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Special Issue on Trade and Economic Diplomacy

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LETTER FROM THE EDITORS



John Mezias, Editor

This first *AIB Insights* issue of 2019 brings with it a new editorial team. Last year, the AIB Board elected me to serve as Editor and William (Bill) Newburry as Associate Editor of the journal for a three-year term. Bill is an outstanding addition to the editorial team and we are both excited by this opportunity. We look forward to working with AIB Insights' Managing Editor Anne Hoekman and Communications Director Chei Hwee Chua, as well as the AIB Board and AIB Secretariat. I had the privilege of serving alongside Outgoing Editor Daniel Rottig as Associate Editor of *AIB Insights* for the last three years. We heartily thank Daniel for his efforts in support of the journal and aim to build on his accomplishments. His Retrospective article, published in this issue, nicely articulates the need for, and the promise of, *AIB Insights*. The new editorial team shares these goals and seeks to engage with International Business scholars, educators, and policy makers to publish innovative and insightful articles for the AIB community and beyond.



William Newburry,
Associate Editor

This issue focuses on Trade and Economic Diplomacy. Last year, I began working with Jonathan Doh to put together a special issue to address rising challenges driving changes to international trade agreements and perspectives on free trade. We are publishing articles that provide insights into potential benefits and consequences of engaging in, or retreating from, trade agreements. *AIB Insights* will continue publishing issues on select topics. (Please see the Call for Papers for the special issue on International Business in Latin America below.) However, we are also particularly interested in working with authors to publish unsolicited manuscripts that provide insights on a wide range of international topics. Please consider submitting your manuscripts to aib.msu.edu/publications/insights. We look forward to hearing from you!

Blue Ocean Shift to Adjust the Pendulum in IB Publications: Why Our Field Needs to Nurture a New Breed of Journals



Daniel Rottig, Ph.D.,
Outgoing Editor

Daniel Rottig, Florida Gulf Coast University, USA

With the previous issue of *AIB Insights*, I have concluded my term as Editor, and a new editorial team has now taken charge for the next 3-year term. I have been asked by the leadership of the Academy of International Business to write an extended farewell editorial reflecting on my 6 years of editorial service for *AIB Insights* (3 years as Editor from 2016-18 and 3 years as Associate Editor from 2013-15). In a nutshell, it has been a great ride!

The Raison d'être for *AIB Insights*

Blue Ocean Shift

When applying for an editorial position back in 2012, I submitted a 3-page application letter to the AIB Executive Board which delineated my vision for *AIB Insights* and sketched out my ideas for how to achieve this vision. In this letter, referring to the now widely used concept of a “blue ocean strategy” (Kim & Mauborgne, 2015), I stated that “*AIB Insights* has, in my opinion, carved out a “blue ocean” in that it fulfills a specific and unique purpose in the international business field that is currently not being accomplished by other journals: it publishes contemporary issues, novel ideas and new frontiers in international business education, research and practice in the form of short articles written in an interesting, less theoretical and academic, and more informative and provocative writing style that makes it accessible to a broader, cross-disciplinary audience.” I proposed to build on and further substantiate this unique positioning of *AIB Insights* through new ideas and initiatives and, using the words of the

authors who coined the term in the subtitle of their latest book titled *Blue Ocean Shift* (Kim & Mauborgne, 2017), I aimed to “inspire confidence and seize new growth” for the journal and thus, for the “blue ocean” it has created.

When being elected to serve in an editorial role for the journal at the 2012 annual conference of the Academy of International Business, as the journal’s first-ever Associate Editor for a 3-year term with the possibility to serve for a second 3-year term as Editor, I was therefore very excited and humbled by the confidence and trust the AIB had bestowed in me to implement my vision. It is astonishing to realize how fast time has passed by over the past six years during which I have had the honor to serve for *AIB Insights*, a period of time that constitutes one third of the existence of the journal, which published its first issue in 2001. Over my tenure in an editorial role, I believe, *AIB Insights* has not only become an even more impactful and well-respected conduit for interesting, topical, current and thought-provoking articles, but also has been instrumental in defining and further developing a new space (or blue ocean) in the field of international business that complements traditional academic journals. The timely, concise and fresh nature of the articles published in *AIB Insights*, which are increasingly interactive and predominantly published in coherent and focused issues, communicate novel ideas and rigorous academic research in an unconventional and non-traditional way. In so doing, *AIB Insights* has made the work of IB scholars readily accessible to a broader audience of practitioners, educators and policymakers as well as colleagues in other fields, in addition to our academic readership in the field international business.

A New Breed of Journals

AIB Insights has therefore contributed to creating and shaping a new and, in my opinion, invaluable new breed of IB journals, and a new space in the universe of IB publications which has recently seen “new entrants” such as *AOM Insights*, “an online magazine that transforms AOM research into actionable evidence for the workplace” (<https://journals.aom.org/insights/aboutus>), and which was launched by the Academy of Management in late 2018, and *Rutgers Business Review*, an open access online journal which publishes, since 2016 “articles that provide novel results, tools, frameworks and perspectives for business practice [as well as] articles that provide significant managerial insights based on recently published academic studies in premier academic journals” (<https://www.rbusinessreview.org/submission-guidelines>). At *AIB Insights*, we have been following this development in a very positive way and are welcoming these new entrants, or, in the words of Oded Shenkar (2010), “copycats” (which, by no means, I mean in a condescending or supercilious way), as they illustrate the demand for, as well as increasing importance and relevance of, this new publication space that *AIB Insights* has defined over nearly two decades.

Adjusting the Pendulum

In the last issue that I edited, Volume 18 Issue 4, Mark Casson reflected on the early days of international business as a distinct field, around the time when IB split off from the business policy discipline and so became its own discipline (about 1970), and notes that back then “IB was the most promising field, it seemed, [and it] was global, inter-disciplinary, young and ambitious - it was ideal!” (2018: 3). Yet, nearly half a century later, he feels “so worried about the current state of international business studies” because “standards have eroded ... Data sources too are suspect ... IB studies have grown in terms of quantity but the quality is highly debatable ... There is no coherent systems view that commands general support in IB research ... [and] The most worrying feature of the modern scene ... is that there is no gold standard for IB scholarship. There are merely conventions” (Casson, 2018: 3-5). Mark Casson further disparages the standards of traditional IB journals, their lack of a rigorous, reliable and constructive review process and their misguided incentives that reward authors for using novel yet questionable statistical techniques, developing formalized yet trivial conceptual models, and strictly abiding by restrictive norms to structure their papers rather than encourage them to focus on solving real-world problems, questioning/replicating published results and pursuing impactful research that tackles relevant questions. All of this has led to the fact that “You [IB scholars] can’t engage with the bigger picture because, if you do, you will be told ‘it’s not research, it’s just an essay.’” (Casson, 2018: 4)

A similar notion was conveyed by Jonathan Doh, former editor of the *Journal of World Business* (JWB). Jonathan Doh noted in a recent *AIB Insights* article that, when JWB celebrated its 50th anniversary, he reflected on the evolution of IB research in the

JWB and realized that “IB scholarship, in its early days, was often focused on tackling real-world problems related to the impact of policies toward multinational enterprises, to trade and investment agreements between and among countries, to issues of environment and development, and to many other realistic issues” and suggested that “As such, I believe that returning to some of those issues and questions will help re-energize IB scholarship while also providing valuable insights that could ultimately have relevance for policy and practice.” (Doh, 2017: 15) He refers to this type of research as “phenomenon-based” and makes a convincing case for why we need more of this research in our field of international business (Doh, 2015).

The question both authors ask, explicitly and implicitly, is how we can swing the pendulum of IB publications back to academically rigorous as well as practically relevant scholarship, and to the type of questions asked in the early days of IB research in order to make our field exciting, impactful and insightful again. Jean Boddewyn and I asked a similar question in our essay titled “How to Regain Legitimacy and Relevance in a New Era for International Business: If Not Us, Who?” (Boddewyn & Rottig, 2017), which we wrote as part of a focused issue on “Making AIB and Our Field of IB More Legitimate and Relevant,” and as a contribution to a featured panel held at the 2017 AIB conference in Dubai on the same topic. Several former AIB Presidents, AIB Fellows and renowned experts contributed to these initiatives, including Simon Collinson, Jonathan Doh, Mary Ann von Glinow, Robert Grosse, and Arie Lewin. Drawing on their unique experiences and accomplishments as IB scholars, educators, administrators as well as consultants to business practitioners and policymakers, each of them provided their views on how we, the IB academic community, can contribute to swinging the pendulum in IB research and publishing back in the right direction (Collinson, 2017, Doh, 2017, Grosse, 2017, Von Glinow, 2017).

Raison d’être for AIB Insights

I believe that *AIB Insights* is a key conduit for publishing phenomenon-based research based on which business practitioners and policymakers can make evidence-based decisions (Rousseau, 2006, 2005). I further believe that *AIB Insights* constitutes a critical component in making AIB and our field of IB more legitimate and relevant again by contributing to the needed adjustment of the pendulum in IB publications as a member of a new breed of IB journals.

