

BREXIT AND THE TRADE WAR OF THE US VS CHINA: HOW DEGLOBALIZATION AND UNCERTAINTY IMPACT THE DECISIONAL PROCESS IN SOME EUROPEAN AND BRITISH SMES

i) State of the art

The word 'connection' has been gaining a remarkable importance since the beginning of the second half of the 20th century. It has almost turned into the symbol of an entire era of revolution, where anyone can get in contact with many people from many different countries and realities at any moment, creating huge, branched networks that can be potentially unlimited.

Businesses have been directly involved in this phenomenon of networks creation – known with the widespread term of 'globalization' - and they have played an active role in fostering it, profiting from its consequences such as the access to remote markets, the exploitation of new resources and technologies, the acquisition of innovative working procedures, the birth of new partnerships - to name just a few of the effects. Yet, this process that has given so many advantages to thousands of companies around the world has rapidly led to also negative implications, among which it is worth to mention the increase of competition and the exposure to new risks.

In other words, as the globalization process was developing further from its first steps, it has also become clear that it is not perfect: for this reason, it has become the target of some critics – one of the most famous is that of the Nobel prize winner Joseph Stiglitz in his essay 'Globalization and its discontents' (2002), where he points out how globalization has generated inequality by widening the gap between social classes, lowering income and raising unemployment for certain regions, that were undermined by the policies of the IMF and the World Bank.

That said, it is not a surprise that there have been actions and events that went against globalization: the opposite direction is the so called 'Deglobalization'. According to Manfredi-Sánchez, deglobalization can be described as "a regression in international flows of trade, services, capital, and people" (2021): it is a process that destroys the networks shaped by the above-mentioned interconnections, a counter-reaction to openness in international trade - from the point of view of the economy - with the subsequent creation of barriers that are extended to various areas. As it is not difficult to notice above, deglobalization can not only determine limitations to the movement of goods, but also to that of people and capital: in this way economies and countries get a little more distant from each other and integration decreases. This concept of dis-integration has found an active support in those who claim that globalization creates winners and losers generating economic problems, whose costs are increasing and suffocating the losers (Garg, Sushil 2021).

It is extremely important not to forget that globalization and deglobalization are not one-way or completed processes: they are often linked to personal decision operated by presidents and governments. Therefore, they depend a lot on the people who settle in the places where these operational decisions are taken. A newly-elected president can implement measures that can push more or less towards one of the two poles, which are never reached in a full way: that is why the

two phenomena could be set at the two opposite ends of a scale and are therefore polarized, with an ongoing pendulum between them (James 2017). A confirmation to this is present in the article 'Is Economic Globalization under strain?' published by the Professor Anisul Islam, who stated that "globalization that we know and understand has progressed with ups and down in history" (2021): according to this statement, the world – at least as regards the economic field – is moving always a little closer to the pole of globalization, although it periodically experiences some setbacks in the opposite direction of deglobalization. In particular, it is possible to point out some major events or moments, in recent history, that represented a significant obstacle for globalization: the global and financial crisis of 2008 which led to protectionist measures (Meyer 2017), as well as anti-immigrants and anti-trade sentiments, the trade war between of the U.S. against China and the Covid-19 pandemic (Anisul Islam 2021). The Russian invasion and annexation of Crimea, Brexit, the election of Donald Trump and of Jair Bolsonaro could also be added to this list (Cherenev, Popov 2021; Balsa-Barreiro, Vié, J. Morales, Cebrián 2020) – these are just two in a list of many other country leaders who have been described as populist and have fought against internationalization (Lorenzen, Mudambi, Schotter 2020): it is not difficult to notice, at this point, how all these events could be summarized under the concept of tensions. Very likely, a political decision which will raise global geopolitical tensions is going to damage the globalization perspective, generating an increase in political risk from which businesses will suffer. Yet, the new technologies developed in the current information era are pushing many companies to continue in their path towards internationalization and a polycentric structure not necessarily linked to where they were born, as it is explained also by Alcácer, Cantwell and Piscitello: "MNE location choices become increasingly less dependent on traditional location factors [...]" (2016). This is also a way to differentiate their supply chain and restructure their value chain according to a global approach (Van Assche, Lundan 2020). That is also a way to be more flexible, as it is continuously requested to firms to better resist uncertainty and turbulences - Shams, Vrontis, Belyaeva, Ferraris and Czinkota wrote about 'strategic agility', a concept which defines the need for flexibility just mentioned (2020).

To get more in depth with the analysis of the main events opposing to globalization, it is fundamental to mention Brexit for different reasons. The British vote to leave the European Union in 2016 triggered a peculiar situation in which it is possible to highlight a paradox: on the one hand the referendum result is considered one of the determinants of deglobalization since it expressed the revival of a nationalistic spirit that does not fit to the globalized world, but on the other hand it was based also on neo-imperialistic aspirations and the idea of a global Britain (Carrer 2021). As far as the business environment is concerned, it is evident the impact that British people's decision has had on some market areas: both British and European companies have changed their strategies according to the scenario evolution. One of the most remarkable modifications is related to supplies, which impacted on whole supply chains and logistics decisions: for example, 14.3% of the European companies decided to buy incoming supplies from companies other than the British partners they had (Giles 2018, in Gupta, Wang, Czinkota 2021). Much of the logistics upheaval is directly linked to this and to the fact that sales from European to British companies have turned from intra-community to indirect export operations; conversely, goods sold to European companies from the UK are classified as importations subject to the payment of VAT and

duties, as it is clearly explained in Bagarotto and Dal Mas' paper about the impact on taxes for international businesses after Brexit (2020). In their publication they made accurate predictions of what happened from January 1st 2021, the day in which the transition period before the effective departure of the UK from the European Union came to an end. This unprecedented withdrawal is a particular phenomenon which is still in the making, but it is already possible to argue that it is having a disproportionate effect on different EU-members, as well as on different companies in them, since they had a different degree of exposure to the uncertainty of the related scenario (Gorynia, Jankowska, Mroczek-Dąbrowska 2021; Hill, A. Korczak, P. Korczak 2018).

