

HOW REVERSIBLE IS GLOBALIZATION?

Daniel Hamilton

SEPTEMBER 2018



Photo: 3rd Lisbon Conference “Development in an Age of Uncertainty”, Calouste Gulbenkian Foundation, May 2018.
© Lisbon Club

HOW REVERSIBLE IS GLOBALIZATION?

I think the basic questions on this subject are: *is globalization continuing? What is the backlash? How should who think about it?* The quick answer is: globalization is continuing and in fact, in some areas, it is accelerating and there is already some backlash and a great questioning of its effects in many other areas.

I think about globalization in a much broader sense than only trade. We do get hang up by what do we mean by globalization. There are different narratives about it, and they have become problematic because they don't really help us to understand what we are talking about. Let me briefly talk about three of those.

One of the prevailing narratives, that the "apostles" of globalization use, is that it is global and seamless, and distance doesn't matter anymore (you can find books on the death of distance). But the reality is that distance still matters, and it is in fact one of the reasons why globalization is uneven in its effects. It can be thicker, or it can be thin, depending on the connections that we are talking about. And that's where politics comes in because the unevenness of globalization means a lot of different things to different people and different societies. This notion that the death of distance is what we refer to on addressing globalization is neither true nor helpful.

The second narrative is not quite the same, but it is talked about in the same way (I heard it today): it refers to the rise of what some call "the multipolar world". We must pause a minute to think about what this really means. It seems to imply that we have different centres of power (it was a reaction to the "unipolar moment" after the end of the Cold War) and that somehow these poles are similar or almost equal: United States (US), Europe, India, China, Russia. This really deserves a secondary reflection. First, that's a very state centric view of the world we're in, whereas globalization is much more than that. And we must wonder if this view really helps us to understand the current phenomenon of globalization. On the other hand, when we think about power in all its dimensions [soft power, hard power, sharp power - used when we refer to China], which countries have this full spectre of power resources and the capability not only to have them but also to deploy them in a very agile way and combine them?

I think we end up with only a couple of countries. Thus, I don't think the multipolar concept gets us too far.

The better way to approach this is to talk about the current diffusion of power. And we are in fact seeing a diffusion of power, away from the state centric world – this is the model that globalization is challenging us with. We see power leaking from states to non-state actors. We also see power leaking among states and, especially relevant for Europe, we see power leaking above the state to something like the European Union, which has qualities that individual member states no longer have real competence for (for example on trade). We must think harder about this diffusion of power and how it relates to globalization (linking this with the point about thick and thin connections). If we must use the "polar" term, I would say "inter-polar" is better, because it brings in the interdependencies between those centres of power.

The third narrative that I often hear about as one of the prevailing narratives on globalization - certainly in the media - is that globalization is all about the rise of Asia. There are some famous books on this. For example, about ten years ago Kishore Mahbubani wrote *"The New Asian Hemisphere: The Irresistible Shift of Global Power to the East"*. Everyone is really caught up in this dynamic: China will save the world; India is changing the world. But, by definition, globalization is not about only one part of the world and if there is an Asian hemisphere, there must also be an Atlantic hemisphere. If we open that term, we see some interesting connections. Tom Friedman, columnist for The New York Times, wrote a book a long time ago (*The World is Flat: A Brief Story of the Twenty-First Century, 2005*) where he had a very simple definition of globalization: it is how continents connect. If we look on how continents are really connecting and all sorts of flows we have between them (people, services, goods, investment, trade, data, technology, diseases) we see that the Atlantic hemisphere is also connected in many ways that seem to be escaping a lot of our attention.

This is particularly relevant for Portugal. Let me give you some brief examples. Energy was mentioned, and the Atlantic basin is becoming the world's energy reservoir for the next few decades,



because of the tremendously diverse revolutionary developments that are happening all along the north and south of its basin. It's not only about the US fracking and energy revolution. If you go down trough to Brazil and all along the eastern coast of South America, we see all sorts of developments happening there, back up to West Africa. And the centre of the global renewable innovation industry is in the Atlantic, and particularly in Europe.

