

Globalization defined – and re-defined

1 In his 1999 book *The Lexus and the olive tree*, Thomas L. Friedman, an American journalist and expert on globalization, defined globalization as follows:

"[...] globalization involves the inexorable integration of markets, nation-states, and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations, and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before, and in a way that is also producing a powerful backlash from those brutalized¹ or left behind by this new system."

- a) Explain Friedman's definition in your own words.
- b) Find examples that illustrate the developments included in Friedman's definition.

2 In his 2016 book *Thank you for being late*, Friedman refers both to his old ideas of globalization and tries to come up with a new definition.

- a) Identify the three stages of globalization developed in *The world is flat*. → SUPPORT D6, p. 305
- b) Explain which changes Friedman observes in globalization. → SUPPORT D7, p. 307
- c) Compare your findings to Friedman's definition of globalization quoted in task 1. Discuss whether his 1999 definition is still valid or needs to be updated and, if so, how.

Thank you for being late

by Thomas L. Friedman

When I wrote *The world is flat* in 2005, the argument was that globalization was once driven by countries – Spain discovering the "New World." Then it was driven by companies – think the Dutch East India Company two centuries ago or Apple today. And now, thanks to all of these digital flows, globalization is being driven by everyone and anyone – small groups, start-ups, individuals, and multinationals – and is fast connecting East and West, North and South, and South and South. So many people can now take advantage of digital globalization and the flows off the supernova, to go global on their own terms. No one has observed this transition more acutely than Jeff Immelt, the longtime CEO of General Electric, who stepped down¹ in 2017.

"I think the world's gone from macro to micro," Immelt said to me in an interview at GE's Boston headquarters in March 2017. During the last forty or fifty years, he noted, globalization was shaped by big platforms created by big governments – like the World Trade Organization or the World Bank. But as he travels the world now, Immelt said he finds that the new globalizers have never

heard of the WTO and have no clue who the U.S. ambassador is in their country.

"They don't even speak those languages," Immelt said. "They are just globalizing on their own. They use platforms like Alibaba and Tencent and Amazon." These new globalizers are really "good digitally"; the ones in China are all using WeChat and on their own they figure out how to connect "Chinese funding for a power plant in Pakistan with a Canadian export credit." In this kind of a world, said Immelt, GE now sees itself as a "multilocal" not a multinational. It is pushing down power and opportunity to its local teams all over the world and encouraging them to link up with other teams and opportunities anywhere in the world. "None of them would even know how to bring a complaint to the WTO," added Immelt.

In 2000, 70 percent of GE's revenue was in the United States. In 2017, over 60 percent came from global markets. But this was not by outsourcing. "Outsourcing is yesterday's game," Immelt said in his 2017 annual report. "During the 1980s and 90s, business looked to the emerging markets as a cheap labor

source. American jobs migrated to countries that welcomed U.S. companies with open arms. American workers lost in the game of wage arbitrage². Chasing the lowest labor costs is yesterday's model."

In today's model there is no over here and over there. "We see substantial opportunity to grow around the world by investing, operating, and building relationships in the countries where we do business,"

Immelt said. "We partner with Chinese construction companies³ and leverage⁴

their funding to win contracts in Africa and Asia. Our investments have created jobs in China and the U.S., while making GE more competitive." The multinational companies that thrive in the age of accelerations will be those that digitally weave together the optimal production talents, design talents, logistics capabilities, financing, and market sales opportunities that look at every country as both a market and a source of skills. If they don't, their competitors will.

Annotations

- ² **wage arbitrage** /ɑ:ɪ'brɪ'trɑ:ʒ/= making a profit by benefitting from low labour costs in one country and selling the product in another
- ³ **construction company** /kən'strʌkʃ(ə)n n. kʌmp(ə)'ni/= Bauunternehmen
- ⁴ **to leverage** /'li:vərɪdʒ/= to borrow the necessary capital for an investment, counting on future profits for covering the cost for interest rates and repayment

Backlash – globalization and its discontents

- 1** In class, collect what you already know about the following people and events. If necessary, search the Internet to expand your understanding of the terms.

electoral victory of Donald Trump in 2016 | Brexit vote in 2016 | the Midwest of the USA and its economic situation | Marine Le Pen | end of the Soviet Union

- b) Read the article below and note down the advantages and disadvantages of globalization.
- c) Outline the different developments the author mentions in the context of a "backlash" to globalization.

