

5. GLOBALIZATION: BEYOND ECONOMICS AND STATISTICS

There are dimensions to human well-being other than economics, and there are aspects that cannot be measured by statistics. Some of these dimensions and aspects will also be affected by globalization. This section addresses this necessary view beyond economics and statistics, i.e., what globalization brings and what it requires in this broadened perspective, namely

- more mutual understanding among people across borders instead of imposing single views,
- more dialogue for true global priorities in areas such as basic rights and environment and co-operation for solutions
- politicians who have the courage and will look beyond the borders of their country and beyond the average election cycle.

5.1 Culture and access to information

"Many on the left support multiculturalism in the west but cultural purity in the third world."⁵⁴ And despite the fact that cultures are evolving over centuries, the impact of globalization on culture is only looked at for a short period, without consideration for historic context.

Let us start with illustrating some aspects of the particular dialectics of cultural standardization and cultural enrichment as a result of globalization, presenting two brief facts on television and literature.

As a recent UNESCO survey pointed out, most of the television stations in developing countries in Asia, Africa, and South America broadcast, to a considerable degree, programs produced in more developed countries, mainly the US. In an extreme case, in Guatemala imported programs occupy 84 percent of the total

⁵⁴ Legrain (2002)

broadcasting time; in Zambia, the figure is 64 percent; in Malaysia, 71 percent; in Singapore, 78 percent; and in Hong Kong, 40 percent. The people of these countries now watch programs for which the original target audience was the urban middle-class families of the more developed countries, especially the United States and Japan. Regardless of the type of program, Western middle-class values are presented – the actors are surrounded by durable commodities, material conveniences and many aspects of the Northern "affluent society." Though there has not been any systematic research on the matter so far, the impact of programs produced in more industrial societies upon the minds of the people of developing countries may be profound. On the one hand, there is clearly a crowding out of local forms of entertainment. On the other hand, one should be aware that different people see these productions differently. African viewers of Western soap drama find most of the "dramatic" plots, "sufferings" and states of mind of rich Westerners shown in TV soap operas (e.g., "Dynasty", "The Bold and the Beautiful") very funny (or rather, ridiculous). However, on the other hand, many of the Western middle class' values (often belittled by Western intellectuals) have contributed to economic development and overcoming poverty.

A second facet is the trend for global multiculturalism and cultural enrichment; it is about the countries of origin of Nobel Prize winners in literature. Initially, there were almost exclusively authors from Europe and USA: during the twenty years 1942-1961, there was only one of them who did not come from Europe or the US. Since then, matters have changed: in 1962-81 there were already four from other regions and in the last twenty years, i.e., 1982-2001 there were eight. Winners of this cultural globalization are not only people in the developing world who get the attention they deserve for their merits, it is even more people in industrialized countries who get better access to the thinking of other continents.

Globalization has opened up countries to pluralistic thinking, "threatening national values", institutions and traditions with foreign

