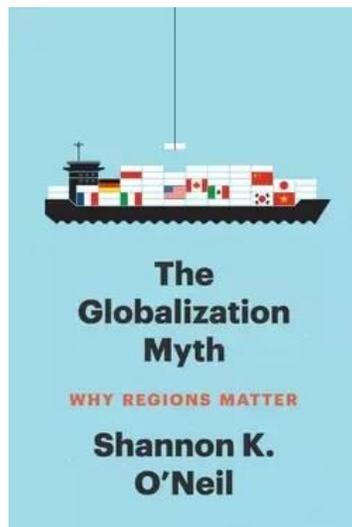


# COUNCIL *on* FOREIGN RELATIONS

58 East 68th Street, New York, New York 10065  
tel 212.434.9400 fax 212.434.9800 www.cfr.org



## Teaching Notes

*The Globalization Myth: Why Regions Matter*

By **Shannon K. O'Neil**

*Vice President, Deputy Director of Studies, and Nelson and David Rockefeller Senior Fellow for Latin America Studies, Council on Foreign Relations*

Yale University Press

October 2022

\$30.00 paperback

240 pages

ISBN 978-0-300-24897-5

## Summary

Globalization is not the only—or even the real—story of the global economy over the past four decades. In *The Globalization Myth: Why Regions Matter*, CFR Vice President and Senior Fellow Shannon O'Neil shows that the world has become more international but not nearly as global as the narrative of economic globalization suggests. As companies, money, ideas, and people went abroad over the last forty years, more often than not they moved and traded regionally rather than globally.

This overlooked reality of regionalization has implications for U.S. policy. Regionalization has enhanced economic competitiveness and prosperity in Asia and Europe. It could do the same for the United States, if only it would embrace its neighbors.

Charting the rise of three major regional supply chain hubs in Asia, Europe, and North America, O'Neil demonstrates how the countries that traded with countries nearer-by gained a competitive edge. Regional production chains make products more competitively. By contrast, for nations without strong commercial ties to their neighbors, workers and consumers are largely left on the ends of global supply chains, relegated to sending out raw materials and bringing in final goods. Unlike in regional hubs, these goods from distant shores compete with, rather than support, local manufacturers, leaving these nations in the economic slow lane.

Despite the rise of a North American manufacturing platform, the United States continues to be less integrated with its neighbors than its Asian or European commercial rivals, as more of its trade still goes to countries outside its region than within it.

O'Neil shows that while many of the technological, demographic, climate, and policy shifts happening today favor the United States and its economy, regionalization of production and supply chains will still provide commercial advantages. To keep up with and compete against Asia's expansive reach and Europe's industrial prowess, U.S. politicians, entrepreneurs, and workers need to recognize that the United States requires deeper integration with its neighbors. International trade deals and other policies that recognize this reality would allow the United States to preserve and expand its domain in the global marketplace.

*The Globalization Myth* provides a path forward for the United States and other countries looking to get ahead in the global economy. The answer is not isolation, nor is it unfettered globalization. Rather, embracing and deepening regional ties is a way to succeed in an internationally connected and competitive world. Main takeaways include:

1. The biggest feature of globalization over the last forty years has been the creation of international supply chains. This has spurred regionalization more than globalization.
2. Regional commercial ties have given nations and geographic regions a competitive economic edge in the world economy, and help explain the so-called winners and losers of globalization.
3. Trends in automation, climate change, demographics, consumer behavior, and geopolitics are changing economic and commercial calculations, and trade and investment patterns. These shifts generally favor the United States, but regionalization will still matter for economic competitiveness. Deepening regional supply chains and ties remains vital for U.S.-based companies and their workers to thrive.

This book is suitable for the following types of undergraduate and graduate courses:

1. International Political Economy, International Trade, International Economics, or International Economic History
2. International Business, Business Policy and Strategy, or Globalization and Supply Chains

## Discussion Questions

***For Students of International Political Economy, International Trade, International Economics, or International Economic History***

1. What was different about the latest round of globalization (1970-2020) to those of the past?
2. Politicians across the political spectrum in the United States are skeptical of trade. Are they right? Are some types of trade different from others and why?
3. How is globalization changing? Which countries are set to benefit? What can others do to benefit?
4. Was the American Rust Belt a victim of globalization? Why or why not?
5. From the 1990s to the 2010s, Asia's share of global manufacturing grew from making one-quarter to nearly half of all goods. How did that happen? What factors mattered?
6. Why didn't North America integrate as deeply as Asia or Europe?

***For Students of International Business, Business Policy and Strategy, or Globalization and Supply Chains***

1. What factors matter for the future of U.S. economic competitiveness? What policies can enhance them?
2. Does industrial policy work? When should it be used? Discuss the costs and benefits of industrial policy for national economic competitiveness.
3. What is the “globalization penalty?” Why does it emerge? How can companies avoid it?
4. Are global supply chains as fragile as some say? Why or why not? In what ways?
5. Which parts of the world are most integrated? What can we learn from the small number of countries and companies that have truly “globalized” over the last forty years?
6. What contemporary trends will determine the future of globalization? How will the United States fare?
7. What does the U.S.-China decoupling mean for the future of supply chains? For corporations? For countries? Who will benefit? Who will suffer?

## **Essay Questions**

***For Students of International Political Economy, International Trade, International Economics, or International Economic History***

1. How did regionalization differ between Europe and Asia?
2. Why did North America integrate less deeply than Europe or Asia? Does it matter?
3. Why were some countries included in the latest wave of globalization and some left out? What factors explain the winners and losers?

***For Students of International Business, Business Policy and Strategy, or Globalization and Supply Chains***

1. Is globalization a myth? Why and why not?
2. What factors will matter most for the future location of supply chains? Imagine you are advising the CEO of a major multinational company. What issues should she be considering when investing in new manufacturing facilities? What factors should weigh most heavily on her decision?

## **Further Projects**

**Memorandum:** You are a supply chain manager for a major international company. With your team, decide where you will place your next production facility. What factors will you consider? How will you weigh them?

**Role play:** Imagine you are a member of a policy advisory committee of The Office of the U.S. Trade Representative (USTR) and your group-mates are members of corresponding agencies in Mexico and Canada. You are tasked with making improvements to the United States Mexico Canada Agreement (USMCA) during its 2026 joint review that will help North America remain competitive in the next phase of global commerce. Work together to propose, reconcile, and “pass” three improvements to the agreement.

## Supplementary Reading Materials

Baldwin, Richard. *The Great Convergence: Information Technology and the New Globalization*. Cambridge, MA: Belknap Press of Harvard University Press, 2016.

Bradford, Anu. *The Brussels Effect: How the European Union Rules the World*. New York, NY: Oxford University Press, 2020.

Gereffi, Gary. *Global Value Chains and Development: Redefining the Contours of 21st Century Capitalism*. New York: Cambridge University Press, 2019.

Ghemawat, Pankaj. *Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter*. Cambridge, MA: Harvard Business School Press, 2007.

Studwell, Joe. *How Asia Works: Success and Failure in the World's Most Dynamic Region*. New York: Grove, 2014.

Suominen, Kati. *Revolutionizing World Trade: How Disruptive Technologies Open Opportunities for All*. Emerging Frontiers in the Global Economy. Stanford, CA: Stanford University Press, 2019.