Column: Why there's a backlash against globalization and what needs to change

John Rennie Short, 30. November 2016

Globalization is under attack. The electoral victory of Donald Trump, the Brexit vote and the rise of an aggressive nationalism in mainland Europe and around the world are all part of a backlash to globalization.

In each instance, citizens have upset the political order by **voting to roll back economic, political and cultural globalization.** Support for Brexit came in large part from those worried about their jobs and the entry of immigrants. Similarly, the Midwest of the U.S. – the industrial heartland hurt by global competition – was the linchpin of Donald Trump's victory.

But what exactly are these globalizations and why the discontent? A deeper examination of global integration sheds some light¹ on how we got here and where we should go next.

The rise of the globalization agenda

The roots of today's global economic order were established just as World War II was coming to end. In 1944 delegates from the Allied countries met in Bretton Woods, New Hampshire to establish a new system around open markets and free trade. New institutions such as the International Monetary Fund, the World Bank and a precursor to the World Trade Organization were established to tie national economies into an international system. There was a belief that greater global integration was more conducive to peace and prosperity than economic nationalism.

Initially, it was more a promise than reality. Communism still controlled large swaths² of territory. And there were fiscal³ tensions as the new trade system relied on fixed exchange rates, with currencies pegged⁴ to the U.S. dollar, which was tied to gold at the time. It was only with the collapse

Annotations

¹ to **shed some light on** sth = to help to explain sth

² **large swaths of territory** /swɒθs/= a large area

³ **fiscal** = here: financial

⁴ to **peg** sth to sth = to fix sth to sth

of fixed exchange rates and the unmooring⁵ of the dollar from the gold standard in the late 1960s that capital could be moved easily around the world.
 40 And it worked: Dollars generated in Europe by U.S. multinationals could be invested through London in suburban housing projects in Asia, mines in Australia and factories in the Philippines. With China's entry onto the world trading system in 1978 and the collapse of the Soviet Union in 1989, the world of global capital mobility widened further.

Global transfer of wealth

While capital could now survey the world to ensure the best returns, labor was fixed in place. This meant there was a profound change in the relative bargaining power⁶ between the two – away from organized labor and toward a footloose⁷ capital. When a company such as General Motors moved a factory from Michigan to Mexico or China, it made economic sense for the corporation and its shareholders, but it did not help workers in the U.S. Freeing up trade restrictions also led to a global shift in manufacturing. The industrial base shifted from the high-wage areas of North America and Western Europe to the cheaper-wage areas of East Asia: first Japan, then South Korea, and more recently China and Vietnam.

As a result, there was a global redistribution of wealth. In the West as factories shuttered⁸, mechanized or moved overseas, the living standards of the working class declined. Meanwhile, in China prosperity grew, with the poverty rate falling from 84 percent in 1981 to only 12 percent by 2010.

Political and economic elites in the West argued that free trade, global markets and production chains that snaked across national borders would eventually raise all living standards. But as no alternative vision was offered, a chasm grew between these elites and the mass of blue-collar workers who saw little improvement from economic globalization.

The backlash against economic globalization is most marked in those countries such as the U.S. where economic dislocation⁹ unfolds with weak safety nets and limited government investment in job retraining¹⁰ or continuing and lifetime education.

Expanding free markets

Over the decades, politicians enabled globalization through trade organizations and pacts such as the North American Free Trade Agreement, passed in 1994. The most prominent, though, was the European Union, an economic and political alliance of most European countries and a good example of an unfolding political globalization.

It started with a small, tight core of Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. They signed the Treaty of Rome in 1957 to tie former combatants into an alliance that would preclude further conflicts – and form a common market to compete against the U.S. Over the years, more countries joined, and in 1993 the European Union (EU) was created as a single market with the free movement of goods, people and capital and common policies for agriculture, transport and trade. Access to this large common market attracted former Communist bloc¹¹ and Soviet countries, to the point where the EU now extends as far east as Cyprus and Bulgaria, Malta in the south and Finland in the north.

