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From Globalization to Reindustrialization: Regionalization and Restructuring in Trade

The unprecedented socio-economic crisis of Covid-19 has shaken world economies and societies, leaving deep scars. The pandemic also unlocked successive crises, raising questions about the resilience of the global economy and exposing various vulnerabilities. Wars, trade restrictions, food and energy crises, supply chain disruptions, inflation, income inequalities, climate-related issues, and similar factors have collectively highlighted the weaknesses of international trade. Growing geopolitical tensions have emphasized the necessity of resilience, turning the concept into a priority element of national strategies. This requirement encompasses not only economic dimensions but also political and security cooperation.

Challenges in international integration, pressures from the green industry, and the tendency of developed and developing economies to refocus on production capacities have brought issues like reindustrialization and regional productivity to the forefront in the post-pandemic period through more sustainable industrial policies. Although global trade continues at its current level, rising economic and security concerns have increased international interest in regionalization. In this context, the EU stands out with its capacity-building policies in the race to become a green industry leader at both global and regional levels. The EU, focusing on enhancing resilience and achieving global and sustainable growth through reindustrialization strategies under the Green Deal, also strives to mitigate the disruptive effects of international trade by considering environmental, social, and governance (ESG) criteria.

Within this framework, the EU's green industry leadership forms part of a race aimed at playing an influential role in global and regional transformation. The focus of developed economies on green industries for sustainable development also increases its importance for developing countries.

Reindustrialization can offer these countries the potential to become leaders in innovation-oriented technologies, enabling them to gain a competitive advantage in trade. Countries that capitalize on this opportunity and adopt innovation-focused green and digital transformation can achieve sustainable growth based on high technology and position themselves at the forefront of economic competition. As long as economies ignore ESG criteria, global and regional trade will remain at risk of constant fragmentation and disruptive impacts.

Concepts of Globalization and Regionalization

Globalization

Globalization is a concept that gained importance in the second half of the 20th century. Since the late 19th century, globalization has gained momentum due to rapid advances in communication and transportation technologies. Moreover, after World War II, the spread of international trade and free trade agreements accelerated globalization further. This process, resulting from increased connections and exchanges across economic, political, and cultural dimensions, has shaped today's world order and will continue evolving in the future.

Globalization refers to a process that affects countries, economies, political systems, cultures, and individuals worldwide. This period reflects increased economic integration, widespread free trade, reduced transportation costs, heightened international capital mobility, the expansion of the global workforce, and the rapid spread of communication technologies. It is shaped by factors such as technological advancements, the spread of free trade, and the growing influence of multinational corporations. It is a complex process that is not controlled by a central authority and unfolds at different speeds across various regions and countries. Globalization has a range of economic, political, social, cultural, and environmental impacts and deeply affects international relations, business, cultures, and societies. As globalization can lead to both positive and negative outcomes, it is a multifaceted and widely debated concept. Consequently, globalization influences and is influenced by factors ranging from economic connections to technological advancements, cultural interaction to political changes, local and global interactions to social inequalities, and environmental effects.

Regionalization and Regional Resilience

While intensified global economic interactions push states to manage interdependence and leverage its benefits, regionalization plays a crucial role in this process. Economic changes initiated in Europe have pioneered regional trade agreements. Today, regional trade agreements and economic unions are increasing worldwide, and regionalization aims to emphasize local and regional economies. These concepts serve as significant guides in economic decision-making, policy development, and trade strategy formulation.

Countries are turning to regional agreements to enhance economic resilience and withstand crises. For example, during the 2008-2009 global economic crisis, the Asian region recovered more quickly due to the advantages of regional cooperation and trade agreements, while the European Union and the United States experienced a longer recovery due to their inability to establish global cooperation. Regional trade agreements not only strengthen economic resilience but also promote cooperation among neighboring states. These agreements, significant from a security perspective, enhance regional security by increasing the capacity for cooperation in crisis situations.

In conclusion, regionalization and regional resilience encompass important economic, political, and security elements. These concepts can help economies recover during crises, foster cross-border cooperation, and highlight the potential of more regional cooperation and trade agreements to enhance economic resilience in the future.

Advantages and disadvantages of globalization and regionalization can be simply illustrated as follows.

