

Deglobalisation, De-coupling, and De-risking: The View from Asia

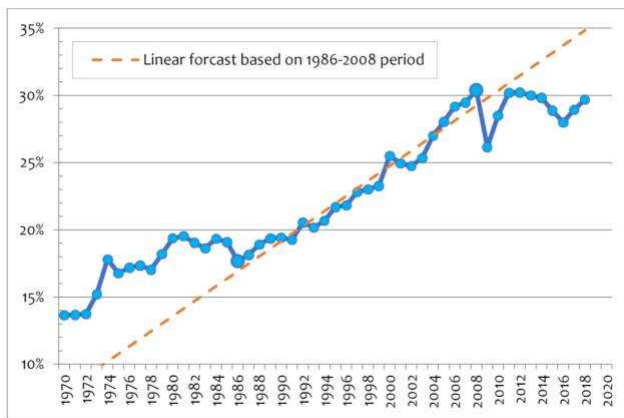
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The World after the Pandemic

- Slower trade growth since the global financial crisis

Chart 1. World Trade over World GDP (1970-2018)



Source: World Bank's World Development Indicators ([link](#))

ECB Forum 2020

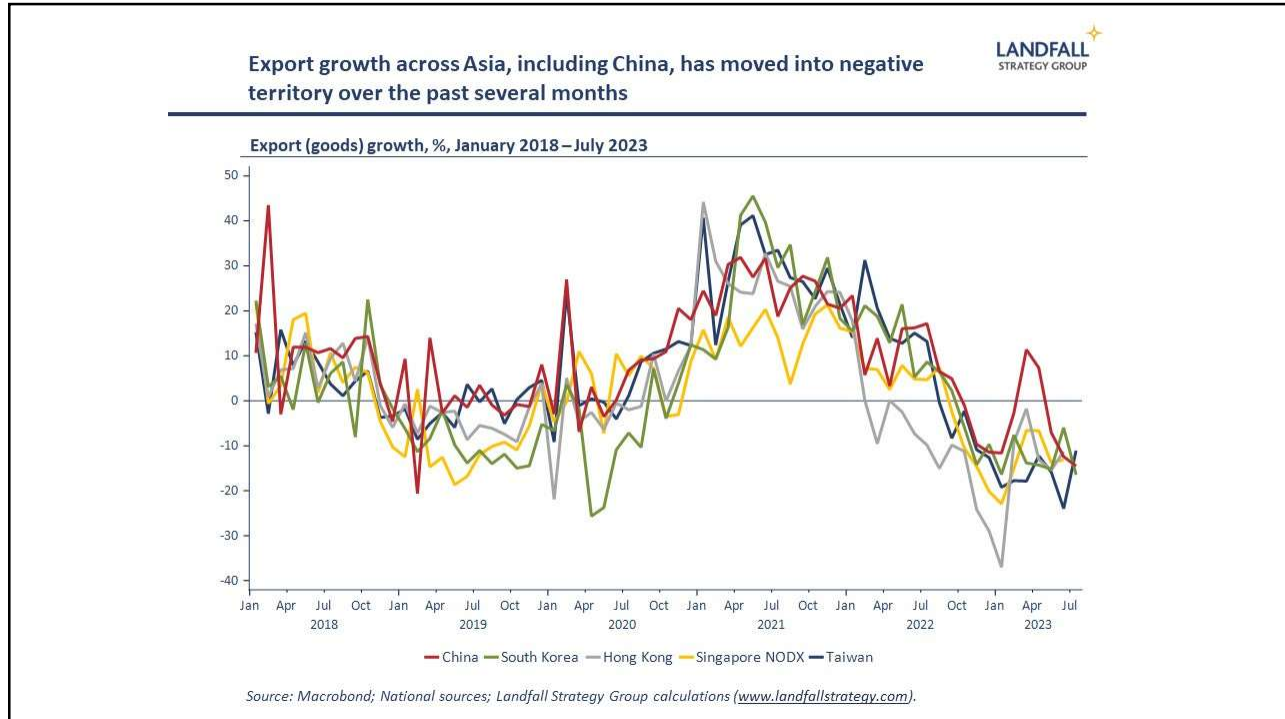
Trade Secrets Supply chains [Add to myFT](#)

Will coronavirus pandemic finally kill off global supply chains?