When I talked about the nature and value of *AIB Insights* in my editorial commentaries, on Meet-the-Editors panels at IB conferences, and in my correspondence with (potential) authors and interested readers, I typically began by noting, half-joking and half-seriously, that *AIB Insights* starts with an ‘A’ and therefore should be considered an ‘A’ journal. I meant this not in the sense of a traditional “four-star” academic journal, but in the sense of its “A-star” relevance, currency, and insightfulness, and the potential impact the articles published therein promise

to make. In fact, as is stated in the journal's editorial policy, *AIB Insights* does not aim to become another "traditional" academic journal as it "does not seek the kind of articles that are intended for traditional journals in international business, such as the *Journal of International Business Studies*." Instead, *AIB Insights* "is intended to inform, educate, and enlighten readers with state of the art information on a topic with a broad appeal to the profession. Articles sought should be grounded in research, but presented in a readable and accessible format ... free of professional jargon and technical terms, light on references, but heavy on insight from the authors' experiences and research... [that] should prompt the reader to think about international business and international business teaching/learning in new ways... [and] have an international business and cross-disciplinary orientation."

I have often described the nature of *AIB Insights* articles as "Written TED Talks" – fresh, topical, concise, interesting, and thought-provoking essays that present novel, innovative, and path-breaking research, knowledge, and ideas in a way that is readily accessible to a broader audience, not merely a traditional academic readership. In so doing, *AIB Insights* is uniquely positioned to span traditional boundaries by way of communicating new IB research findings, ideas and insights to IB scholars, educators, practitioners, policymakers as well as colleagues in other fields to inform, enlighten and disseminate "ideas worth sharing" in international business.

When asked about the *raison d'être* for *AIB Insights*, I would typically point my questioner toward the three pillars depicted in Figure 1. I believe these capture the essence of *AIB Insights*, illustrating what sets it apart in a field filled with traditional journals and new journal formats. In the following section, I will delineate these three pillars and, in so doing, briefly discuss the key initiatives and activities that I have spearheaded over my tenure in an editorial role for the journal.

Three Pillars, Key Initiatives and Accomplishments

PILLAR 1 – Coherent & Focused

As is shown in figure 1, the first pillar refers to the coherent and focused nature of *AIB Insights*. Traditional academic journals typically publish a diverse set of longer articles on various topics in a given issue (except perhaps for special issues). This has led to the common practice of IB scholars to not read entire journal issues, but rather use electronic databases to search for articles in their specific research realms based on keywords. *AIB Insights* articles and issues are different. First, articles are short (around 2,500 words), concise, written in an accessible format,

Figure 1



Source: Infographic developed by the author

free of professional jargon, light on references but heavy on the insight from the authors' experiences and research. We explicitly ask our authors to highlight the insight of their article in the first paragraph. In addition, for articles that are part of our Interactive Lead Article Series that we started in 2016, and our AIB Dissertation Award Focused Issue Series that we started in 2013, we ask authors to capture the insight of their articles in one "Big Question." In so doing, each article is focused on a specific insight or contribution, which is readily identifiable by the reader and presented in an easy-to-digest format. Second, *AIB Insights* issues are focused on specific topics and so can be (and typically are) read in its entirety by our readership. Even the occasional "eclectic issue," of which we publish, on average, one per year, can be read in its entirety given that the 4-5 unrelated articles published in these issues combined have about the size (word count) of a typical traditional academic article. Third, our focused issues have specific thematic and regional emphases that are of interest and relevance across specific research realms with an international focus, and so are appealing to a wide and broad readership within and beyond our discipline of IB.

Key Initiatives and Accomplishments Related to the First Pillar

(Further) Institutionalization and Positioning of Journal Shortly after I joined the editorial team, in 2013, we implemented an apparently trivial yet crucial change: creating an *AIB Insights* e-mail account for all external communication and switching from e-mail submissions of papers to an online manuscript submission system to facilitate a smoother, more professional and streamlined article submission and editorial review process. We further created a new cover and overall new journal design and logo for *AIB Insights* (starting with the first issue in 2017) in order to make its look and appearance more consistent with AIB's two other journals, the flagship research journal *JIBS* and the new *Journal of International Business Policy* (*JIBP*). These efforts legitimized *AIB Insights* as well as the "blue ocean" it occupied in the IB community, and so allowed us to more clearly position the publication as a journal. We further explic-

itly positioned *AIB Insights* as a complementary journal to JIBS and JIBP with a different mission: a high-quality outlet for innovative ideas, phenomenon-based research, and thought-provoking articles in IB. In so doing, we separated *AIB Insights* from its (widely perceived) affiliation with the AIB Newsletter (which had arisen due to the fact that in its first year of existence, in 2001, *AIB Insights* was published as a newsletter, and the fact that the print version of *AIB Insights* is being mailed in the same envelop as the AIB Newsletter to capture cost synergies). These initiatives facilitated our efforts to establish *AIB Insights* as a legitimate stand-alone journal in IB.

Increased Quality and Potential Impact of Submissions These initiatives also led to a higher quantity and better quality of paper submissions. We further increased the quality of submissions and published articles by creating a more rigorous editorial review process, and by more pro-actively working with the authors to revise their papers through a developmental process. We also reached out to seminal IB scholars and AIB Fellows to solicit high-quality and novel contributions with a high potential for impact focused on current topics and issues in IB in an attempt to increase the caliber of the journal. These authors included AIB Fellows such as Jean Boddewyn, Peter Buckley, Mark Casson, John Child, Farok Contractor, Alvaro Cuervo-Cazurra, John Daniels, Andrew Delios, Jonathan Doh, Yves Doz, Pankaj Ghemawat, Mary Ann von Glinow, Robert Grosse, Geert Hofstede, Tatiana Kostova, Yadong Luo, Klaus Meyer, Ram Mudambi, Kendall Roth, Alan Rugman, Jaeyong Song, José de la Torre, among other highly respected scholars.

Focused Issues with Thematic Emphasis In addition, we developed focused issues on relevant, current and crucial issues in the field of IB and the AIB community, and we integrated some of these issues with the annual AIB conferences. For example, Jean Boddewyn and I co-edited the already mentioned focused issue on “Making AIB and Our Field of IB More Legitimate and Relevant” (Vol. 17, Issue 2), which we published right before the 2017 annual AIB conference in Dubai. At the Dubai conference, we co-chaired a featured panel on the same topic, which included all authors who contributed papers to this focused issue as panelists (a recording of this featured panel can be accessed via the following link (*AIB member login required*): <https://aib.msu.edu/events/2017/Videos/ShowSessionVideo.asp?videoid=1088>).

Another example is a focused issue on “International Trade and Investment Agreements: Sovereignty at Bay in the 21st Century?” (Vol. 16, Issue 1), which Klaus Meyer and I co-edited (Meyer & Rottig, 2016), and which is the result of discussions and presentations at the 2015 annual AIB conference in Bengaluru, India. We positioned this issue as a pedagogical tool that IB educators can use in the classroom as a basis for discussions on trade and investment agreements, with focus on the investor-state dispute settlement (ISDS) mechanism. The publication of this focused issue in early 2016 could not have been

timelier, given the subsequent political situation in the United States and around the world regarding these agreements, and the related issues and controversies.

We also developed focused issues based on academic conferences outside of AIB’s annual conferences and published them shortly after the respective conferences in order to disseminate novel knowledge and ideas in a timely fashion. For example, we published a focused issue based on key findings, discussions and presentations at the inaugural Global Strategy and Emerging Markets (GSEM) conference, held in Miami in 2016 (Vol. 16, Issue 4). The conference will already hold its fourth annual conference this year and is co-sponsored by the University of Miami, Northeastern University, Cornell University, and the University of Texas at Dallas.

Focused Issues with Regional Emphasis Moreover, we started an outreach program to AIB’s 18 worldwide chapters to invite focused issues on novel, location-specific knowledge and ideas from their respective regions. The editorial team of *AIB Insights* represented the journal at several AIB chapter conferences by participating in “Meet the Editors” panels and professional development sessions, and we worked with the leaderships of these chapters to invite and develop contributions from these regions. Based on these efforts, we have published focused issues with regional emphasis, comprising the Middle East North Africa (MENA) region (Vol. 13, Issue 2), guest-edited by Melodena Stephens Balakrishnan (then-President of the AIB MENA Chapter), the Central and Eastern European (CEE) region (Vol. 18, Issue 1), co-guest-edited by Łukasz Puślecki (Chair of AIB’s CEE Chapter), Piotr Trąpczyński (Vice Chair for Communication at AIB’s CEE Chapter) and Mirosław Jarosiński (2015 Program Chair for AIB’s CEE Chapter), and the Sub-Saharan Africa (SSA) region (Vol. 18, Issue 4), co-guest-edited by Ifedapo Adeleye (Chair of the 2018 AIB SSA conference), and Nathaniel Boso (Professor in International Marketing and Entrepreneurship and Dean of the School of Business at Kwame Nkrumah University of Science and Technology, Ghana). A focused issue on the Latin American region, in collaboration with the leadership of the AIB Latin America (AIB-LAT) chapter, is currently being finalized and will be published in an upcoming issue.

Invited, Guest-Edited Focused Issues Furthermore, in addition to coordinating the aforementioned focused issues with regional emphasis with the respective AIB chapter leaderships and guest editors from these regions, we have reached out to highly respected and accomplished scholars to guest-edit focused issues in their respective realms of expertise in order to invite a diverse set of novel perspectives. For example, we published a focused issue on the “Leadership Effectiveness in Africa and the African Diaspora (LEAD)” project (Vol. 17, Issue 1), which was guest-edited by Betty Jane Punnett (the founding editor of *AIB Insights* and an expert on emerging market research). We also published a focused issue on “Stepping on Cultural and

Religious Assumptions” (Vol. 14, Issue 2) based on the “Stepping on Jesus” controversy that had happened at FAU, which was guest-edited by Mark Peterson (Professor of Cross-Cultural Management at FAU at the time, and currently Professor and Hofstede Chair in Cultural Diversity at Maastricht University). Forthcoming guest-edited focused issues include topics such as “Gender Issues and Research in IB,” which has been guest-edited by Amanda Bullough (former President of AIB’s Women in the Academy of International Business - WAIB) as well as “Studying Modern Slavery and the Role of IB Scholarship,” which is being guest-edited by Snejina Michailova and Christina Stringer from the University of New Zealand.

