

DIAGNOSING THE FINANCIAL PANDEMIC...or why Wall Street's problems could cause more than a sneeze across global markets

When Canadian communications specialist Marshall McLuhan wrote about the rise of the global village in the 1960s, it seemed like a good idea at the time. The whole "village" concept of interdependency coupled with self help and a drive towards levelling out inequality was an attractive one.

What followed eventually was a drive towards global standards for good and services; cross-border brands which delivered wherever you lived; free trade as a matter of course; and the famous time/space continuum reduced by the increasing power and penetration of electronic communications. In fact many years before, Richard Cobden argued in 1843 that any law which hindered the free movement of goods "interferes with the wisdom of Divine Providence and substitutes the law of wicked men for the law of nature." Strong stuff.

The upside to all of this was an increase in world trade and the novel concept of "think global, act local." Which international organisation would not sign up to that? In corporate communications the concept of "glocal" is now firmly embedded, although some writers such as John Ralston Saul in *The Collapse of Globalism* (Atlantic Books; London 2005) argue for a return to what is called "positive nationalism." ...the nation state by any other name. Nonetheless, the idea of one world - one market, has many supporters.

Trade barriers go or are lowered; there is transparency over tariffs; harmonisation is the rule. And remember there is also the 24/7 effect of global rolling news ensuring that one organisation's local difficulty could indeed become an international story. Reputation Management now crosses borders just as effectively as trade. The perceived benefits are all about interconnection; the movement of capital, ideas and trade. We are now witnessing the downside.

Interconnection drives interdependency. The financial crisis in the US, spawned by the domestic issue of sub - prime mortgage lending, has gone global. The advantage of an interconnected market is also the disadvantage. In the 1920s it was said that when the American economy caught a cold, Europe sneezed. Now, the rest of the world is on the verge of a financial pandemic. What does this mean for a global business? Yesterday's upside is tomorrow's downside. Those connectivities which we lauded are now being questioned.

Indeed, EU finance ministers meeting in Luxemburg are said to be about to take all necessary measures "to protect" Europe's banking system and individual depositors. Interconnectivity has come at a price.

Global corporations face a new set of issues. The landscape of trade has changed and with it the response. Does free trade have a future? We could be witnessing the first big crisis of globalization

One of the keys to all this is how Corporate Communications will respond. Engage or ignore? Heads down or heads up?

This is the first in a series of email newsletters for Corporate Communications professionals. For more information, visit the [MediaLINK](http://www.linkassociates.com/medialink) website or call Mike Hogan on 07771 962911/ 01332 222299.