Think Again: Globalization

By Moisés Naím

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Forget the premature obituaries. To its critics, globalization is the cause of today’s financial collapse, growing inequality, unfair trade, and insecurity. To its boosters, it’s the solution to these problems. What’s not debatable is that it is here to stay.

Rising tides: Is globalization still lifting these boats?

“Globalization Is a Casualty of the Economic Crisis.”

No. That is, not unless you believe that globalization is mainly about international trade and investment. But it is much more than that, and rumors of its demise—such as Princeton economic historian Harold James’s recent obituary for “The Late, Great Globalization”—have been greatly exaggerated.

Jihadists in Indonesia, after all, can still share their operational plans with like-minded extremists in the Middle East, while Vietnamese artists can now more easily sell their wares in European markets, and Spanish magistrates can team up with their peers in Latin America to bring torturers to justice. Globalization, as political scientist David Held and his coauthors put it, is nothing less than the “widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life”—and not just from one Bloomberg terminal to another.

Around the world, all kinds of groups are still connecting, and the economic crisis will not slow their international activities. In some cases, it might even bolster them.

Global charities, for instance, will face soaring demand for their services as the economic crisis greatly expands the number of those in need. Religions, too, will benefit, as widespread hardship heightens interest in the hereafter. At a time when cash is king and jobs are scarce, globalized criminals will be one of the few, if not the only, sources of credit, investment, and employment in some places. And transnational terrorists will not be deterred by a bad economy. The collapse of the credit-default swap market didn’t prevent 10 Pakistani militants from wreaking havoc in Mumbai in November.

It’s true that private flows of credit and investment across borders have temporarily plummeted. By the end of 2008, for example, U.S. demand for imported goods fell drastically, shrinking the country’s trade deficit by almost 30 percent. In China, imports dropped 21 percent and exports nearly 3 percent. Last November, capital flows to emerging markets reached their lowest level since 1995, and issuance of international bonds ground to a halt.

But as private economic activity falls, the international movement of public funds is booming. Last fall, the U.S. Federal Reserve and the central banks of Brazil, Mexico, Singapore, and South Korea launched $30 billion worth of currency arrangements for each country designed to stabilize their financial markets. Similar reciprocal deals now tie together central banks throughout Asia, Europe, and the Middle East.

Yes, some governments might be tempted to respond to the crisis by adopting trade-impairing policies, imposing rules that inhibit global financial integration, or taking measures to curb immigration. The costs of doing so, however, are enormous and hard to sustain in the long run. What’s more, the ability of any government to shield its economy and society from outside influences and dangers has steadily evaporated in the past two decades. There is no indication that this trend will be reversed.
Globalization is such a diverse, broad-based, and potent force that not even today’s massive economic crash will dramatically slow it down or permanently reverse it. Love it or hate it, globalization is here to stay.

“Globalization Is Nothing New.”

Yes it is. Historians such as A.G. Hopkins have argued in recent years that the wave of globalization that surged in the 1990s is just a continuation of a long-term process that started as far back as when migrating pre-modern human communities first encountered each other. They also note that the steamship revolutionized transportation as much or more than the advent of containerized cargo shipping and that the printing press, the telegraph, and the telephone were technologies as disruptive in their day as the Internet. In short, there is nothing new under the sun.

Still, the current wave of globalization has many unprecedented characteristics. As Internet access penetrates the most remote corners of the globe, it is transforming the lives of more people, in more places, more cheaply than ever before—and the pace of change is accelerating faster than we can hope to chronicle it.

Today’s globalization is also more individualized than ever. The telegraph was most intensively used by institutions, but the Internet is a truly personal tool that allows Spanish women to find marriage prospects in Argentina, and South African teenagers to share music files with peers in Scotland. Contemporary globalization is also different in that the speed at which it is integrating human activities is often instantaneous and almost costless. Moreover, the quantitative change in each of globalization’s components—economic, cultural, military, etc.—is so enormous that it creates a qualitative change. This alone has opened possibilities that are completely new—and also consequences that humanity has never seen before.

“Globalization No Longer Means Americanization.”

