

Globalization: America Must Go Long

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For decades we have been proselytizing and promulgating globalization to every corner of the earth: inviting nations, people and cultures to come in under the tent and in so doing, advancing the ideals of the Western World. Today we are bearing the fruit of our work. The world has embraced globalization and everyday we are becoming more and more connected and integrated.

But during the next eight years, the United States is going to require leadership who doesn't shy away from globalization and doesn't play down its importance. This is critical because we are mapping out our nation's future wealth and our future influence and dominance. Moving forward, whether it be John McCain, Barack Obama or Hillary Clinton, our leadership cannot afford a soft, uninformed defense to tackle the changes that are occurring in our economy. Nor can our leaders continue offering up more of the same nationalistic rhetoric that only serves to raise protectionist fears.

According to the World Bank's World Development Indicator data, the world's output grew 4.8 percent in 2006, half a percentage point faster than in 2005, to reach nearly US\$ 59 trillion. This number is the global pie. And while the United States is currently the largest and most sophisticated economy at approximately US\$ 13.9 trillion, that could all change in the blink of an eye.

Developing economies now produce 41 percent of the world's output. The developing economies of East Asia and Pacific more than doubled their output and increased their share of global output from 9 percent to 14 percent, and South Asia's share increased from 4 percent to 6 percent.

The shift that is occurring, the rise of the rest as MIT economist Alice Amsden dubbed it back in the nineties and Fareed Zakaria has expanded upon in his new book *The Post American World*, is very real, and the G7—our world's long-serving economic superpowers—are on the verge of becoming a super nova in our history books if we don't quickly get our collective acts together. There are economic powers like China, India and Brazil who have quickly matured and will soon—possibly very soon—be in a position to join this elite group making it the G10, or the G11 if we make permanent Russia's now provisional membership.

We are seeing a great reversal in roles as emerging markets are becoming more and more visionary. They are creating a new dream of their own and a new way of life. They are no longer the studious pupil, but the knowledgeable, determined graduate ready to school their teachers.

This is clear when you consider that on the one hand you have Citigroup who has had to quickly come up with a plan to restore profitability by shedding US\$ 400 billion of assets within three years to boost revenue by up to 10 percent annually to satisfy analysts and investors.

And then on the other hand, you have the Tata Group's Chairman and CEO, Ratan Tata, boldly telling the media that the next step in their strategy for their recently acquired British brands—Land Rover and Jaguar—is to “do nothing”, and instead, engage in a “learn only” strategy to better understand the premium automobile market segment, and to begin to learn how premium automobile markets in emerging markets like India will evolve. During this “learn only” strategy, Tata expects these two brands won't reach profitability for another two to three years.

Whom do you believe has the upper hand?

As it stands, going long—specifically, thinking and acting strategically over the long term—was once considered a luxury, or maybe even a bit old-fashioned in the industrialized West. Today, it is an absolute necessity because the new market makers from Asia, Eastern Europe and the Middle East are going long, and we in the West are going to have to have the foresight and vision to begin to trump, or even just to match, their extremely well funded global growth strategies.

We are seeing this most notably in Africa and Latin America as government and business leaders from China, Iran and Russia arrive in places like Brazzaville in The Congo and Caracas in Venezuela, ready to shake hands, sign trade agreements and dip into those deep investment pockets to grab their share of resources, minerals and energy.

These nouveau riche economies no longer feel subordinate to the Western World—nor should they. They belong under the great tent, just as much as any other nation, and because—quite frankly—we invited them: we invited them under the guise of living in a free and capitalistic world. And as the old expression goes: Be careful what you wish for, as you may actually get it.

But these are the facts of our current world environment; how we choose to address them is the potential problem.

This is what Former U.S. President Ronald Reagan called “a time for choosing.” We can either choose to sleepwalk through our present, subordinating our interests and surrendering our future hopes, dreams and economic influence and prosperity to others, or we can choose to work with these rising nations and write the rules together because in short, come November we are choosing our global destiny.

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