Introduction

Development – of any kind – is rarely linear. It therefore seems overly simplistic to assume that things should always stay the same. Still, with regard to globalization, people tend to do exactly that. For the past 30 years or more, the global economy has been run based on three main beliefs: that globalization will continue to increase, that trade is the route to growth and development, and that economic power is moving from the West to the East. More recently, it has further been taken as a given that our levels of interconnectedness – both physical and digital – will rise without limits.¹

At the beginning of 2017, however, evidence was piling up that the globalization of the world economy, and more broadly the international liberal order, was in hasty retreat. The election of Donald Trump as US president, the vote of the British people to leave the European Union and the presence of political strongmen in Russia, Turkey and North Korea all seem to forebode a new era in which globalization could potentially be reversed.

On the other hand, the international exchange of culture, traditions and lifestyles seems to continue unabated: Even in the remotest mountains of China one can see indigenous people wearing Western clothes; Coca Cola distributes its products in 206 countries; people are sipping coffee in Starbucks outlets throughout Asia; yoga is part of everyday life for many Western women and men; sushi has become an ordinary meal for most people in Europe and the US. Whether the globalization constitutes a homogenization of world cultures (convergence hypothesis) e.g. on business, art, music or creates a heterogenization of cultures (divergence hypothesis) has not been answered, yet.²

In 1999, the then secretary general of the United Nations, Kofi Annan, claimed that “globalization is an irreversible process, not an option.” Almost 20 years later, experts and politicians sound less certain about the future of globalization – and what this might imply.

Given the rising skepticism, it seems necessary to rethink the complex notion of globalization and what has led to the increasingly prevailing sentiment that it is the source of all evil being visited upon people, especially in the Western world.

This article analyzes some of the roots of the deep mistrust of globalization and whether globalization is actually the proper target, as there might be other forces at work as well. It will address positive facets and dark faces of globalization on an individual, national and international level. The article concludes with a set of recommendations for the European institutions, in order to enhance the ongoing debate of globalization.

¹ Livesey, Finbarr, From Global to Local, Profile Books Ltd., 2017.
II The Meaning of Globalization

1. Definitions and Traits of Globalization

In general, globalization refers to the free movement of goods, capital, services, people, technology and information, and it is the action or procedure of international integration of countries arising from the convergence of world views, products, ideas and other aspects of culture. Despite its impacts on all aspects of human life and interaction, there is no commonly shared definition of globalization. However:

In the majority of the proposed definitions of “globalization” the factors that play a major role are the expansion, concentration, and acceleration of worldwide relations. Definitions often also contain various diagnoses of our present era. Inherent in them is often the question of whether globalization means the demise of the nation-state, whether it will usher in cultural homogeneity throughout the world, or whether it will bestow new meaning on the concepts of time and space.

This modern understanding of globalization was coined in the 1980s, largely influenced by Theodore Levitt. He proposed that technology and globalization are the world’s driving forces and contributed to the notion’s popularity, well before the internet.

With regard to economic globalization, the International Monetary Fund defined trade, capital movements, movement of people, and the spread of knowledge and technology as the four major traits of globalization, quite similar to the five key determinants identified by UNESCO:

- To encourage economic growth and investment, governments have privatized many previously government-owned services and industries and deregulated economic activity to allow market forces greater scope. The lending and development policies of international agencies and banks, to open their economies to international goods, services, practices and ideas.
- Large multinational corporations have replaced governments as the vehicle for economic domination and many have grown to be larger and more powerful than most countries.
- Rapid advances in technology, especially in manufacturing, communication and transport in recent decades, have seen the Industrial Revolution replaced by the Information and Services Revolution.
- Advances in communication technologies and the media have intensified daily experiences of global connectedness and contributed to a “global consciousness” that normalizes and, thus, encourages more global connectedness.
- The rise in per capita income generated by these processes has fuelled a massive rise in consumerism and created a perpetual cycle – or a treadmill – of production and consumption.