PILLAR 2 – Relevant & Timely

The second pillar (see Figure 1) refers to the relevance and timeliness of *AIB Insights*. First, whereas it may take several years for research to be published in (top-ranked) traditional academic journals due to the considerable amount of time for the review, revision and publication process, *AIB Insights* has a clear focus on a quick turnaround of submissions, and a timely publication of accepted articles. Second, the discussion regarding ‘relevance and implications of research findings for IB business practice and policy’ is often merely an afterthought during the publication process at traditional academic journals, and authors reluctantly acquiesce to add such a discussion only because they are required to do so in order to clear a “conditional acceptance” decision after a lengthy revision and resubmission process. At *AIB Insights*, however, the phenomenon-based nature of an article and the clear explication of its insight, relevance and implications are key criteria for being accepted for publication, and so are central to the work that is being published in the journal. Third, as opposed to the lengthy review and publication process that makes it a challenge for traditional academic journals to quickly respond to current developments in international business, *AIB Insights* is able to frequently publish articles on current trends and developments in a very timely way.

Key Initiatives and Accomplishments Related to the Second Pillar

AIB Dissertation Award Focused Issue Series One initiative that illustrates how we accomplish the relevance and timeliness of *AIB Insights* publications is the annual AIB Dissertation Award Focused Issue Series, which we launched in 2013 – during my first year of editorial service for *AIB Insights*. Typically, it takes several years before dissertation research is published in traditional academic journals (as a previous AIB Dissertation Award recipient, I am speaking from experience here), and it takes even more time until the contributions of a dissertation are recognized in the field. In order to draw timely attention to the innovative, novel and potentially impactful dissertation research that has been selected for the final round of the annual AIB dissertation award competition, *AIB Insights* publishes extended abstracts (about 2,500 words) of the award-winning and award-nominated dissertations in the field of international business in the journal issue directly following the respective

annual AIB conference. In so doing, *AIB Insights* enables and encourages a fresh and fruitful conversation on the respective dissertation topics. As a result of this initiative, our dissertation award series, which we have published annually over the past six years (see the third issue of each annual volume) has become an invaluable conduit for the timely dissemination of the latest, state-of-the-art dissertation research in international business.

Eclectic Issues to Capture Current Topics and Developments in IB

Another illustration of how we facilitate relevant and timely *AIB Insights* publications are our eclectic issues with articles on current topics in IB research, pedagogy and business practice, which we publish about once a year. Examples include an article by Pankaj Ghemawat (2016) titled “Beyond Brexit: An Initial Analysis and Questions for the AIB Community” that we published shortly after the Brexit vote in the United Kingdom in the summer of 2016. Other examples include articles by Farok Contractor (2016) titled “Tax Avoidance by Multinational Companies: Methods, Policies, and Ethics,” by James Nebus (2016) titled “Irish-Dutch Sandwiches, Corporate Inversions, and Arm’s Length Transactions: International Tax for IB Courses,” and by Robert Mefford (2017) titled “Turbulence in the Currency Markets - What Does It Mean for International Business?”. These articles tackle very timely and relevant issues, and so inform IB scholars, business practitioners, policymakers, and educators, who can readily use these articles in the classroom.

PILLAR 3 – Interactive & Accessible

The third pillar (see Figure 1) refers to the interactive and accessible nature of *AIB Insights*. First, most traditional academic journals are exclusively accessible through universities and other research-oriented institutions which are required to subscribe to expensive databases that provide access to published academic research. In fact, the current system has (somehow) convinced academic scholars to sign over the copyrights to their intellectual property, and so provide the results of their research “free of charge,” to for-profit publishing companies which, in turn, charge the very universities and research institutions that pay these scholars to do research in the first place for access to their journals that publish this research. *AIB Insights*, however, is published by the Academy of International Business and authors retain the copyrights for their work. Every *AIB Insights* issue is mailed, in print format, to AIB’s more than 3,000 members in over 90 countries as well as made available to any interested reader (whether a registered AIB member or not) in digital format through *AIB Insights*’ open-access website at <https://aib.msu.edu/publications/insights>. This website also features an archive of all previous *AIB Insights* issues. Second, traditional academic journals do not allow readers to comment on published articles or respond to the authors of these articles directly. *AIB Insights* does so, however, through its interactive commenting feature which is available on the aforementioned website. Third, traditional academic journals are typically accessible through databases and print subscriptions only,

whereas *AIB Insights* content is also disseminated through prevailing social media platforms.

Key Initiatives and Accomplishments Related to the Third Pillar

Interactive Lead Article Series In 2016, during my first year as Editor, we launched an innovative series of lead articles by renowned IB scholars and thought-leaders that raise insightful and thought-provoking questions in an attempt to engage the AIB community in fruitful conversations that we hope will advance our field (Vol. 16, Issue 2). This series involved authors such as Jean Boddewyn (2016) who asked, “Is Your ‘IB’ Research Truly ‘International?’” and Andrew Delios (2017), who built on Jean Boddewyn’s article and posed the follow-up question of “Are You a ‘Truly International’ Scholar?” This series also included articles by John Child (2018), who asked, “Should Your IB Research Deal with Power?” and Mark Casson (2018), who queried, “Should We Be Concerned about IB Research?” We encouraged our readers to actively think about these fundamental questions and respond to these authors directly. To facilitate this effort, we added an interactive “Comments” feature onto the *AIB Insights* website, which allows our authors and readers to correspond about these important questions, and provides an opportunity for any interested reader to follow the respective conversations. We also post the most insightful comments and dialogues on the *AIB Insights* website and, selectively, publish these interactive dialogues in subsequent *AIB Insights* issues (see, e.g., Boddewyn, 2016).

Communications Director and New Social Media Initiative When the idea of *AIB Insights* was conceived in the very late 1990ies, the publication reflected a different, largely pre-internet and pre-social media world. Two decades later, technological globalization has changed our field and the way we communicate, and new social media tools that “applicationized” communication have permeated virtually any realm in academia and business practice. In order to further expand and enhance our external journal communication with our readership and (potential) authors, we added a new communications director position to our editorial team, and launched an initiative to improve *AIB Insights*’ online platform and social media presence. This initiative is also aimed at developing a new *AIB Insights* social media application. This new application, which we envision to be compatible across various devices (from smart phones, tablets to more traditional laptops and desktop computers), would allow for a more contemporary and interactive publication of journal content, create a real-time and more convenient way for our authors and readers to correspond and engage in two-way dialogues, and integrate as well as leverage new social media tools to more effectively and efficiently disseminate knowledge and ideas.

A Final Look Back and Moving Ahead

In closing this farewell editorial, I would like to take this opportunity to thank all my great colleagues and friends of *AIB Insights* for their dedicated support of the journal. First, I would like to thank Tunga Kiyak, AIB Managing Director, whose support of *AIB Insights* has been exceptional. In a nutshell, Tunga rocks! A special thanks to Anne Hoekman, *AIB Insights* Managing Editor, who greatly supported and facilitated my work in an editorial role for the journal.

All previous editors of the journal deserve great thanks for their vision and devoted work, including the Founding Editor, Betty Jane Punnett, who served from 2001-03 and who has continued her support for the journal over the years and recently guest-edited a focused issue (Volume 17, Issue 1); Tamir Agmon, who served as the second Editor from 2004-08 and particularly contributed with his cross-disciplinary focus; Ilan Alon, who served as Editor from 2009-12 and whose vision and innovative thinking have set *AIB Insights* on a new path and growth trajectory; and Romie Littrell, who served as the journal’s fourth Editor from 2013-15 and with whom I have had the pleasure of working during my tenure as Associate Editor. In order to highlight and honor the great work of previous editors, we published a special feature in my first issue as (the fifth) Editor of *AIB Insights* (Volume 16, Issue 1).

Many thanks to John Mezas, with whom I always enjoy working, and who has served as Associate Editor during my 3-year term as Editor. John has assumed the role of Editor for the current, 3-year term, and I am thankful to the AIB Executive Board and the selection committee for electing John as well as Bill Newburry (who will serve as the new Associate Editor) as the new editorial team. Thanks also to Chei Hwee Chua, who we brought onto our team as Communications Director last year, for bringing her social media expertise and excitement for this position to *AIB Insights*.

A special thanks to Jean Boddewyn, who has not only supported the journal over its entire existence by authoring numerous articles (starting with an essay he published in the second volume of the journal in 2002), but who has also been instrumental in facilitating the launch and development of a number of projects and initiatives.

Finally, I would like to thank all of our dedicated authors, guest editors, and interested readers as well as the Academy of International Business, its secretariat and executive board for the confidence and trust they have bestowed in me, and for their support of our editorial initiatives.

