

Causes of Declining Globalization, International Trade, and Maintaining Competitive Advantage

Several factors are contributing to the collapse of globalization, including the pandemic and decreasing data flow across borders. Globalization has already weakened due to the economic crisis of 2008 and more recent anti-globalization U.S. political policies aimed at bringing production back to the U.S (Will Covid 2020). Censorship within China, for example, is one of the most severe cases of hindered data flow that has growing global implications due to the size of their economy. As the world rebuilds after the pandemic, consumers will have access to fewer product options across the world and corporations that produce locally will thrive. These catalysts for a decreasing global economy can be best explained by the National Competitive Advantage Theory. According to Michael Porter, four attributes of a nation explain the success it has in a certain industry (Hill 2021). The projected decrease in globalization will have an impact on the relative importance of each of these attributes in terms of building a competitive advantage and therefore a nation's approach to each attribute.

Factor endowments are the first attribute; the factors of production a nation possesses such as natural resources, production infrastructure, and labor (Hill 2021). In a highly global economy, factor endowments are not as significant to a country's success because this country can export their abundant goods and resources and rely on imports for the goods that they do not possess factor endowments for. Considering the increasing deglobalization, countries need to consider their factor endowments and ensure they have a variety of resources to thrive as an isolated unit when needed. They will not be completely cut off from the global market, but global transactions are going to become more costly due to tariffs and other anti-global policies (Will Covid 2020). Local purchases are going to become consumers' preferences due to lower costs and therefore prices, so countries with the factor endowments to produce their own products will be the most successful.

Demand conditions describe the demand home-country consumers have for the products of an industry (Hill 2021). Consumers in developed nations have become demanding and expect a high level of quality (Will Covid 2020), which has driven rapid industrial innovation across the world throughout the globalized period. One example is the sophisticated and knowledgeable camera consumers in Japan that spurred the industry to improve product quality and introduce innovative models (Hill 2021). Now that a globalized approach is becoming more costly and less common, consumer demand will be more focused on low-cost local products. Countries will have to make sure they have enough local production in each industry to keep up with this localized demand. This will ensure that they keep home demand and a healthy economy with a competitive advantage for the remaining global trade. Large international corporations will have to find local suppliers in place of their international suppliers when the cost of importing supplies increases or tariffs are put in place. Countries should therefore seek to build a strong foundation of supporting industries as part of their production infrastructure to build a competitive

advantage (Hill 2021) and reduce the need for imported supplier materials. A strong production infrastructure and supporting industries within a country will allow it to be more independent and self-sustaining, which is becoming increasingly ideal in our de-globalizing world.

The last major attribute of competitive advantage is firms' strategy, structure, and rivalry (Hill 2021). Differences in management style and strategy between nations cause international corporations to establish different structures in different units depending on location. These differing corporate structure choices include the type of hierarchy within their organization, their primary goals, and how they interact with suppliers and customers. German and Japanese firms, for example, have a predominance of engineers in top management, while U.S. firm executives have primarily a financial background (Hill 2021). Local corporations do not have to manage the same intricate differences in culture and priorities. The current de-globalization will cause more international corporations to create isolated production and supply centers in one or a few countries where they do not distribute supplies across nations. This means they do not have to focus as much on adapting to the differing management styles and strategies of different cultures. Rivalry between corporations is a strong initiator of innovation in quality, efficiency and cost (Hill 2021), and in today's world many corporations have international competitors. The decline in globalization, however, will eventually reduce the amount of international competition. If a nation wants to retain competitive advantage, they must make sure they have a healthy level of domestic competition between corporations to ensure that corporations have the motivation to continue innovating and remain affordable.

With globalization declining and nations becoming more isolated from one another, this concept of competitive advantage is becoming increasingly relevant because nations will no longer be able to rely on one another as much in corporate and economic development.. Nations will take different paths of economic growth that widen the gap between wealthy and poor nations. Although trade between nations will not be as prominent, it is more important than ever for nations to have a competitive advantage. The factors of competitive advantage help a nation to be self-sustaining with their own well-established industries. If a nation's industry is strong enough in comparison to other nations, it may also overcome the declining globalization and remain in the global market.

Works Cited

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