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2. A Very Short History of Globalization

Though globalization is believed to have begun about 2,000 years ago with the creation of the Silk Road, no definitive starting point has been identified for this phenomenon. Historically, the distribution of goods and services was accompanied by the spread of values and religions and the movement of people. The Silk Road was an ancient network of trade routes which were central to cultural interaction for centuries, originally through regions of Eurasia connecting the East and West and stretching all the way to and from the Korean peninsula. Thus, the Silk Road encompassed essential elements that are now labeled as globalization.

While trade was responsible for less than 20% of world gross domestic product (GDP) in the early 1970s, it now represents around half. And even if the traditional trade in goods is broadly stabilizing, other forms of exchange, such as data flows, are growing exponentially. Estimates show that with an appropriate framework, the value of the data economy will increase to €739 billion by 2020, representing 4% of overall EU GDP, more than doubling today’s value.8

Globalization did not evolve linearly, but rather in phases. Economic researchers usually speak of three waves of globalization since the beginning of the 20th century. The first came to an abrupt standstill in the 1920s and stayed dormant until the 1940s; interestingly enough, however, the wars and crises of those years were of truly worldwide scope. The second wave brought global institutions and regulations for international exchange, mass tourism and global media and entertainment, and the universal spread of Western patterns of consumption. Problems such as environmental damage, competition for scarce resources (oil, for example), and even terrorism began to assume a transcontinental character. By the early 1980s many of the elements of contemporary globalization were in place.9

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The globalization of manufacturing over the past 30 years, particularly with regard to China, has been driven by "labor cost arbitrage" – outsourcing labor-intensive production to where wages are low. The rise of the "Factory Asia" supply chain not only helped to lift hundreds of millions in Asia out of poverty, but also increased living standards in the Western world by reducing prices for consumer goods. One impressive example of how people benefit from globalization is South Korea: In the 1960s, GDP per capita in South Korea equaled that of Egypt. Now South Koreans enjoy per capita GDP that is ten times higher than that found in the crisis-struck North African nation.

Since the 1990s, globalization has changed radically, as the internet has reduced the costs of moving ideas, and fueled a further unbundling. Now that it is cheaper, faster and safer to coordinate international production, supply chains ignore borders and sprawl around the world. With many products made everywhere, trade has been, in effect, denationalized.
During the third wave, criticism of globalization shifted from exploitation of developing countries to disadvantages for developed countries. A severe undermining of confidence in established political movements, resulting from the global financial crisis of 2008 and exacerbated by economic inequality, has led to the rise of populism and a rejection of the liberal values underpinning globalization and democracy. After decades of moving towards more openness, many countries in both the developing and advanced worlds have reversed course. What 2008 did was to shake people’s faith in the whole system.

III The Growing Discontent

1. Where Does the Anger Come From?

Globalization has been an outcome, not an objective. It has been an outcome of policies over the past decades that treated openness as a virtue, including openness to trade, to ideas, to capital, to cultural interplay and (even) to migration. It is a process that is susceptible to all kinds of influences that might reinforce or weaken its effects.

The reasons for embracing the policies of openness seemed evident: because it made lives better – worldwide. Poverty and famine have been drastically reduced; life expectancy has increased significantly; since 1950 per capita income has risen by 500% worldwide; and infant mortality has fallen by 50%. The narrative about globalization was, therefore, a positive one – a narrative of progress and prosperity.
In the early years of the 21st century, however, the narrative began to change. People began to feel that unfair competition from foreigners destroys jobs at home; unfettered migration leads to abuse of public services and threatens culture and national identity; big businesses use foreign boltholes to dodge taxes, while small companies have a hard time surviving due to high taxes and social security contributions; inequality is on the rise and “the rich” are shaping laws and regulations according to their needs, thus getting richer in the process.

The consequence has been a widespread feeling that the system is not fair and that globalization primarily helps the elite and large corporations. Many people have lost faith in the idea that deregulated markets lead to broad prosperity. Instead they are turning back to the notion of borders and regulations – and, from a variety of different positions, a countermovement against globalization is taking shape.