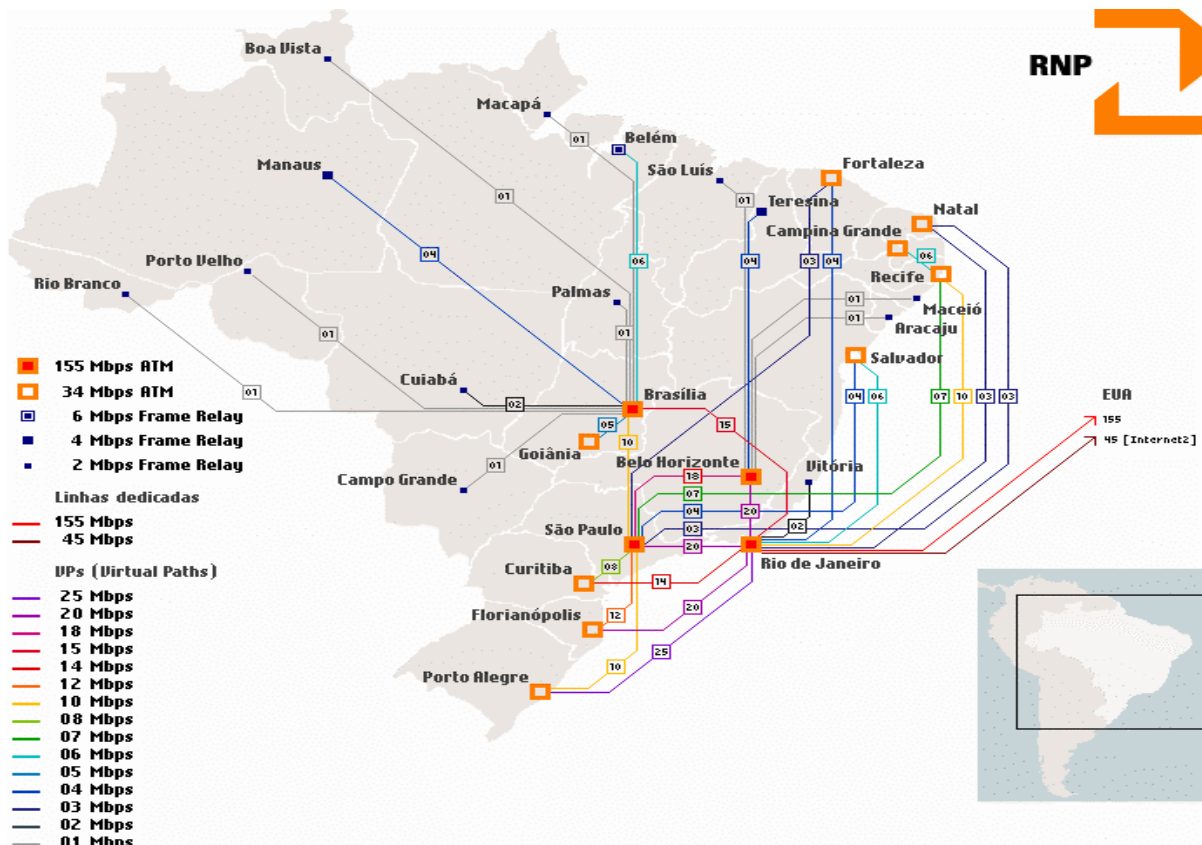
values and uses (in particular, some religions like the Catholic Church have warned about the Church losing “influence” because of this reason). In a similar way, globalization is also often seen as a threat to “cultural sovereignty” (this vague concept is seldom defined), as it has weakened the traditional relationship “territory-culture”.

It is argued that, as globalization is “driven or imposed by rich countries”, one of the results is the “homogenization” of consumers worldwide, to the benefit of those countries and their companies. Consumption patterns are being imposed on populations around the world mirroring the rich countries’ “consumerism”.

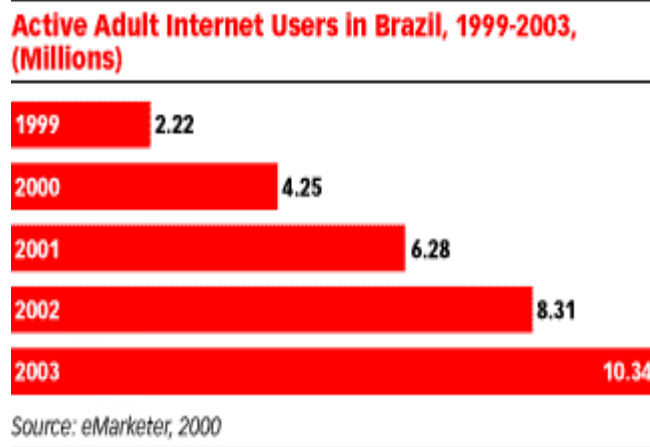
Patterns of behavior are indeed approaching those in the richer countries; but one of the characteristics of more wealth is the wish for more choice and diversity. Developing countries are going through a process that industrialized countries went through earlier, with wider choice for consumers and access to better and cheaper products and services. Even though, the number of global products has increased, their percentage remains small when compared to local recipes and an even bigger number of entirely local products. Just one example: the Coca-Cola Company, which was among the first to bring Western brands into Russia, reacted to market demand and switched production to traditional Russian soft drinks, such as Kvas, a cloudy, brown yeast concoction.

As previously mentioned, networks – meant as a broad concept – have become key drivers of globalization, linking both business and people in a new, more comprehensive manner, and opening up countries to the world. With mathematics one can show that in such comprehensive networks the former center is losing its importance.

The Internet illustrates this in a dramatic way. There is on the one hand the emergence of capillary systems, reaching and linking remote areas, within countries and across borders.



The developing world may be lagging behind in the development of these networks, but in size only, not in the pace of growth of Internet: faster than at any former time there are new networks emerging there as well, with capillary networks reaching out to remote regions of developing countries. Euphoria on e-business may be over, but the daily use of Internet is still growing at breathtaking pace. While in 1995 there were less than 20 million regular users, there will be more than 1 billion of them in 2005. There will **no longer be a digital divide mainly along the North-South fault line**, but one between young and older. Brazil, a very young country, is a case in point with its very high growth in the number of Internet users, i.e., about 2 million per year.



