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# **The fracturing of globalization: Implications of economic resentments and geopolitical contradictions**

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## The Fracturing of Globalization: Implications of Economic Resentments and Geopolitical Contradictions<sup>1</sup>

**Abstract:** The last forty years have witnessed a third wave of globalization which can be termed “neoliberal globalization”. Now, there are indications that the era of neoliberal globalization might be drawing to a close, as evidenced by the trade war between the US and China. This paper argues the fracturing of neoliberal globalization reflects the growing impact of economic resentments and geopolitical contradictions. The paper presents a simple analytical framework that constructs the global economy in terms of a core consisting of the US, China, and the EU. It then examines how globalization creates economic resentments and geopolitical tensions within and between members of the core, thereby fracturing globalization. The rise of US – China geopolitical competition promises to twist the character of the global economic order, which stands to be shaped by strategically motivated economic integrations and recalibrations rather than generalized global economic integration. The paper then extends the analysis to non-core country blocs and examines how they are impacted by globalization and the rise of US – China geopolitical competition.

**Keywords:** Neoliberal globalization, economic resentments, geopolitical contradictions.

**JEL classifications:** F5, F02, F59.

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<sup>1</sup> This paper draws extensively on an earlier paper of mine (Palley, 2018a). That earlier paper emphasized the economics of neoliberal globalization. The current paper is more politically focused and widens the scope of analysis to include additional countries and blocs.

## **1. Introduction: the fracturing of globalization**

The last forty years have witnessed a third wave of globalization which can be termed “neoliberal globalization” (Palley, 2018b). During that period there was continued increase in trade, but there was also a global reconfiguration of production which shifted manufacturing from developed “Northern” economies to developing “Southern” economies. As part of that reconfiguration, the US also shifted to running enormous persistent trade deficits, giving rise to the problem of so-called “global imbalances”.

Now, there are indications that the era of neoliberal globalization might be drawing to a close, as evidenced by the trade war between the US and China; by the Trump administration’s actual and threatened imposition of tariffs on US imports of EU goods; and by repeated unilateral US imposition of sanctions and fines on countries, which hits both individual countries and their trading partners. Those developments threaten to fracture globalization.

This paper argues the fracturing of neoliberal globalization reflects the growing impact of economic resentments and geopolitical contradictions. The international economy will continue to evolve. However, the prospect is for a new era characterized by strategic recalibrations of international economic integration, rather than further generalized global economic integration.

## **2. Economic resentments and geopolitical contradictions of globalization**

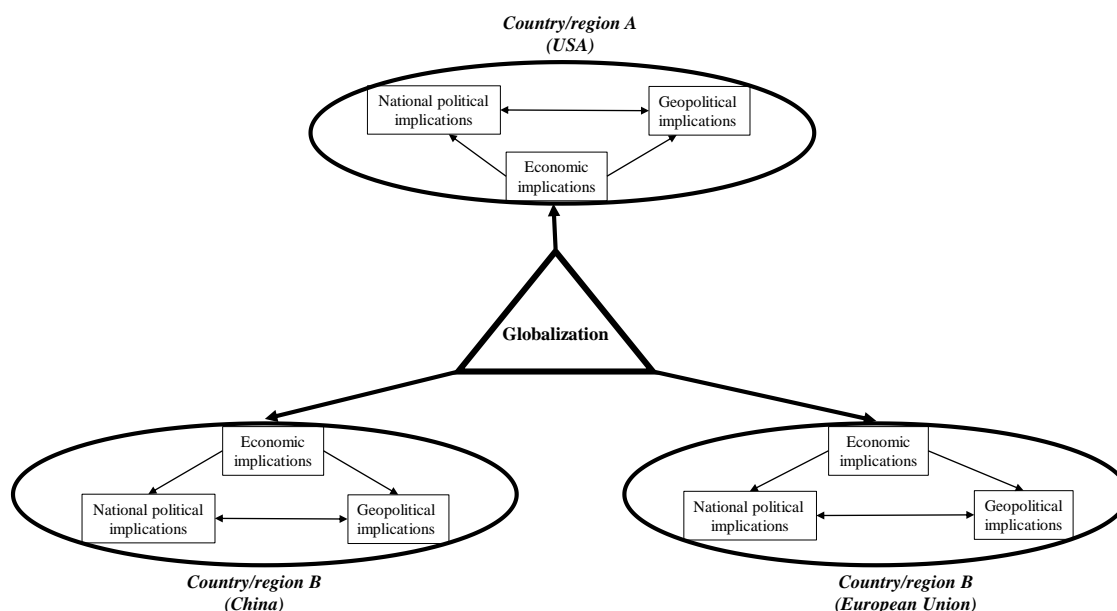
Neoliberal globalization now confronts severe challenges from “above” and “below”. From below, it is being challenged by the anger and resentment of working class voters in developed economies. From above, it is being challenged by the US elite which realizes globalization has created unanticipated geopolitical challenges. As the US elite tries to