In my inaugural editorial commentary as Editor, I mentioned that “*There has been no other time more exciting for international business. International challenges and opportunities are permeating business activities in nearly every country and industry around the*

globe, economic boundaries across nations have nearly disappeared, technological innovations and instantaneous global communication are transforming the way people and firms around the world conduct business, and the way universities around the globe educate. Institutions in form of political, legal, economic and socio-cultural rules of the game are becoming increasingly complex in both developed and emerging markets, and thus more fascinating to study. With the beginning of the second half of these post-recession “Transformative Teens” in this 21st century comes the exciting opportunity to explore new knowledge, fresh ideas and the next frontiers in international business. AIB Insights constitutes a distinct outlet for such new, innovative and path-breaking knowledge and ideas” (Rottig, 2016). Three years later, I still believe that these statements and observations are current, relevant and timely, and I am convinced that the format, quality and impact of *AIB Insights* will remain to be relevant for many years and decades to come.

Under the leadership of Lorraine Eden, who has served as President from 2017-18 and currently serves as Immediate Past President, the AIB has developed a comprehensive publications strategy and a standing publications committee, which comprises as members, among others, the Editors of AIB’s three journals: JIBS, JIBP, and *AIB Insights*. Based on this new publication strategy initiative, my discussions with the leadership of AIB and fellow journal editors during the AIB publications committee and related meetings, as well as based on my experiences as an editor, I believe that the Academy of International Business, and our field of international business, is interested and motivated to nurture a new breed of journals of the caliber of *AIB Insights*. I further believe that the AIB and our field of IB are willing to fuel the “blue ocean shift” that has sparked a movement toward swinging the pendulum in IB research and publications back in the right direction.

When taking a final look back, I am very proud of what we have accomplished during my editorial leadership of *AIB Insights* over the past six years, and I am thrilled about the upward trajectory we have put our journal on. In moving ahead, I could not be more confident in John Mezas and Bill Newbury, who will serve as the new editorial team over the 2019-21 term, and in their ability to take *AIB Insights* to the next level.

Go AIB, Go Insights!

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Daniel Rottig (drottig@fgcu.edu) is Associate Professor of International Business and Strategic Management in the Lutgert College of Business at Florida Gulf Coast University. His research has won several awards and award nominations from the Academy of International Business and the Academy of Management as well as reputable journals and publishers. He is a passionate educator who has taught in graduate and Executive programs at leading universities in Australia, Asia, Latin America and the United States.

Special Issue Introduction and Commentary on Trade and Economic Diplomacy

Jonathan Doh and John M. Mezias, Special Issue Editors

Support for global economic integration and engagement may be at its lowest level in the modern era. The United States is retreating from its long-held position as the leading advocate of trade and economic interdependence. While tensions between the U.S. and China, two world powers jockeying for global leadership, may be seen as inevitable, trade tensions between the U.S. and its key allies, such as the European Union and Canada, is also growing. The resulting trade disputes and outright hostilities threaten global economic and political stability. Some of this tension reflects a more fundamental trend, especially in the US and European Union, toward a more isolationist and nationalistic outlook by a citizenry that has become skeptical about the benefits of globalization and integration. These pressures have manifested in the decision by the United Kingdom to exit the European Union, an outcome that threatens to disrupt the economies of both the UK and EU and reverse the steady half-century movement toward greater European integration. With a major round of trade talks between China and the US scheduled for early 2019, leading up to an early March deadline, and time running out to negotiate Britain's withdrawal from the European Union before the end of March, this Special Issue on Trade and Economic Diplomacy provides a timely discussion of the issue and challenges facing the global system of trade in an era of increasing nationalism.

In the lead article, Kobrin poses a series of questions generated by recent anti- and deglobalization trends. He wonders whether globalization is an inevitable state or could unravel, and also whether a global system could be constructed that both promotes economic integration and all of the benefits it generates, while acknowledging the need for national sovereignty and independence, and preserving the rights of nation-states to oversee important aspects of their domestic economic destiny. Regarding the first question, he contends that such a system is

not inevitable: a strong economy must take the lead to create a dynamic system of trade that will benefit the broadest group of nations and their stakeholders. He contends that leaders of the strongest of economies must move beyond a mercantile mindset and shorter-term, zero sum assessments of economic gain by recognizing longer-term benefits of trade on economic stability and peace. Following Rodrik, Stiglitz, and others, Kobrin observes that the “second wave” of globalization involved much deeper integration than the first wave, generating spillovers into areas that heretofore had been the purview of national governments. This “behind the border” integration, and the increased attention to the visible – but highly concentrated – costs of trade that unfortunately command the attention of politicians and the media, has created a fundamental fissure in the global trading system. As economies grow in scope and complexity, it is harder for leaders to balance competing interests, and those stakeholders who perceive their interests to be harmed are often the most vocal and can command considerable voice and influence. He concludes with a challenge to the AIB community to engage in these important debates that can help to preserve the global trading system, while acknowledging those who have been harmed by it.

One of the complicating factors in re-writing the rules of global trade is that economic value chains have become so substantially integrated that any change – or proposed change – ripples through global supply chains, generating disruptions and sometimes unforeseen impacts across countries. It is in this context that Van Assche and Warin argue that traditional trade diplomacy's emphasis on export promotion and inward foreign direct investment (FDI) attraction overlooks the increasing benefits of complementary import attraction and outward FDI promotion. They illustrate that these complementary benefits are most noticeable in resource acquisition and development of

sophisticated supply chains. Managing global rather than local supply chains better ensures quality, supply, and pricing advantages of resources. We note that managing a global supply chain is more complicated if the network of firms spans countries governed by numerous bilateral trade agreements rather than a few regional or multilateral trade agreements. Greater attention to – and understanding of – these globally integrated supply chains can help to ensure that trade and economic diplomacy fully incorporates the current realities and forestalls unnecessary disruption to global trade and commerce.

Barbara Weisel, a veteran of trade and economic diplomacy in the Asia-Pacific region, details the multifaceted advantages of multilateral trade agreements (over bilateral deals), but also the benefits accruing to those who take an active part in negotiating these agreements. Disparity in labor compensation and conditions, intellectual property rights, and environmental regulations across emerging and developed economies often drives opposition to free trade. However, even without free trade agreements, job loss and erosion of employment benefits have increased as multinational firms outsource to take advantage of disparities in wages and environmental regulations. She notes that countries leading multilateral trade negotiations set the international standards for wages and working conditions, intellectual property rights, and environmental standards. These standards can help reduce disparities, but this process takes time. However, negotiating standards is one of the few concrete steps a nation can take to level the “playing field.” Ironically, the decision by the Trump administration to withdraw from the Trans-Pacific Partnerships, the comprehensive trade and investment agreement among twelve Asian-facing nations, and cede that opportunity to influence the terms of trade to the remaining eleven countries, has the unintended effect of strengthening China’s influence in setting standards for labor, intellectual property rights, and environmental regulation.

Free trade advocates must recognize that disruptions caused by globalization are real and significant. Income disparity and job displacement, coupled with immigration, migration, and refugee crises, have magnified the fears and losses of those adversely affected by globalization. The resulting rise in nationalism and aversion to free trade will not be averted by traditional arguments that trade is economically beneficial in the aggregate. These economic concerns, and the geopolitical implications of rising nationalism, warrant new economic analyses, theories, and debate on the specific challenges and benefits of economic integration in the twenty-first century.

As international business teachers and scholars, the AIB community has a longstanding interest in calling attention to the many dimensions of globalization and economic integration. As educators and researchers, we are in a strong position to offer reasoned, well-supported, evidence-based and impartial assessments of global trends and phenomena, including those

related to the benefits and costs of globalization. We hope this Special Issue will spark more discussion on how best to improve and adjust the global system of trade to minimize disruptions and increase benefits to a wider band of worldwide stakeholders.

Make Internationalism Great Again: The AIB in an Age of Populist Nationalism

Stephen J. Kobrin, University of Pennsylvania, USA

The isolationist believes that we can build a wall around America and that democracy can live behind that wall, that America “can be made self-sufficient and still retain the free way of life. But the internationalist denies this. The internationalist declares that, to remain free, we must trade with one another – must trade freely in goods, in ideas, in customs and traditions and in values of all sorts.” (Lewis, 2018: 195)

Most AIB members would agree that international economic, social, cultural, and political cooperation can contribute to a better world and that cross-border exchanges should be encouraged. At this point, however, that sentiment is far from universal: the very values and mission of the AIB are under attack in many of our countries from economic nationalists such as Trump in the United States, BREXIT supporters in Britain, Orban in Hungary, and most recently, Bolsonaro in Brazil.

Wendell Willkie’s¹ strong affirmation of internationalism was delivered in June 1941 as much of the world was being consumed by World War II. To a large extent, the war was a reaction to, and a result of, the events of the 1930s: the Great Depression destroyed the world economy, international transactions ground to a halt, and the very viability of capitalism and democracy were questioned. Italian or German fascism and Russian communism were seen as the future: preferable alternatives to the stagnation of parliamentary democracies, the failure of liberal economies, and the ill effects of globalization. During the interwar period, the international economy was rudderless: in Charles Kindleberger’s (1986) words, the UK was unable and the US unwilling to exert leadership.

The reemergence of illiberal populist nationalism, character-

ized by an antipathy to foreign trade and investment – and foreigners in general – raises some critical questions for AIB members. In this essay I will ask:

Is globalization and an open and integrated international economy, the norm, or an exception? Does technological progress require that the international economy be organized globally? Are other reasonably efficient modes of international economic organization possible?

