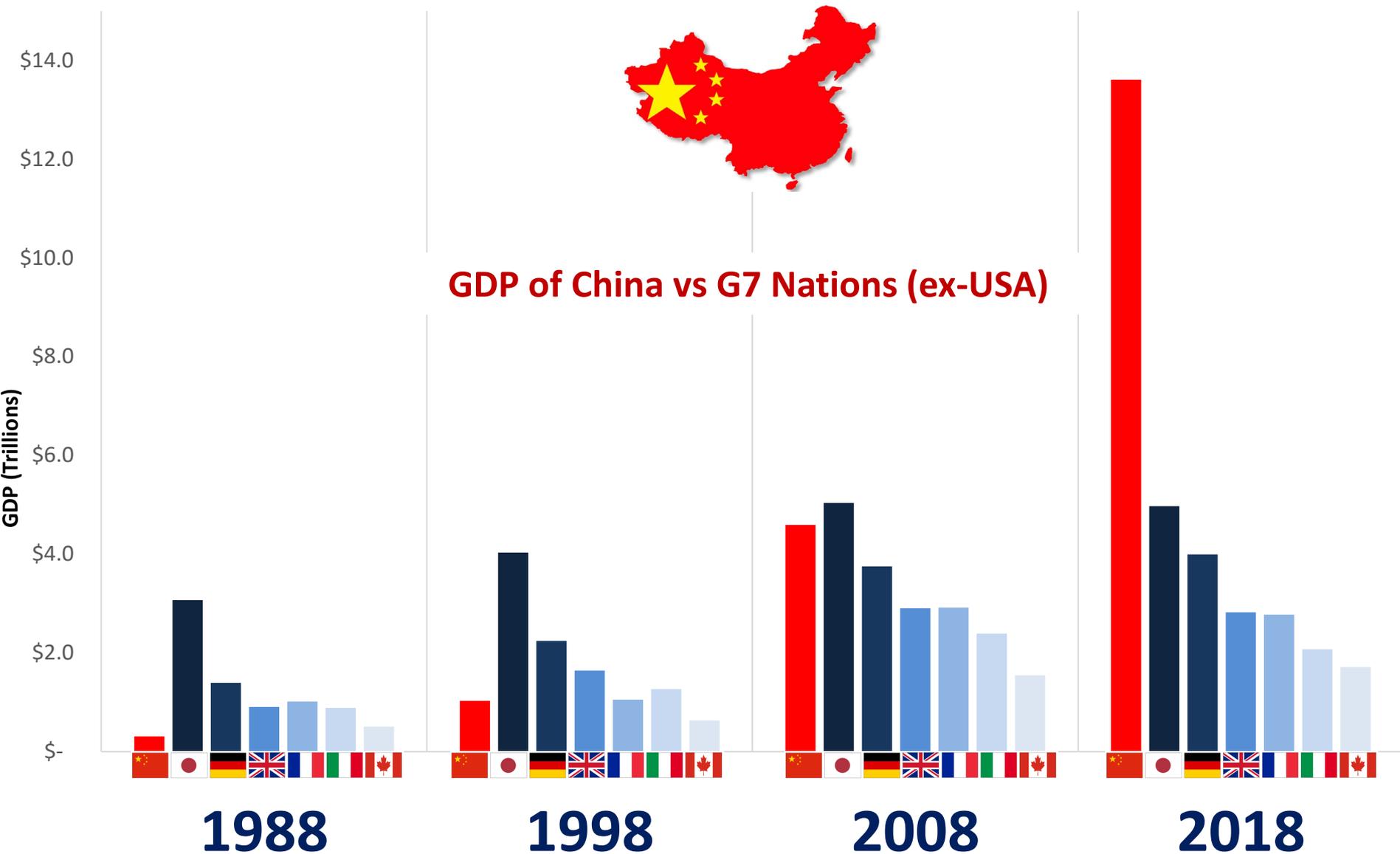
Top 100 U.S. Firms'  
Share of Earnings



CEO-to-Worker Avg.  
Pay Ratio

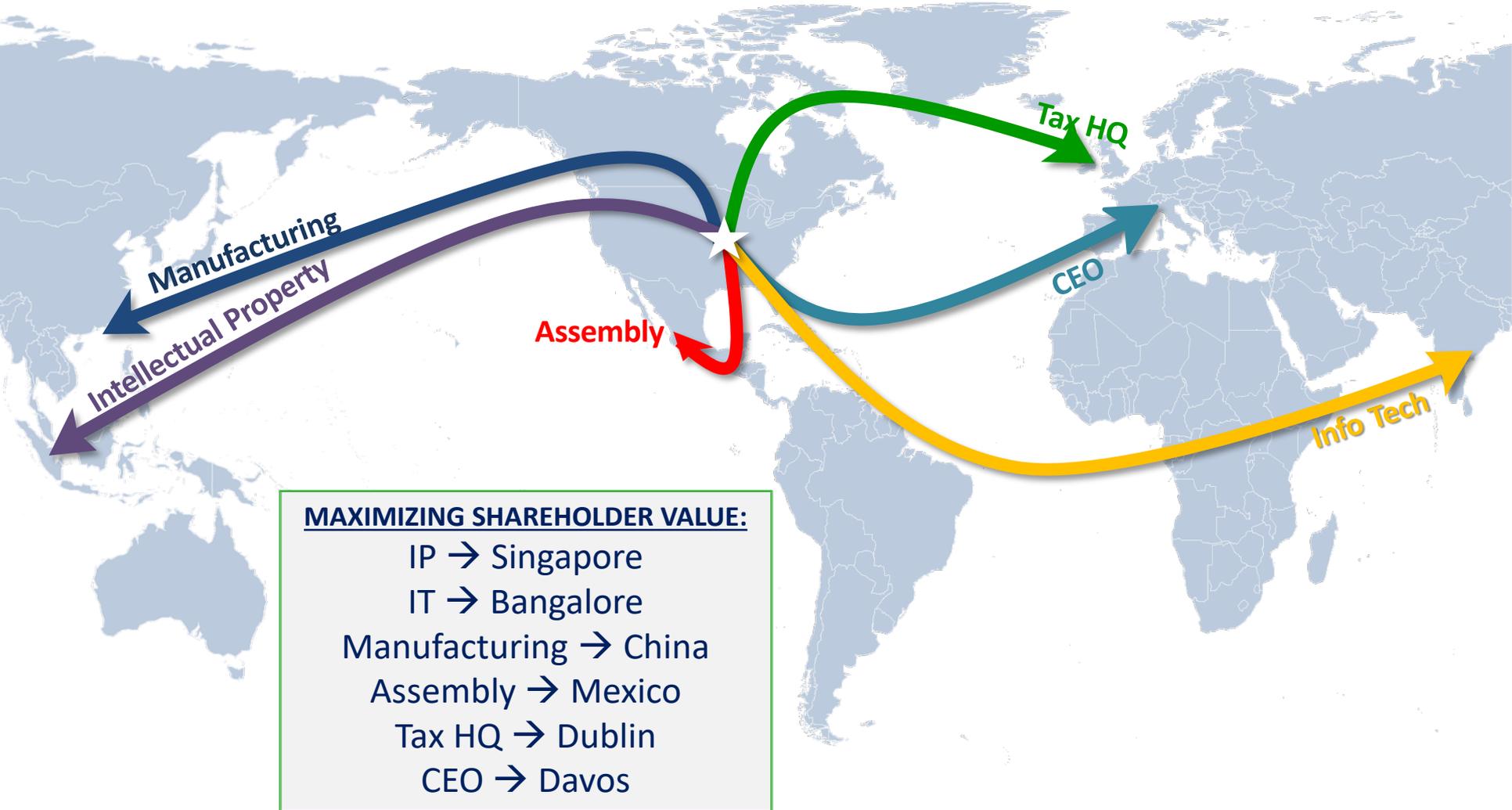


# CHINA ROARED TO WORLD'S 2<sup>ND</sup> LARGEST ECONOMY



# RISE OF THE HYPER-GLOBAL CORPORATION

