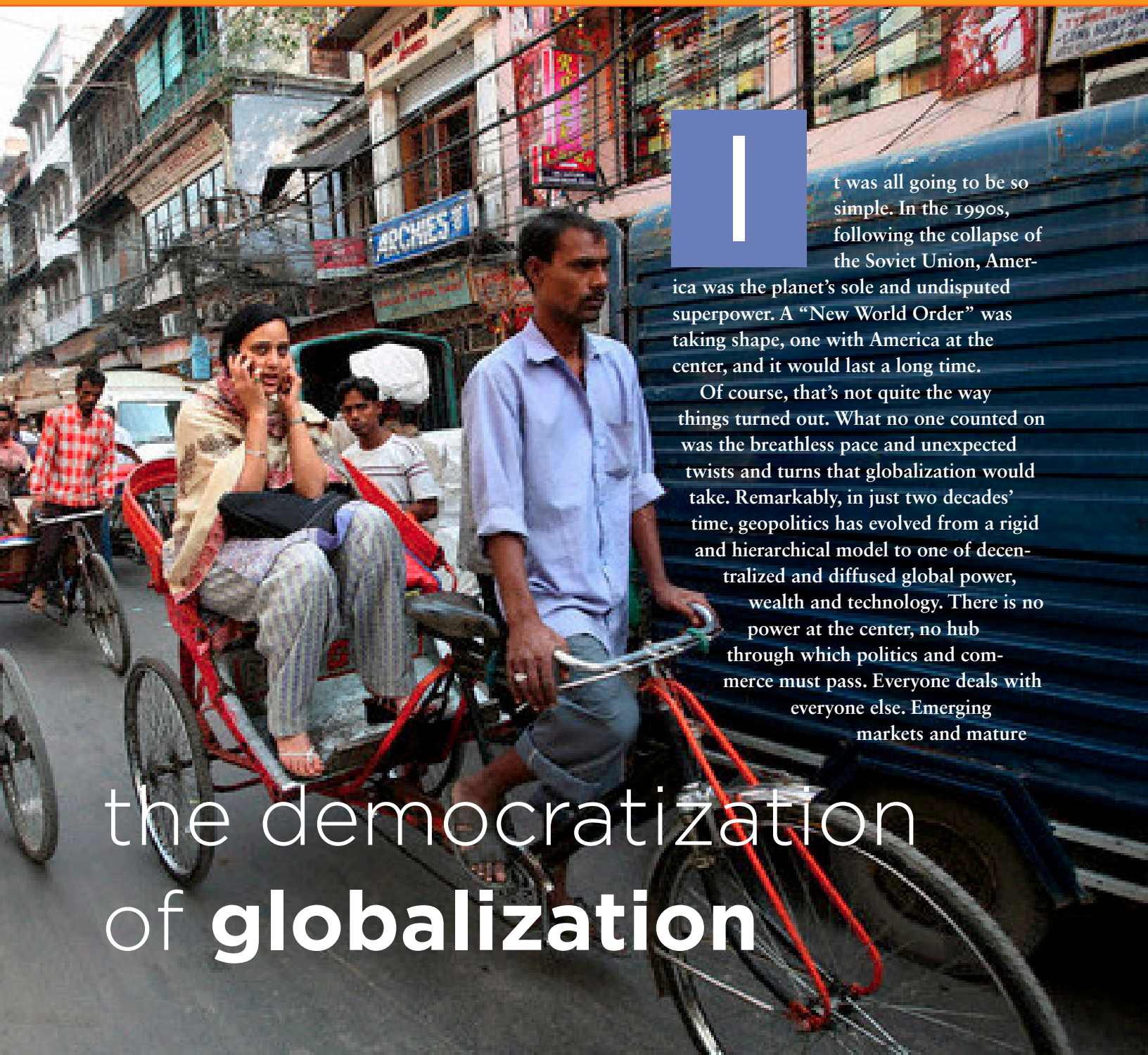
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IN SIGHT

America's claim on globalization was short-sighted and hence short-lived. It's a highly decentralized, 'G-Zero' world out there, and a number of clear trends are emerging. But one fact is indisputable: The U.S. is no longer the center of the commerce universe. Here's why...



the democratization of **globalization**

It was all going to be so simple. In the 1990s, following the collapse of the Soviet Union, America was the planet's sole and undisputed superpower. A "New World Order" was taking shape, one with America at the center, and it would last a long time.