Historically, the adoption and diffusion of all networked technologies follows a typical sequence. It starts in major cities with much economic activity and then works outward to smaller towns, and eventually to rural villages and remote areas. Presently, these steps are happening almost simultaneously.

Globalization has actually turned into a means to solve the digital divide, and the potential for the future is still enormous. Between the Americas and Europe, there are about 40 million online Spanish and Portuguese speakers across the globe, constituting one of the most dynamic online markets in the world. Indeed, it is probably Latin America that offers one of the best case studies worldwide of how the Internet can simultaneously be a local, regional, transcontinental and multilingual medium for content and commerce.⁵⁵

Changes are equally fast and profound in China. Globalization through networks also means access to information for the people. It is the same pattern of ever-denser networks, reaching remote regions of a very big, very complex country. And improved access for the people in the cities and out in the remote regions to information has its impact.

⁵⁵ <http://www.isoc.org/oti/articles/0401/rao2.html>



E-mail and Internet bar in Lhasa, Tibet

The Chinese government's closing 17,488 of meanwhile more than 90,000 Internet cafes (November 2001), because they refused to filter their clients use of the net according to political criteria set by the government, illustrates this in a quite impressive manner. Countries such as Vietnam have tried to make access to Internet or the use of satellite dishes for TV and radio as difficult as possible. In a number of countries, free global information is still considered as a threat to their political stability. For such a reason and not least because of a lack of related infrastructures (electricity and telephone

networks; poverty and lack of access to technology, not of globalization), hosts in developing countries are rare, representing “islands” of technology use rather than wider diffusion. But things are changing rapidly, even without local hosts. Additionally, mobile phones are moving quickly into a role of information centers. Third generation networks are already in preparation in China; this will add a completely new dimension to the close to 300 million users of cell phones.

This brings us back to the issue of cultural sovereignty: it seems natural that traditional politicians or institutions such as Churches or trade unions feel threatened by information technology and globalization, as it undermines their relative monopolies (control) of information and ideas. Globalization is about exposing people to new things; rather than imposition, globalization leads to cultural interaction to the benefit of all, when the two key principles of pluralism and tolerance are maintained.

Actually, tolerance and cultural sovereignty of groups of people within countries have been increased in the last 20 years as can be seen with the development of languages in Europe. The number of official languages is soaring, partly within nation states (Spain, UK) and partly at the expense of the nation state (Yugoslavia). The use of English as a general tool for inter-cultural communication has given room for the emergence of truly local idioms.⁵⁶

Thus, globalization enhances people’s choice and gives them freedom of thinking either on political, social, economic or religious matters. As to the concept of “cultural sovereignty”, a case can be made similar to economic protectionism: isolation leads to decadence and contact with other cultures nurtures (enriches) people’s own culture rather than weakens it.

⁵⁶ Hermann Lübke; professor emeritus of University of Zürich

5.2 Attitudes, ethics and the UN Global Compact

***"Might makes right: the US can impose trade sanctions against India if Indian fishermen are nasty to dolphins, but India cannot realistically bar trade with the US if the Americans are nasty to cows."*⁵⁷**

Ethics and globalization have been a delicate issue for quite some time. In some respects globalization started five hundred years ago. In the middle of the last Millennium, the world became a globe. People no longer perceived it as one continental plate; Vasco da Gama, Columbus, Magalhães and others showed them the real shape and that there were other continents, other people and cultures.

The Western Christian thinking of that time was not pluralistic at all. Forty years before Columbus' historic voyage, in 1455, Pope Nicholas V issued to King Alfonso V of Portugal the bull *Romanus Pontifex*, sanctioning and promoting the conquest, colonization, and exploitation of non-Christian nations and their territories. In an earlier bull ("*Dum Diversa*"), Pope Nicholas directed King Alfonso to "capture, vanquish, and subdue the Saracens, pagans, and other enemies of Christ, to put them into perpetual slavery, and to take all their possessions and property."⁵⁸ They were considered enemies of the Catholic faith and, as such, an inferior race, less than human, their cultural heritage was systematically destroyed. Diego de Landa, for instance, first bishop of Yucatán tried to wipe out the Maya culture burning priceless historic documents and artifacts. These attitudes of Western superiority continued – somewhat milder – into the 20th Century. Mahatma Gandhi, for instance, expressed times and again his unhappiness over caricaturization of Hinduism in Christian publications; he saw it as a lack of Christian tolerance and their queer concept of truth over which they claimed monopoly.⁵⁹

⁵⁷ Jagdish Bhagwati; *A stream of windows*; Cambridge 1998.