*Tech-Enabled, Wall Street-Rewarded*



**MAXIMIZING SHAREHOLDER VALUE:**

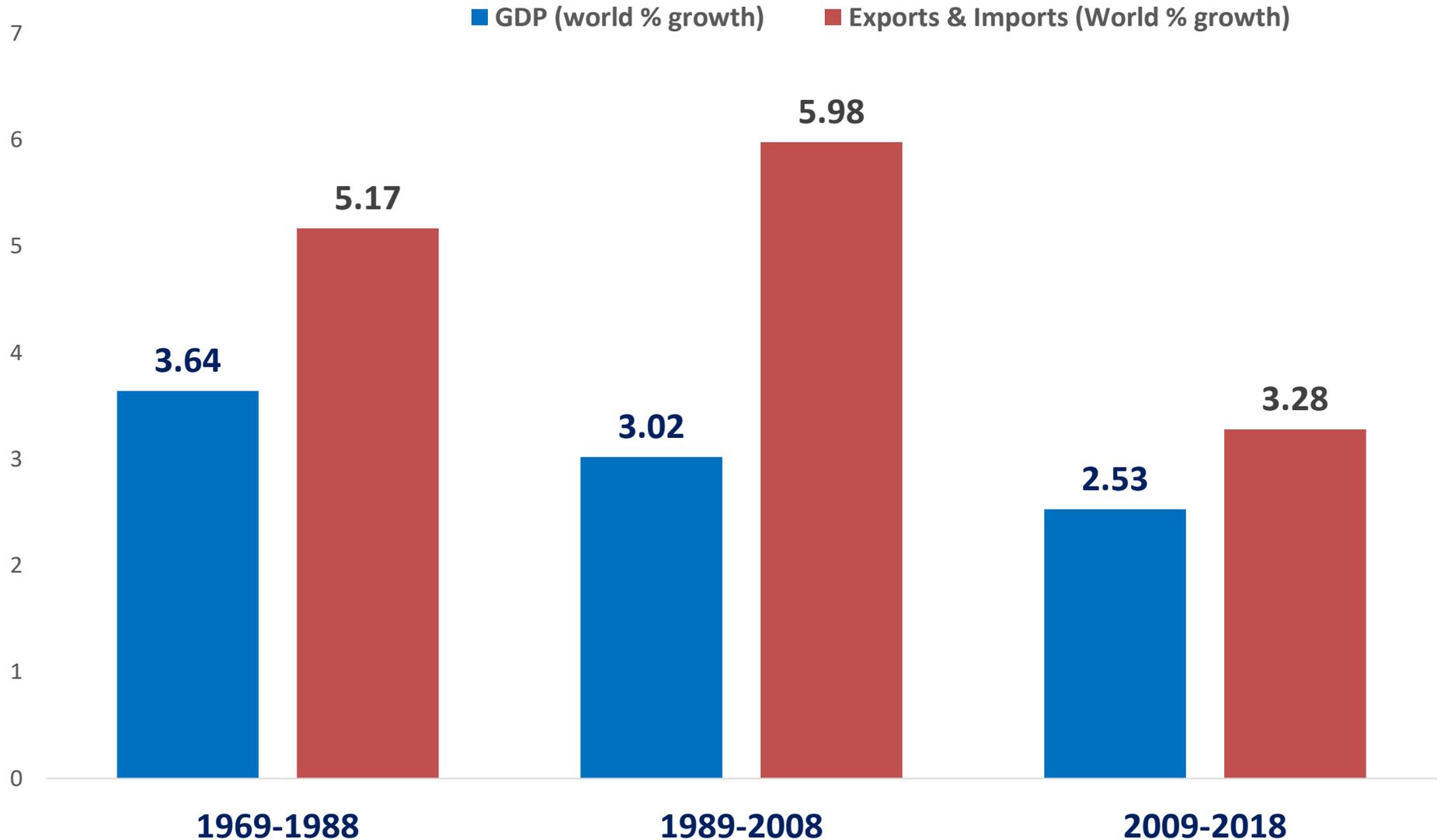
- IP → Singapore
- IT → Bangalore
- Manufacturing → China
- Assembly → Mexico
- Tax HQ → Dublin
- CEO → Davos



# Why Hyper-Globalization Ended *2010* –

# GLOBAL GROWTH SLOWED

*Psychology of Scarcity Replaced Psychology of Abundance*



# CHINA DID NOT TURN OUT AS EXPECTED

## What the West Got Wrong



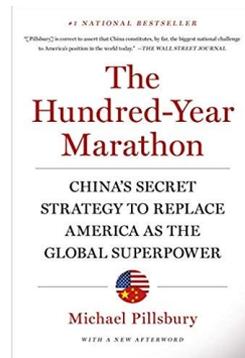
China didn't liberalize it became more authoritarian