strategically recalibrate globalization, that will likely trigger reactions from other countries.

Mainstream economists completely failed to anticipate these developments because they have been blinded by their own ideology. First, they misrepresented globalization as mutually beneficial trade, which blinded them to its deeper adverse economic impacts. Second, they are blind to the role of geopolitics in the construction of the global economic order. For economists, that order is explained as a purely economic project, the result of a voluntary economic association of equals aimed at increasing mutually beneficial trade. The reality is the international economic order is a political construction reflecting the interests of the hegemonic power (i.e. the US). That was true after World War II, with the creation of the GATT and OECD, and it is true with neoliberal globalization.

The international economic order on which neoliberal globalization rests now faces multiple economic, political, and geopolitical contradictions. Those contradictions can be understood with the help of the analytical framework shown in Figure 1. It shows globalization in terms of three regions – the USA, China, and the European Union (EU). Those regions constitute the lion's share of the global economy. At the center is the nexus of arrangements that constitute economic globalization. Economic globalization links countries and regions and reorders economic arrangements, generating changed economic outcomes and possibilities. Within each bloc, those changed outcomes and possibilities have political and geopolitical ramifications.

Figure 1. The economic, political, and geo-political structure of economic globalization.



The conventional wisdom interprets globalization through the lens of standard trade theory, which maintains there are gains for all countries which participate.

However, I have argued (Palley, 2018b) that neoliberal globalization has been driven by industrial reorganization motivated by redistributing income to capital away from labor.

Neoliberal globalization can be described as “barge economics”. The idea draws on a comment by Jack Welch, former CEO of General Electric, that he would ideally like having “every plant you own on a barge”. Welch envisioned factories floating between countries to take advantage of lowest costs, be they due to under-valued exchange rates, low taxes, subsidies, absence of regulation, or abundant cheap exploitable labor.

Barge economics produces winners and losers. In developed economies, capital’s share has increased at the expense of labor’s, as workers and the entire economic system are subject to pressures from global labor, regulatory, tax, and social wage arbitrage.

Developing countries can gain from arrival of the barge to the extent it brings FDI and

technology, and promotes domestic investment and export-led growth. That has been the case in China. However, countries can also lose if development is shallow and domestic manufacturing is hollowed out, as in Mexico.

Barge economics is motivated by distributional conflict. Since investments and expenses incurred for redistribution are costly to the economy, it undermines claims that internationalizing market economies makes all countries better off. Barge economics means there may be no net gains from trade, and society may be worse off. Profits increase so that capital gains and labor loses, but labor's losses can potentially exceed capital's gains.

### **3. The US: economic resentments, political backlash, and geopolitics**

With regard to economics, globalization has triggered a popular backlash in the US owing to the massive manufacturing job and wage losses it has caused, along with associated social devastation in manufacturing communities. The failure of the Democratic party to remedy that problem provided Donald Trump the political opening to pick it up and fuse it with racist xenophobic arguments.

Trump's political tactics have transformed the Republican Party, creating a populist Republican brew which mixes pro-corporate globalization policy with anti-trade rhetoric, racist immigration policy, and aggressive nationalism. It has also confused the political debate. Globalization was made in the USA by US corporations for US corporations, and it has delivered exactly as planned. Trump has redefined it as something foreigners have done to the US, which is a common nationalist authoritarian tactic.

As a result of Trump's political success, both US political parties are now split

regarding neoliberal globalization. The two parties' bases are opposed to the existing neoliberal globalization paradigm, while the two parties' elites remain largely supportive of it.