Is it possible to have an open international system – economic, political, and social – that allows for a degree of national independence acceptable to most countries? Can a viable international system based on the rule of law be constructed that allows for the very wide diversity in national politics and economies present in the world today? Is it possible for China’s state capitalism, European social democracy (or what is left of it), and American neo-liberalism to be subsumed within a single global system?

My intention is to raise questions and stimulate discussion rather than attempting answers.

Is Globalization Inevitable?

From the earliest days of our field, there has been a sense of inevitability in many of our analyses of globalization. Raymond Vernon began his seminal book by declaring, “[S]uddenly, it seems, the sovereign states are feeling naked. Concepts such as national sovereignty and national economic strength appear curiously drained of meaning” (Vernon, 1971: 3). I, and others, have argued that globalization fundamentally compromised sovereignty and geographic jurisdiction (Kobrin, 2001),

and that the revolution in technology and the demands of efficiency make increasing international economic and political integration inevitable.

That assumption of inevitability has been severely tested by impact of the Great Recession and the wide-spread populist reaction to globalization. In the modern era, there have been two “waves” of globalization: the first dating from the last third of the 19th century to World War I, or more finally, the Great Depression, and the second arising in the late 20th century, perhaps peaking with the Great Recession of 2007-08. The world economy slammed shut in 1930 with the Great Depression, and we may have experienced an ebb in the tide of globalization following the Great Recession.

That raises an important question: Are free flows of trade and investment – open borders and regulatory regimes – the normal state of affairs and economic nationalism a temporary reaction to specific circumstances such as widespread economic difficulties? Or, on the contrary, does an open international economy require an unusual and exceptional conjuncture of economic and political conditions – robust national economies, willing politicians, and perhaps a hegemonic power – which only occur infrequently?

This sense of inevitability has, to a large extent, been technologically driven. Thus, the first wave was a response to the 19th century developments in transport and communication such as steam ships, the telegraph, and telephone. The second wave was a response to jet aircraft, container shipping and, most important, the digital revolution. Many of our analyses assume, at least implicitly, that technology is not merely an enabler of globalization but also a determinant of it. That as that no single country, even the largest, has the capacity to fully exploit the scale and complexity of 21st century technology, an open and integrated international economy is a requisite rather than a choice. Thus, backing away from a global world economy would entail costs that citizens of many of our countries would be unwilling to absorb. That the costs of disintegration – e.g., of unraveling cross-border supply networks— would be too great to be politically tolerable. Unfortunately, the emerging trade wars of 2019 and their potential effect on supply chains may provide a natural test of this hypothesis.

Kindleberger’s argument that a hegemon or dominant power is needed to stabilize the system bears directly on the question of inevitability. Hegemonic stability is essentially a public goods argument; it has been called the imperialism of free trade: without a dominant power large enough to benefit from an open economy regardless of the actions of others, and powerful enough to both order it and absorb its costs, the system cannot be maintained.

US leadership was critical to the organization of the international economic system after World War II and to its mainte-

nance through the rest of the 20th century. As America is losing both its dominant position and its interest in leadership, the system has begun to unravel. If the emergence of a hegemon who is both willing and able to organize and maintain a functioning international economic system is a necessary condition for economic openness, then that would lend credence to the argument that globalization is a function of fortuitous conditions. It might well be the exception rather than the norm.

To a large extent, American hegemony meant that the US created late 20th century globalization in its own image: the neoliberalism of the Washington consensus which entailed a degree of laissez-faire economics not required by the circumstances (Kuttner, 2018). Dani Rodrik (2018) defined the recent round of globalization as *hyperglobalization*, the elimination of all transaction costs that might hinder trade and capital flows. The explicit form that globalization has taken may well reflect a political choice rather than an economic or technological necessity. The choice we face is one of degree rather than kind: the path that globalization should take, rather than the very existence of an integrated international economy. As Joseph Stiglitz argued, “there is no way that we can become fully ‘unglobalized’” (Stiglitz 2018: 75).

Thus, the question of whether globalization – an open international economy – is the norm or an aberration cannot be separated from the specific form that both waves of globalization have taken. The crisis of democracy and liberalism in the 1930s – the turn towards fascism and communism – was a reaction to the excess of the first wave of globalization, to the extreme and very harsh liberalism of the late 19th century. Similarly, the populist reaction we are currently experiencing is, in part, a reaction to hyperglobalization and the Washington Consensus, a faith in unlimited markets and unrestrained ideological neo-liberalism. The critical question is not whether globalization is the norm or an aberration, but the alternative forms that a more equitable and sustainable globalization might take? I will return to this question shortly.

Can the International Political-Economic System Be Maintained?

While the post-War international system has evolved over time, two underlying assumptions have remained constant: it must be based on the rule of law and the market must be embedded in, at the least, some minimal set of societal institutions. In the last two decades those institutions have been the World Trade Organization, the International Monetary Fund, and the World Bank. At a minimum, there has been agreement on rules such as most favored nation and national treatment (an international legal principle that requires equal treatment of foreigners and nationals).

At this point, the international system is under siege, not in the least from powerful forces in the country most responsible for its construction. On the surface, the opposition would appear to be motivated by a populism and economic nationalism which distains binding international agreements and sees international economic relationships as a zero-sum game.

More substantively, changes in the nature of the system and its context underlie its erosion. The second wave of globalization entailed deep integration: foreign direct investment, integrated global supply chains, and digital networks that affected “behind the border” regulation and constrained national autonomy more directly than frontier regulations affecting trade. As, if not more, important the context – the nature of the countries comprising the system – has become increasingly heterogeneous over time.

At its origin, the post-War system required agreement between European and North American liberal democracies, which – despite their considerable differences – were more alike than not in terms of their market economies, democratic political systems, and respect for the rule of law. That has changed dramatically with the growth in economic importance of countries such as China with authoritarian politics and mixed state-market economies.

These trends raise two critical questions: first, can countries with very diverse domestic economic and political systems agree on a set of rules – and institutions to enforce them – to govern the international economy? Second, and related, can a single system based on the rule of law incorporate countries where the meaning of that term varies dramatically? The difficulty of answering both questions is exacerbated by the decline of US hegemony and the absence of a dominant power able and *willing* to exert leadership. We face a situation reminiscent of the late 19th century of increasing conflict between a declining hegemon and a rising power, which did not end well.

At the height of the second wave of globalization, I (Kobrin, 1998) and a number of others argued that we were entering a period of systemic change in the world order comparable to the transition from the feudal to the modern era: a “neomedievalism” that would lead to the erosion of the post-Westphalian international state-based order. That the scale and complexity of technology and the emergence of electronically integrated global networks would render geographic borders and, more fundamentally, the basic construct of territorial sovereignty problematic. We were wrong.

As Rodrik (2018: 19) noted, the nation-state has refused to wither away in the face of globalization: “it has proved remarkably resilient and remains the main determinant of the global distribution of income, the primary locus of market-supporting institutions, and the chief repository of personal attach-

ments and institutions.” Territorial sovereignty has survived globalization and has roared back with a vengeance.

To an important extent, there was confusion with the US led imposition of what Kuttner (2018) has called radical *laissez faire* or fundamentalist neoliberalism on the international system with a real convergence of ideas and ideology. He noted that allowing duty free imports from countries with poor labor and environmental standards was a political choice and not an economic necessity. Similarly, the transition from Bretton Woods to the Washington consensus represented an ideological choice: a retreat from what John Ruggie (1982) has called “embedded liberalism,” the idea that the economic system must be embedded in a social order.

While the Washington Consensus – deregulation, markets, and open borders – prevailed for a time in practice, it did not represent an underlying, substantive, ideological agreement. “In the years following the fall of the Iron Curtain, there may have been economic, financial, and to a degree, technological globalization, but there was globalization of neither institutions nor ideas” (King, 2017: 215).

Rodrik (2018: 27), echoing a line of argument that goes back to Karl Polanyi (2001), noted that markets must be embedded in nonmarket institutions: “[W]ell functioning, sustainable markets are backed by a wide range of institutions that provide the critical functions of regulation, redistribution, monetary and fiscal stability, and conflict management.” While there has been considerable attention paid to the need for global governance in the literature (see Kobrin [2008] for references), it has been problematic to date, and as Stiglitz (2018) argued, it has been biased towards the interests of corporations.

Given the significant variation in political-economic beliefs and institutions cross-nationally, a global solution to Polanyi’s problem – the necessity of re-embedding markets in society and social institutions – would seem to be beyond reach. However, that does not imply a stark choice between unfettered global markets and de-globalization.

As I have argued elsewhere (Kobrin, 2017), devolution of the world economy towards anything approaching national independence, much less autarchy, is not feasible. The costs of dismantling supply chains and replicating all of their stages domestically would not be acceptable to citizens of most countries. That said, the choice is not bipolar but a continuous trade-off between global integration and national political-economic control.

The problem is to find the balance between the extent of global economic integration and national control of institutions and regulation that provides the more important benefits of the former while allowing for a degree of freedom in the latter acceptable to most countries. A major constraint on any solution

is that any international economic system has to be based on the rule of law, regardless of the variation in the character of the domestic polities which comprise it.

Given the experience of the last two decades, it is naïve to believe that a market economy and capitalism inevitably lead to liberal democracy. Any meaningful international economic system will have to include democracies and autocracies and market-based and state-based economies.

Conclusion and Implications

As Stiglitz, Rodrik, and other critics have noted, the answer is not deglobalization but a less extensive and intensive form of international integration that provides the more important benefits of an international economy while allowing for an acceptable degree of national choice. That raises questions such as, what international institutions are necessary to facilitate international economic exchange, and what are reasonable limits for international as opposed to domestic regulation? Can a diverse group of countries agree on a set of rules to govern international economic transactions? These questions are critically important and should be at the forefront of AIB members' research and discussion.