It never did. For some critics, globalization has been little more than an American project aimed at expanding U.S. economic, military, and cultural dominance. Yet, since the 1980s, Japanese sushi has gone as global as Latin American telenovelas or fundamentalist Islam, while massive inflows of Hispanic immigrants have had a huge impact on U.S. society.

Indeed, it is hard to defend the proposition that globalization is a one-way street designed to spread American values and interests around the world. The changes wrought by globalization have enabled new and improbable rivals to dispute America’s hegemony in a wide variety of sectors. Al Qaeda and the Taliban have proven to be resilient adversaries for the mighty U.S. military. Their international mobility, funding sources, and recruiting prowess are greatly enhanced by the forces that drive globalization: ease of travel, transportation, and communication; economic liberalization; and porous borders. The sovereign wealth funds from Asia and the Middle East that have displaced American banks, the successful challenge that Indian filmmakers and Latin TV producers have mounted against Hollywood’s leadership in the global entertainment markets, and the success of Chinese manufacturers are also rooted in a world shaped by two decades of rapid economic growth and globalization.

The United States has greatly benefited from globalization. But it has hardly been alone in doing so.

“Great Power Politics Are Back.”

They never went away. We only thought they did.

Back in the 1990s, the dominant view of globalization held that booming business ties between countries were the best antidote to war. International commerce was seen as a strong countervailing force against nationalistic impulses. Thanks to revolutionary innovations in information technology, communication, and transportation, distance and geography were perceived to be less important in shaping international politics and economics. Power, it was thought, would inevitably shift from governments to the private sector and nongovernmental organizations.
These ideas, popularized in articles and books with titles like *The End of History*, *The Death of Distance*, and *The Lexus and the Olive Tree*, gained wide acceptance during the 1990s. Then came the attacks of Sept. 11, 2001. Minimalist government went out of fashion and demands mounted for the state to provide security at any cost. The financial crisis has amplified this trend. Laissez-faire is out and activist governments are in; deregulation has become a four-letter word and the cry for more government control of the financial sector is universal.

Now that the world economy has tanked, globalization skeptics say the value of commercial ties as a prophylactic against conflict has weakened along with it. And with the return of stronger governments, they say, traditional power plays between rival countries are bound to intensify. Evidence for this view abounds, from resurgent nationalism in Russia, Asia, and Latin America to the obvious role of history and geography in fueling the conflicts in the Middle East and South Asia. Such examples, they argue, show that the stabilizing effects of economic globalization are vastly overstated.

But claims about the return of strong governments and nationalism are equally overstated. Yes, China might team up with Russia to counterbalance the United States in relation to Iran, but meanwhile, the Chinese and U.S. economies will be joined at the hip (China holds more than a trillion dollars of U.S. debt and the United States is the main destination for its exports). Russian Prime Minister Vladimir Putin’s tough talk about restoring his country’s international standing and challenging America’s leadership will be hard to sustain given that Russia’s economy is one of the most damaged by the financial crisis, and the oil revenues that enabled its newfound influence are dwindling. Venezuelan President Hugo Chávez is inviting foreign oil companies back.

The bottom line: Nationalism never disappeared. Globalization did not lessen national identities; it just rendered them more complex. Even in a Bill Gates era, today’s Otto von Bismarcks still wield great power. Globalization and geopolitics coexist, and neither is going anywhere.

**“Globalization Is by and for Rich People.”**

**Go tell the Indians.** Or, for that matter, the Chinese, or the emerging middle classes in Brazil, Turkey, Vietnam, and countless other countries that owe their recent success to trade and investment booms facilitated by globalization. Until the financial crisis broke out in 2008, the middle class in poor countries was the fastest-growing segment of the world’s population.

This trend will undoubtedly slow, and in some countries it will be tragically reversed as the crisis pushes back large numbers of people into the ranks of the poor. But the fact is that in the past two decades, a significant number of poor countries succeeded in lifting tens of millions out of poverty thanks to globalization. In China, for example, the poverty rate fell 68 percent between 1981 and 2005.

China and India are the paradigmatic examples. Unfortunately, they are also paradigmatic examples of countries where abject poverty coexists with obscene wealth. In poor and rich countries alike, economic inequality has become a major concern and globalization, especially the freer trade it produces, often gets blamed as the source of widening income disparities. It’s maddeningly hard, though, to prove that globalization actually produces inequality. We don’t even know whether inequality in the world is going up or down.