The idea that we can break the connection between the production of wealth and the consumption of resources, which would be truly revolutionary, has a real potential because of innovation happening here in Europe. Around 80% of the bio-fuels of the world come from the Atlantic. The US are shifting away from the Persian Gulf, but as it becomes less an important energy source for the US, it becomes much more important for Asia because this region doesn't have the energy resources; the Atlantic hemisphere will start to produce energy for the rise of Asia.

The second example is commerce. We talk about the rise of these big economies but there is still more commerce flowing within the Atlantic basin than in any other basin. If we include trade, investment and all these kinds of flows, the Atlantic is still the fulcrum of the global economy. However, it is a hemisphere of great wealth but also of great inequality, because all these flows do not occur evenly. And, again, that's where politics come in. If you think about it, where is the greatest centre of German investment in the World? It's in São Paulo, Brazil. US companies in the United Kingdom export more to the rest of Europe than US companies based in China export to the entire world. US assets in Poland, Hungary and the Czech Republic are greater than US assets in India. Thus, we're progressing with globalization but it's not an even process and, of course, we are starting from a very different point. Part of the rise of the Atlantic is because of the rise of the Pacific hemisphere. We had to expand the Panama Canal; you're building all these tanker ports across the Atlantic basin: the Arctic is opening up.

HOW REVERSIBLE IS GLOBALIZATION?

This will become an interaction between the Asian and the Atlantic hemispheres (a sort of Hemispheric Globalization).

The last example refers to the negative side all of this. What I would call the "Dark Networks" of the Atlantic basin, which are also about globalization (for example, Crony Capitalism). We have drugs being produced in South America coming over, not only to North America and Europe, but also to Africa and into the Sahel, a vast region of the continent that is basically run by gangs, in lawless areas and fuelled by gun purchases that come from North America, with costumers coming from Europe. This means we created a circular set of dark networks that are preying on people and are fuelled from resources that come of that circular network. Everybody in the Atlantic basin is implicated and we still don't have any institutions to deal with that.

My plea here is to think about how we are connected by different flows, and how these flows and connections are more what globalization is about. To conclude, I give you three implications regarding all these reflections.



We have two worlds coexisting at the moment: the State-centric world, that we are used to, and is about sovereignty, borders, institutions and organizations. Then we have this world of networks, that is about webs, hubs, data, value chains. They coexist uneasily and that's the world that we are facing right now when it comes to the political consequences. The value-chain map of Europe is not the same as the institutional map of Europe. Companies don't stop at the border of the European Union when they are figuring out their values chains. As Professor George Friedman said today, there is a tendency in the European Union to call itself Europe but, increasingly, non-EU Europe is becoming more important to the rest of the world. We need to think about how these flows are occurring, both in positive and negative ways.

This also highlights the really important issue of the digital economy, which is absorbing more and more the biggest part of the economy, either because it fuels tangible things or because it is the value behind many intangible things. And there is "no good data about data". Governments do not know how to measure the digital economy very well, and they are not capturing it. It is not a distinct part of the economy, that we can separate. It's becoming the whole economy and, if we hit a button of architectural design and send it across the ocean, it represents a high value click. How do you measure it? We are so preoccupied about our current challenges of the "digitization age" (the platform companies) and we must think harder in what is coming at us real soon, in fact is already starting.

The other revolutionary science, with amazing speed right now, is Biology. If we put those two together, digital revolution and biological revolution, we are heading into what I would call a "Bio-cognitive Age", in which the next trillion dollars industries are not built on codes of one and zero. They are built on our genetic code. This raises all sorts of issues, and, because it is uneven, it's unclear who is going to capture that market and what are the implications. You can already see companies occupying this space and amazing innovations happening in the biological space that will be turned into profit making companies. Who's capturing this revolution? We haven't even grappled with the one we are in now!

HOW REVERSIBLE IS GLOBALIZATION?