I have not dealt with the question of equity. The distributive effects of globalization on income and wealth were significant "with large groups being worse off unless countervailing measures were taken to share the gains, but these measures were seldom undertaken" (Stiglitz, 2018: xxiv). How the benefits of globalization can be more widely dispersed and the costs remediated is a critical topic that certainly must be addressed.

I began this essay by noting that I would pose questions rather than provide answers. Most AIB members are internationalists who believe that international economic, political, social, and cultural cooperation can contribute to a better world, and that national self-sufficiency will not lead to a better life. A challenge for us as individuals and as an organization is to take advantage of our expertise to contribute to the discussion – and to help navigate between increasing calls for autarchy and national independence ("America First") on the one hand, and the unfettered globalization that has resulted in both waves crashing on the shoals of a hyper-nationalistic response, on the other. I would hope that we, collectively and individually, can rise to that challenge.

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Endnote

- 1 Wendell Willkie was the failed Republican candidate for President in 1940 and a committed internationalist who was instrumental in overcoming American isolation prior to the US entry into WWII.

Stephen J. Kobrin (kobrins@wharton.upenn.edu) is William H. Wurster Professor of Multinational Management Emeritus at the Wharton School of the University of Pennsylvania. His research interests include globalization, global governance, global strategy, and the politics of international business. He has served as President of the Academy of International Business, Chair of the International Division of the Academy of Management and is a Fellow of AIB.

Global Value Chains and Economic Diplomacy

Ari Van Assche, HEC Montreal, Canada

Thierry Warin, SKEMA Business School, France

Introduction

With President Trump disrupting the rule-based trading system and using tariffs to try to bring jobs and investments back into the United States, there is currently no shortage of discussion about economic diplomacy. Around the world, governments are grappling with how they can help their national firms to cope with the fallout from rising protectionism. They also seek to modernize diplomatic tools to promote certain types of international business (IB) that advance their countries' economic interest.

The focus on economic diplomacy is not new, with the subject having received spurts of attention during times of both rising multilateralism (e.g., after GATT implementation) and mounting protectionism (e.g., after September 11, 2001). What is new about the current cycle of interest, however, is the pace of change within diplomatic services and the amount of resources that are dedicated to economic diplomacy.

In this context, recent scholarship acknowledges the need for a comprehensive analytical framework of economic diplomacy, which can shape our understanding of its activities, tools, and goals. Several recent studies have indeed started combining elements from the fields of international relations and international political economy to capture both the economic and political dimensions of economic diplomacy (e.g., Okano-Heijmans 2011).

However, what is often overlooked in this discussion, and will be the central argument of this article, is that any comprehensive economic diplomacy framework requires a strong understanding of IB. Economic diplomats commonly focus on export promotion and inward foreign direct investment (FDI) attraction, while avoiding import attraction and outward FDI

promotion. We illustrate in this article that this approach is built on wrong premises and discuss how IB scholarship can aid in the development of new frameworks that allows for more effective economic diplomacy strategies.

What Is Economic Diplomacy?

“Economic diplomacy” came in vogue at the end of the 20th century as a growing number of countries overhauled their diplomatic services to increase their economic influence. Kostecki and Naray (2007) define economic diplomacy as a government service to the business community, which aims at the development of socially beneficial international business ventures. It implies the use of a range of diplomatic tools (intelligence gathering, lobbying, representation, negotiation, and advocacy) by public officials from diplomatic missions to support the promotion of certain types of trade and foreign direct investments that advance the country's economic interest. This includes the organization of trade missions, the creation of export and investment promotion agencies, and the deployment of diplomatic resources towards economic intelligence.

The justification for economic diplomacy is the existence of externalities related to intelligence gathering about market conditions and business opportunities in foreign markets. Competition makes firms hesitant to share economic intelligence about foreign markets with their national competitors. Because governments have different priorities, they often step in to provide national firms impartial access to information about foreign markets, thus reducing firms' transaction costs and diminishing their liability of foreignness.

In this article, we do not question economic diplomacy's rationale to strengthen a country's international competitive-

ness. Rather, we use recent IB insights on global value chains (GVCs) to ask whether economic diplomats target the right IB-based economic diplomacy practices to strengthen a country's trade performance.

Traditional View of Economic Diplomacy

A key assumption in traditional economic diplomacy theories is that production is local, but markets are global. This local value chains (LVC) view of IB has conditioned scholars' thinking about economic diplomacy in important ways. If production is concentrated within national boundaries, then firms have a single overriding motive for conducting international trade: to reach foreign consumers. For example, Canadian firms export their "Made in Canada" products to foreign consumers. Canadian imports reflect foreign-made goods that extra-territorial firms sell to Canadian customers.

The complementary relationship between exports and domestic employment provides governments with a justification to develop diplomatic tools that promote exports. Most countries nowadays run active export promotion programs (EPPs) to facilitate national firms' exports into foreign markets. These EPPs involve the provision of export credit insurance and subsidies associated with export requirements. But EPPs also include a series of export-support services that economic diplomats provide to help national firms overcome trade frictions. Economic diplomats help firms find and understand new markets by providing information on the general export process and specific markets, disseminating information on national firms' goods and services, and organizing trade fairs and missions. A vast literature has studied the optimal design of EPPs as well as their impacts on firm performance (e.g., Moons & Bergeijk 2017). Germany is often identified as a country that effectively manages its EPPs.

In contrast, the perception that imports are made by foreign workers and compete against domestically produced output discourages most governments from promoting imports. This bias against imports has been further fueled by a recent study which shows that import shocks from China impose substantial labor adjustment costs on US blue-collar workers, negatively affecting their lifetime income and even their health and marriage prospects (Autor et al., 2014). This is not to say that import promotion programs are completely absent. A few countries have import promotion offices to support SMEs from developing economies (e.g., Netherlands Centre for the Promotion of Imports from Developing Countries). The mandate of these organizations, however, is to support international development and not to spur national economic performance.

The LVC view also shapes economic diplomats' thinking about FDI. If firms concentrate their production within national boundaries, then they have two key motives to conduct outward FDI: to move production close to consumers (*market-seeking*) or to shift it in the proximity of natural resources (*resource-seeking*). In both cases, governments consider outward FDI to be a substitute for domestic employment, and therefore something that should be avoided. In contrast, inward FDI should be encouraged since it brings many benefits to the country including jobs, capital, and advanced technology. A substantial literature has described the inward FDI policies such as tax breaks, infrastructure constructions, and loans that economic diplomats use to attract inward FDI (e.g., Tavares-Lehmann et al., 2016). The success of China's export-led growth strategy is often attributed to the country's ability to attract labor-intensive FDI through duty exemptions and tax reductions.

Taken together, the LVC view of IB has provided a strong underpinning for the so-called New Mercantilist paradigm that dominates today's thinking: any economic diplomacy strategy should be centered on the dual pillars of export promotion and inward FDI attraction.

Reality of Global Value Chains

The problem with the LVC view of IB is that it has never been so disconnected from reality as it is today. Following revolutionary declines in transport and communication costs, firms have long abandoned the practice of producing goods and services in a single country. Through offshoring and outsourcing,

“ The problem with the LVC view of IB is that it has never been so disconnected from reality as it is today.

they have fragmented their production processes and dispersed activities to different countries around the globe, leading to what are known as GVCs. GVCs have been documented in various industries ranging from footwear to telecommunications and services. There is growing evidence that GVCs are transforming locations by pushing them to move from an industrial to a functional specialization (Timmer et al., 2018).

IB scholars were quick to recognize that firms' ability to geographically disperse value chain activities provide additional economic incentives to conduct IB. Firms now build or link with activities in foreign countries to obtain cheaper or higher quality inputs, allowing for productivity improvements (*efficiency-seeking*). Other firms set up or connect to multiple activities in different foreign locations, letting them build resilience and operating flexibility (*flexibility-seeking*). And some firms build pipelines to foreign locations to tap into knowledge pockets that are not available locally, beefing up their innovation capability (*knowledge-seeking*).

One may even argue that the existence of GVCs has become axiomatic in current IB scholarship. Researchers commonly characterize the MNE as a network orchestrator of cross-border value-creating activities, some of which are carried out within the hierarchy of the firm and some which are conducted through informal social ties or contractual relationships. A familiar research theme in current research is how MNEs nurture their firm-specific advantage by using their network resources to reduce costs, connect to stronger partners, and access foreign technology (Cano-Kollmann et al., 2016).

However, a shortcoming of IB scholarship is that it has paid little attention to policy implications: despite deep knowledge about the way firms orchestrate GVCs, IB scholars have not sufficiently examined how GVCs affect broader social and economic issues. There are nonetheless a number of policy insights specifically related to economic diplomacy strategies that we can derive from existing GVC studies.

Imported Inputs Can Strengthen the Local Economy

There is ample empirical evidence that imported inputs, which take place within GVCs, are a key source of technology spillovers for national firms. They allow firms to improve their productivity, to develop new products, and to conduct quality upgrading. Country-level data also show that integration in GVCs is good for a country's growth: imported input growth is positively related with both industry-specific employment and output growth (Van Assche, 2017). As a consequence, there is a growing call for policymakers to reduce trade restrictions on imported inputs.

