ROLE OF GLOBALIZATION AFTER THE CRISIS

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ABSTRACT
Over many centuries, human societies across the globe have established progressively closer contacts. Recently, the pace of global integration has dramatically increased. Unprecedented changes in communications, transportation, and computer technology have given the process new impetus and made the world more interdependent than ever. Multinational corporations manufacture products in many countries and sell to consumers around the world. Money, technology and raw materials move ever more swiftly across national borders. Along with products and finances, ideas and cultures circulate more freely. As a result, laws, economies, and social movements are forming at the international level.

KEYWORDS: globalization, integration, markets, financial crisis

Introduction
The term globalization encompasses a range of social, political, and economic changes. Within the section Defining Globalization, we provide an introduction to the key debates. The materials ask what is new, what drives the process, how it changes politics, and how it affects global institutions like the UN. Globalization expands and accelerates the exchange of ideas and commodities over vast distances. It is common to discuss the phenomenon in highly generalized terms, but globalization's impacts are often best understood at the local level. Cases of Globalization explore the various manifestations of interconnectedness in the world, noting how globalization affects real people and places. Tables and Charts on Globalization provide data on the growing global interconnectedness and draw a statistical and graphic picture of Globalization.

Globalization often appears to be a force of nature, a phenomenon without bounds or alternatives. But peoples’ movements have shown that it is neither unalterable nor inevitable. Citizens all over the world—ordinary people from the global North and South—can work together to shape alternate futures, to build a globalization of cooperation, solidarity and respect for our common planetary environment.

1 Globalization Definitions and History
1.1 Definitions
An early description of globalization was penned by the American entrepreneur-turned-minister Charles Taze Russell who coined the term 'corporate giants' in 1897,[6] although it was not until the 1960s that the term began to be
widely used by economists and other social scientists. The term has since then achieved widespread use in the mainstream press by the later half of the 1980s. Since its inception, the concept of globalization has inspired numerous competing definitions and interpretations.\[20\]

The United Nations ESCWA has written that globalization “is a widely-used term that can be defined in a number of different ways. When used in an economic context, it refers to the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, services and labor... although considerable barriers remain to the flow of labor... Globalization is not a new phenomenon. It began in the late nineteenth century, but it slowed down during the period from the start of the First World War until the third quarter of the twentieth century. This slowdown can be attributed to the inward-looking policies pursued by a number of countries in order to protect their respective industries... however, the pace of globalization picked up rapidly during the fourth quarter of the twentieth century...”\[39\]

Saskia Sassen writes that "a good part of globalization consists of an enormous variety of micro-processes that begin to denationalize what had been constructed as national — whether policies, capital, political subjectivity, urban spaces, temporal frames, or any other of a variety of dynamics and domains.”\[35\]

Tom G. Palmer of the Cato Institute defines globalization as "the diminution or elimination of state-enforced restrictions on exchanges across borders and the increasingly integrated and complex global system of production and exchange that has emerged as a result.”\[16\]

Herman E. Daly argues that sometimes the terms internationalization and globalization are used interchangeably but there is a significant formal difference. The term "internationalization" (or internationalization) refers to the importance of international trade, relations, treaties etc. owing to the (hypothetical) immobility of labor and capital between or among nations.

Finally, Takis Fotopoulos argues that globalization is the result of systemic trends manifesting the market economy's grow-or-die dynamic, following the rapid expansion of transnational corporations. Because these trends have not been offset effectively by counter-tendencies that could have emanated from trade-union action and other forms of political activity, the outcome has been globalisation. This is a multi-faceted and irreversible phenomenon within the system of the market economy and it is expressed as: economic globalisation, namely, the opening and deregulation of commodity, capital and labour markets which led to the present form of neoliberal globalisation; political globalisation, i.e., the emergence of a transnational elite and the phasing out of the all powerful-nation state of the statist period; cultural globalisation, i.e., the worldwide homogenisation of culture; ideological globalisation; technological globalisation; social globalisation.\[17\]
1.2 History