⁵⁸ http://ili.nativeweb.org/sdrm_art.html

⁵⁹ Gandhi, *Christian Missions. Their Place in India*; Ahmedabad 1941

Meanwhile, people in Asia, Africa and the Americas have gained back their rights and voice; they have become actors in a new global set-up driven by free and competitive markets, equal rights and new opportunities for more people than ever before.

The new set-up combines the freedom with rules. Instead of the bull Romanus Pontifex (which, apparently, was never revoked; the US Supreme Court still referred to it in cases of expropriation of native Americans in the 19th century) for the globalizers of the past, today global business refers to the **Global Compact** of UN Secretary General Kofi Annan as the common platform for dialogue with authorities, the local and global partners such as trade unions, customers, suppliers, local communities, etc.

The Global Compact is not a Code of Conduct, but a platform for dialogue and improvement, covering human rights, labor rights and the environment.

UN Global Compact

Human Rights

1. companies to respect international human rights within their sphere of influence;
2. no complicity in human rights abuses.

Labour

3. freedom of association and the right to collective bargaining;
4. the elimination of forced labour;
5. no child labour;
6. no discrimination in employment.

Environment

7. precaution towards environmental challenges;
8. initiatives to promote greater environmental responsibility;
9. encourage environmentally friendly technologies.



When applying the Global Compact, companies are well aware that they cannot act as a substitute for the State who is the actual contractual partner for these obligations within the UN and ILO (International Labour Organization). Instead, they see it as universal priorities for their own learning and improvement. Those companies who take the Global Compact seriously neither use it for lecturing abroad, nor for getting "good grades" from NGOs and governments in the West.

To illustrate this with a specific case: if a company investing in the developing world is buying milk from farmers in the developing world, it could check and select the farmers that already achieve an income equal to a "just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity" (Art. 23 of the UN Universal Declaration of Human Rights). The potential suppliers would then be narrowed down to wealthier farmers, and this would help avoiding trouble with ethical observers and evaluators in the industrialized country. A company that rather than applying the letter of the Global Compact wants to apply its principles will also seek for poor farmers who may only have one or two cows. It will help them improve their productivity and create conditions that, after some time, can lead to a few more livestock.

More globalized markets generate also a change in attitudes. As outlined, hierarchies are losing importance in comprehensive global networks and competition is replacing North-South dominance. Under these changing conditions, "trust and the shared economic norms that underlie it" becomes a major competitive strength as it lowers transaction costs.⁶⁰ Those actors in the global market who are forced to check every business partner before getting in touch and who mainly rely on complex contracts to safeguard all eventualities are increasingly meeting with difficulties in today's ever more complex realities. Setting them up and enforcing them will become too costly. The "World Value Survey" of the University of

⁶⁰ Francis Fukuyama; Trust. The social virtues & the creation of prosperity; New York 1995

Michigan⁶¹ further illustrates the importance of trust for a successful economic development.

Trust has also become the major base for working together within firms. And it is again globalization of competition that forces others to move to this higher form of living and working together: "In the Toyota Motor Company's Takaoka assembly plant, any of the thousands of assembly line workers can bring the entire plant to a halt by pulling on a cord at his or her workstation. They seldom do. By contrast, workers at the great Ford auto plants like Highland Park or River Rouge – plants that virtually defined the nature of modern industrial production for three generations – were never trusted with this kind of power. Today, Ford workers, having adopted Japanese techniques under the pressure of global competition, are trusted with similar powers, and have greater control over their workplace and machines."⁶²

With the international companies and global markets trust is spreading out to other cultures. There is the positive demonstration effect. But it also works the other way, as some sort benchmark: companies such as Enron who were no longer trusted were punished by the markets more severely and quickly than anybody could ever have imagined.

⁶¹ <http://wvs.isr.umich.edu/index.html>

⁶² Fukuyama, op. cit. p. 8

5.3 Environmental concerns

“Neo-liberal globalization destroys the environment, health and the living space of the peoples” Porto Alegre Social Summit: Call to Mobilization; January 25-30, 2001

Contrary to widespread belief, the 1980s and 1990s brought a number of significant improvements for the global environment. Actually, the very concept of sustainability is a child of globalization. The section, rather than going into all aspects of a complex issue, tries to stress some unusual facts. We look forward to reactions from readers that would allow us to further develop ideas.