In the US, the issue of globalization is also significantly impacted by geopolitical concerns. Over the past forty years, US political thinking has become increasingly dominated by the neocon construction of geopolitics. That construction holds that never again shall there be a foreign power that can rival the US, as happened with the Soviet Union in the Cold War. It can be labelled the "Cheney – Rumsfeld" doctrine.

Originally, the neocon view represented ultra-conservative Republican thinking, but it has substantially become mainstream thinking that is shared by Democrats. The political bases of both parties are also largely supportive of this neocon construction of geopolitics. The average US citizen is intoxicated by nationalist pride in the military and supportive of the massive military budget.

However, within the US elite there are tensions regarding geopolitical tactics. The Republican elite is more nationalistic and militaristic, whereas the Democratic elite is less strident. Instead, Democrats compensate by supplementing the neocon rationale for global intervention with the claim that the US has a right to intervene in the name of protecting and advancing democracy.

The significance of the rise of neocon doctrine is that it introduces a major contradiction between US geopolitical aspirations and neoliberal globalization. That contradiction centers on China, which aspires to be a regional super-power. By that is meant none can challenge China in its region of influence - East Asia and South-East Asia. That is incompatible with the US neocon aspiration to be the sole global super-

power, which requires that none can challenge the US anywhere.

Neoliberal globalization is incompatible because China has benefitted from and been strengthened by globalization, which has implicitly diminished US power since power is relative (Palley, 2013). First, globalization has diminished the US industrial base. Second, there has been massive technology inflow and expansion of China's industrial base, both of which have enhanced China's military capacity. Third, the China-centric design of globalization has given China a strategic choke-hold over the global supply chain. Fourth, neoliberal globalization has been structured to produce large trade surpluses for China (Palley, 2015), which have enabled it to accumulate huge foreign exchange reserves that provide a defensive shield against US financial power and an asset for wooing allies.

The character of the future political outcome that prevails in the US will depend on which interest group wins out. The general public is neocon and has a nationalistic economic policy inclination. The Republican Party elite is militantly neocon and supports a recalibrated globalization that diminishes China's place but continues to favor corporate interests. The Democratic Party elite is less expressly militant and also favors diminishing China's place, but it has a softer cosmopolitan economic inclination that aims to draw foreign country elites into the US globalization project, albeit as junior partners.

Since the country as a whole has a neocon geopolitical disposition, that means the neocon policy inclination will persist. The open question is whether the US political elites can keep political control of the pro-corporate globalization agenda? President Trump aims to do that through a "con" job that pretends to reform globalization while actually



pushing new policies that benefit US capital. The Democratic Party elite hopes to do that by making Trump the issue, thereby finessing debate about globalization.

So far, the US political elite has succeeded in maintaining control of the globalization policy agenda, but that control is increasingly challenged by the growing popular economic resentment against globalization. Either way, neoliberal globalization will be challenged. If the political elite wins out, the US will aim to reconfigure globalization to diminish China's role while maintaining globalization's pro-corporate bias. If popular sentiment prevails, the restructuring will also diminish China's role, but the restructuring will be more nationalistic and more progressive in character.

#### **4. China: economics, politics, and geopolitics**

China is the second bloc in the framework in Figure 1. China is an authoritarian single party state and it is difficult to say much about its domestic politics. Instead, China's stance on globalization can be assessed in terms of China's development project and China's geopolitical project.

As regards economic development, China has been a big winner from neoliberal globalization. That is self-evident in its spectacular economic growth over the past thirty years. As a big winner and with its development project unfinished, China would like to maintain the existing neoliberal globalization *status quo*.

As regards geopolitics, China's goal is to establish itself as the regional super-power. That means no other power, including the US, should be able to rival it in its regional sphere. In this regard, as noted above, globalization has clearly contributed constructively to China's geopolitical project.

In sum, both China's economic development project and its geopolitical project

have benefitted from neoliberal globalization. Consequently, for China, the goal is to maintain the *status quo* which is highly satisfactory. It will therefore resist changing the rules in ways aimed at benefitting US interests, and it will also continue with its lax enforcement of the existing rules.

## **5. European Union: economics, politics, and geopolitics**

The European Union (EU) is the third bloc in Figure 1. As regards economics, the EU's situation is complicated because the effects of globalization mix with the effects of EU expansion and the creation of the euro.