	Advantages		
Globalization	Market Expansion: Opportunity to reach more consumers worldwide.	Resilience to Crises: Regional supply chains may be more resilient during crisis moments.	Regionalization
	Innovation Encouragement: The coming together of ideas from different cultures and the emergence of new solutions.	Political Collaboration: Closer political relations among neighboring countries.	
	Economic Growth: Access to the global market supports business growth.	Resource Sharing: More effective utilization of resources between regions with similar resources.	
	Lower Costs: Savings in production costs through global supply chains.	Collaboration Opportunities: Joint projects and trade opportunities.	

	Disadvantages		
Globalization	Income Inequality: The income gap between rich and poor countries.	Limited Market: Smaller markets may limit the growth potential of businesses.	Regionalization
	Environmental Impacts: The impact of global production and transportation on natural resources.	Isolation: Limited regional interaction may encourage isolation from global trends.	
	Sensitivity to Crises: Vulnerability to fluctuations in the global economy.	Lack of Competition: Insufficient competition may hinder innovation.	
	Dependency: Excessive dependence on a product or raw material source.	Domestic Policy Conflicts: Lack of regional cooperation can lead to political disagreements.	

Globalization & Regionalization Dilemma

Over the past two decades, globalization and regionalization have significantly reshaped the world economy. While global trade and financial developments have grown rapidly, regional economic ties have strengthened further. This trend has led to the restructuring of the world economy and a detailed examination of globalization and regionalization.

According to DHL's Global Connectedness Index 2022 report, the average distance of international flows has increased, demonstrating unexpected resilience despite current shocks. However, geopolitical tensions between the US and China have weakened this connectivity. Therefore, policymakers are expected to focus on economic fundamentals rather than changing existing production and supply arrangements.

According to the World Economic Forum's article "Regionalization or Globalization: Which Way Forward for Trade?", analysis of regionalization and globalization trends shows that, contrary to expectations, trade between neighboring countries and among countries in the same geographic region has remained stable. It notes China's increasing contribution to the global economy but highlights that COVID-19 has pressured global trade and led to an increase in regional trade agreements.

A McKinsey Global Institute article, "How Our Interconnected World is Changing," emphasizes that globalization is not declining but evolving. Over the past 20 years, the global economy has grown, but goods flows have accounted for a smaller share of total economic output, while flows representing knowledge and technical information, such as intellectual property and data, have accelerated. The reliance of major production regions on global resources and China's role as a consumer of intellectual property illustrate that the global economy remains interconnected and regional dependence continues.

Although results do not indicate a transition from globalization to regionalization in global flows, it is understood that both global and regional factors should be considered together in international cooperation and policymaking. Therefore, the globalization and regionalization dilemma emerges as an integral part of economic sustainability, competitive advantage, and policy formation.

According to the main findings of the Global Risks Report published by the World Economic Forum (WEF) in January 2023, near-future economic, environmental, and geopolitical risks are notable for their complexity and their interaction increases the risk of polycrises. In an environment where the rise of global risks and weakening international cooperation drive countries to focus on their regional security and economic interests, the effects of global erosion must also be considered. When viewed from a decade-long perspective, continued climate risks could lead to failures in adaptation and mitigation efforts. Another key point emphasized in the report is the growing challenges in combating climate change. Future issues such as food, water, metal, and mineral shortages are anticipated, which could become primary causes of conflicts and highlight scenarios where adaptation or mitigation efforts fall short. This development may bring a perspective where integration, which emerged with globalization, could weaken, and global economic dynamics could change. Therefore, adopting and implementing effective climate policies at global and regional levels will be critical for a transition to a more sustainable future over the next decade.

EU’s New Industrial Strategies: A Forward-Looking European Model

The European Union has led global economic growth through R&D investments, technological development, and sustainable production, inspiring other regions through its innovations. Thus, the EU has played a significant role as the center of industry and a pioneer of innovation throughout history and today.

➢ Update of the 2020 New Industrial Strategy: Digital, Resilient, Single Market

Following lessons learned from Covid-19, the EU was compelled to refocus and update its industrial strategy. The European Commission, assessing new conditions, has set its industrial goal: transforming into a sustainable, digital, and resilient structure while reducing strategic dependencies and becoming a globally competitive economy. Moreover, the twin transition of ecological and digital transformation, included in the five-year Strategic Agendas of the Parliament and Council in recent years, has been recognized as a fundamental element of economic transformation. Additionally, the REPowerEU Plan, following Russia’s invasion of Ukraine, has emphasized reducing energy dependency. The Green Deal, the Strategy for Shaping the Digital Future, and the REPowerEU Plan are key elements in reshaping industry and strengthening the EU’s economic growth, security, and climate goals. The strategy aims to support competitiveness and strategic autonomy amid rising geopolitical mobility. In summary, this update constitutes a restructuring operation that strengthens weak parts to transform into a sustainable, resilient, and competitive economy from both global and regional perspectives.

