

Why Global Investment Still Matters

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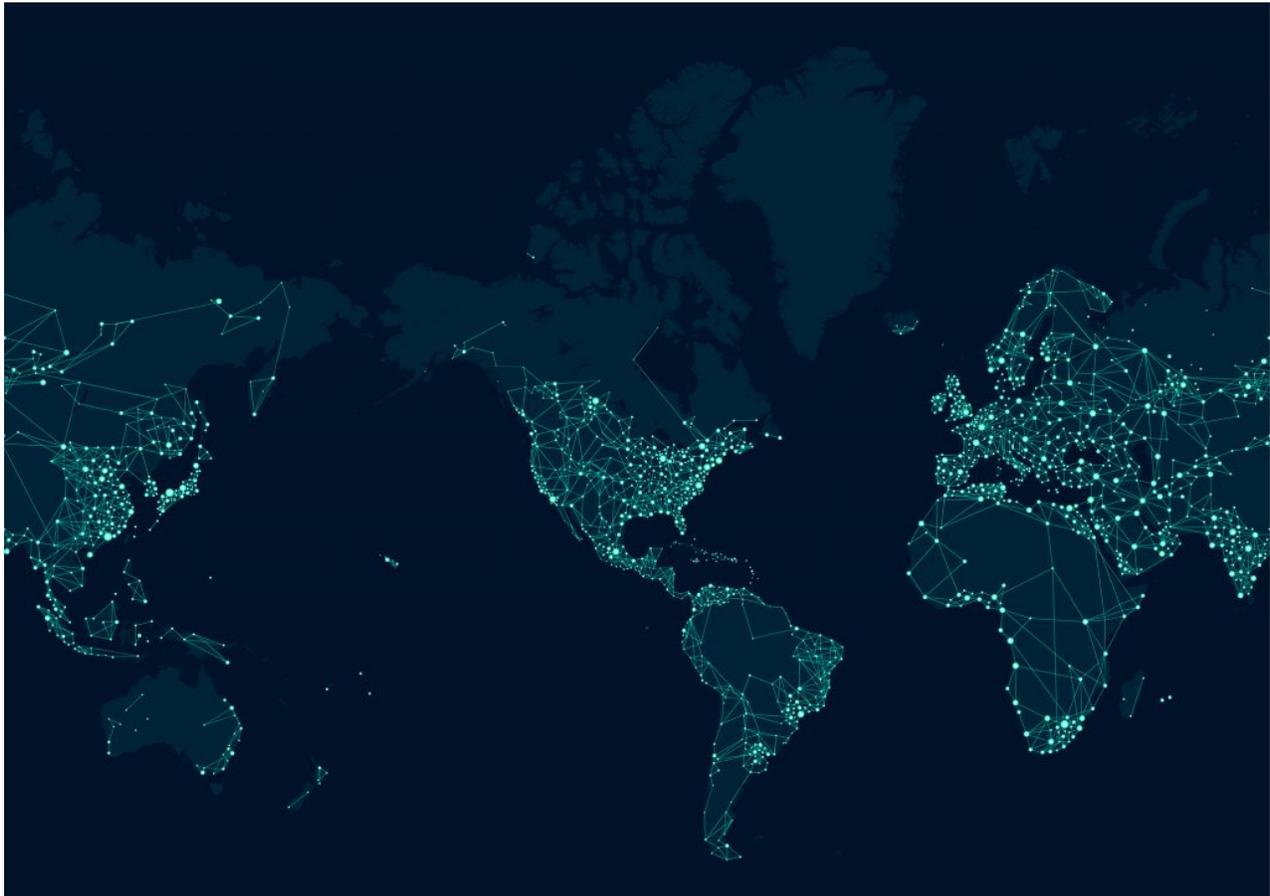
Brexit. A border wall. Punitive tariffs. Trade wars. Reading today's headlines, one might think that the resurgence of nationalism, both in the U.S. and around the world, has placed a death grip on free trade. Is the decades old trend of globalization coming to an end? Has protectionism won out?

Tariffs and trade wars are not likely to overcome the power of global trade. This is particularly true in an era where information has become the driving economic factor. Advancing information technology does not recognize international borders. Digitalization and the internet allow information and data to flow freely, instantly, and constantly.

Not all investors have grasped this development. Many institutional investors in the U.S. invest internationally, but seldom invest globally. There is a subtle but important difference. They have been conditioned to see the world in terms of the U.S. and the Rest of the World ("ROW") which colors their thinking and limits their options.

Investors with less of a "home bias" will have a broader view which gives them the ability to evaluate a bigger and more global set of investment opportunities.

Globalization has taken root, too deeply to be dislodged. Take the automobile industry, long a stalwart of the U.S. manufacturing sector. Critics rail against the exodus of American automobile jobs.



But the fact is that many foreign manufacturers have set up shop in the U.S., bring jobs and stimulating local economies in places like Alabama and Tennessee. Need proof? Only 40 percent of the parts in the 2017 model Ford Focus were domestically manufactured; but 55 percent of the parts of the Nissan Altima are made in America.¹

This type of cross-border productivity was unthinkable as little as a few decades ago. But today an automotive design team in Los Angeles can collaborate with an engineering team in Tokyo, coordinating with parts production in Taiwan and final assembly at a plant in Mexico. All the result of electronic communication and data sharing that transcends politics and leaps instantly across oceans.

Globalization has too much momentum, and too many benefits, to be halted by political considerations. You cannot stuff the genie back into the bottle. Globalized trade continues to yield net benefits in both advanced and emerging economies, including lower prices for goods and services, improved quality of life, and growing employment in sectors that support and serve evolving technologies.

1. <http://time.com/4681166/car-made-american/>

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