The eastward expansion of the EU has caused some deindustrialization in the EU core and also created an immigration problem in EU core countries. The poor design of the euro and the embrace of fiscal austerity by European policymakers have contributed to macroeconomic weakness. Those adverse economic effects of EU expansion and the introduction of the euro have been folded into resentments about globalization. The latter has injured the Mediterranean economies – especially Italy. On the other hand Germany has benefitted from increased Chinese and emerging market demand for its capital goods and automobiles. The bottom line is the EU is a murky mix of self-inflicted economic injury, pain from globalization induced de-industrialization, and gains from globalization induced exports.

Both EU expansion and globalization have been elite projects. Bad economic outcomes means there is now no popular political support for either, and the entire EU project is being politically questioned.

As regards geopolitics, the EU's situation is equally bad. Put bluntly, the EU has lacked a geopolitical project and has largely played the role of camp follower to the US.

The EU's geopolitical rudderlessness reflects a combination of political incompetence and continued dominance of outdated post-World War II geopolitical tropes.

That is proving disastrous. First, the EU has experienced the backwash of US Middle Eastern wars in the form of refugees and increased terrorism risk, which amplifies the internal legal immigration problem created by EU expansion. Second, siding with the US in its aggressive manufactured conflict with Russia risks more collateral backwash damage and economic damage. Third, it is becoming clear that US neocons view Europe as a very junior partner that can be bossed about. The Trump administration has imposed trade sanctions, is threatening more sanctions over Iran, and yet more over Germany's Nord Stream 2 gas pipeline with Russia. For the EU, US geopolitics is now feeding EU disintegration, which should be a wake-up call to Europe.

In the Cold War era after World War II, European and US economic and geopolitical interests were closely aligned, but that is now a feature of the past.<sup>2</sup> The EU is being negatively affected by the US neocon project, and the EU's extensive economic engagement with the US makes it vulnerable to US disciplines. At the same time, the EU does not have same hostility to China for two reasons. First, since the EU is not seeking to be a global super-power, it avoids an automatic conflict with China's desire to be a regional super-power. Second, the German economy has been a big beneficiary of machinery exports to China, and the German automobile sector has also benefitted from exports to China and the prospect of production in China. For the EU, the sole downside of its China relationship is China's adverse impact on manufacturing in the EU periphery.

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<sup>2</sup> European and US interests were aligned geopolitically against the threat from the Soviet Union, and aligned economically through increasing intra-industry trans-Atlantic trade. That alignment is now fractured by the demise of the Soviet Union, by neoliberal globalization which promotes a different pattern of trade (Palley, 2018b), and by the triumph of neocon geopolitical doctrine in the US.

That configuration of economic and geopolitical conditions make it unlikely the EU will go along with US attempts to reconfigure globalization to diminish China. Furthermore, the damage to the EU from US neocon foreign policy engagements could promote an EU politics that is increasingly distanced from the US. Since the US and the EU have been the prime movers of neoliberal globalization, the growing divide between EU and US interests fosters the fracturing of globalization.

## **6. The fracturing of globalization: putting the pieces together**

Figure 1 shows how globalization is a system of many moving parts. For the system to work, the economics must be constructive, and politics within each bloc and geopolitics across blocs must be supportive of the system.

Mainstream economists assume globalization is a positive sum game for countries. Any adverse country income distribution issues can therefore be readily solved by transfers, while geopolitical issues are a non-issue. Given that, the system's parts can be smoothly synchronized, which is why economists tend to see globalization as the inevitable end of history.

The reality is quite different. Barge economics means globalization can be negative sum because production relocation is motivated by search for a higher profit share rather than higher productivity. At the same time, globalization triggers political and geopolitical contradictions within and between blocs, which can derail or even reverse the process.

Neoliberal globalization is an elite project for the benefit of capital in developed countries. The more that is understood by national electorates in developed countries, the deeper will be the popular political opposition in those countries.

The clearest geopolitical contradiction is between China and the US. China seeks to be a regional super-power that none can challenge in its regional sphere of influence. The US seeks to be a global super-power that none can challenge anywhere. That is a contradiction.