Not a win-win... 2M U.S. manufacturing jobs offshored

More expansionist China seeking regional dominance

China aims to dominate tech via subsidies, bullying & theft

Market access never evened, trade barriers persist

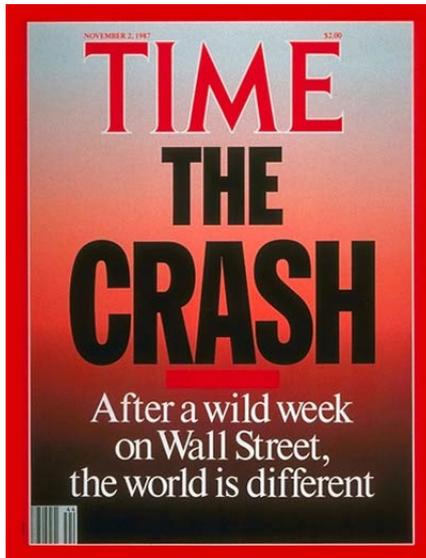


# PERCEPTION 2010's: THE AMERICAN MODEL WAS FLAWED

## FOREIGN POLICY



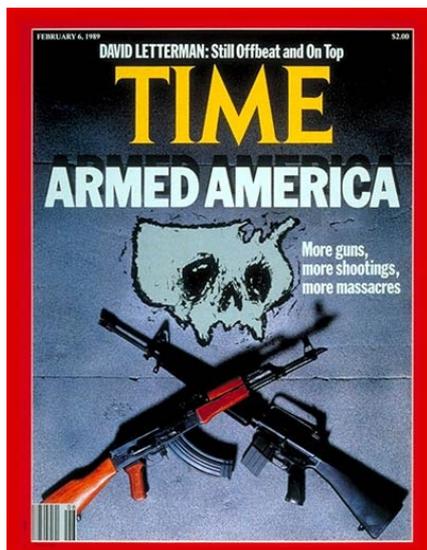
## ECONOMIC SYSTEM



## SAFETY NET



## CULTURE



## TECHNOLOGY



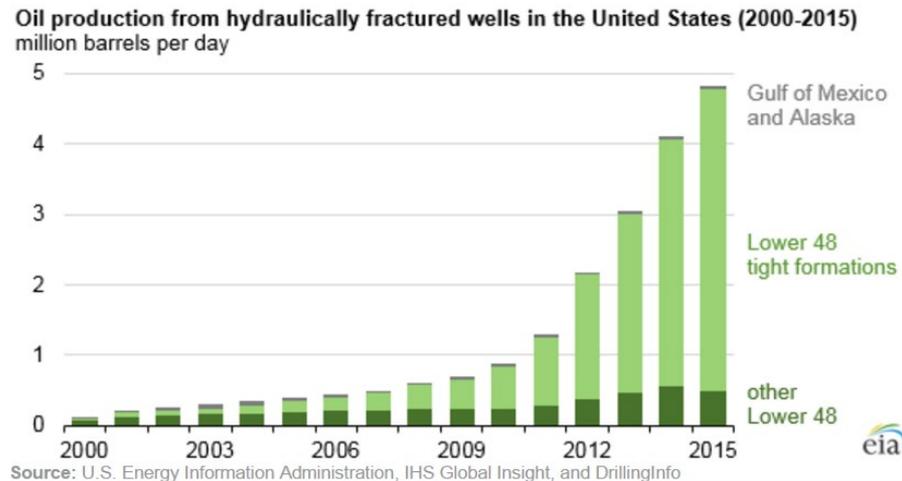
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# NEW GEOPOLITICS CHANGED OLD ASSUMPTIONS

## Middle East Got Harder...



## ...And Less Essential



## Aggressive Anti-Globalists...



## ...Wielding Weapons of Mass Division



# DEGLOBAL

## *What's Next?*

# THE WORLD: LEADERSHIP & DIRECTION UP FOR GRABS

Pax Americana



Pax Sinica



GLOBALIZED

*Trade Wars end*

*Trade Wars end*

*China growth slowed by  
debt, demographics &  
lack of freedom*

*U.S. growth slowed by  
debt, inequality &  
political instability*

U.S. CENTRIC

CHINA CENTRIC

*Trade War with allies ends,  
unite to contain China*

*America First trade wars  
persist vs. rest of world*

*U.S. leads on new deals  
(eg USMCA, TPP, EU)*

*China leads global deals  
(eg RCEP, fix WTO, Climate)*

REGIONALIZED



Free World United

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America Alone 20

# MAJOR ECONOMIES: AGING FAST

## % Change in Working Age Population, Past & Future



■ 1990-2019 ■ 2019-2050 (est.)