On one side, there are the critics on the left. They have long viewed capitalism as a threat and have found new symbols to serve as perfect protest targets: multinational trade agreements such as TTIP or CETA. They argue that national laws and regulations will be sacrificed in ways that will benefit only a small number of companies. Further support comes from an altogether different camp, located on the right wing of the political spectrum. The anger there is focused largely on immigrants, the European common currency and open borders, regardless whether for people or goods. The new dividing line is between those who support and those who oppose an open society. Those sceptical of an open society in both camps are connected by their diffuse fear of being left behind.

These critiques, of course, contain some truth: There are those who lose out from openness. An increasing part of the population in the US, for example, has not benefited from the country’s constantly growing economy. American blue-collar workers have had to accept decreasing pay checks for the past 20 years; increasingly, the salaries of middle-class and white-collar workers have been under pressure. Even in Austria, one of the richest countries in the world, real household incomes have decreased in recent years. The same is true for most middle-class households in the EU. Consequently, people are anxious about their future and feel that their children’s prospects will be worse than their own.

2. Who Is to Blame?
Determining whether globalization is in fact the cause of unfairness and inequality is far from straightforward. There are many popular examples of correlation not being causation. The same is true for our understanding of a globalized economy. We have mixed up many things which are different – like declines in transport costs, the deployment of dense communication networks and changes in production technologies – and put them all in a box labelled “globalization.” The semantic thicket has become so dense that it seems necessary to cut a trail through it and disentangle the various threads.

There are various forces at work in the restructuring of the global economy. One of those is technological progress. Technology alone, however, does not determine globalization, nor does it rule out competing versions of globalization at any one moment in time. If technology was the only thing that mattered, the Chinese, with their superior naval technologies, would have prevented

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their empire from being colonized by Western forces; the British Empire would still be thriving thanks to the huge advantages it gained from the Industrial Revolution.\textsuperscript{11}

Similar to industrialization, globalization has accelerated through technological advances. Especially the development of the internet and improvements in communication technologies and transport have contributed to a more interrelated, interdependent and exchange-oriented world. As shown in the figure below, it seems that different factors influence globalization: On one hand, falling barriers to trade and investment as well as technological innovations like the internet, communication and transportation encourage globalization; on the other hand, denationalization and internationalization support its development.

![Globalization Diagram](image)

Carl Bildt, former prime minister of Sweden, claims that some industries have vanished due to new technologies – subsequently leading to higher productivity – and not because of globalization. He also attributes increasing inequality mainly to technological developments, not to trade.\textsuperscript{12} Technological change has also increased demand for skilled labor but reduced the number of jobs for those with lower levels of qualifications, particularly in manufacturing.

As the world learned from the bankruptcy of Lehman Brothers in September 2008, the financial system has become a decisive factor in globalization. The flow of money, which up until that point had moved around the world at increasingly rapid rates, essentially came to a standstill – threatening economies from the US to Asia.

Despite the unanimous lip-service by central bankers around the world to “restore faith in the financial system,” the decoupling of the monetary system from the real economy continues. Money is rocketing around the world faster than ever – and investing has become even more volatile. An influx of liquidity from abroad rapidly heats up the economies in the countries in question – and they land even harder once the capital is pulled out again. In June 2016, the IMF – referring to the free flow of capital – concluded that “growth benefits are uncertain; costs in terms of increased

\textsuperscript{11} King, Stephen D., Grave New World, Yale University Press, 2017.

\textsuperscript{12} Bildt, Carl, Restoring Faith in Globalization, Project Syndicate, February 16, 2017.
economic volatility and crisis frequency seem more evident.” It is, however, evident that economic crises lead to an increase in inequality.