China has been aware of the looming contradictions, but it has had an interest in playing along to maintain the system which has worked to its economic and geopolitical advantage (Palley, 2013). President Trump's trade war with China has now explicitly surfaced the contradictions, making China more aware of the vulnerabilities of depending on sales to the US market and reliance on imported US components and licensed technology. More importantly, President Trump's tariff and sanction threats against the EU have compelled Europeans to recognize the reality of US neocon aspirations and the dangers of economic dependence on exports to the US.<sup>3</sup>

At this stage, it is likely that Humpty-Dumpty cannot be put back together again. In the US, deepening of neoliberal globalization is stymied by internal economic resentments. The EU and China are aware of what has happened and that awareness cannot be erased. Attempts to enforce current rules of globalization on China will be resisted by China as an infringement of its sovereignty and as a geopolitical challenge. That suggests that neoliberal globalization is now checked by economic resentments and geopolitical contradictions it has created.

Progressive reformers have advocated remaking globalization in a way that

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<sup>3</sup> This recognition is evident in German Chancellor Merkel's 2017 comments about Europe needing to defend itself and no longer relying on the US (<https://www.politico.eu/article/angela-merkel-europe-cdu-must-take-its-fate-into-its-own-hands-elections-2017/>). It is also evident in French President Macron's 2018 criticism of Belgium's decision to purchase US made F-35 jets instead of European made aircraft (<https://www.france24.com/en/20181026-france-belgium-aviation-macron-purchase-usa-f35-jets-eurofighter>).

includes such measures as enforceable labor and environmental standards, exchange rate safeguards, and capital controls. However, such measures face profound opposition from Big Business in developed countries. Thus, in the US, progressive reform is stymied by both Republican and Democratic Party elites. Such a reform program will also be opposed by China and other emerging market economies who will argue it is an attempt to enforce inappropriate standards on developing economies. China will also see such a program as an infringement of its sovereignty. That suggests a progressive recasting of neoliberal globalization is unlikely. And if it were to happen, it too would constitute a fundamental disruption and reversal of the existing neoliberal system.

## **7. Expanding the model to include non-core countries and blocs**

The US, China, and the EU constitute the core of the global economy and, together, they will shape the future course of globalization. Other non-core countries and blocs can be added to the framework depicted in Figure 1, and then examined for how globalization has impacted them economically, politically, and geopolitically. They have their own particular interests that align them in differing degrees with core countries and blocs.

### ***7.a. Japan***

Japan is the world's third largest country economy. Unlike the US, its domestic politics have been largely unaffected by globalization in the sense that voters have not identified globalization as cause for economic resentment. That political acceptance of globalization may reflect the fact that Japan's earlier (1950 – 1980) economic miracle was significantly identified with export-led growth. However, globalization has still had significant economic impacts on Japan, as well having significant geopolitical implications.

With regard to economics and globalization, Japan has made large direct

investments in China's economy as a means of benefitting from China's low wage labor, to sidestep the aging and shrinking of Japan's own labor force, and to directly participate in China's enormous growing market. Japan is also a large exporter to the US with whom it has run persistent large trade surpluses, and it has made significant investments in auto assembly plants in the US.

Those investments and economic patterns mean that Japan has economic interests on both sides, which places it in a conflicted position vis-à-vis US - China geopolitical competition. However, Japan has a history of regional geopolitical rivalry with and cultural disdain for China, and it is also engaged in an active East China Sea territorial dispute with China.<sup>4</sup> That loaded history and territorial dispute incline Japan to side with the US, and Japan has therefore been supportive of the US strategy of trying to recalibrate globalization (e.g. the Trans-Pacific Partnership). However, since Japan is economically conflicted about China, that will tend to temper its embrace of the US neocon demand for restructuring globalization.

### ***7.b. Australia***

Australia is a major commodity exporting economy. Despite having a fundamentally different economy from Japan, there are strong similarities between Australia and Japan. Thus, like Japan, globalization has not been identified by voters as the cause of economic distress and cause for economic resentment. Furthermore, Australia has a similar geopolitical alignment to Japan.

With regard to economics and globalization, Australia has given up on its aspiration to have a significant manufacturing sector. Instead, it has chosen to fully

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<sup>4</sup> The dispute concerns some islands which the Japanese refer to as the Senkaku Islands. The Chinese refer to them as the Diaoyu Islands.

integrate into the global economy along lines of classical comparative advantage. Thus, Australia now exports commodities and some services, while importing manufactured goods. That pattern establishes a major economic relationship with China which, as the global factory, is a supplier of manufactured goods and a consumer of commodities.