One issue often raised is the negative impact of international investment on the environment and of foreign direct investors shopping for a location with the lowest environmental standards. Charles Oman of the Development Center of the OECD has compiled the most comprehensive review to date. He finds that "firms in modern manufacturing and service industries rarely move their operations to take advantage of lower environmental standards in another country and ... efforts by national governments to compete for FDI in these industries through lax standards or lax enforcement of environmental protection are likely to be unsuccessful, perhaps counterproductive."⁶³

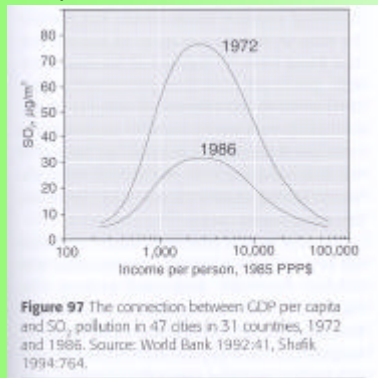
Next, let us show how pollution relates to increases in prosperity, triggered by globalization and other drivers of economic growth. There is widespread belief that if people in the developing world get better incomes and consume more, this will be disastrous for the global environment. The charts show how prosperity actually affects air pollution. Concentrations of particulates and sulphur dioxide peak at per capita incomes of \$3,280 and \$3,670, respectively. Once these income thresholds are crossed, worldwide standards start to converge and societies start to purchase increased environmental amenities such as clean air.⁶⁴

⁶³ OECD, Policy competition for Foreign Direct Investment; Paris 2000

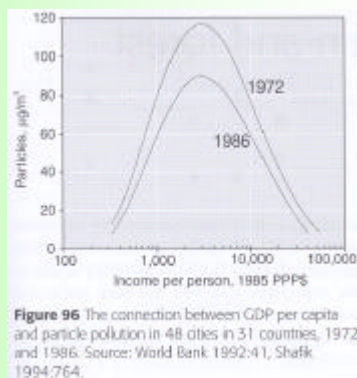
⁶⁴ www.reason.com/0005/fe.rb.earth.shtml

Income p.c. and air pollution: more wealth and stricter rules allow to reduce pollution

SO₂ pollution



Particles

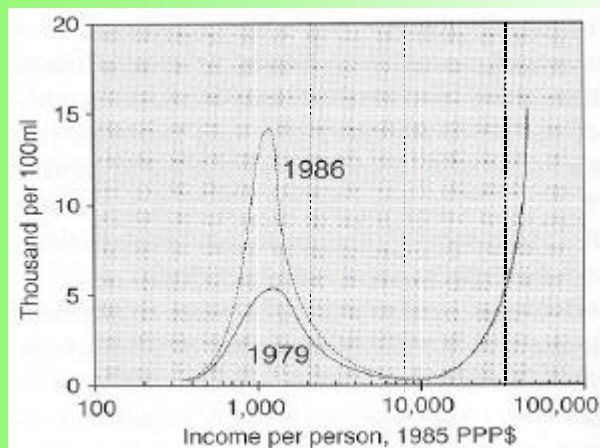


Ob Vevey August 2003 #17

Globalization

The next chart on water pollution shows a more complex picture.

Income p.c. and water pollution from households: coliform in rivers and income p.c.



Source: World Bank 1992 and 1996 and US-EPA for shares

Ob Vevey August 2003 #18

Share of households/
municipal in water
pollution:
15-20%

other:

agriculture
55-70%

industry and mining
20%

Globalization

Once a certain level of basic prosperity is achieved, that is when people can afford to do so, they will look for ways to reduce water pollution. However, the chart also seems to indicate that there is a risk for the very high-income economies that water pollution starts to increase again.

Altogether, the three charts show that the peaks of the pollution curves are coming down. Among the reasons is the global spread of awareness – the concept of sustainability – and the global diffusion of technology for better protection of the environment. One further major reason for the “peaks” coming down are changes in environmental policies in the developing world. As our own research shows, the 1980s and 1990s were a period of ever tighter and more strictly implemented environmental standards in developing countries (see Annex).