An early form of globalized economics and culture existed during the Hellenistic Age, when commercialized urban centers were focused around the axis of Greek culture over a wide range that stretched from India to Spain, with such cities as Alexandria, Athens, and Antioch at its center. Trade was widespread during that period, and it is the first time the idea of a cosmopolitan culture (from Greek "Cosmopolis", meaning "world city") emerged. Others have perceived an early form of globalization in the trade links between the Roman Empire, the Parthian Empire, and the Han Dynasty. The increasing articulation of commercial links between these powers inspired the development of the Silk Road, which started in western China, reached the boundaries of the Parthian empire, and continued onwards towards Rome.\textsuperscript{1} With 300 Greek ships a year sailing between the Greco-Roman world and India, the annual trade may have reached 300,000 tons.\textsuperscript{27}

The Islamic Golden Age was also an important early stage of globalization, when Jewish and Muslim traders and explorers established a sustained economy across the Old World resulting in a globalization of crops, trade, knowledge and technology. Globally significant crops such as sugar and cotton became widely cultivated across the Muslim world in this period, while the necessity of learning Arabic and completing the Hajj created a cosmopolitan culture.\textsuperscript{22}

The advent of the Mongol Empire, though destabilizing to the commercial centers of the Middle East and China, greatly facilitated travel along the Silk Road. This permitted travelers and missionaries such as Marco Polo to journey successfully (and profitably) from one end of Eurasia to the other. The so-called Pax Mongolica of the thirteenth century had several other notable globalizing effects. It witnessed the creation of the first international postal service, as well as the rapid transmission of epidemic diseases such as bubonic plague across the newly unified regions of Central Asia.\textsuperscript{17} These pre-modern phases of global or hemispheric exchange are sometimes known as archaic globalization. Up to the sixteenth century, however, even the largest systems of international exchange were limited to the Old World.

Global integration continued with the European colonization of the Americas initiating the Columbian Exchange\textsuperscript{1} the enormous widespread exchange of plants, animals, foods, human populations (including slaves), communicable diseases, and culture between the Eastern and Western hemispheres. It was one of the most significant global events concerning ecology, agriculture, and culture in history. New crops that had come from the Americas via the European seafarers in the 16th century significantly contributed to the world's population growth.\textsuperscript{9}

This phase is sometimes known as proto-globalization. It was characterized by the rise of maritime European empires, in the 16th and 17th centuries, first the Portuguese and Spanish Empires, and later the Dutch and British Empires. In the 17th century, globalization became also a private business phenomenon when chartered companies like British East India Company (founded in 1600), often
described as the first multinational corporation, as well as the Dutch East India Company (founded in 1602) were established. Because of the large investment and financing needs and high risks involved in international trade, the British East India Company became the first company in the world to share risk and enable joint ownership of companies through the issuance of shares of stock: an important driver for globalization.

19th century Great Britain become the first global economic superpower, because of superior manufacturing technology and improved global communications such as steamships and railroads. The first phase of "modern globalization" began to break down at the beginning of the 20th century, with the first world war. The novelist VM Yeates criticized the financial forces of globalization as a factor in creating World War I. The final death knell for this phase came during the gold standard crisis and Great Depression in the late 1920s and early 1930s. In late 2000s, much of the industrialized world entered into a deep recession. Some analysts say the world is going through a period of deglobalization after years of increasing economic integration. Up to 45% of global wealth had been destroyed by the global financial crisis in little less than a year and a half. China has recently become the world's largest exporter surpassing Germany. Globalization, since World War II, is largely the result of planning by politicians to break down borders hampering trade to increase prosperity and interdependence thereby decreasing the chance of future war. Their work led to the Bretton Woods conference, an agreement by the world's leading politicians to lay down the framework for international commerce and finance, and the founding of several international institutions intended to oversee the processes of globalization. These institutions include the International Bank for Reconstruction and Development (the World Bank), and the International Monetary Fund. Globalization has been facilitated by advances in technology which have reduced the costs of trade, and trade negotiation rounds, originally under the auspices of the General Agreement on Tariffs and Trade (GATT), which led to a series of agreements to remove restrictions on free trade. Since World War II, barriers to international trade have been considerably lowered through international agreements — GATT.