With worldwide goods trade in freefall, companies and governments have many lessons to learn

Working parts: Globalisation and world-encompassing supply chains are once again under threat, this time from the coronavirus pandemic. © Reuters

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Is decoupling occurring?

Finance and economics | Rising tigers, hidden dragon

How America is failing to break up with China

The countries' economic ties are more profound than they appear

IMAGE: ALBERTO MIRANDA

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Leaders | Costly and dangerous

Joe Biden's China strategy is not working

Supply chains are becoming more tangled and opaque

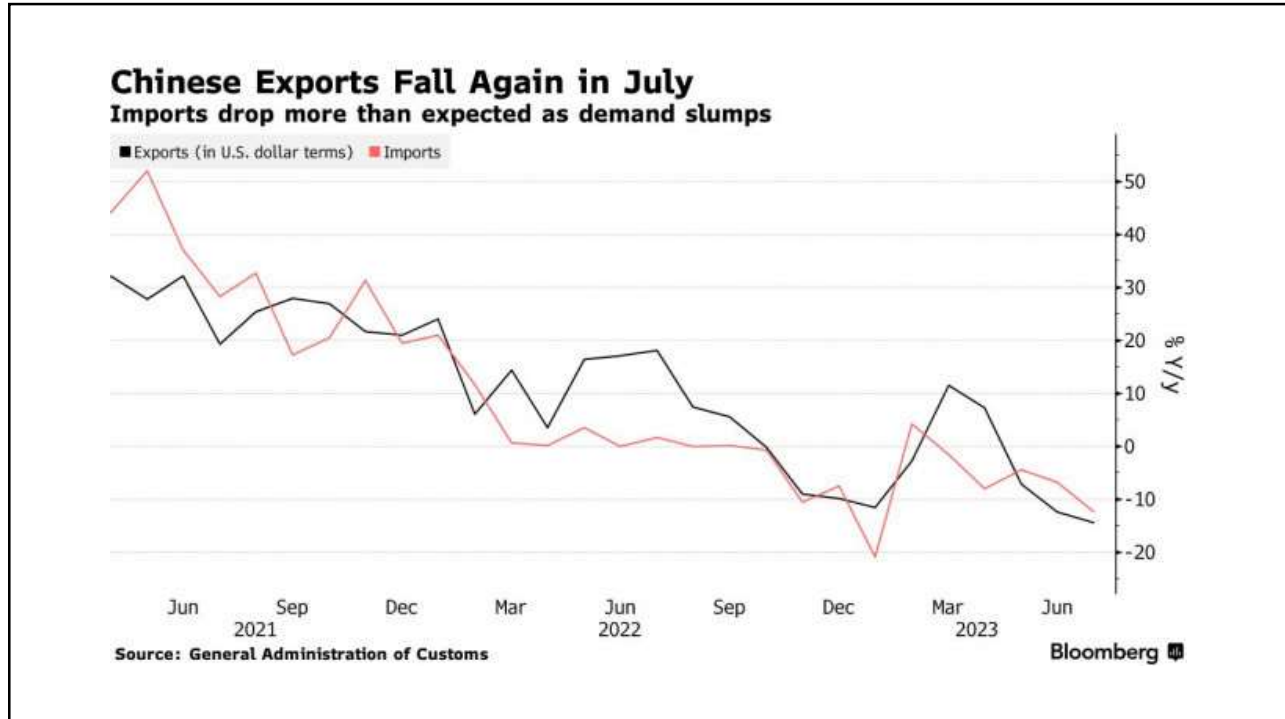
IMAGE: LIAM EISENBERG

Aug 10th 2023

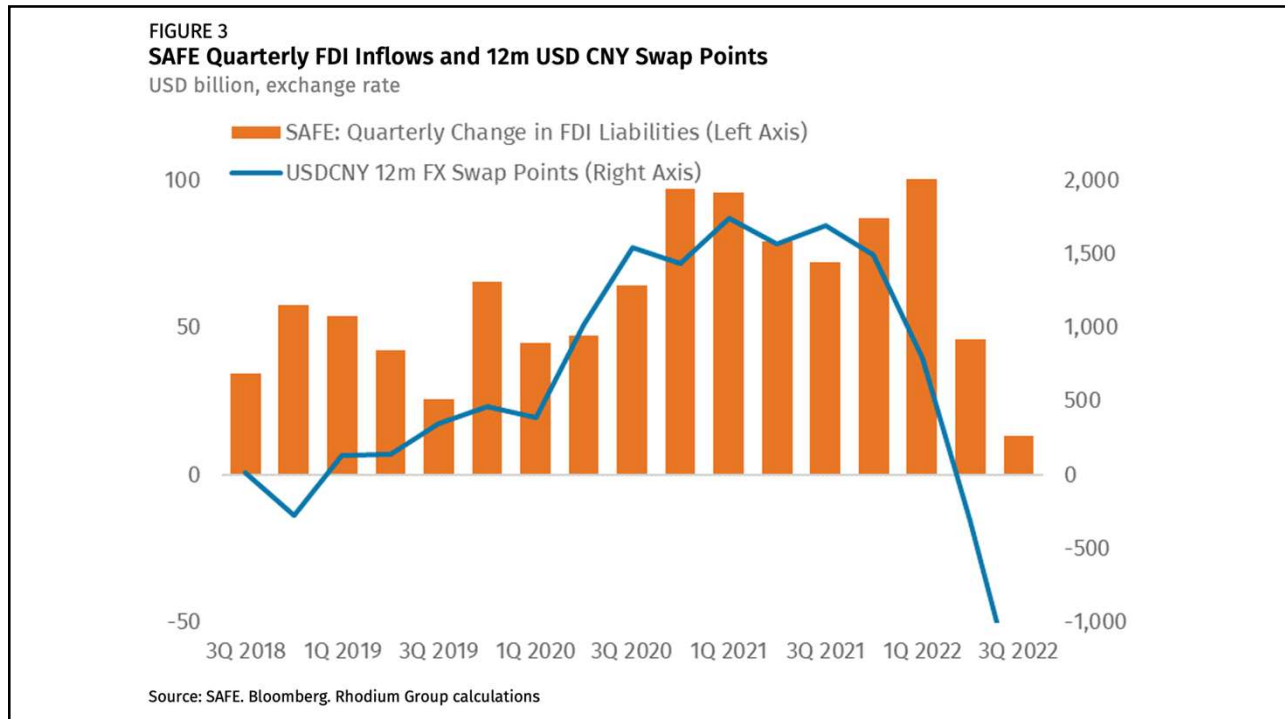
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"America may be redirecting its demand from China to other countries. But production in those places now relies more on Chinese inputs than ever. As South-East Asia's exports to America have risen, for instance, its imports of intermediate inputs from China have exploded. China's exports of car parts to Mexico, another country that has benefited from American de-risking, have doubled over the past five years...Supply chains have become more complex, and trade has become more expensive. But China's dominance is undiminished."