In the aftermath of the financial crisis of 2008 people legitimately called for some kind of justice: Are those responsible for this financial disaster at least somehow being held responsible? Although it is true that a number of high-ranking managers had to leave their posts – CEOs such as John Thain of Merrill Lynch, Richard Fuld of Lehman Brothers, Martin Sullivan of AIG, Marcel Ospel of UBS, Charles Prince of Citigroup – for almost all of them, their inglorious resignation was sweetened with bonus payments, a provocation in the eyes of taxpayers who felt that they were the only ones to bear the negative effects of the financial crisis.

This feeling that the current economic system is not fair and primarily helps those who already have more than enough was exacerbated by those who purposely abuse the system – out of criminal motives or simply because they have the power to do so. Overly powerful corporations that are escaping national controls such as Apple, Ikea, Amazon, Zara, Google or Facebook have the means to shirk tax obligations in a way that middle-class citizens cannot. The European Commission works hard to confront these corporations in order to retrieve some of the tax revenues that are owed; still, this might not suffice to placate a disgruntled public.

Tax havens are the “tumors” of the globalized world. Oligarchs and Mafiosi use them for shady deals while ostensibly reputable companies take advantage of them to avoid contributing their fair share to society in form of taxes. Especially in developing countries, tax evasion is one of the most serious problems. State finances are eroding. Georgia, Bolivia and Zimbabwe have a tax evasion rate of between 5% and 8% percent of GDP on average over the years 1999 to 2015. These figures represent enormous sums. Austria, Switzerland and the United States have the lowest tax evasion rates, i.e. between 0.8% and 1.3% of GDP, which is still considerable.13

The belief that politics does not serve the citizens and that the economy does not serve the people has taken firm hold. On top of this feeling of distrust, ubiquitous terrorism has added a further layer of insecurity to people’s emotional state. Conflicts that once seemed too far away to interfere in everyday life now trigger waves of refugees knocking on Europe’s doors. Despite its name, the Islamic State (IS) is a classic non-state actor that has been able to gain support via social media. The cybersphere has created opportunities for nations to attack and undermine each other – from interfering in national politics to attacking critical infrastructure.

As often, it was the US military that coined an acronym that perfectly describes the challenging mixture we are confronted with: VUCA stands for the volatility, uncertainty, complexity and ambiguity of general conditions and situations. The notion of VUCA was introduced by the US Army War College to describe the more volatile, uncertain, complex and ambiguous multilateral world which resulted from the end of the Cold War.

The increased volatility has a double effect: Not only the frequency of unplanned events increases, their amplitude also grows. Trend scout Holm Friebe uses the metaphor of a resonance disaster – the physical phenomenon of the destruction of a building or a technical mechanism by induced vibrations at a system’s resonance frequency, as happened to the Tacoma Narrows Bridge when

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soldiers walked over it in lockstep in 1940. As our world has become more and more interconnected and feedback loops increase, the probability of resonance disasters rises as well.\textsuperscript{14}

\section*{IV A Closer Look at a Multilevel Challenge}

These impacts of globalization and related developments are felt on all levels of human life and interaction. The types of changes and challenges they pose differ. Individuals, companies, nation-states and international regimes are all affected by globalization in their own way, positive and negative. The dynamics of cultural globalization encompass both – push and pull. With regards to this effects it will be crucial to manage globalization.

\subsection*{1. Impacts on an Individual Level}

The influences of globalization on the individual level are felt by everyone. The individual perception of globalization differs as much as globalization’s effects do. For example, a study conducted by the Bertelsmann Stiftung showed that only slightly over 50\% of the Germans polled viewed free trade as positive.\textsuperscript{15}