Cultural globalization, driven by communication technology and the worldwide marketing of Western cultural industries, was understood at first as a process of homogenization, as the global domination of American culture at the expense of traditional diversity. However, a contrasting trend soon became evident in the emergence of movements protesting against globalization and giving new momentum to the defense of local uniqueness, individuality, and identity, but largely without success.
2 Measuring and effects of globalization

2.1 Measuring the globalization

Looking specifically at economic globalization, demonstrates that it can be measured in different ways. These center around the four main economic flows that characterize globalization:

- Goods and services, e.g., exports plus imports as a proportion of national income or per capita of population;
- Labor/people, e.g., net migration rates; inward or outward migration flows, weighted by population;
- Capital, e.g., inward or outward direct investment as a proportion of national income or per head of population;
- Technology, e.g., international research & development flows; proportion of populations (and rates of change thereof) using particular inventions (especially ‘factor-neutral’ technological advances such as the telephone, motorcar, broadband).

As globalization is not only an economic phenomenon, a multivariate approach to measuring globalization is the recent index calculated by the Swiss think tank KOF. The index measures the three main dimensions of globalization: economic, social, and political. In addition to three indices measuring these dimensions, an overall index of globalization and sub-indices referring to actual economic flows, economic restrictions, data on personal contact, data on information flows, and data on cultural proximity is calculated. Data is available on a yearly basis for 122 countries, as detailed in Dreher, Gaston and Martens (2008). According to the index, the world's most globalized country is Belgium, followed by Austria, Sweden, the United Kingdom and the Netherlands. The least globalized countries according to the KOF-index are Haiti, Myanmar, the Central African Republic and Burundi.

2.2 Effects of globalization

Globalization has various aspects which affect the world in several different ways such as:

- **Industrial** - emergence of worldwide production markets and broader access to a range of foreign products for consumers and companies. Particularly movement of material and goods between and within national boundaries. International trade in manufactured goods increased more than 100 times) in the 50 years since 1955. China's trade with Africa rose sevenfold during 2000-07 alone.

- **Financial** - emergence of worldwide financial markets and better access to external financing for borrowers. By the early part of the 21st century more than $1.5 trillion in national currencies were traded daily to support the expanded levels of trade and investment. As these worldwide structures grew more quickly than any transnational regulatory regime, the instability of the global financial infrastructure
dramatically increased, as evidenced by the Financial crisis of 2007-2010.\[15\]

- **Economic** - realization of a global common market, based on the freedom of exchange of goods and capital.\[16\] The interconnectedness of these markets, however meant that an economic collapse in any one given country could not be contained.

Almost all notable worldwide IT companies are now present in India. Four Indians were among the world's top 10 richest in 2008, worth a combined $160 billion.\[1\] In 2007, China had 415,000 millionaires and India 123,000.\[24\]

- **Health Policy** - On the global scale, health becomes a commodity. In developing nations under the demands of Structural Adjustment Programs, health systems are fragmented and privatized. Global health policy makers have shifted during the 1990s from United Nations players to financial institutions. The result of this power transition is an increase in privatization in the health sector. This privatization fragments health policy by crowding it with many players with many private interests. These fragmented policy players emphasize partnerships, specific interventions to combat specific problems (as opposed to comprehensive health strategies). Influenced by global trade and global economy, health policy is directed by technological advances and innovative medical trade. Global priorities, in this situation, are sometimes at odds with national priorities where increased health infrastructure and basic primary care are of more value to the public than privatized care for the wealthy.\[26\]

Britain is a country of rich diversity. As of 2008, 40% of London's total population was from an ethnic minority group. The latest official figures show that in 2008, 590,000 people arrived to live in the UK whilst 427,000 left, meaning that net inward migration was 163,000.\[13\]

- **Political** - some use “globalization” to mean the creation of a world government which regulates the relationships among governments and guarantees the rights arising from social and economic globalization.\[38\] Politically, the United States has enjoyed a position of power among the world powers, in part because of its strong and wealthy economy. With the influence of globalization and with the help of The United States' own economy, the People's Republic of China has experienced some tremendous growth within the past decade. If China continues to grow at the rate projected by the trends, then it is very likely that in the next twenty years, there will be a major reallocation of power among the world leaders. China will have enough wealth, industry, and technology to rival the United States for the position of leading world power.\[23\]

- **Informational** - increase in information flows between geographically remote locations. Arguably this is a technological change with the advent of fiber optic communications, satellites, and increased availability of telephone and Internet.
- **Language** - the most popular language is Mandarin (845 million speakers) followed by Spanish (329 million speakers) and English (328 million speakers).\(^{[31]}\)
  - About 35% of the world's mail, telexes, and cables are in English;
  - Approximately 40% of the world's radio programs are in English;
  - About 50% of all Internet traffic uses English.\(^{[5]}\).