This indicates the importance of the evolution of standards and compliance of environmental care; but there is a real risk of reverse globalization; i.e., the excesses of the West as a reason to stop development in the South. In emerging economies there is a fear that environmental issues are being used by the North as a means to slow down the emergence of new competitors, or as former Mexican President Zedillo formulated it: "A peculiar alliance has recently come into life. Forces from the extreme left, the extreme right, environmentalist groups, trade unions of developed countries and some self-appointed representatives of civil society, are gathering around a common endeavor: to save the people of developing countries from ... development."⁶⁵

⁶⁵ Zedillo (2000)

5.4 Reverse globalization

“Greenpeace claims it is ‘for the people’. In reality, it is a powerful elite of First World activist whose hardcore agenda puts people last. Millions of Africans perish every year because Greenpeace, Friends of the Earth and other well-fed radical groups oppose pesticide spraying to control malaria, biotechnology to ease malnutrition, and electrical generating plants to power hospitals and water treatment plants.” Niger Innis, Congress of Racial Equality, 8 May 2003⁶⁶

Another risk that developing countries are exposed to is related to the West imposing its own fears and perceptions on other countries, and expect them to refrain from things that are normal “routine” in the North. As a Chinese delegate at a 1997 environmental conference put it: "In the developed world, only two people ride in a car, and yet you want us to give up riding in a bus."

Another result of such "reverse globalization" was the banning of the insecticide DDT. Environmentalists of the 1960s and 1970s were right to alert the public to the possible hazards of overuse of DDT. Yet they failed to discuss the significant health benefits of insecticides in general, and DDT specifically, in the developing world. "Before DDT spraying began, Sri Lanka (then Ceylon) reported 2.8 million cases of malaria. The disease all but disappeared as a result of the use of DDT, reaching a low of seventeen cases in 1962, but its incidence escalated again when the country banned the use of the pesticide eventually exceeding pre-ban levels."⁶⁷ Today, malaria kills world-wide more than 1 million people a year, a majority of them children under five years.⁶⁸ Rachel Carson – an icon of the environmentalist movement – who had started the

⁶⁶ <http://www.core-online.org/news/news.htm>

⁶⁷ S. Robert Lichter and Stanley Rothman; *Environmental Cancer—A Political Disease*. New Haven, Conn. 1999; p.15 Although a 2001 treaty has again allowed the use of DDT for such purposes, funding is extremely difficult. (Human Development Report, p. 69)

⁶⁸ Brundtland, Gro Harlem, at World Economic Forum Annual Meeting New York, 2 February 2002.

campaign against DDT because of the fear it might damage the bald eagle in the US. The eagle is doing well, much better than the victims of malaria.

A crucial issue of global sustainability is the depletion of non-renewable resources. More important in that respect than minerals (which in most cases can be substituted) are arable land for food production and water for both irrigation and direct consumption. They deserve highest attention for the years to come, and it will need sometimes unpopular measures to find adequate and sustainable solutions.

But more important, rather than globalization as the “cause” is the need to have a global perspective and action when looking for solutions and to look for particular solutions for regional and local problems of water, air, soil or climate. This “global perspective” approach needs to be built through the collaboration and combined strengths of the many different actors in society: international organisations, researchers, corporations, non-governmental organisations and corporations.

5.5 Globalization and politics

"Globalization ... has enabled companies to hold a gun to government's head: if it refuses to meet their demands, they threaten to disinvest and to damage its credibility." G. Monbriot⁶⁹

One of the main issues debated in the last years is the loss of sovereignty of states and governments due to globalization. For “practical” reasons, this loss is usually not attributed to interdependence and competition but blamed on corporate power. The role of politicians in the debate of globalization is quite complex. We do not and cannot explain all the reasons for this spectrum of

⁶⁹ Monbriot (2001)

behavior; we would only like to share some observations and formulate some hypothesis on a complex and touchy issue.

Again, the positive facts first: It was political change – President Reagan bringing down the Berlin Wall without war; Deng Hsiao Ping's policy winning over the old-style Maoist "Gang of Four", a large number of forward looking political leaders in the developing world opening and modernizing their markets autonomously – that brought globalization to the speed of the 1980s and 1990s.

And if people needed to be reminded of the power of politics – both constructive and destructive, events like September 11 and the subsequent American decisions, including the doctrine of preemptive strikes to stop even regional rivals from emerging (Wolfowitz) may have set the record back to real.

At the same time, other politicians seem to actually fear globalization. One point is clear: politicians are as much re-elected on perceptions as they are on statistical data. (This paper is about the discrepancies in this respect.) They live in a rapidly changing reality of democracies more and more driven by weekly opinion polls of popularity and perception, to the detriment of true long-term leadership. But at the same time, they are also part of the problem. Often, politicians – and for that matter also many industrialists and non-ideological opinion leaders – add unchecked negative allegations about globalization to their language, because they want to be "balanced" or "politically correct" (as defined by a self-appointed "civil society").