Outward FDI Can Spur Local Employment and Growth

IB scholarship has widely established that outward FDI can enhance a firm's scale of operation and knowledge creation, and that these firm-specific benefits may spur positive externalities in the home country, which can stimulate growth and renew a nation's competitive advantages. Outward FDI is not necessarily a substitute of domestic jobs. Focusing on US MNEs, Harrison and McMillan (2011) found that employment by an MNE's foreign subsidiaries is complementary with its employ-

ment in the United States, and especially when the subsidiaries are located in high-income countries. Bathelt and Buchholz (2018) showed that outward FDI positively affects the median income per capita of US counties. As a consequence, there is a growing acknowledgement that FDI policy should focus not only on inward FDI attraction but also on outward FDI promotion (Buckley, 2018).

“ Focusing on only the traditional pillars of economic diplomacy – export promotion and inward FDI attraction – has become antiquated.

Economic Diplomacy Strategies Should Be Place-Sensitive

Countries specialize in different types of activities and therefore may benefit from exposure to different kinds of assets and knowledge flows through IB. Depending on a location's specialization profile, economic diplomats could therefore promote a distinct international connectivity strategy to catalyze local economic growth (Iammarino, 2018). Turkina and Van Assche (2018) provided empirical evidence of the need for place-sensitive policies in the case of industrial clusters. Most developed country clusters compete to attract and retain knowledge-intensive activities, and it is improvements in horizontal connectivity (both inward and outward) to other knowledge hotspots that disproportionately allows them to do so. In developing countries, innovation catch-up depends on the ability to climb up the value chain, and it is thus improved vertical connectivity to more central value chain players that disproportionately allows firms to upgrade.

Implications for Economic Diplomacy

Our key message is that focusing on only the traditional pillars of economic diplomacy – export promotion and inward FDI attraction – has become antiquated. It is based on the premise that firms predominantly use IB to reach foreign consumers, but this is far from reality. A growing number of firms use IB to develop more efficient production processes, diminish supply chain risk, and enhance access to foreign knowledge. The success of these GVC business models depends not only on firms' ability to obtain reliable information on foreign markets but also on their capability to gather economic intelligence on potential GVC partners and possible outward FDI opportunities. Given the free rider problem that these firms face, there

is a clear role for economic diplomats to step in and provide a broader set of services to stimulate IB that goes beyond export promotion and inward FDI attraction, particularly if it helps national firms to strengthen their position in GVCs.

This is not to say that we advocate for a blank slate, across-the-board promotion of all types of IB transactions. It is well established that any type of IB transaction can generate both winners and losers. Rather, we call for countries to develop comprehensive, place-sensitive economic diplomacy strategies that are built upon a careful empirical analysis of the differential consequences of distinct types of IB activities, and take the existence of GVCs as a starting point. Implementing such strategies will require countries to enhance their diagnostic tool kit, and – we acknowledge – it will require economic diplomats to have a more complex perspective on current global dynamics. We firmly believe that IB scholars can provide academic support in the process, particularly as the field deepens its interest on the policy dimension of IB research.

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Ari Van Assche (ari.van-assche@hec.ca) is Associate Professor of International Business at HEC Montreal and deputy editor of the *Journal of International Business Policy*. Recipient of a Ph.D. in Economics from the University of Hawaii at Manoa, his research focuses on the organization of global value chains and their implications for international trade and industrial clusters.

Thierry Warin (thierry.warin@skema.edu) is Professor of Data Science and Finance at SKEMA Business School. An Academic Editor at Plos One, he is the director of the SKEMA Augmented Intelligence Global Lab. He received his PhD from Essec Business School, France. His research focuses mainly on the dynamics of global integrations both financial and technological, using data science (predictive modelling, big data, network analysis) as a methodology of choice.

Trade Policy in the Asia Pacific after Trans-Pacific Partnership

Barbara Weisel, Rock Creek Global Advisors, USA

Asia-Pacific countries are making progress in developing trade and investment frameworks through various regional approaches. These include the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP), the Pacific Alliance, EU trade agreements with Asia-Pacific countries, and China's Belt and Road Initiative. The United States (US) had been heavily invested in a regional approach through the Trans-Pacific Partnership (TPP), but the Trump administration withdrew from that agreement in favor of a bilateral approach, reflecting its America-First policies. This article discusses the economic and foreign policy implications of these different approaches in an era of growing tensions between the US and China.

The Original US Vision for the Trans-Pacific Partnership

Ten years ago, my colleagues and I at the Office of the US Trade Representative began developing options for US engagement in the Asia Pacific. With its large and fast-growing markets, this region presented enormous opportunities for the US, and we were determined to ensure that U.S. businesses could take advantage of them. We sought to position the US commercially and strategically for the long term.

It was clear that unless the US was a first-mover in setting trade rules, US businesses would become rule-takers. Other countries were negotiating bilateral and regional trade agreements in the Asia Pacific more quickly than the US, putting US businesses at a competitive disadvantage. Many observers concluded that the US needed to replace the slow bilateral approach it

had been pursuing with a regional approach that could yield faster results.

It also was clear that a regional approach would promote the development of common trade rules to replace the “spaghetti bowl” of rules that resulted from the various bilateral agreements. This would help US businesses operate more seamlessly across the region and link directly to regional value chains. A new regional agreement also would create the opportunity to expand the rulebook to include next-generation trade and investment rules. Among these would be rules to address behind-the-border barriers, the emergence of digital trade, and distortions caused by state-owned enterprises. In addition, the agreement would have to include strong enforcement mechanisms to ensure the rules were fully implemented.

Of course, developing a new regional trade agreement in the Asia Pacific would have geopolitical implications. This agreement would be an opportunity to further strengthen US leadership, promote the rule of law, deepen US alliances with key partners, build common cause with like-minded countries, and embed the US in regional economic architecture that would reflect its enduring role as a Pacific power.

After detailed consultations over many months, the TPP negotiations were finally launched. Starting with five countries, the TPP negotiations eventually expanded to 12 countries – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US, and Vietnam. With the signing of the agreement in early 2016, the US and its TPP partners were on the cusp on realizing their vision.

Trade Policy under Trump

Trade became an important theme in 2016 US presidential campaign, with both Donald Trump and Hillary Clinton opposing TPP. Once elected, Trump made one of his first acts withdrawal from the TPP, to be replaced by bilateral agreements with key countries. The move reflected President Trump's deep conviction that negotiating bilaterally rather than regionally would provide the US greater leverage to achieve his primary objective of eliminating US trade deficits and his visceral opposition to the policies of the previous administration. Unlike Clinton, he did not see the geopolitical advantages of the TPP and did not give consideration to amending it rather than withdrawing.

KORUS and NAFTA Renegotiations

As a first order of business, Trump announced that he would renegotiate the US trade agreement with Korea (KORUS) and the North America Free Trade Agreement (NAFTA). To build leverage, the Trump administration threatened to withdraw from these agreements and imposed steel and aluminum tariffs on US trading partners (many of which retaliated in kind) under Section 232, a little used provision of the Trade Expansion Act of 1962 that allows the president to impose tariffs or quotas on imports of that are determined to threaten national security. Many viewed the Section 232 action as illegitimate, and several countries initiated World Trade Organization (WTO) dispute settlement cases against this US action.

Korea agreed to trade negotiations, which it hoped would quickly resolve bilateral trade issues and allow it to keep the focus on regional security issues and the North Korean threat. After several months of talks, the two sides agreed to minor amendments to the original KORUS.

The Trump administration then used the threat of withdrawal, the steel and aluminum tariffs, and the threat of Section 232 tariffs on autos and auto parts to pressure Mexico and Canada to accede to its demands. The US-Mexico-Canada Agreement (USMCA) that the three countries concluded on September 30, 2018, draws heavily on TPP, but it also includes several new elements, which the Trump administration has said it will use as a template for future FTA negotiations. These include provisions aimed at: (a) reducing trade deficits, (b) retaining continued US leverage over its trading partners, and (c) targeting China.

Negotiations with Japan and the EU

The US is also pursuing trade agreements with Japan and the EU to address what it views as unbalanced trade relationships. In addition to addressing the US bilateral trade deficits with these countries, the US hopes to reduce frictions with them so as to be able to focus its firepower on China and then enlist them as allies in its conflict with China. Having watched the US in the NAFTA renegotiation and being skeptical about the

likelihood of a successful conclusion given US objectives, both Japan and the EU initially resisted US overtures. Japan also hoped it could persuade the US to rejoin TPP. However, facing the threat of Section 232 tariffs on autos, Japan and the EU agreed to initiate bilateral talks, while the US agreed not impose 232 tariffs on autos as long as the talks were ongoing. The Trump administration notified Congress in mid-October of its intent to launch negotiations with Japan and the EU (as well as the UK) but dates for starting these talks have not yet been set.