- **Competition** - Survival in the new global business market calls for improved productivity and increased competition. Due to the market becoming worldwide, companies in various industries have to upgrade their products and use technology skillfully in order to face increased competition.\(^{[43]}\)

- **Ecological** - the advent of global environmental challenges that might be solved with international cooperation, such as climate change, cross-boundary water and air pollution, over-fishing of the ocean, and the spread of invasive species. Since many factories are built in developing countries with less environmental regulation, globalism and free trade may increase pollution. On the other hand, economic development historically required a "dirty" industrial stage, and it is argued that developing countries should not, via regulation, be prohibited from increasing their standard of living.

The construction of continental hotels is a major consequence of globalization process in affiliation with tourism and travel industry, Dariush Grand Hotel, Kish, Iran.

- **Cultural** - growth of cross-cultural contacts; advent of new categories of consciousness and identities which embodies cultural diffusion, the desire to increase one's standard of living and enjoy foreign products and ideas, adopt new technology and practices, and participate in a "world culture". Some bemoan the resulting consumerism and loss of languages. Also see Transformation of culture:
  - Spreading of multiculturalism, and better individual access to cultural diversity (e.g. through the export of Hollywood and, to a lesser extent, Bollywood movies). Some consider such "imported" culture a danger, since it may supplant the local culture, causing reduction in diversity or even assimilation. Others consider multiculturalism to promote peace and understanding between peoples. A third position gaining popularity is the notion that multiculturalism to a new form of monoculture in which no distinctions exist and everyone just shift between various lifestyles in terms of music, cloth and other aspects once more firmly attached to a single culture. Thus not mere cultural assimilation as mentioned above but the obliteration of culture as we know it today.\(^{[10][8]}\)
  - Greater international travel and tourism. WHO estimates that up to 500,000 people are on planes at any one time.\(^{[40]}\) In 2008, there
were over 922 million international tourist arrivals, with a growth of 1.9% as compared to 2007.\textsuperscript{[41]}

- Greater immigration,\textsuperscript{[7]} including illegal immigration.\textsuperscript{[19]} The IOM estimates there are more than 200 million migrants around the world today.\textsuperscript{[33]} Newly available data show that remittance flows to developing countries reached $328 billion in 2008.\textsuperscript{[10]}

- Spread of local consumer products (e.g., food) to other countries (often adapted to their culture).

- Worldwide fads and pop culture such as Pokémon, Sudoku, Numa Numa, Origami, Idol series, YouTube, Orkut, Facebook, and MySpace. Accessible to those who have Internet or Television, leaving out a substantial segment of the Earth's population.

- Worldwide sporting events such as FIFA World Cup and the Olympic Games.

- Incorporation of multinational corporations in to new media. As the sponsors of the All-Blacks rugby team, Adidas had created a parallel website with a downloadable interactive rugby game for its fans to play and compete.\textsuperscript{[36]}

- Social - Development of the system of non-governmental organisations as main agents of global public policy, including humanitarian aid and developmental efforts.\textsuperscript{[45]}

- Technical

  - Development of a Global Information System, global telecommunications infrastructure and greater transborder data flow, using such technologies as the Internet, communication satellites, submarine fiber optic cable, and wireless telephones

  - Increase in the number of standards applied globally; e.g., copyright laws, patents and world trade agreements.

- Legal/Ethical

  - The creation of the international criminal court and international justice movements.

  - Crime importation and raising awareness of global crime-fighting efforts and cooperation.

  - The emergence of Global administrative law.