When adopting the above decisions, the EU analyzed the lessons learned from the global Covid-19 crisis, summarized in the following report:

Although the crisis had varying effects across ecosystems and companies, the importance of the following issues emerged: - Restrictions on the free movement of people, goods, and services. - Disrupted global supply chains affecting the availability of essential products. Comprehensive analyses were conducted in six areas of dependency (raw materials, batteries, active pharmaceutical ingredients, hydrogen, semiconductors, cloud and edge technologies). - Demand distortions.

To support post-crisis economic transformation, the areas the EU focuses on in its updated Industrial Strategy include:

1. Resilience of the Single Market Recommendations:

- Single Market Emergency Instrument

- Deepening the Single Market
- Monitoring the Single Market

2. Strengthening the EU's Open Strategic Autonomy Recommendations:

- Diversified international partnerships
- Industrial alliances
- Examination of strategic dependencies

3. Accelerating Twin Transitions Recommendations:

- Transition pathways
- Multi-country projects
- Analysis of the steel sector
- Abundant, accessible, and affordable decarbonized energy

European Industrial Strategy	
Digital Transformation	Cluster Policy
Ecosystems	Energy-Intensive Industries
Industrial Alliances	We Support Clean Hydrogen
Skills for Industry	Interregional Partnerships
Advanced Technology	Industrial Policy Dialogue and Expert Advice
Innovation	Intellectual Property

Key Policy Areas of the EU Digital Strategy	
Digital Decade	Declaration on Digital Rights and Principles
Digital Taxation	Artificial Intelligence
European Digital Identity (eID)	Digitalisation of Justice
Digital Services	Data Economy
Connectivity	Cybersecurity
Digital Information Exchange	

➢ Green Deal Industrial Plan (GDIP): Leading in Green Industry

To scale up production capacity for net-zero technologies and products required to meet climate targets, the EU Commission proposed the Green Deal Industrial Plan on 1 February 2023. The Industrial Plan aims to accelerate industry transformation focused on sustainability and lead the clean technology revolution globally. Based on the initiatives above and leveraging the strengths of the EU Single Market, the Plan complements ongoing efforts under the European Green Deal and REPowerEU. It is built on four pillars: 1. A predictable and simplified regulatory environment, 2. Accelerating access to finance, 3. Developing skills, 4. Open trade for resilient supply chains.

Background: The main reason for launching GDIP is to enhance competitiveness at global and regional levels during the clean transition process and to maintain leadership in innovation. While major economies, especially the US, China, and India, are making significant investments in green innovation, which could be a positive development globally, it also puts considerable pressure on the EU's efforts to achieve its own clean transition goals. Accordingly, the Plan aims to make its industry more capable across a broad range from hydrogen to chemicals, biotechnology to nanotechnology. In this context, GDIP represents a strategic step towards the EU's goals of maintaining leadership in clean energy and strengthening global competitiveness.

- Net-Zero Industry Act (NZIA)

To accelerate the climate-neutral transition, the European Parliament approved the Net-Zero Industry Act (NZIA), proposed by the Commission on 16 March 2023, on 21 November 2023. The NZIA, arising from the Green Deal Industrial Plan (GDIP), aims to increase EU production of clean technologies and boost manufacturing capacity for technologies that support the clean energy transition and deliver low greenhouse gas emissions when deployed.

The Act aims to attract investment in clean technology within the EU and create better conditions and market access. The goal is for the EU's production capacity of strategic net-zero technologies to meet at least 40% of its annual deployment needs by 2030. This will accelerate efforts to achieve climate neutrality by 2050, enhance industrial competitiveness, and create sustainable jobs. Additionally, it simplifies the regulatory framework for producing these technologies, helps boost the competitiveness of the net-zero technology industry, and accelerates CO_2 storage capacity.

NZIA focuses on strategic net-zero technologies that will significantly contribute to decarbonization. These technologies enable the clean energy transition while strengthening the EU's industrial competitiveness and energy system resilience.