When economists Pinelopi Goldberg and Nina Pavcnik recently examined the connection between globalization and inequality, they could not establish a causal link between the two—even after surveying all the major studies on the subject and examining the best available data. In 2008, economists Sudhir Anand and Paul Segal published the results of their equally ambitious survey of recent research on global inequality. They, too, failed to establish a clear trend. “It is not possible to reach a definitive conclusion regarding the direction of change in global inequality over the last three decades,” they wrote. On the other hand, the evidence that absolute poverty has sharply declined during the same time frame is overwhelming.

**“Globalization Has Made the World a Safer Place.”**
Not really. It’s true that in the past 20 years, the number of armed conflicts between countries has plummeted. Even accounting for the wars in Iraq and Afghanistan, the amount of armed conflict in the world is at an ebb not seen since the 1970s. One study found that between 1989 and 2003, only seven wars between nation-states broke out. The likelihood that any given country was embroiled in a conflict was at its lowest point since the 1950s.

The problem is that other forms of conflict and violence have soared. The number of people killed or injured by terrorists has gone from about 7,000 in 1995 to more than 25,000 in 2006. Very often, these terrorist attacks are either directly carried out by foreigners or planned, funded, and coordinated by networks that operate internationally. Violent crimes are also going up in many countries, especially the poorest ones. Often, these high crime rates result from the activities of international criminals, mainly narcotraffickers. These days, more beheadings are taking place in Mexico than in Iraq or Afghanistan. Many European countries are reporting higher crime rates as a result of the expanded presence of international criminal gangs in their midst. One could also add the spread of contagious diseases and nuclear proliferation to the list.

Today’s world may be at a lower risk for total annihilation than it was when rival superpowers armed with large nuclear arsenals threatened each other with mutual assured destruction. But we now live in an age where a large and growing number of actors empowered by globalization have the potential to cause large-scale damage and substantial loss of human lives. (The fading memory of an era when the fate of the planet hinged upon Soviet bureaucrats, rather than rogue Pakistani scientists, seems quaintly comforting in 2009.) As the economic crisis deepens, desperation might lead to heightened violence, and some governments might be more tempted to exploit international conflicts to distract their impoverished populations from their dire situations at home.

“The Financial Crisis Is a Symptom of Globalization Run Amok.”

No, you just think it is. Longtime antiglobalization activists such as Naomi Klein may feel vindicated by the present state of affairs, faulting villains on Wall Street and in world capitals for promoting a form of “disaster capitalism” that has spiraled out of control. Yes, globalization has multiplied the number of problems that no organization or country can solve on its own: not just international economic crises, but also nuclear proliferation, illegal migration, transnational crime, pandemics, and more. The need to collaborate in solving collective problems is as obvious as the difficulties in achieving solutions. The world’s multilateral institutions are Cold War holdovers more often described as “dysfunctional” than “indispensable.”

But they are indispensable, and with the world in crisis mode, demands to shore up global governance have increased. But no matter how many high-level commissions, think-tank reports, books, and articles on the subject, these efforts have not yielded urgently needed drastic changes in multilateral institutions, international law, rules, and coordinating mechanisms.

One reason for the lack of progress: There’s still no clarity on how to overcome the obstacles that have long blocked any major reforms. Most proposals for a global governance structure built for the globalization era rest on the assumption that what has been missing is the political will of the world’s most powerful countries, notably the United States. This approach fails to address the obvious fact that collaborating with others often means relinquishing power, a concession that does not come easily to sovereign nations.

This does not mean that countries ought to cede power to a world government or to an all-powerful, supranational entity that will rule over world affairs. It is precisely because such an institution is not possible that governments must collaborate with one another more effectively. Yet that is a goal that has proved very elusive.

Unfortunately, it is highly likely that the efforts to minimize the costs of globalization, steer international integration, solve international crises, and better manage the global commons will continue to fall short. Whether the issue is climate change or terrorism, loose nukes or avian flu, the gap between the need for effective collective action at the global level and the ability of the international community to satisfy that need is the most dangerous deficit facing humanity.
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