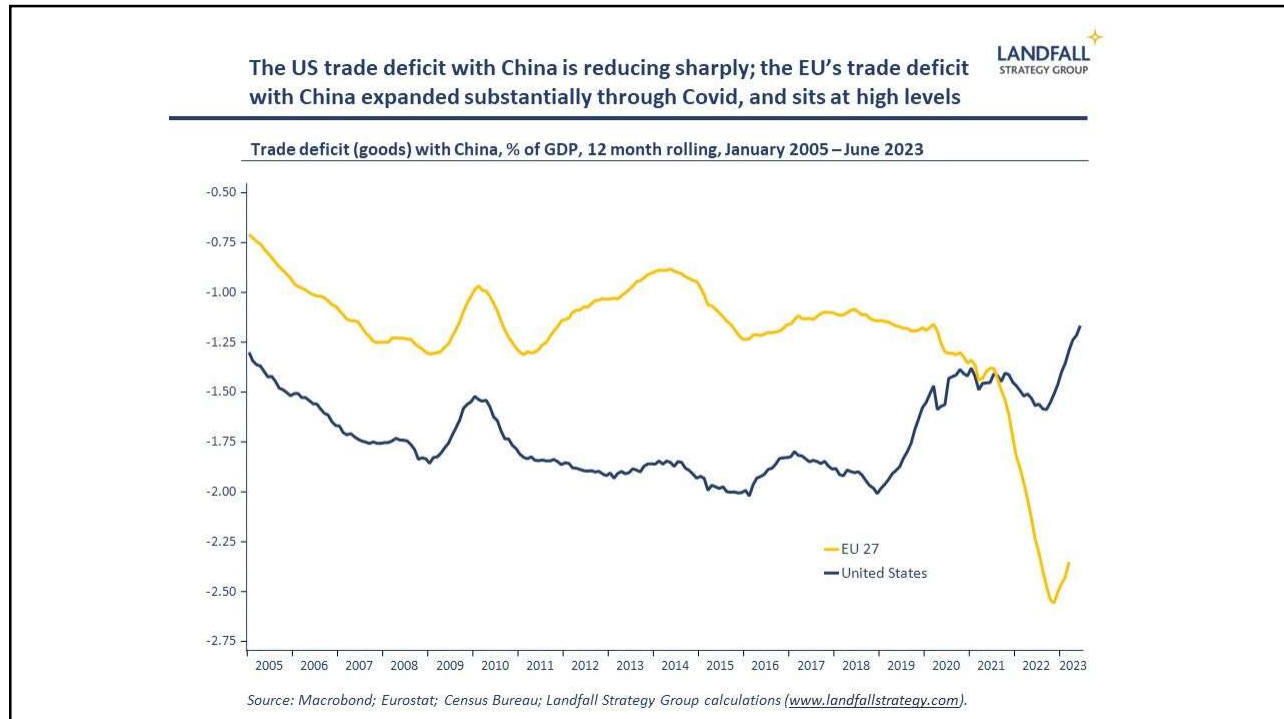
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Longer-term factors behind slower globalization and decoupling

- Rising inequality in the rich world since the start of the neoliberal era (i.e., 1980); uneven distribution of the fruits of growth; financialization has mainly benefitted the rich.
 - This has increased the appeal of nationalist-populist parties that promise to bring jobs home and restore economic vitality.
 - Growing antipathy against MNCs and global banks
- Perception that offshoring/outsourcing has hurt large segments of the working and middle classes in many developed countries.
 - Efficiency gains from globalization and specialization have *not* trickled down to the masse.
 - Insufficient redistribution in much of the rich world; welfare states have been under attack for more than 40 years.
 - Spurred some efforts at re-shoring/nearshoring, even before Covid-19 hit.

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Longer-term factors behind slower globalization and decoupling

- Longer term effects of Covid-19
 - Disruptions to global supply chains have raised concerns about resilience and ensuring reliable supply of critical goods. More efficient, more globalized supply chains may have reduced resilience and security of supply.
 - Pandemic exacerbated the trade and technology conflicts between US and China that started *before* Covid-19.
 - Chinese authorities have also mobilized public sentiment against western governments, while pursuing an isolationist, zero-Covid policy.
 - China itself practises a form of economic nationalism. It no longer views foreign firms and technology transfers as essential; its dual circulation strategy seeks to reduce China's reliance on foreigners and foreign know-how.

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