In addition, it is worth considering another fact that was mentioned above and that cannot be underestimated: the rise of China as an economic power, opened to international trade and acting as a global leader. This has led the U.S. to a defensive position, abandoning their role of the hegemon consensually accepted in favour of a more aggressive and violent attitude. In this way, what is described by Abdal and Ferreira as a project of globalization based on the unquestioned U.S. leadership seems to have failed (2021), which is one of the principal reasons that led Donald Trump to start the economic war against the Asian rival. It is no secret, though, that the US and Chinese economies are strongly linked and quite integrated: for instance, as it is shown by Huifu Nong's research, both of them are touched by policy uncertainty, although driven by a different nature – monetary for China and fiscal for the U.S. (2021). According to the two authors' vision, the result is the division of the world in three main blocks of power: the U.S., China and the European Union between them. Although they have to cope with issues of cultural and economic integration, the EU and its companies are evidently still considered as strategic commercial partners, since they are the privileged target of the Belt and Road Initiative launched by Beijing. Despite the fact that Biden's election at the White House has already drawn the attention and appreciation of the EU-members, the latter are co-protagonists of a 1,450 billion dollar increase in commercial exchanges with China in 2020, for a total increment of 1% per year. Non-financial FDI in the countries involved in the BRI are increasing rapidly too (Intini 2021). This project has been seen as an attempt, from the Chinese side, to achieve institutional change with European partners (Casas-Klett, Li 2021): outgoing FDI by Chinese companies in Europe have been welcomed by suspect and hostility (Globerman 2017). The rise of China and the economic war of the U.S. against the Eastern giant can be linked to an interesting issue, which is the real power of the WTO: this supranational institution, symbol of globalization, continues its monitoring operations but has turned out to be ineffective in taking concrete actions to manage the conflict on tariffs and defining new rules, because Donald Trump did not recognize the decisions made by the WTO (Bacchus 2021). Many companies in the world had to face even this uncertain situation.

Lastly, there is an important characteristic shared by both globalization and deglobalization that must be underlined: both paths are strongly linked to change. Moreover, this change is characterized by uncertainty and complexity due to the variety of "actors, structures, and resolutions that hinder linear decision making" (Manfredi-Sánchez 2021): it is true that behind the shift from one perspective to the opposite one there are always governments and people with decision-making power. For this reason, globalization and deglobalization management and analysis are perceived as challenging.

ii) Research objective

This project aims at highlighting the principal reactions of some international SMEs to difficult situations characterised by a strong degree of uncertainty, as it is explained and contextualized in the first section. The key question used to analyse the topics will be how the decisional process of the examined SMEs has been shaped or changed by undetermined facts and deglobalization policies.

The analysis will be divided into three core parts: firstly, some European SMEs will be analysed, to understand which strategies and operations they have put in place to tackle Brexit and its consequences. A particular importance will be given to the evolution of FDI in the UK and to the decision-making process, to describe exactly how much and under which aspects it has changed. The idea is that of developing a detailed variety of reaction profiles following a comparative approach. Secondly, the British perspective will be adopted: following the strategic decisions implemented by some British companies, this work will also make an enquiry about how they have dealt with Brexit and whether they struggled to keep their European interconnections alive or it was more convenient for them to turn to other markets. It will be interesting to see if and how their competitive advantage was influenced by the Brexit event, and if this has created any entry barriers in the British market.

The third core of this research will be dedicated to the clash between China and the U.S.: in particular, the project will investigate which position the same European and British SMEs intend to take in this conflict, if the economic war started by the former U.S. president Trump has already had an impact on their business and/or business environment and which issues and difficulties they have to face with reference to the two opposing blocks.

iii) Methodology

Alongside with the offline and online research and selection of papers, books and financial newspaper articles related to the main themes, the non-standard research technique of documents analysis (Luceri 2013) will be used to identify 50 small-medium British companies and 106 small-medium European companies with a strong multinational vocation. The number of the European ones is based on the population of each state as shown in the chart provided on the official website of the EU: 7 companies will be taken for those countries with more than 30 million people, 5 for those from 30 to 10 million, 3 for those from 10 to 5 million and 2 for those with a population below 5 million. These companies will be asked to answer a standardized survey about how they dealt and are dealing with the two events of Brexit and the economic war of the U.S. and China. The same will be done with the 50 British companies. After the survey, an interview will be also carried out with the decision-makers in those companies resulting more suitable and transformed by the events mentioned, to get a deeper analysis of possible reactions to environmental uncertainty in the markets. Those companies will be taken as case-studies, and possibly they will be enterprises operating in different markets.

iv) Expected results

This work is focused on deglobalization and some of its most recent manifestations: the expected results are a remarkable slowdown in the decision-making process and sudden changes in the companies' business strategy. Small and medium businesses often lack the necessary knowledge and resources to be competitive in emergency situations, that is why it is expected that they have made use of external experts and consulting agencies, especially in such an unprecedented scenario. It is not easy for them to replace suppliers or investors, especially when uncertainty lasts for so long. Very likely, in some cases similar companies have made opposite choices, but there is also a common ground that should have helped them to fight against deglobalization and isolation pushes, and that is represented by information technologies: ICTs are a major driver for change, modernization and network building. They can serve as a powerful tool to find new partners and identify new opportunities even out of the domestic market, as it has become clearer during the covid-19 pandemic. Through ICTs there may also have been an increase in sales for certain market sectors – for example in the furniture market.

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