- Religious

  - The spread and increased interrelations of various religious groups, ideas, and practices and their ideas of the meanings and values of particular spaces.\textsuperscript{[29]}

3 The role of globalization after the crisis

The world economy has just been through a severe recession marked by financial turmoil, large-scale destruction of wealth, and declines in industrial production and global trade. According to the International Labor Organization,
continued labor-market deterioration in 2009 may lead to an estimated increase in global unemployment of 39-61 million workers relative to 2007. By the end of this year, the worldwide ranks of the unemployed may range from 219-241 million - the highest number on record. Global growth in real wages, which slowed dramatically in 2008, is expected to have dropped even further in 2009, despite signs of a possible economic recovery. In a sample of 53 countries for which data are available, median growth in real average wages had declined from 4.3 percent in 2007 to 1.4 percent in 2008. The World Bank warns that 89 million more people may be trapped in poverty in the wake of the crisis, adding to the 1.4 billion people estimated in 2005 to be living below the international poverty line of $1.25 a day.

In this climate, globalization has come under heavy criticism, including from leaders of developing countries that could strongly benefit from it. President Yoweri Museveni, who is widely credited for integrating Uganda into world markets, has said that globalization is "the same old order with new means of control, new means of oppression, new means of marginalization" by rich countries seeking to secure access to developing country markets. Yet the alternative to global integration holds little attraction. Indeed, while closing an economy may insulate it from shocks, it can also result in stagnation and even severe homegrown crises.

To ensure a durable exit from the crisis, and to build foundations for sustained and broad-based growth in a globalized world, developing countries in 2010 and beyond must draw the right lessons from history. In the current crisis, China, India, and certain other emerging-market countries are coping fairly well. These countries all had strong external balance sheets and ample room for fiscal maneuver before the crisis, which allowed them to apply countercyclical policies to combat external shocks. They have also nurtured industries in line with their comparative advantage, which has helped them weather through the storm. Indeed, comparative advantage - determined by the relative abundance of labor, natural resources, and capital endowments - is the foundation for competitiveness, which in turn underpins dynamic growth and strong fiscal and external positions. By contrast, if a country attempts to defy its comparative advantage, such as by adopting an import-substitution strategy to pursue the development of capital-intensive or high-tech industries in a capital-scarce economy, the government may resort to distortional subsidies and protections that dampen economic performance. In turn, this risks weakening both the government's fiscal position and the economy's external account. Without the ability to take timely countercyclical measures, such countries fare poorly when hit by crises.

To pursue its comparative advantage and prosper in a globalized world, a country needs a price system that reflects the relative abundance of its factor endowments. Firms in such a context will have incentives to enter industries that can use their relatively abundant labor to replace relatively scarce capital, or vice versa, thereby reducing costs and enhancing competitiveness. Examples include the development of garments in Bangladesh, software outsourcing in India, and light manufacturing in China. But such a relative price system is feasible only in a
market economy. This is why China - which appears to be faring well in the crisis, meeting its 8 percent growth target in 2009 - became an economic powerhouse only after instituting market-oriented reforms in the 1980s. Indeed, all 13 economies with an average annual growth rate of 7 percent or more for 25 years or longer, identified in the Growth Commission Report led by Nobel laureate Michael Spence, are market economies.

Pursuing its comparative advantage strengthens a country's resilience to crisis and allows for the rapid accumulation of human and physical capital. Developing countries with such characteristics are able to turn factor endowments from relatively labor- or resource-abundant to relatively capital-abundant in the span of a generation.

In today's competitive global marketplace, countries need to upgrade and diversify their industries continuously according to their changing endowments. A pioneering firm's success or failure in upgrading and/or diversifying will influence whether other firms follow or not. Government compensation for such pioneering firms can speed the process.

Industrial progress also requires coordination of related investments among firms. In Ecuador, a country that is now a successful exporter of cut flowers, farmers would not grow flowers decades ago because there was no modern cooling facility near the airport, and private firms would not invest in such facilities without a supply of flowers for export.

In such chicken-and-egg situations, in which the market alone fails to overcome externalities and essential investments go lacking, the government can play a vital facilitating role. This may be one of the reasons why the Growth Commission Report also found that all successful economies have committed, credible, and capable governments.

The world is now so far down the path of integration that turning back is no longer a viable option. We must internalize lessons from the past and focus on establishing well-functioning markets that enable developing countries fully to tap their economies' comparative advantage. As part of this process, a facilitating role for the state is desirable in developing and developed economies alike, although the appropriate role may be different depending on a country's stage of development.

Ultimately, in today's complex and interlinked world, even the most competitive economies need a helping hand as they climb the global ladder.

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