Deglobalization and the Rise of “Smart” Protectionism

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BREAKING NEWS

EDITION

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Globalization and the Rise of “Smart” Protectionism

Globalization was intended to eliminate borders for the benefit of the free flow of trade,

investment, information and people. It has had a good degree of success in accomplishing

that, but the blowback from the globalization process has had a variety of unintended

consequences, ranging from the breakdown of democracy in some countries and various

forms of social disintegration to the spread of disease and deterioration of the environment.

Another is the rise of self-interest among individuals and countries that believe they have either

largely been left out of the process, or have failed to benefit from it in a meaningful way.

Whether actually justified based on facts, those American voters who subscribed to this view

as a justification for voting for Trump have found that a lot of like-minded voters around the

world have taken their grievances to the voting booth. Hundreds of millions of people all over

the world believe the net negatives associated with globalization now outweigh the net

positives, giving rise not just to an anti-globalization backlash, but the rise of populism and a

desire to reclaim national sovereignty. Globalization was supposed to remove borders, but

now many are wondering whether the model upon which globalization was built was simply

fallacious, and whether sovereignty and national interest matter anymore.

Many nationalist political movements around the world have gained the traction they have for a

variety of reasons, ranging from economic hardship to problems associated with mass

immigration to a desire for change. What they have in common is the need to resolve the

question of what their country’s ‘destiny’ is, and how citizens can attempt to control it. To many

of them, globalization appears to be exactly contrary to the objective of asserting control over

their economies and lives. They are asking themselves whether globalization was really all

about self-interest in the first place, and how many of the corporate “champions” of

globalization would be participating if they ended up making a loss in the process.

One of the unintended positive consequences of the anti-globalization movement is that it is

forcing countries – developed and developing – to take a hard look at just how well they would

do if they had to rely primarily on themselves to survive, rather than the global economy. For

wealthy and/or natural resource plentiful countries, the answer is obviously very different than

for the countries with limited money and resources. But going through this intellectual exercise

is forcing many developing countries to realize that, in the end, they have only themselves to

rely upon. That is a good thing, because it may compel these governments to focus more on

what they need to do to help themselves without remaining under any illusion that simply

engaging with the global economy will solve some of their homegrown problems.

The idea of ‘smart protectionism’ – being open to cross-border trading and investing while

being protective at home -- was raised in an article in The Atlantic last year. The distinction

between being ‘protective’ versus ‘protectionist’ is, for example, pursuing a free-trade

agreement between the U.S. and Mexico that reduces the prices of products intended for U.S.

consumption while simultaneously helping the Mexican economy grow, while also pursuing

policies such as income transfers for workers displaced by such agreements.

Other examples of ‘protective’ programs include enhanced re-education programs, an

expanded earned income tax credit, and programs designed to invest in the achievement and

health of poor young children. As Fareed Zakaria noted lasted year, the smart politics of the

future will prioritize being “open and armed”-- willing to compete in a global economy while

being equipped with an armory of remediation tools and training. That may work well for

wealthier countries, but for countries without substantial financial resources, such tools are

likely to be in short supply. Aid programs targeting remediation training must clearly be

expanded as the transition away from globalization continues.

The tension between populism and globalization can only grow with time, particularly during

the disruptive period we are in. As a result, there is clearly a role for smart protectionism to

play, which will undoubtedly grow in the future. That said, just as the basic premise of

globalization has been challenged -- and parts of it proven wrong -- over time, some of the

basic tenets of populism will be similarly disproven with time. The de-globalization process will have negative and positive impacts. If smart protective programs result in a paradigm shift in

how resources are allocated to address inherent contradictions in domestic economies, the

benefits will outweigh the costs over time.

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