That said, like Japan, Australia is geopolitically apprehensive about China. First, Australia has aspirations to be a micro regional super-power, by which is meant a super-power in a micro region. For Australia, that micro region is the South Pacific, which borders China's region of influence and creates anxiety in Australia. Second, Australia is anxious about becoming dependent on Chinese demand for its commodity exports. Third, Australia has a long history of racism, both internally and externally. Its external racism has historically been expressed in terms of the "yellow peril", which was invoked to prevent Chinese and Japanese immigration in to Australia.

Those features mean Australia's stance is similar to that of Japan. First, like Japan, Australia's geopolitical apprehension and cultural bias mean that it is inclined to line up on the US side of the geopolitical conflict with China. Second, like Japan, Australia is economically conflicted about China, which tempers its embrace of the US neocon position on reconfiguring globalization.

### ***7.c. Brazil and other Latin American commodity exporters***

Brazil and other Latin American commodity exporters constitute another non-core bloc. Though similar to Australia in that regard (i.e. being commodity exporters), the impact of globalization is fundamentally different.

Domestic politics in Latin American countries has been significantly impacted by globalization, but only because globalization serves as a proxy for neoliberalism. In Latin



American countries the internal political conflict is over neoliberalism (sometimes referred to as the Washington Consensus). Globalization is a prominent part of the neoliberal model and concerns the nature of integration into the international economy. Latin American elites want to entrench the neoliberal model, and neoliberal globalization is a particularly effective way of achieving policy lock-in (Palley, 2017/18).<sup>5</sup> That places neoliberal globalization at the center of the political and economic debate, but for different reasons than in the US and Europe where it has been the cause of economic distress and resentments.

With regard to economic impacts on Latin American commodity exporters, globalization and the economic rise of China have increased the demand for commodities, which has increased commodity prices and exports. It has also facilitated access to technology and increased import competition. The increase in access to technology assists manufacturing and productivity growth, while the increase in import competition hurts manufacturing and promotes premature deindustrialization. Putting the pieces together, neoliberal globalization is a mixed bag for Latin America, with both good and bad.

Ironically, even though neoliberal globalization has not been expressly bad for Latin America, it is at the center of the political debate. That is because it is a proxy for the larger debate over neoliberalism.

Latin American elites would like to entrench the neoliberal model, and neoliberal globalization contributes significantly to that goal via agreements and business restructurings which are difficult to reverse. The WTO trade model limits space for

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<sup>5</sup> Policy lock-in operates by imposing large costs of reversing policy, or by permanently changing the structure of the economy so that alternative policies become non-viable.

strategic state-led industrial development policies. It also strengthens and twists property rights by imposing significant costly intellectual property rights (IPR) obligations and by subjecting countries to extra-judicial dispute procedures with foreign investors.

Furthermore, international financial opening and integration into the global financial system subjects governments to additional pressures and disciplines, with policy being subject to severe discipline via the exchange rate, financial market sell-offs, and capital flight.

In contrast, Latin American social democratic parties would prefer a development model in which there is more economic policy space. In particular, there should be room for strategic industrial policy, policies that reduce income inequality, and Keynesian aggregate demand management policies.<sup>6</sup> In that regard, both the WTO regime and international financial opening are problematic. The former expressly prohibits some of those policies, while the latter makes them more costly or even *de facto* impossible.

Latin America's internal political division over the economics of globalization is paralleled by differences regarding geopolitical alignment. Latin American elites are inclined to align with the US, which has been the lead architect of neoliberal globalization. The US was the major sponsor of the WTO trade and investment model, and it is a consistent advocate of international opening of country financial markets. For Latin American elites, geopolitical alignment with the US also secures US economic

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<sup>6</sup> For Latin American commodity producers the key feature is to recognize they are not going to replicate the East Asian styled export-led growth miracle. That space has been occupied and closed off by China. Instead, the challenge for these countries is to implement efficient domestic demand-led growth in which commodity exports pay for imports, and a reasonably valued exchange rate limits imports and ensures domestic manufacturing efficiency. Within such a framework, Latin American economies will import technology and sophisticated capital goods from the US and the EU, and to a lesser degree from China. They will also import lower end manufactured goods from China, and their imports will be paid for with commodity exports.

cooperation in the form of facilitated access to dollar financing, which is critical given Latin American countries' large dollar denominated debts.<sup>7</sup> Additionally, it also increases the attractiveness of Latin American economies as destinations for US foreign direct investment (FDI).