US

China

S. Korea

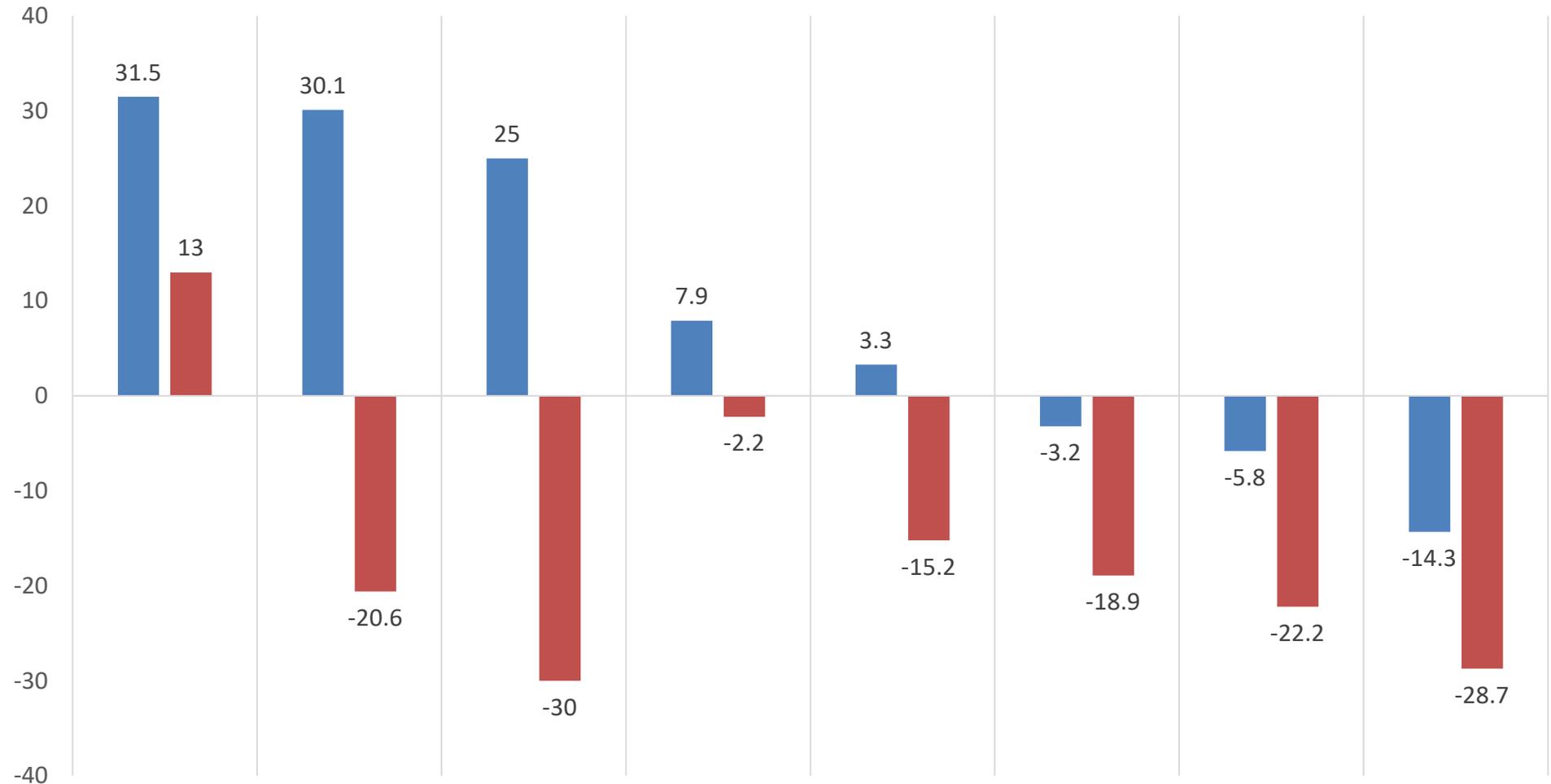
France

Italy

Russia

Germany

Japan



# INTERNET POLICY: REGIONALISM REPLACING GLOBALISM



## GOAL

**Protect  
People**

**Empower  
People**

**Control  
People**

## APPROACH

Heavy Regulation  
*(eg GDPR)*

Light Regulation

State Dictates  
*(eg Great Firewall)*

## ECONOMIC IMPACT

Older Industries  
Protected  
*(fewer startups)*

Disruptors Dominate  
*(consumers / competitors  
less protected)*

Nat'l Champions  
Dominate  
*(limited global reach)*

## POLITICAL IMPACT

Hits Nations > EC  
*(populists empowered)*

Permissionless Politics  
*(government weakened)*

Surveillance State  
*(gov't strengthened)*

## MEDIA IMPACT

Some Limits  
*(copyright, truth, privacy)*

Confirmation Bias  
*(affirming > informing)*

State-Dictated  
Reality

## SOCIETAL IMPACT

Seeking Middle  
Ground  
*(free-ish speech)*

New Voices  
Empowered  
*(both hope & hate)*

“Social Credit  
Scores”  
*(less freedom)*

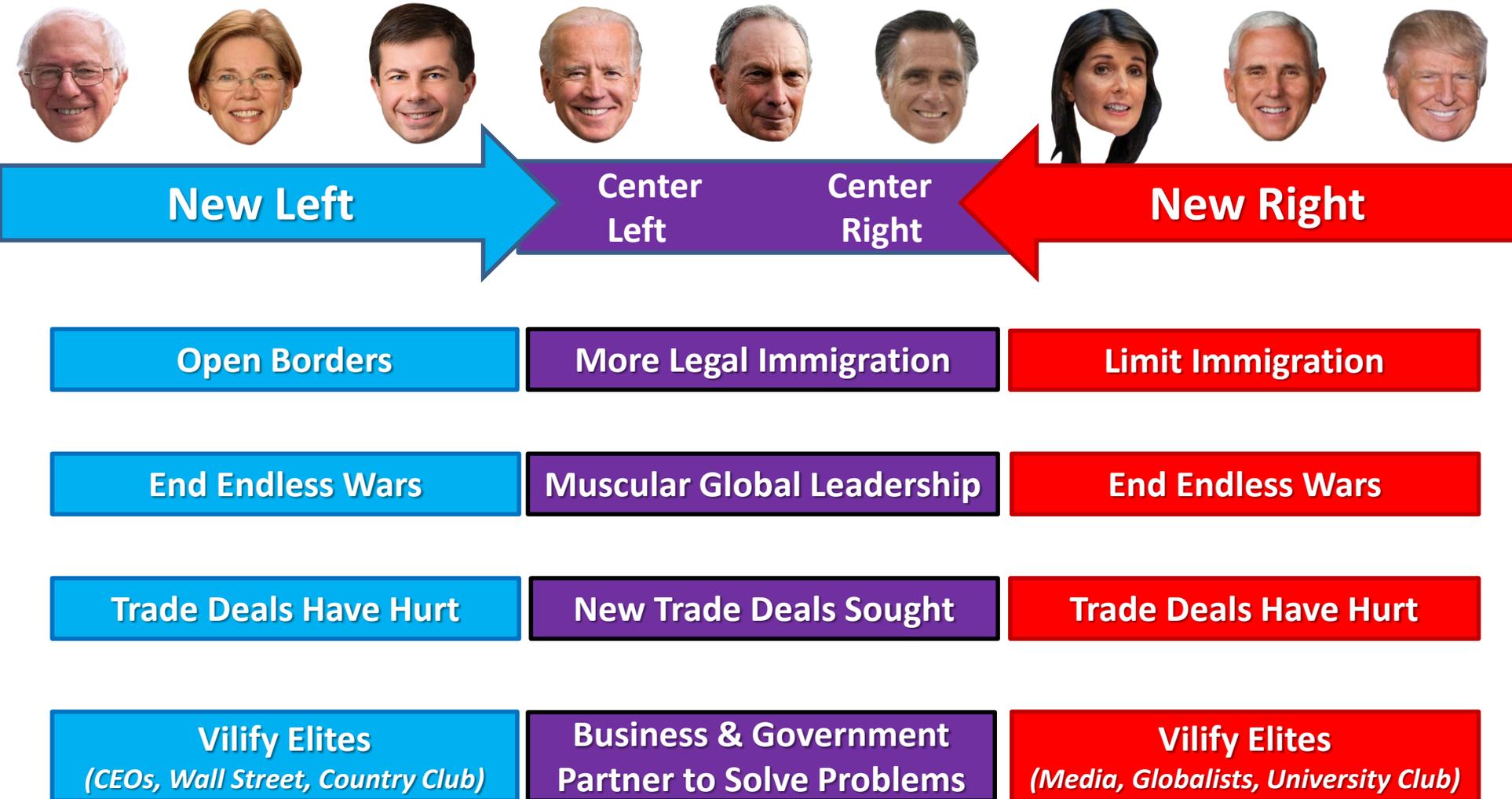