<table>
<thead>
<tr>
<th>Effects on the Individual</th>
<th>Negative Effects on the Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in personal freedom and choice</td>
<td>The gap between rich and poor is increasing</td>
</tr>
<tr>
<td>Lower prices of luxury goods</td>
<td>Outsourcing of unskilled labor</td>
</tr>
<tr>
<td>Increased communication</td>
<td>Pollution</td>
</tr>
<tr>
<td>Decreasing cost of living</td>
<td>Possible loss of identity</td>
</tr>
<tr>
<td>Year-round supply of variety of food and exotic products</td>
<td>Losses for everyone excluded from globalization (e.g. no access to internet)</td>
</tr>
<tr>
<td>Creation of a variety of new fields of work</td>
<td>Local crises can have global impacts</td>
</tr>
<tr>
<td>Decrease of poverty worldwide</td>
<td>Increase in competition</td>
</tr>
<tr>
<td>Increase of employment in developing countries</td>
<td>Increase in demand of flexibility</td>
</tr>
<tr>
<td>Worldwide mobility</td>
<td>Lower quality of products</td>
</tr>
<tr>
<td>Increase in wealth of people working in fields connected to international trade</td>
<td>Poor making conditions (in some cases)</td>
</tr>
<tr>
<td>Better opportunities</td>
<td>Risk of being left behind without knowledge of English</td>
</tr>
<tr>
<td>International labor demand</td>
<td>Increase in international movement of refugees</td>
</tr>
<tr>
<td>English as predominant language simplifies communication</td>
<td></td>
</tr>
<tr>
<td>Increase of health, education, expectation of life</td>
<td></td>
</tr>
</tbody>
</table>

Even when this list of benefits and disadvantages does not contain an exhaustive list, the Table “Effects on the Individual” depicts a variety of assets and drawbacks for the individual. The table shows that globalization could have positive as well negative consequences and therefore it might depends whether the phenomenon could be seen as an opportunity or a threat. Unsurprisingly many of the advantages have an equivalent that causing a disadvantage for others. Even though globalization is believed to be a win-win rather than a zero-sum game, there are always winners and losers from certain effects. The differences between rich and poor are a prime example.

\textsuperscript{15} Bluth, Christian. Einstellungen zum globalen Handel und TTIP in Deutschland und den USA. Gütersloh 2016.
2. Impacts on an Collective Level

Additionally there are positive and negative effects of the globalization on a broader scope. A Bertelsmann Stiftung report analyzes the extent to which 42 developed and emerging nations have benefited from globalization and can continue to benefit from it in the future. The Table “Effects on a collective level” summarizes some effects on companies, nations or a cross-border level.

<table>
<thead>
<tr>
<th>Positive effects collective level</th>
<th>Negative effects on a collective level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stronger dependencies between nations: partnership</td>
<td>Loss of cultural identity</td>
</tr>
<tr>
<td>Cultural Homogenization</td>
<td>Domino effects across borders</td>
</tr>
<tr>
<td>Increase understanding and goodwill of different countries</td>
<td>Sensitivity to (economic) shocks and technological networks</td>
</tr>
<tr>
<td>Optimized resource allocation</td>
<td>Adverse effects on social welfare</td>
</tr>
<tr>
<td>Global scope: Solving global challenges like environmental protection</td>
<td>Harmful effects on SME</td>
</tr>
<tr>
<td>Multinational or transnational corporations</td>
<td>Hostile to humanism</td>
</tr>
<tr>
<td>Increased access to resources like healthcare or water affecting life expectancy levels</td>
<td>Erosion of democracy</td>
</tr>
<tr>
<td>Spread of demographic ideas</td>
<td>Gender-insensitive</td>
</tr>
<tr>
<td>Equalization of income distribution among nations</td>
<td>Destructive of environment</td>
</tr>
<tr>
<td>Providing better education</td>
<td>Exploitation of underdeveloped countries</td>
</tr>
<tr>
<td>Free trade for companies; exchange of goods and services</td>
<td>Brain drain</td>
</tr>
<tr>
<td>Decrease of prime costs</td>
<td>(Armed) conflicts e.g. over natural resources</td>
</tr>
<tr>
<td>Access to know-how and natural resources</td>
<td>Flight and expulsion</td>
</tr>
<tr>
<td>International investments: free access to financial markets</td>
<td>Risk of diseases</td>
</tr>
<tr>
<td>Specialization</td>
<td>Inequality and environmental degradation</td>
</tr>
<tr>
<td>Spread of know-how or technologies</td>
<td></td>
</tr>
<tr>
<td>Diversity</td>
<td></td>
</tr>
</tbody>
</table>

Source: author’s own diagram.