An NGO community has become part of the political landscape – apparently more credible, in many instances not clearly legitimized and intransparent, often not accountable, but at the same time disruptive and very effective in the political process. Their role becomes even more complex as some of them express legitimate concerns and fears of people, while others revive old ideologies hostile to free markets.

In this changing context, less and less political (and, for that matter, industry) leaders are expressing their unequivocal and unambiguous support for basic market principles and globalization, and even fewer seem to be willing to look at the facts. Leaders in the developing world usually sit on the fence and watch what is going on. Some politicians in the rich North may express some lukewarm support in a yes-but attitude; they consider including some of the unfounded allegations against globalization as being "balanced". Others are outright hostile to globalization, not few of them because they fear the increasing competitive pressure that punishes more and more of their mistakes quickly and severely.

At the same time, globalization has also become a quite convenient smokescreen, e.g., for the retreat from pre-election promises that were right from the beginning impossible to finance (whether in a closed or an open economy), or from pursuing much needed but politically unpopular (in the short term) reforms that may hurt: "Center-left governments which fret that voters are unwilling to pay for the better public services they demand maintain: we'd love to spend more but globalization ties our hands. For right-wing governments, this is an equally convenient canard: governments have to cut social spending, they claim, because globalization makes it unaffordable."⁷⁰ Twenty years ago, the Cold War served this purpose from time to time.

Globalization is also useful to put the blame for whatever goes wrong on somebody/something else. One version of this is: complaining that despite globalization there are still hundreds of millions of poor and hungry people in the world. It is no longer politicians and intergovernmental organizations with their policies who have failed but globalization. It is an easy target since – as we outlined earlier – globalization is not a blueprint with an architect behind, therefore nobody will stand up and defend this non-scheme. And one step further in this sort of political game is the move back to the moral high ground: Pledges for more development assistance,

⁷⁰ Legrain (2002)

for instance, are now made "to overcome shortcomings of globalization". Nobody will dare to remind politicians that they have been making this kind of pledges for the last 50 years or so without following suit, nobody will dare to remind them of the innumerable failures of an often highly politicized development assistance programs.

Almost needless to say that globalization – the more vaguely defined the more "threatening" – serves today as the main bogeyman to be used as a support for all kind of protectionist policies. One reason that WTO is so unpopular is that it undermines sectoral lobbies and by doing this distorts the sometimes delicate balance in the support networks of politicians and interest groups (just look at the "positive" impact by US States of recent protectionist measures by President Bush on steel and his additional support for agriculture). But anti-globalization policies try to protect other things, too. "Cultural diversity is the way to counter the standardization of cultures produced by globalization." (French President Jacques Chirac in a speech at UNESCO). It is interesting to see that one of the countries that was most aggressive in imposing its culture on everybody else during the first period of globalization starting in the mid-19th century is now defending cultural diversity.

In some political quarters, globalization has become the hook to start introducing new regulation. One European minister at the World Economic Forum in New York in January 2002 urged: "the need for globalization with a more human face, better controlled and regulated. One which is fairer, since this is the only way to resolve the world's fundamental problems, including that of terrorism." This argumentation is part of the background for imposing more restrictive and more detailed codes of conduct, guidelines, conditionalities, audits of "corporate social responsibility" on international firms, many of them using firms as leverage to pressure poorer countries into a view and priorities dominant in the rich countries of the North (reverse globalization, as outlined in section 5.3, is an example for this).

On this occasion, the same minister also pointed out (involuntarily?) another reason for not caring too much about the facts of globalization and preferring a more cursory approach: "At the plenary meeting (of World Economic Forum 2002, HO/OV), I sensed a sort of guilty conscience on the part of the rich and the powerful countries and companies." Making others feel guilty may help in the short term to strengthen one's negotiating position in what politicians seem to perceive as a power game. A similar thinking may well be one of the reasons for many politicians of the developing world to continue criticizing globalization instead of speaking up in favor of it.

The question behind all this: is this just some political game, maybe a zero-sum game, or worse a negative sum game (with, for instance, a decrease in flows of foreign direct investment to the developing world, as observed in 2001 and 2002), or are there even more serious risks involved once it gains even more momentum?

If governments wanted to, they could put globalization into reverse again, and they have actually already done that once. Historians remind us that there was a long period of globalization before, starting in the mid-19th century. They also remind us that it was the politicians of the rich countries who destroyed globalization between 1914 and 1945.