Key Technologies: - Solar photovoltaic and solar thermal - Electrolyzers and fuel cells - Wind energy (onshore and offshore) - Sustainable biogas/biomethane - Batteries and storage - Carbon capture and storage - Heat pumps and geothermal energy - Electricity grid technologies

Background: In line with its 2050 targets, the EU proposed NZIA under the GDIP to reduce key dependencies in net-zero technologies and components. By setting a total production capacity target for 2030 and simplifying the regulatory framework for net-zero technologies, the Act will enable the EU to become an industry leader in this market and ensure the green transition is not jeopardized by strategic dependencies. Lessons learned from the Covid-19 pandemic and the energy crisis underscore the Act's role in preventing supply chain disruptions and supporting the clean energy transition with domestic production capacity.

Rising Tensions Between the EU and US: The Impact of the Inflation Reduction Act (IRA)

The US enacted the Inflation Reduction Act (IRA) on 16 August 2022, aiming to regulate federal spending, reduce emissions, increase tax revenues, and improve healthcare policies. It focuses on supporting domestic production, prioritizing strategic issues and trade partners, encouraging R&D and its commercialization, and enhancing innovation and industrial productivity to secure a competitive advantage. Initially perceived as a climate-focused initiative prioritizing inflation reduction, deficit reduction, and emission cuts, the Act caused tensions between the EU and US, prompting the EU to issue clarifications.

Beyond its main objectives, the IRA's overlooked protectionist aspects were recognized as potentially detrimental to the EU. The Act's subsidies, encouraging EU companies to invest in the US, raised concerns that EU firms might shift to the US and gain competitive advantages. This situation highlighted the need for the EU to focus on its own production and net-zero goals. Thus, while taking steps like GDIP and NZIA to maintain competitiveness and safeguard regional and global interests while combating climate change, the EU also reacted to the challenges posed by IRA and similar frameworks. This issue serves as a clear example of the complexity of regional and global interactions. The effort of economies to build their own value chains in the green transition and the race for net-zero technologies will continue to shape global and regional trade.

Conclusion

The concepts of globalization and regionalization are fundamental elements affecting economic, social, and political dynamics in today's world. While the global economy has grown rapidly, geopolitical competition between the US and China, trade wars, the COVID-19 pandemic, the Russia-Ukraine war, and other global events since the 2008 financial crisis have heightened uncertainties about the future of globalization. Increasing geopolitical risks have prioritized national security concerns over economic goals, bringing restructuring strategies to the forefront. To cope with global challenges, economies have increasingly turned to regional solutions, rapidly adopting green and digital transformation policies encompassing strategic dependency reduction, national security, climate crisis pressures, and technological superiority goals. In line with sustainable development goals, countries are developing new industrialization strategies focused on regional productivity, strategic products, renewable energy, and high value-added products and services.

In this context, the EU's net-zero target significantly contributes to growing global concerns about the "net-zero era." EU leadership in this area could guide other countries globally towards similar goals.

The EU is a vital trade partner for Turkey not only economically but also politically, culturally, and socially. Increased cooperation, particularly in green transformation and innovation, holds great potential for Turkey's economic growth. Turkey's Twelfth Development Plan aims to shape adaptation to global economic transformations with a focus on environmentally friendly, resilient, technology-oriented, high value-added industry, fair income distribution, and a strong and prosperous Turkey. Emphasizing the twin transition, the Plan targets strong positioning in global trade and securing optimal financing opportunities across the industrial, agricultural, and service sectors. Consequently, the Plan's environment-friendly, resilient, technology-focused objectives and cooperation opportunities with the EU form a significant roadmap for strengthening Turkey's power in the global economy. If Turkish firms invest in sustainability and green practices, fulfill environmental responsibilities, adopt innovation-focused technologies, and lead competitive markets, this could become a remarkable success story globally. With the EU's vision of leading the "Net-Zero Era," it is critical for Turkish businesses to explore broader cooperation opportunities in green transformation and innovation actively, leveraging existing collaboration with the EU to enhance global competitiveness. This could help companies achieve sustainable growth and a more competitive position in international markets.

Global interaction, especially in financial and technological terms, is essential for achieving Green Deal goals. Building a culture of global solidarity and cooperation is critically important not only for economic but also for social and environmental sustainability. Global and regional interaction will continuously evolve and take new forms. However, for global trade to be sustainable, a new perspective based on values such as equality, fair trade conditions, sharing, and responsibility is needed. This requires global trade to prioritize not only profit but also societal and environmental benefits. Finding sustainable solutions for societies and economies in every problem and interaction and enhancing the welfare of all societies should be the key to development.

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