Of course, that's not quite the way things turned out. What no one counted on was the breathless pace and unexpected twists and turns that globalization would take. Remarkably, in just two decades' time, geopolitics has evolved from a rigid and hierarchical model to one of decentralized and diffused global power, wealth and technology. There is no power at the center, no hub through which politics and commerce must pass. Everyone deals with everyone else. Emerging markets and mature

markets now work directly with each other, sans middleman. Chinese delegations travel to Africa. Latin American delegations travel to Asia. That is the essence of globalization today. And it is irreversible. The interdependencies being created in commodities and other kinds of markets—capital goods, exchange, foreign investment and so forth—are not going to be undone.

The U.S. is no longer the center of the commerce universe. Evidence of diminishing American economic influence can be found in the private sector. Historically, corporate global expansion essentially meant one thing: large U.S. companies using commercial and political influence to penetrate and establish beachheads in foreign lands, bringing U.S. products and services to the rest of the world. But that model is changing swiftly, and today's corporate leaders are well aware of an inescapable reality. Globalization is no longer a one-way, America-outward exchange.

As much as globalization is vital for the survival of U.S. corporations, the competition they face from other countries is becoming more and more intense. Take nuclear power, for example. The U.S. recently helped India and the United Arab Emirates gain International Atomic Energy Agency (IAEA) approval to allow them to build nuclear reactors. The reward for that support? A cold shoulder. Those nations selected French, Korean and other providers to build their reactors. Welcome to globalization, 21st century style.

So, what is driving today's globalization? Who will be the winners and losers going forward? A number of emergent trends can provide clues.

GEOPOLITICS TO GEOECONOMICS TO GEOTECHNOLOGY

The old way to assess the global balance of power was geopolitically—that is, who had the military power, demographic size and natural resources? In the late 20th century, the key barometric indicator switched to geoeconomics: terms of trade, foreign investment, currency reserves, etc.

In the 21st century, the core balance-of-power barometer has evolved again. Today, it's about geotechnology. Geoeconomic and geopolitical advantage is increasingly driven by who has the key technologies—and, more pointedly, which countries will leverage technological R&D for commercial (i.e., export) and/or military advantage. Biotechnology, nanotechnology, alternative energy, advanced manufacturing and robotics are key sectors that represent a growing share of global investment and GDP.

In this new geotechnology-driven world order, the U.S. is losing ground at a rapid pace. America's share of global R&D spending was once 40 percent. Today it is

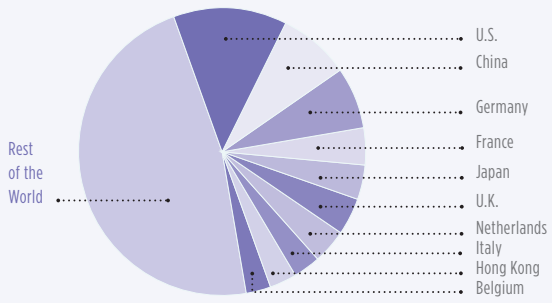
(image on left page) An Indian businesswoman talks on her cell phone while traveling by rickshaw in the heart of New Delhi.

THE GLOBE'S #1 IMPORTER: REST OF THE WORLD

Remember the axiom about America being the "consumer of last resort" in the world economy? Not anymore. The world's largest importers are no longer the usual suspects—U.S, China, Germany, European countries and so forth. These days, because emerging markets are conducting so much foreign trade not only with the U.S. and China, but with each other, "rest of the world" now comprises nearly half of all global imports and exports, a telling indicator of the rapid growth of second- and third-world economies.