The last implication, regarding the darker side of this, is that our connections are what keep us going. Governments, which are accustomed to protecting their territories when it comes to traditional security, must think much harder about protecting their connectedness. It represents a different kind of security challenge, but it's no less important. The migration challenge to Europe over the last few years was a security flow challenge, in which traditional territorial approaches are not going to work. You must think in terms of "flow security". What is the communality behind terrorists, energy cartels, cyber hackers? They are all networks that are trying to prey on the networks of free societies and disrupt the critical functions of those societies for whatever purpose they may have. Traditional security approaches don't deal well with this. We must think about a "flow security approach" and that is also why globalization is not only about economics; it has many other dimensions to it.

To conclude, in the end the political question is: *is globalization working for you?* How every individual answer that question determines the politics of this - and you see a new setting for trade in which many people are saying "no, it is not working for me!". This trading system is in crisis and while they are wondering about losing jobs, we haven't done a good job in explaining how the turn of the economy works and we certainly are not in a "business as usual" mode. The new normal is "no business as usual". In the US and in Europe, the tradition party affiliations have fragmented. On the Right we see real divisions between traditional mainstream free market conservatives and sovereigntists, and they don't agree with each other. On the Left there are many who say we need to maintain high standards, so we can set the standards throughout the globe regarding environment, safety, food, etc, and we have others that are asking "what about my job?", and they don't agree with each other. We are fracturing, and the real division seems to be more between those who are still arguing for the benefits of an open society and those who are arguing that we must shield and protect ourselves. For example, the French President image for Europe is a Europe that protects.

That is not an outward looking message, but one of Europe looking inward, shoring down, anchoring down, protecting itself.

And those are the divides, I think, we are dealing with, both in Europe, in the United States, probably in many other countries - and that are challenging our old frameworks. Therefore, repeating what George Friedman said earlier today: let's enjoy the ride.

IMVF Briefs are publications that target a wide audience and present in a concise manner the key features and questions regarding a development-related issue.

This presentation was initially delivered at the 3rd Lisbon Conference, on "Development in an Age of Uncertainty", held in May 2018. More information at www.clubelisboa.com

Daniel Hamilton is the Founding Director of the Center for Transatlantic Relations at Johns Hopkins University. For fifteen years he also served as Executive Director of the American Consortium for EU Studies, designated by the European Commission as the EU Center of Excellence Washington, DC. He is the Director of the Atlantic Basin Initiative. He has held a variety of senior positions in the U.S. Department of State, taught graduate courses in several universities and has been a Member of the Advisory Boards for renowned institutions, in Germany and abroad. He has authored over 100 books and articles on contemporary European, transatlantic and international affairs. Most recent publications include *Domestic Determinants of Foreign Policy in the European Union and the United States* (2018); *The Transatlantic Digital Economy* (2017); *The Russia File: Russia and the West in an Unordered World* (2017); *Eastern Voices: Europe's East Face an Unsettled West* (2017). He has a Ph.D. and M.A. with distinction from the Johns Hopkins School of Advanced International Studies.

SOBRE O INSTITUTO MARQUÊS DE VALLE FLOR

Criado em 1951 como instituição privada de utilidade pública, o IMVF é uma Fundação para o desenvolvimento e a cooperação, tendo iniciado atividade como ONGD em 1988 em São Tomé e Príncipe. A partir dos anos 90 expandiu a sua ação a outros países, com predominância aos de língua oficial portuguesa e aumentou as áreas de atividade. Já em 2017 voltou a alargar a sua ação a novas geografias em África e na América Latina. O trabalho feito e os resultados alcançados tornaram o IMVF numa entidade de referência nos domínios da cooperação e do desenvolvimento.

ABOUT THE INSTITUTE MARQUÊS DE VALLE FLOR

Created in 1951 as a private institution of public utility, IMVF is a foundation for development and cooperation, having started its activity as a NGDO in 1988, in Sao Tome and Principe. From the 90s onward, the Institute have expanded its actions to other countries, mainly Portuguese Speaking Countries and broaden its scope of intervention. In 2017 it widened again its sphere of activities to new geographies in Africa and Latin America as well. The work done and the results obtained have turned IMVF into a key stakeholder in different areas of expertise and intervention such as Cooperation and Development.

Instituto Marquês de Valle Flôr
Rua de São Nicolau, 105
1100-548 Lisboa
Portugal
Tel: + 351 213 256 300
E-mail: info@imvf.org