Addressing Concerns on China

Even as it pursues these trade negotiations, the Trump administration's top trade policy priority is China, which it has identified as the principal commercial and geo-strategic threat facing the US. In August 2017, it launched an investigation of China's trade practices under section 301 of the Trade Act of 1974, which allows the President to take actions to address foreign measures it determines to be unreasonable or discriminatory and that burden or restrict US commerce. In March 2018, the Trump administration produced a detailed report documenting unfair and discriminatory Chinese practices – a list of concerns shared by the US Congress, many foreign governments, and US and foreign businesses. To create leverage on China to force it to reform its economy and trade policies, the Trump administration imposed successive rounds of tariffs on Chinese imports into the US, now totaling \$250 billion. It also threatened to raise the existing tariffs and impose a final tranche of tariffs covering the remaining \$257 billion in Chinese imports not already hit with US tariffs. China responded with its own retaliatory tariffs and other non-tariff measures. In early December 2018, Presidents Trump and Xi announced a temporary ceasefire, with the two sides agreeing to refrain from taking further tariff actions until March 1 while they engage in negotiations on a range of issues. Meanwhile, the Trump administration's

““ *As the US has pursued its “America-First” strategy, other countries have continued to pursue their own strategies.*

trade conflict with China has expanded into a comprehensive government-wide strategy to respond to the challenges posed by China, including intellectual property theft, forced technology transfer, and unfair subsidies, as well as human rights, debt diplomacy, election interference, and the militarization of the South China Sea. The Chinese leadership has reacted, including by redoubling its efforts to dominate next-generation

technologies and calling for greater “self-reliance,” as it works to wean itself from dependence on US trade.

Developments on Asia-Pacific Regional Trade Architecture

As the US has pursued its “America-First” strategy, other countries have continued to pursue their own strategies. Many have focused on developing Asia-Pacific trade frameworks that will increase their market access and deepen their supply chains across the Asia Pacific, promote rules that reflect their interests, and strengthen their regional alliances. These emerging regional frameworks include:

CPTPP

Following the US withdrawal from TPP, many observers assumed the agreement was dead. However, in a demonstration of their commitment to free trade, a high-standard regional architecture and the preservation of benefits they had negotiated, Japan led the remaining 11 TPP countries to conclude the CPTPP. The new agreement, which entered into force on December 30, 2018, keeps intact the market access commitments negotiated in TPP and almost all of the TPP rules. The CPTPP members will now look to expand membership in the agreement. Several countries already have expressed interest in joining, and with the “plug and play” structure of the agreement, negotiations with new members may proceed relatively quickly.

RCEP

RCEP was launched in 2012 by the ten countries of the Association of Southeast Asian Nations (ASEAN) – Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam – and their existing FTA partners: Australia, China, India, Japan, Korea, and New Zealand. Their goal was to strengthen their economic linkages, promote development, and harmonize and upgrade their existing agreements. The Southeast Asian countries were behind the ASEAN-centric architecture and its incremental approach, which many saw as more appropriate than the more comprehensive, high-standard approach of the TPP. China also supported the RCEP approach as an Asia-only alternative to TPP. The 16 countries have held two dozen rounds of talks, but negotiations have proceeded slowly. They have encountered deep divisions amongst the members, including about the appropriate level of ambition they should seek to achieve. However, the entry into force of the CPTPP has increased the determination of RCEP countries to conclude their agreement. For China, concluding the deal would provide important commercial and geopolitical benefits given its growing trade tensions with the US. The 16 countries are seeking to finalize the agreement in 2019.

Pacific Alliance

The Pacific Alliance (*Alianza del Pacifico*) was established in 2011 by Chile, Colombia, Mexico, and Peru to promote regional integration, growth and development, free trade and in-

vestment, integrated financial markets, free movement of people, and political dialogue. The Pacific Alliance has attracted more attention as a pathway for integration in Latin America than as a potential Asia-Pacific economic architecture. However, the four Pacific Alliance members see the initiative as a framework for integration across the Asia-Pacific region and beyond. To join the agreement, a new member must have bilateral FTAs with each of the other Pacific Alliance members. The Pacific Alliance encourages associate members, which must commit to negotiate free trade agreements with each Pacific Alliance member. Costa Rica, Panama, and Ecuador are seeking full Pacific Alliance membership, while Canada, Australia, New Zealand, and Singapore are seeking associate membership. In addition, the Pacific Alliance is open to observers, of which there are currently 55 countries from around the world. Asian countries have put a higher priority on their own regional initiatives, but many have joined the Pacific Alliance as observers, including China, India, Indonesia, Korea, Japan, and Thailand, as well as the US.

EU Deals

The EU has sought to deepen its economic partnerships and promote EU rules in the Asia Pacific primarily through a bilateral approach as an initial step. It has concluded bilateral FTAs with Korea, Japan, Singapore, and Vietnam. It is negotiating an agreement with Indonesia and launched negotiations with Australia, New Zealand, Thailand, Malaysia, and the Philippines (although the EU suspended the latter over human rights concerns). Its agreements focus on opening markets for EU agriculture and certain industrial goods and rules that reflect the EU’s unique approach to such issues as standards, intellectual property, investment, digital trade, and labor. In 2015, the EU proposed to work toward an EU-ASEAN regional FTA, building on bilateral agreements between EU and ASEAN member states. Progress toward this agreement is likely to be slow. Still, the EU continues to make strengthening ties with the Asia-Pacific region a priority. It holds regular meetings of the Asia-Europe group, the latest held in October 2018 and attended by heads of state and senior officials of 51 Asian and European countries. The EU also regularly holds summits with China, the latest held in July 2018, during which the two sides agreed to accelerate work on their bilateral investment agreement.

Belt and Road Initiative (BRI)

China designed the BRI as a means of strengthening its trade and investment links, financial integration, and regional cooperation with countries across East, Central, Southeast, and South Asia, as well as the Middle East, North Africa, Eastern Europe, and Latin America. It is intended to expand China’s export markets, provide it with access to foreign resources, and promote the internationalization of the RMB. With the infrastructure needs of the target BRI countries, Chinese transport and digital economy infrastructure, financing, and increased trade have been welcomed, despite concerns about debt sustainability, transparency, and the implications of increasing dependence on

China. Although the BRI is not being billed as an alternative regional trade architecture, it is providing China the means to achieve market access, establish regional supply chains, set trade and investment rules and standards, and promote new economic and governance models across the Asia Pacific.

Outlook

Looking ahead, Asia-Pacific countries will continue to make progress in establishing the architecture that will govern trade and investment in the region in the future. With CPTPP now in force and new members already interested in joining, it will play a prominent role in the design of regional rules and trade flows.

However, other initiatives will also be influential. China's continued expansion of the BRI will increase access to regional markets, allow it to set trade and investment rules, and extend its influence. The EU trade agreements with Japan, Singapore, and likely Vietnam will enter into force in 2019 and it will make progress in negotiations with other countries, providing it access to regional markets and allowing it to set trade rules on key issues. If concluded, RCEP will be important in strengthening supply chains across the Indo-Pacific, and the expansion of the Pacific Alliance will strengthen linkages between the Americas and Asia.

Meanwhile, the Trump administration will continue to pursue its bilateral approach. Although it may conclude a bilateral goods agreement with Japan, it is likely to reach few, if any, other trade agreements with regional partners in the next few years. It also will continue to press companies to relocate production to the US and to reduce their reliance on foreign supply chains, including through policies designed to decouple the US and Chinese economies.

Regional supply chains will continue to expand, but increasingly without US links. Companies may produce in the US market for sales in the US, but US policies will discourage them from using the US as an export base. To avoid US tariffs on inputs, connect to supply chains, and gain the same preferential access that their competitors enjoy, companies are more likely to base operations targeting Asia-Pacific markets in other countries in the region rather than the US.

As Asia-Pacific countries move forward with their trade agreements, they will increasingly set regional trade rules that serve their interests. Absent participation in a regional trade agreement, the US will find it difficult to shape Asia Pacific-wide trade rules on the range of issues – including services, high tech, and other knowledge-based and creative industries as well as intellectual property, standards, competition, and other issues – that are critical to future US economic growth, competitiveness, and jobs.

Finally, the competing Asia-Pacific trade strategies will have important geopolitical implications. For the US, having ceded regional influence to other countries by withdrawing from TPP, regaining it will be increasingly difficult. Other countries are stepping up to fill the leadership vacuum left by the US and may no longer be as willing to defer to it. Some may work with the US on specific issues on which they share common interests, but even on these issues, their willingness to cooperate will be undercut by their frustration over US unilateralism. Despite their misgivings, allies and partners will become more willing to work with US rivals, including China, given the reality of its growing influence and as a hedge against the unreliability and unpredictability of US trade and foreign policies.

Of course, the next US administration could seek to shift this trajectory. As it develops its trade and foreign policy policies, a new administration will evaluate the costs and benefits of the Trump Administration's America-First approach. It will take a fresh look at options for promoting US competitiveness and growth, and managing China's rise, as well as how best to ensure the benefits of trade and innovation are broadly shared. A new administration may put a renewed priority on reestablishing US leadership by rebuilding US alliances as well as on strengthening and modernizing the international institutions that underpin the rules-based global order. It may also seek to rejoin the TPP, a move that the other 11 members would likely welcome even if doing so required some renegotiation of the agreement. Doing so would be the quickest and most efficient way to reassert US economic and strategic interests in the Asia-Pacific region and promote US economic growth and prosperity.

Barbara Weisel (bweisel@rockcreekadvisors.com) is a Managing Director at Rock Creek Global Advisors, an international economic policy advisory firm based in Washington, DC. Previously, she served as Assistant U.S. Trade Representative for Southeast Asia and the Pacific, where she was the U.S. chief negotiator for the Trans-Pacific Partnership. She also served as negotiator of free trade agreements with Singapore, Australia, Thailand, and Malaysia, and led other trade and investment initiatives aimed at promoting U.S. interests in the Asia Pacific.

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Michigan State University
Eppley Center
645 N Shaw Ln, Rm 7
East Lansing, MI 48824 USA
Tel: +1-517-432-1452
Fax: +1-517-432-1009
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