"THE REST" ARE NO LONGER JUST THE PERIPHERY

SHARE OF WORLD IMPORTS



Source: World Trade Organization, 2010

less than 30 percent, and will soon decline to just 20 percent. Meanwhile, India, China, Singapore, Australia and parts of Europe are increasing their influence. As the geotechnological landscape becomes more competitive, it will create geopolitical implications, with clear winners and losers.

THE RISE (AGAIN) OF CITIES

It's no secret that the most successful emerging nations over the past decade are the ones that have invested heavily in infrastructure. After all, infrastructure begets commerce. Where that investment is being focused is, largely, cities. In fact, in Turkey, Ukraine and other countries, upwards of 80 to 95 percent of infrastructure spending is concentrated in a single metropolis.

This is one reason why there is such an economic divide within the populations of many emerging nations. The World Bank has revealed that most of the world's poor people do not live in the third world, but rather, in rural areas of emerging and frontier markets. Urban dwellers are modern, connected and wealthy, living first-world lifestyles, while the rural population is cut off from investment and still living in poverty.

A half-century ago, 30 to 40 cities in the Western hemisphere represented about one-third of global GDP. Today, 300 to 400 cities comprise the bulk of the world economy, with much of that growth centered in the South and the East—Africa, Latin America and, of course, Asia.

The growth of cities is not occurring solely by happenstance. Rather, building cities from scratch has become a science. Song Do, Korea, the Masdar District of Abu Dhabi, and the Living Planet Project in Portugal are examples of cities being erected literally from the ground up. The most advanced (often Western) technologies are being employed to construct the cities of the future in far corners of the globe.

It's a far cry from urban development in the U.S., which predominantly takes the form of trying to teach old cities new tricks in the form of slow, incremental retrofitting of mature 20th, 19th or even 18th century infrastructure. The world's new smart cities are not constrained by such limitations. There are no old copper wires; people just use mobile phones. There is no old railroad infrastructure to update; brand new high-speed rail lines are built. (Remember the Obama administration's proposed $50-billion investment in high-speed rail? The initiative was sidetracked because existing infrastructure became an insurmountable obstacle.)

And the cities of the future are not only attracting investment; they're attracting young talent, lured by the appeal of a high quality of life, the opportunity of emerging markets and the excitement of being part of something truly ground-breaking.

NEW IDENTITIES, SPLIT PERSONALITIES

Who are you? Or rather, *what* are you? Traditionally, many people would answer by stating their nationality. "I'm an American." But with 21st century globalization, nationalistic self-identification is waning.

(image below) Masdar City is a long-term investment into a more sustainable future, reflecting ambitious aims set out by Abu Dhabi's leadership in its 2030 vision.



FACEBOOK: THE WORLD'S THIRD LARGEST COUNTRY

Re-identification is going virtual. The Facebook online community is now 600 million strong, a population second only to China and India. Social media is creating a whole new way to define and understand oneself. It allows today's young people to take on multiple identities, beyond those associated with the political boundaries of their birthplace, the color of their skin, or the deity they worship.



Brazil	Twitter	Indonesia	USA	Facebook	India	China
191M	200M	238M	311M	**600M**	1.12B	1.35B

When students from Russia or Brazil or India are hired by a major multinational company, the employer often becomes their primary identifier. When these students say "Thank God I work for McKinsey" (or Goldman Sachs, etc.), they're regarding their employer as a passport to new opportunities. Their employer, not their country, has given them quality of life, credibility and freedom to travel the world, so they tend to identify more with their company than with their national citizenship.