Latin American social democrats are inclined to align more toward China. In part, that is explained by their opposition to the US inspired neoliberal model, but there is more to it. China has a large population and is now the factory of the world. That creates the basis for a natural trading relationship between China and Latin America, whereby China imports commodities and food stuffs and exports manufactures.

That said, both sides of Latin America's political system are compelled to modulate their view of China. Latin American elites are compelled to recognize that China is now their natural trading partner, as evidenced by Argentina's courting of China at the recent 2018 G-20 meeting. On the other side, Latin American social democrats are compelled to recognize that China is a threat to domestic manufacturing industry. That is because Chinese competition can cause premature deindustrialization, can cause large trade deficits owing to reliance on imported manufacturing goods, and can cause diversion of foreign direct investment.

In sum, Latin America's stance on globalization is politically up for grabs. If Latin American elites prevail, the region will lean in favor of neoliberal globalization and will also incline to supporting the US geopolitically. If Latin American social democrats prevail, the region will lean against neoliberal globalization and will also incline to

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<sup>7</sup> This feature has been visibly on display in Argentina. President Macri's government has been able to secure massive IMF financial assistance for Argentina that would likely not have been available to a government that was less aligned with the US.

supporting China geopolitically. The conflict is currently being fought out in visible fashion in Brazil and Argentina.<sup>8</sup>

A corollary of that conclusion is Latin America will be subject to US pressures to side geopolitically with the US, as happened in the Cold War. That is because the US is keen to lock Latin America into neoliberal globalization as a way of consolidating US dominance in the region, and as a way of excluding China. That places the US on the side of Latin America's ruling elites. Unfortunately, the historical record shows when the US gets interested in Latin America, there is a tendency toward political repression. That is because Latin American elites have had a historic inclination to such behaviors, and US backing empowers them and tacitly encourages them to pursue their inclination. Brazil, under President Jair Bolsonaro, offers a test case of those historic tendencies.

#### *7.d. Africa*

African countries constitute another bloc of commodity exporting economies, and they have some structural economic and geopolitical similarities with Latin America.

However, African countries' domestic politics are fundamentally different, reflecting their different national histories and the particularities of ethnic politics. In Africa, unlike Latin America, neoliberal economic globalization has had little discernible impact on either the

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<sup>8</sup> Brazil and Argentina are the two largest Latin American economies and both are well positioned to pursue an alternative development model. Together, they constitute a large domestic market, and they remain relatively disengaged from globalization owing to past decisions to preserve policy space. Their commodity exports are sold on global markets, rendering them less exposed to US displeasure and sanction. However, both confront political reaction from their respective elites. The situation is particularly dire in Brazil, where the reaction began with the judicial coup against President Rousseff and has now made further advances with the election of Jair Bolsonaro. Not only does Bolsonaro's election threaten Brazilian democracy, it also threatens to lock-in the neoliberal economic paradigm that serves both Brazilian and US capital. That lock-in is symbolically captured by Boeing's proposed takeover of Embraer. As part of protecting its economic privilege, Brazil's elite is happy to surrender to US neoconservatives and serve as a junior partner with US capital.

domestic political conversation or domestic political outcomes.<sup>9</sup>

As regards economics, there are multiple parallels with Latin America. First, as a seller of manufactured goods and a buyer of commodities, China is a natural trading partner for Africa. Second, there are concerns that competition from Chinese manufacturing can displace existing and nascent African manufacturing. Third, Africa confronts similar dilemmas over what is the best development model. On the negative side, the neoliberal model diminishes policy space and imposes huge IPR obligations on Africa. On the positive side, it strengthens corporate property rights which tends to promote FDI.

Those structural economic similarities with Latin America produce geopolitical similarities. Since the character of the African development model is up for grabs, so too is Africa's geopolitical alignment. The US wants Africa to adopt the neoliberal globalization and development model and to geopolitically align with the US. To that end, it will offer military assistance, market access, and dollars (which includes offering African elites a safe haven in the US for their wealth). China would like Africa to distance itself from US influence. To that end, it will offer military assistance, investment in extractive industries, and concessionary financing of Chinese built infrastructure.

