

EDITORIALS

International order in jeopardy as nationalist growl turns to roar

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The Leave.EU campaign played a significant role in swaying British voters to push for a divorce from the European Union. Image credit: Leave.EU

By MICKEY ALAM KHAN

Global institutions that imposed rules for cross-border trade and civility are rapidly losing favor as nations struggle to retain sense of self against democratizing technology that mobilizes labor as quickly as it eliminates the human element in production of goods and services.

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From President Trump's attempt to focus on fair trade versus free trade to balance the United States' ballooning debt, to the United Kingdom's garrulous divorce from the European Union over sovereignty and the rise of nationalist, rightwing governments across Europe and Asia, all send one signal: a global reset is underway as insecurity and anxiety hack away at established norms.

Indeed, British Prime Minister Theresa May may already be a lame-duck after the resignation within 24 hours of two senior cabinet ministers who leaned toward a hard Brexit. Her German counterpart, Angela Merkel, is on another sticky wicket over immigration. President Macron of France may yet experience more turmoil at home after implementing much-needed labor reforms.

What does this mean for business that thrives on reliable supply chains, assured legal and trade protections, and a growing base of customers beyond national borders that benefited from easy exchange of products and services? And what does it mean for luxury brands those most global of marketers?

Now is the time for most luxury marketers to set up a team reporting directly to the CEO to handle a potential post-globalization world. Expect that team's vocabulary to include words such as "transformation," "evolution," "change," "rejection," "protectionism," "tariffs," "import duties," "lower sales," "nationalism," "talent retention" and, more importantly, "adapt-or-die."

Call the "tomorrow team" leader CEO. Yes, that should be part of his or her job. No palming off that responsibility to another meaningless C-suite concoction.

Taking leave of senses

This is serious. Marketers and business cannot pretend anymore that political leaders will come to their senses and

pull back at the last moment in a game of chicken. That is not how it is likely to play out. There are no adults in the room.

Sooner or later, luxury marketers in the U.K., France, Italy, Germany and Switzerland are going to come up against a hard reality should the U.S.-Europe relationship break down: their goods and services will be taxed at a higher rate to enter the United States, which is the world's biggest consumer of luxury goods and services.

These marketers will also have to figure out whether it is worth manufacturing in the U.K. after Brexit if most consumers are in the E.U. and the U.S. Sad to say, but China will not save the day, because the Chinese have their tariff war going on with the U.S. that will have a spillover effect.

And sooner or later, the E.U. will have to figure out how to serve the U.K. market if tariffs make their products and service more expensive. Even the affluent do not like paying more than necessary for goods and services.

This scenario is not beyond plain eyesight: that the E.U. itself may implode if free movement of labor and capital the very heart of that miraculous enterprise is eliminated, that the North American Free Trade Agreement (NAFTA) or the World Trade Organization (WTO) is neutered without U.S. participation.

Overall, relationships between sovereign states and international organizations over economic and security treaties are cankered by record distrust.

SO, THE TIME HAS COME for the team of the future to ponder these questions should hard borders, jingoism and high import duties raise their voice louder: How to drive demand beyond national boundaries for luxury products and services? How to encourage more domestic consumption? How to access talent and raw materials from other markets without much friction? How to ensure the integrity of the supply chain? How to maintain rising share prices for those luxury companies listed on the stock market? What is Plan B? And how to lobby for continued low-tariff market access in the four regions that matter most to luxury sales: the U.S., E.U., U.K. and China?

It is time for business to speak up.



Mickey Alam Khan is editor of Luxury Daily

1 thought on “International order in jeopardy as nationalist growl turns to roar”

1. kalin@ruralty.com says:

July 10, 2018 at 11:36 am

It looks like ‘blame the trade deals’ will be the excuse for the next crisis in US.
Sound about right?

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