

### **The Times They are a Changing (Bob Dylan)**

Summary: The end result of a number of major changes in the world has been globalization, driving part of our economic growth from 2000 onwards. This trend now seems to reverse, with nationalist tendencies in the USA and Europe. Those nationalist tendencies further initiate similar trends in other countries or regions. Lower economic growth rates and or political unrest in BRIC countries and Africa further reduce globalization potential. These developments make autonomous growth within international businesses increasingly difficult. The need for a mergers and acquisition “wish list” is further increasing, as is a substantial M and A fund.

### **The Times They are a Changing**

This is more relevant now than before. We have seen major changes in the world in the past, mostly driven either by nature having its course, world wars, technological changes and economic developments, either isolated or in combination. The end result has been a much higher level of globalization, further driving a higher welfare in a large part of the world. In the meantime the internationalization led to outsourcing tendencies in the Western world, having a tremendous impact on international welfare levels also and solving part of the previously relevant “development aid” programs.

What is happening now is a another type of trend discontinuation. Current international developments reduce globalization in a pretty drastic way with an outcome which is definitely not going to be predictable. Major regions in the world are now working on positions, either pro-actively or passively, which indicate that further globalization is slowing down or being reversed. We will look at some major areas where those changes occur.

In the African region for example , we were looking at a country like Nigeria two years ago for its tremendous economic potential; mainly driven by the total number of people, its potential for outsourcing and it’s oil driven revenues. Things have changed though; political issues, oil price decreases and a level of general unrest in the country imply that a lot of international decision makers are now looking the other way. Issues in most of Northern Africa and Middle African countries further reduce the African potential in terms of its global position.

In the US the trend towards further strengthened nationalism, “America first” and the “Americans first” (as long as there not “imported” ) imply that all sorts of globalization trends are now being reversed.

Growth numbers in BRIC countries, Brazil, Russia, India and China are coming down from earlier projections; Brazil and Russia drastically, India modestly, and China, according to their own projections also modestly.

But, in general terms a completely different ball game compared to a number of years ago. Adding to the general feeling of uncertainty in those countries is the level of accuracy of their official numbers in countries like India and China. Let’s assume that those numbers indeed reflect high growth, but also assume that numbers reflect some political “wishful thinking” . And especially in China the continued focus on a service economy and away from ever expanding production will automatically reduce their potential in further strengthening globalization.

The second tier growth economies are a lot less significant worldwide than India and China combined, and the second tier does not take off at the previously expected levels.

Current developments in Europe will further enhance uncertainty. Brexit is only one of the signs reflecting the weakness of the “European Union”, and current developments in Turkey also prohibit their membership. Political movements enhance the feeling of nationalist and segregatist tendencies. Nothing which is going to further support worldwide confidence in welfare growth.

#### Conclusion

If you are in International business you'd better make sure you have your priorities right. Coming from a relatively comfortable position in counting on growing International growth you may now be confronted with a less favourable scenario. Merger and Acquisition is what you should be looking at. With autonomous growth restrictions fund; autonomous growth will be difficult to realize; that's a sure thing!

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