Knowledge is Key

The key of being successful – or the difference between being a winner and becoming a loser of the globalization process – might be the access, the utilization or the distribution of knowledge. “Informatization” is a word rarely used when talking about globalization. It is defined as “the unprecedented growth in the speed and quantity of information production and distribution and the increased role of ICT-assisted knowledge processes, systems, and networks in society.” This very much IT-based definition only covers part of the phrase’s potential application.

With regard to globalization, it would be much more useful to look at informatization as “the global and instant availability of information, negating information asymmetries.” In a world with or without falling barriers and with nearly unlimited technical support, every piece of information is always available everywhere. When perfect information is not available, the principal cannot directly ensure


that the agent is always acting in the principal’s best interest.\textsuperscript{18} If all information is available, information asymmetry cannot be utilized. In the context of globalization, it is essential to know who has all the necessary information. The prevention of information asymmetries becomes a competitive advantage.

Consequently, the new definition of informatization challenges the current understanding of globalization by raising different questions about the nature of globalization. All aspects of globalization can be reduced in one way or another to an increase in information. As a key factor the access, utilization and distribution of knowledge or in other words Informatization:

- explains why protectionism does not help: protectionism does not prevent people from receiving information;
- explains why there are always winners and losers: those who have no access to the information network will be on the losing side;
- raises demand for control of information’s creators and distributors: both the media and distributors such as Google and other multinationals need to be monitored;
- can increase international trade by reducing information asymmetries: equal opportunities result in more participants;
- explains the increasing gap between rich and poor: the rich usually have better access to information;
- explains shifting cultures, and the fear of a loss of identity: new information about products, ideas and ideologies can reach individuals;
- explains the concern about global problems, e.g. terrorism and world hunger: threats and problems seem closer because of all the new information now available; and
- knowledge of factors such as lower wages in other countries is the reason why companies shift production.

Having this in mind, the access, the utilization and the distribution of knowledge must be managed to increase the positive effects of globalization.

\textbf{VI Recommendations}

The public debate about globalization is currently dominated by its foes, the “losers” of globalization. Those who see more chances and opportunities in globalization and technological progress tend to be less vocal. The following recommendations pursue three main goals:

1. Making globalization more “manageable” for citizens.
2. Making citizens more agile and thus more capable of managing their own futures under changing conditions.
3. Eliminating the drawbacks of globalization without destroying its advantages.

Given those goals, this paper recommends the following:

- **Think “glocal”:** By reconciling global outreach and local needs, citizens will regain their grasp of local affairs. As demonstrated by “The Global Parliament of Mayors,” initiated by political theorist and civil-society specialist Benjamin R. Barber, local politicians can benefit

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from global relations and learn from best practices worldwide and, at the same time, apply these learnings to their local communities.

- **Set goals for globalization:** As mentioned, globalization has been the outcome, not an objective. In order to generate understanding and approval of policies that require a global approach (e.g. climate change, fight against terrorism). Principles and goals need to be discussed and established.

- **Be an active globalizer:** Europe as a whole has mainly benefited from globalization; however, the EU’s contribution to shaping globalization has been minor compared to the US or China. The European Union needs to actively work on the global rulebook in order to secure standards, especially in the areas of sustainability, fair competition, and rule of law.

- **Empowerment by education:** Equal access to high-quality education and training provides citizens with the agility to adapt to changing professional demands. Already 90% of all jobs require at least some level of digital skills – education and training programs need to be improved to provide these necessary skills (capability approach).

- **Support for local transformation:** While the benefits of globalization are widely spread, the costs are often localized. Support at the local and regional level can help to overcome negative effects.
**VII References**


