

# ROI DIALOG OVERVIEW – ISSUE 54

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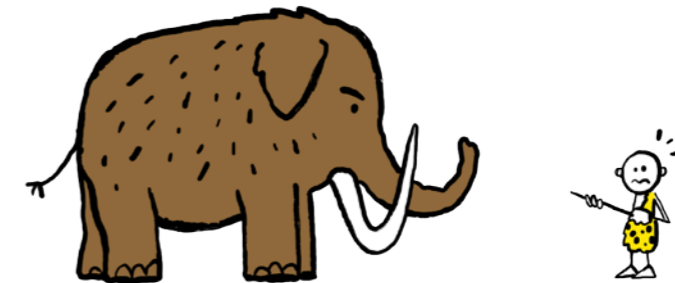
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## THE NEW ICE AGE

The world is lurching into a new era of protectionism and isolation.  
One for which few companies are prepared.

By Hans-Georg Scheibe, Member of the Management Board, ROI Management Consulting AG

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The United Kingdom declared war on globalization almost exactly two centuries ago. Following the Napoleonic Wars, the British Empire was exposed to high pressure on grain prices and introduced the Corn Laws to protect domestic production. However, this legislation was repealed thirty years later. England, the industrial heart of the world at the time, needed both open access to global markets and free trade agreements – whereupon the power of the landed gentry, – those who gained from protectionism –, began to crumble. Then, three decades on, the nascent globalization seemed once again to be declining when the Chancellor of the German Empire, Bismarck, triggered a spiral of protectionism by introducing selective protective tariffs. Germany's trading partners accused it of unfair play – an accusation that has seen the debate about fair trade revisited over the past few months.



Hans-Georg Scheibe,  
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The patterns of protectionism and globalization have been repeating themselves for centuries. While open markets tension to boost overall prosperity, they also spark growing inequality, and resulting in social tensions, political radicalization, the emergence of hate figures, and calls for the restoration of good old local production. The instruments, slogans and trajectories of each cycle are very similar – to a surprisingly and surreal extent – in a historic continuity that can be traced back to the Greek city states. Constant alternation between globalization and protectionism, meanwhile, seems inevitable in the process. "Once globalization has advanced sufficiently and the consequences of openness become apparent, the entire system goes into reverse," explains British historian Harold James, emphasizing that rebuilding lost trust in globalization – this takes years.

History reminds us that we soon forget its lessons. Which is why we once again find ourselves largely unprepared to deal with the impending tsunami of economic and political protectionism and disintegration. Over the last twenty years, European companies – from large EURO STOXX multi-nationals to specialist medium-sized enterprises – have aligned themselves globally. In Central Europe in particular, we have benefited from a mix of technological expertise, high process excellence and a favorable currency.

But this increased prosperity comes at the price of greater vulnerability. Success crucially depends on an open and, above all, predictable and stable environment – although the latter is increasingly rare. Whether the noticeable cooling in US-Russia relations, Brexit and the fluctuating value of the euro: It sociopolitical unrest and uncertainty in the large sourcing and sales markets of South America – it all throws a spanner in the works such as a global engine already at its limit. This situation is compounded by additional factors like the entry of new players in the market with significant financial muscle and aggressive pricing; increasing customer demands with regard to product customization and availability; and the legacy of earlier, poorly thought-out relocation projects.

All the evidence points to the emergence of a new economic and political ice age – one bound to have huge ramifications for how global networks are designed and managed. The complex challenges involved demand a multidisciplinary approach. We must scrutinize our footprint in terms of factors such as competition, costs, transparency coordination and operating strategy more rigorously and develop structures capable of withstanding a world of border fences.