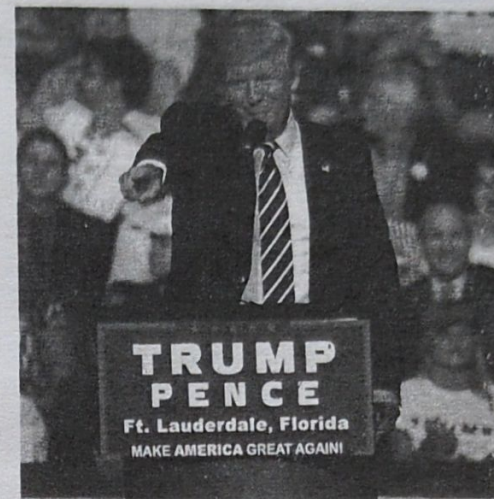
With this expansion has come the movement of people – hundreds of thousands of Poles have moved to the U.K. for instance – and some challenges.

The EU is now at a point of inflexion¹² where the previous decades of continual growth are coming up against popular resistance to EU enlargement into poorer and more peripheral¹³ countries. New entrants often have weaker economies and lower social welfare payments, prompting immigration to the richer members such as France and the U.K.



⁹ economic dislocation = wirtschaftliche Verwerfungen
¹⁰ retraining = Umschulung
¹¹ bloc countries = a group of countries with shared political aims
¹² point of inflexion = critical moment
¹³ peripheral /pə'ri(ə)riəl/= am Rand liegend

Annotations
⁵ to unmoor = (ein Schiff vom Anker) losmachen
⁶ bargaining power = Verhandlungsposition
⁷ footloose /'fʊt.lu:s/= unmarried and not in a relationship; here: free
⁸ to shutter = to close with a shutter, i.e. a cover for a window



Cultural backlash

The flattening of the world allowed for a more diverse ensemble of cultural forms in cuisine, movies, values and lifestyles. Cosmopolitanism¹⁴ was embraced by many of the elites but feared by others. In Europe, the foreign other became an object of fear and resentment, whether in the form of immigrants or in imported culture and new ways. But evidence of this backlash to cultural globalization also exists around the world. The ruling BJP party in India, for example, combines religious fundamentalism and political nationalism. There is a rise of religious fundamentalism around the world in religions as varied as Buddhism, Christianity, Hinduism, Islam and Judaism. Old-time religion, it seems, has become a refuge from the ache of modernity. Religious fundamentalism held out the promise of eternal verities in the rapidly changing world of cultural globalization.

There is also a rising nationalism, as native purity is cast as contrast to the profane¹⁵ foreign. Across Europe from Bulgaria to Poland and the U.K.,

new nationalisms have a distinct xenophobia. Politicians such as Marine Le Pen in France recall an idealized past as a cure for the cultural chaos of modernity. Politicians can often gain political traction¹⁶ by describing national cultural traditions as under attack from the outside.

Indeed, the fear of immigration has resulted in the most dramatic backlash against the effects of globalization, heightening national and racial identities. In the U.S. white native-born American moved from being the default category to a source of identity clearly mobilized by the Trump campaign.

Reclaiming globalization

Globalization has now become the catchword to encompass the rapid and often disquieting and disruptive social and economic change of the past 25 years. No wonder there is a significant backlash to the constant change – much of it destabilizing economically and socially disruptive. When traditional categories of identity evaporate quickly, there is a profound political and cultural unease.

The globalization project contains much that was desirable: improvements in living conditions through global trade, reducing conflict and threat of war through political globalization and encouraging cultural diversity in a widening cultural globalization.

The question now, in my view, is not whether we should accept or reject globalization but how we shape and guide it to these more progressive goals. We need to point the project toward creating more just and fair outcomes, open to difference but sensitive to cultural connections and social traditions.

A globalization project of creating a more connected, sustainable, just and peaceful world is too important to be left to the bankers and the political elites.

Annotations
¹⁴ cosmopolitanism = Weltoffenheit, Weltbürgertum

¹⁵ profane /prə'feɪn/= not sacred; disrespecting religious things
¹⁶ to gain traction = an Boden gewinnen

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- a) Explain the reasons why people in developed countries have objections to globalization.
- b) Discuss whether these objections are understandable and/or justified.
- c) Comment on this claim: "Although there may be some minor disadvantages, the benefits of globalization for humankind as a whole outweigh them by far."

→ S6: How to write a discussion/ comment, p. 338