Theoretically, US – China competition for Africa's geopolitical allegiance offers an opportunity for African countries to benefit from playing the US and China against each other. Unfortunately, the history of the Cold War suggests such competition does not

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<sup>9</sup> It is important to distinguish between neoliberal economic globalization and cultural globalization. The former concerns the reshaping of global patterns of trade and production. Africa has been significantly impacted by cultural globalization and the spread of telecommunications technology which beam in images of developed country living standards. That process has fostered emigration, which has become a political problem for European countries. However, that nexus of issues is distinct from the impact of neoliberal economic globalization which is the focus of the current paper.

deliver benefits. This time, it is unlikely to produce the proxy wars of the Cold War era. Instead, it risks further entrenching existing elites who stand to gain by exploiting the revival of “great powers” global rivalry.

### **8. Conclusions: what next for globalization?**

This paper described the global economy as consisting of a core economic system consisting of the US, China, and the EU. Additionally, there are non-core countries and blocs that have their own particular economic and geopolitical relations with the core.

Globalization has created politically divisive economic resentments within the core, especially within the US. It has also created geopolitical contradictions between the members of the core, particularly between the US and China. Those contradictions have been latent for a while, but President Trump has explicitly surfaced them so that they can no longer be ignored. Consequently, neoliberal globalization now appears checked.

The prognosis is for increased geopolitical competition between the US and China. That geopolitical competition will twist the character of globalization. In the twenty year inter-regnum, after the fall of the Soviet Union and before the rise of China, globalization was shaped by the US which sought to impose a global neoliberal template. Now, that template is challenged from within core countries by politically divisive economic resentments, and challenged from without by the geopolitical contradictions. The resulting geopolitical struggle will foster strategically motivated regional integrations and adjustments in place of generalized global integration.

Non-core countries face significant impacts from the fractures afflicting the core. Japan and Australia have both established a domestic political consensus that accepts the neoliberal model of globalization. For them the main implication is the emergence of US

– China geopolitical competition. They have economic interests on both sides of the geopolitical divide, but will likely lean to siding with the US for historical and cultural reasons.

Contrastingly, in Latin America the neoliberal model is politically contentious and that contention maps into the geopolitical competition. If the neoliberal model triumphs in domestic politics, Latin American countries will tend to side with the US. If the neoliberal model is rejected, they will tend to side with China.

In Africa, the US and China are both seeking to woo countries with their respective strategies. The outcome will depend on the particularities of individual African country politics.

Countries that seek to distance themselves from the existing paradigm of neoliberal globalization face a double challenge. Challenge #1 is to counter barge economics. That requires anchoring the barge so as to prevent corporations from ruthlessly engaging in global arbitrage of wages, taxation, and social and economic standards. Challenge #2 is to protect themselves against the US neocon impulse. Historically, that impulse has been strongest in developing countries, especially Latin America. However, now, it also applies to the EU where the expansion eastward (which included countries like Poland, Romania, and Bulgaria) provides the US with a gateway for tacit intervention in EU affairs.

Both challenges speak to the need for a revival of national and federal development strategies, and a turning away from the globalization paradigm that has empowered corporations and encouraged dependence on the US market. Keynes' (1933) essay on "National Self-Sufficiency" provides a useful conceptual starting point.

Of course, what happens politically in the US will greatly influence the path and character of future developments. If the political elite retains control of the globalization agenda, the fracturing of globalization will be shaped by the issue of US – China geopolitical rivalry. The cognitive scars in Europe and the EU from President Trump’s surfacing of the reality of US geopolitical inclinations will also endure.

Alternatively, if the internal economic resentments in the US trigger a progressive domestic political realignment, the fracturing of globalization is likely to be more profound. First, US geopolitical concerns with China will persist, as will the cognitive scars in Europe. Second, an authentic US progressive political realignment would likely seek to impose meaningful enforceable labor and environmental standards that many developing countries will reject. The case for capital controls and rolling back IPR obligations and investor – state dispute settlement procedures would also gain legitimacy. That policy mix would constitute an even greater change in the existing global economic order. Either way, the implication is that neoliberal globalization has finally collided with the economic resentments and geopolitical contradictions it spawns.



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