The redefinition of individual identity is not restricted to the corporate realm. Virtual geosociological communities have sprouted worldwide, centered around environmental causes, generational causes, and so on. These communities have even begun exchanging virtual currency—which means that virtual communities are undermining not only national sovereignty, but national *monetary* sovereignty as well. There are at least 20 discreet virtual currencies today (with person-to-person lending being an obvious product of the trend). More and more business is being transacted digitally, among communities of people who trust each other or who work in a similar sector, and they are using nearly risk-free types of exchange.

THE MIGRATION OF LOYALTY

The old 19th and 20th century style of emigration was usually a search for political or economic asylum. And it almost always involved migrating to the U.S. That dynamic has certainly changed, and there is a reverse migration of talent afoot. Many Asian and South American students are completing their PhDs and MBAs in the U.S., then returning to their homelands (or traveling elsewhere)—a reverse brain drain.

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There are, after all, exciting opportunities these days in countries that did not exist a generation ago. Talented young people simply want to be where the action is. And the center of that action is not only America. It's India. And Brazil. And China, where the government has been wooing talented people of Chinese heritage around the world by offering them citizenship. That program is now being extended to non-Chinese, as Americans and Europeans are being offered five-year, green card-type work visas to start a business in China. In short, global talent is up for grabs, and the quality of life is improving in other places.

Even the school-in-U.S.-work-elsewhere trend is showing signs of upheaval, because foreign education systems are improving markedly. One example: The Chinese government has launched an English-language master's program in international relations at Tsinghua University. While faculty are Chinese, they hold U.S. PhDs in political science from Ivy League schools. And a major portion of the student body at the school are Americans and Europeans.

PUBLIC-PRIVATE PROBLEM SOLVING

The days of government addressing social issues may not be ending, but the template is changing. Tackling global problems today means thinking functionally, not just nationally, and asking: Who has resources to contribute?

Public health? The Gates Foundation spends more on public health than most countries in the world. Clean energy? Big oil companies may have created the need for it, but they are also big investors in clean energy systems. Climate change? A case can be made that Wal-Mart deserves a seat at the discussion table, since its supply chain emits more greenhouse gas emissions than Ireland does.

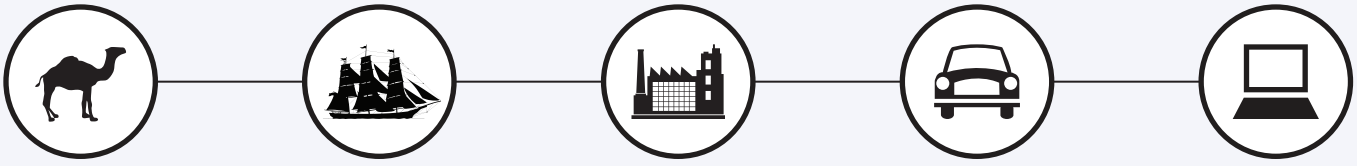
These are examples of "functional partnerships" that can solve problems not by hosting yet another conference, but by rolling up sleeves and doing something. For issues ranging from human rights to counter-terrorism, there is a role for mayors, CEOs and nonprofit directors as much as for presidents and prime ministers.

GLOBALIZATION 5.0

Globalization isn't new. It has been happening for millennia. It simply morphs into different forms, from the Silk Road of 1000-1400…to colonialism of 1500-2000 …to the Industrial Revolution of the 19th century…to Post-WWII, American-centric international commerce…to where we are today. Call it Globalization 5.0, the most decentralized form of the phenomenon in history.

If succeeding in Globalization 5.0 comes down to exhibiting a single trait, it would be resilience—a decentralized, node-to-node way of doing business, where hundreds or thousands of points of interconnection form a giant web of commerce, information and social good. Those who can demonstrate resilience will adapt and thrive. Those who cling to the old, centralized paradigm do so at their own risk.

5 STAGES OF GLOBALIZATION



1.0 Silk Road 1000-1400

2.0 Colonialism 1500-1800

3.0 Industrial Revolution 1800-1945

4.0 American Dominance 1945-2000

5.0 Decentralization 2000-present