# POPULISM IS THE NEW PATH TO POWER

*Voters Demanding Change, Rejecting Establishment*



# U.S. POLITICS: ANTI-GLOBALISTS ASCENDANT

*The Big Squeeze: Multinational corporations increasingly have no political home*



# U.S.-CHINA: THE GREAT DECOUPLING

## *Battlefields of the New Cold War*



### DRIVING U.S.-CHINA CONFLICT

#### **Domestic Politics**

*U.S. mistrust of China is bipartisan  
China needs someone to blame for slowing growth*

#### **Technology**

*U.S. seeks to remain global leader in emerging techs  
China aims to make the rules for emerging techs*

#### **Divergent Values**

*U.S. prizes freedom, human rights  
China values order, collective good*

#### **Mutual Resentment**

*U.S. thinks China stealing from us  
China thinks US holding it back*

#### **Increasing # of Potential Catalysts**

*Hacking, Taiwan/HK, South China sea, resources*

### ENCOURAGING U.S.-CHINA COOPERATION

#### **Shared Challenges**

*Climate, Terrorism, Non-proliferation, Space*

#### **Mutual Opportunities**

*Both benefit from trade, investment, education & research*

#### **Powerful Domestic Constituencies**

*U.S.: Ag, Hollywood, Wall Street, Universities  
China: multinational tech, manufacturers*

# BUSINESS: EVOLVING STRATEGIES FOR BRAVING A NEW WORLD

## *The Regionally Responsive Stakeholder Replacing the Hyper-Global Corporation*

		<b>Hyper-Global Corporation (1989-2009)</b>	<b>Regionally-Responsive Stakeholder (2010- )</b>		
<b>LANDSCAPE</b>		Liberalism rising	Populism rising		<b>LANDSCAPE</b>
		Abundance mindset	Scarcity mindset		
		Global deregulation	Regional regulation		
		Market access increasing	Market access decreasing		
<b>STRATEGY</b>		Win Washington & the world follows	Need allies everywhere; Washington no longer leads		<b>STRATEGY</b>
		Spread functions globally	Develop regional capabilities		
		Show Wall Street you're global	Show Main Street you're local		
		Markets value efficiency / Consumers value bargains	Markets value growth / Consumers value values		