Politicians – at least some of them – perceive globalization as a risk for their career. But actually, if anything is true, it is the reverse. Politicians are a considerable risk for globalization: it is their choice of economic policy that decides about whether a country and its citizens at large participates in the gains from globalization. It is decisions, particularly protectionist measures in the rich countries, that undermine progress of globalization. And it is still the possibility, in a nightmarish scenario, that they once again bring globalization to a halt.

1914 is a dramatic illustration to what extent politicians are able to brush aside rational thinking and any concern for the wealth and wellbeing of people. As history shows, mistakes are sometimes

repeated, not always in exactly the same form, but still too often with a very damaging outcome for people everywhere.

Because before 1914 the world was in a number of ways at least as globalized as it was today. Average import duties on manufactures in European countries had come down to around 10 per cent from 50 per cent in the early 19th century. There were virtually no restriction on the flow of capital, and as of 1863, an international currency union (based on the Franc as the common unit; still being used in Switzerland today, but the currency union ceased to exist with World War I) was established, with a reach beyond Europe.

The result of this opening and a first step in global networking (communication through telegraphs, much faster and cheaper sea transportation) was a boom in international trade: it rose 440 per cent between 1840 and 1870 and a further 420 per cent between 1870 and 1913, by which time it was forty-five times greater than at the end of the 18th century. Equally dynamic was international investment. By 1914 a third of the British wealth was invested overseas; more than half of all British savings were invested abroad after 1900. France, second most important source of FDI, controlled a stock of direct investment abroad of US\$ 9 billion, i.e., close to 75% of its GDP in the last year before World War I.⁷¹

The impact on average wealth was tremendous. Between 1820 and 1913, world GDP per capita soared by almost 130%; economic growth over less than a century was seven times as big as the growth over the 320 years from the Renaissance period to 1820. This acceleration – although not always to the same high speed – was observed on all continents. Renaissance had brought the cultural awakening for an elite; it is as if early globalization woke up people at large and convinced them that being poor and remaining poor was not law but imposed on them by restrictions and narrow-mindedness.

⁷¹ Madison (2001)

World War I and its aftermath destroyed most of this, starting with trade and investment: "Imports to America, which had bought nearly two-fifths of the world's exports in 1929, fell by 70 per cent between 1927 and 1933. International lending fell by over 90 per cent between 1927 and 1933."⁷² It took up to the early 1990s to reach levels of worldwide economic interdependence – and as a result of global cross-fertilization – as existed before 1914.

Both many citizens and politicians seem to have a common wish to make their world fully manageable again, to narrow down the field of action and events and isolate it from external influence and, in particular, from too much competition. There are implicit, and even some explicit efforts to slow down development in emerging economies that are becoming competitors. In addition there are the absurdities, such as the agricultural policies in rich countries, making poor farmers in developing countries and often not-so-wealthy consumers in the North paying huge subsidies to at times very wealthy farmers.⁷³ Correction of these absurdities are slow and packed with all kind of efforts to find an escape (such as "multifunctionality", non-GMO, all kind of restrictive labeling, etc.) that allows continuing the highly restrictive policies. This may become the major stumbling block for the Doha Development Round, urgently necessary, since stalling further liberalization most often leads into renewed restrictions and into protectionism in all forms taking the upper hand again.

⁷² Legrain (2002) page 7

⁷³ Actually, with a production value at the farm gate of US\$ 650 billion, farmers in OECD economies "harvest" an additional total support (subsidies, direct payments, protection) of more than US\$ 340 billion annually (average 1998-2000). While the rhetoric is about supporting pauper family farms, the reality is quite different. A mere 10% of US farmers get two-thirds of all subsidies; the top 1% an average of more than US\$ 110,000 a year. In the EU, the top 30% get 70% of the funds, among them even leading members of Britain's Royals (according to the British Consumers' Association). Consumers/taxpayers foot the bill. In Switzerland, for instance, the average cost from total support estimate per four-member consumer family amounts to US\$ 3,400 per year, i.e., about 11% of the average salary of an untrained factory worker. Another part of the bill is paid by the more competitive producers. The cost for developing countries alone is estimated at US\$ 20 billion per annum; in undistorted markets, the price paid to producers competing freely on world markets would go up by 8-14% for wheat and rice respectively.

A final risk that remains is that politicians – but also industrialists and other relevant opinion leaders – by trying to be smart in short-term tactics and communication forget the damage they may afflict through ambiguity and tinkering on the longer-term prosperity of people and countries.