# LEADERSHIP: NEW GLOBAL PLAYERS EMERGING

## Solving Challenges National Governments Cannot (or Will Not)

### State & Local Officials



### Activists



### NGOs



### CEOs



# GOVERNMENT ECONOMISTS: FEWER FISCAL / MONETARY TOOLS

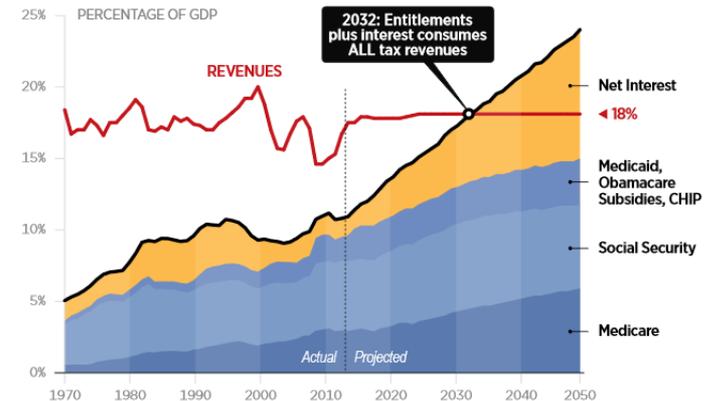
## Fewer Workers Per Retiree



Source: 2016 Social Security Trustees Report

## Fewer Discretionary Dollars

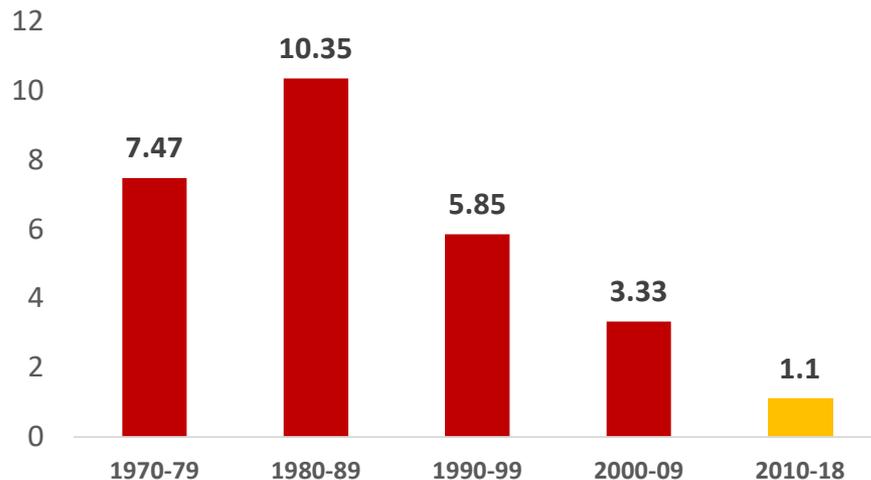
All Tax Revenue Will Go Toward Health Care, Social Security, and Net Interest by 2032



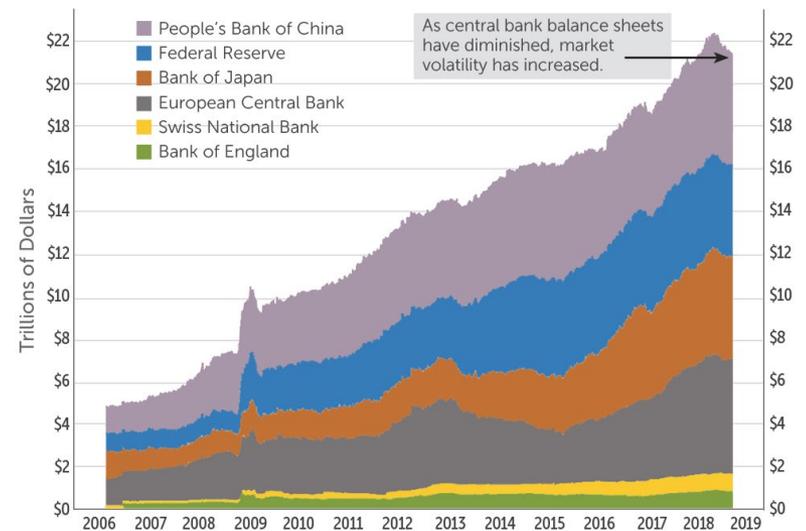
Sources: Congressional Budget Office and U.S. Office of Management and Budget.

## Interest Rates Already Low...

Avg Weighted Rate at Major Central Banks\*



## ...and Central Banks Hold Too Much



Sources: Federal Reserve, European Central Bank, Bank of England, Swiss National Bank, People's Bank of China, Bloomberg

# SUPER-DISRUPTORS WILL ACCELERATE GEOPOLITICAL CHANGE



- **Slower Growth**
- **Rising conflicts over revenue (e.g. digital tax)**
- **Search for yield inflates global bubbles**



- **Slower Growth**
- **Rising conflicts over water, food, resources**
- **Accelerating migration & refugee crises**



- **Disruptive Growth**
- **Displacements driven by automation, AI, blockchain**
- **Cyber, deepfakes, autonomous systems increase risks**



- **Uneven Growth**
- **Rising domestic conflicts: NYC = London ≠ Lackawanna**
- **Higher risks from pandemics, critical infrastructure hits**

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