

The **Good,**

the **Bad**

and
the **Ugly**

of **Globalisation**

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Globalisation was once heralded as the beacon of hope for developing countries, an escape route that would allow them to climb out of poverty. However, an anti-globalisation backlash, tinged with the resurgence of nationalism, has put globalisation into the hot seat. The swing of votes to far-right parties in Germany and other European states, Brexit and the election of US President Donald Trump, has reset the globalisation agenda.

Globalisation is a word that has meant different things to different people.

It can simply be defined as the internationalisation of relations across borders, which facilitates the exchange of knowledge, trade, and capital around the world.

Aspects of globalisation tend to be grouped in the political, economic and social spheres. Drilling down, globalisation can be viewed in other buckets, such as health, environmental, scientific, technological and cultural cooperation.

Eras of globalisation

Globalisation has a long history. Some point to

the year 3,000 BC as its beginning, while others say it started in the 15th century.

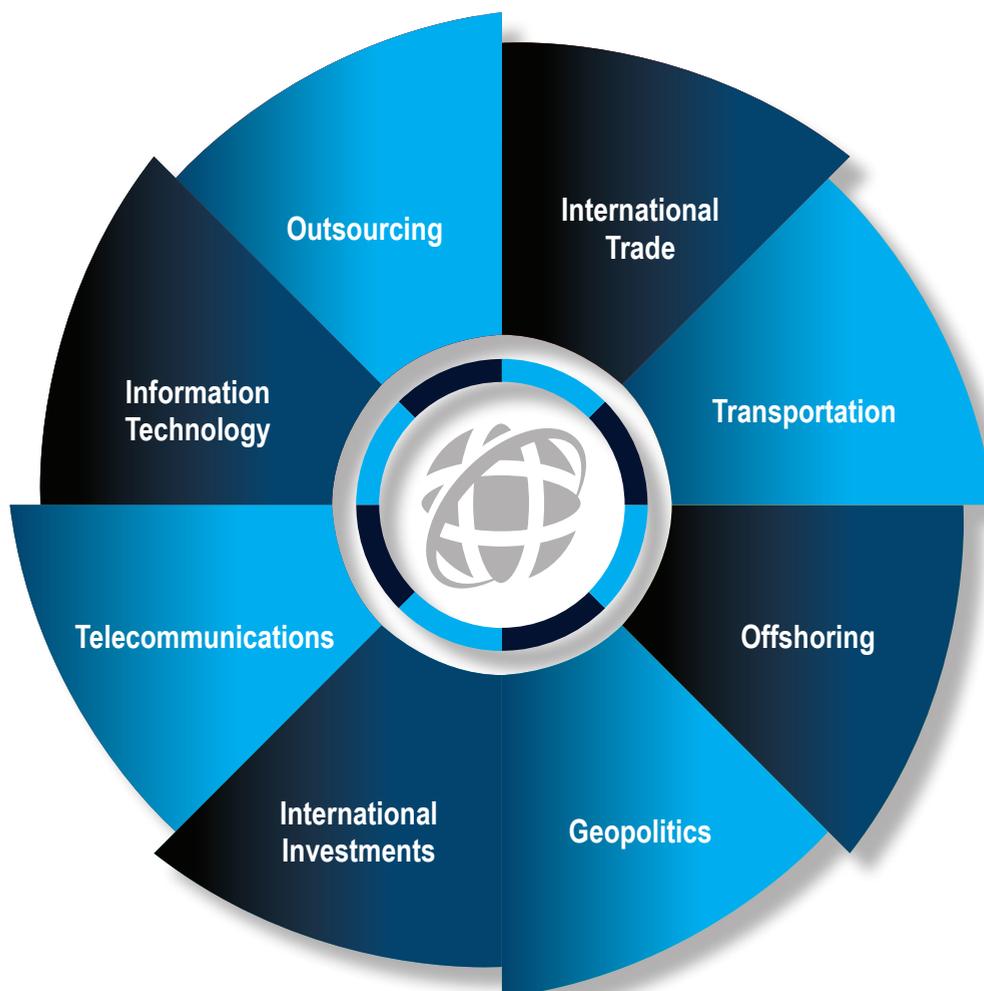
While the origins may be disputed, the common theme among most historians today is the basis of trade and exploration. From the establishment of the Silk route and the voyages of the Spice traders, multinational trade led to key developments in agrarian reform, manufacturing and industrialisation.

The table, “Phases of Globalisation”, captures the main changes that globalisation has produced, and that have, in turn, changed the mood and mode of globalisation.

| Phases of Globalisation | | |
|-------------------------------|-----------------|---|
| Phase | Period | Key Characteristics |
| Phase 1: Technical Revolution | 1800s – 1940s | <ul style="list-style-type: none"> - Use of gold standard, making currencies convertible - Rapid increase in international exchange of goods and assets |
| Deglobalisation | WWI and WWII | <ul style="list-style-type: none"> - End of gold standard - Economic closure of nations due to war - The period of the Great Depression |
| Phase 2: Consolidation | 1950s – 1980s | <ul style="list-style-type: none"> - Introduction of Bretton Woods institutions (World Bank and International Monetary Fund) - Launch of European Payments Union, opening borders to trade - Generalisation of currency convertibility - Fall of the Berlin Wall - Rise of Asian tiger economies |
| Phase 3: Hyperglobalisation | 1990s – present | <ul style="list-style-type: none"> - Break-up of the Soviet bloc, allowing ex-Soviet countries to join the European market economy - At least two major global financial crises - Spread of global terrorism - Rise of socioeconomic inequality |

Source: Adapted from Antimo Verde, *Is globalisation doomed? The economic and political threats to the future of globalisation* (Springer Nature, 2017).

Modern Drivers of Globalisation



Source: Adapted from Ken Moak, *Developed nations and the economic impact of globalisation* (Palgrave Macmillan, 2017).

Drivers of globalisation

The factors driving globalisation has changed with each era. The forces in play today are depicted in the diagram, “Modern Drivers of Globalisation”.

However, throughout history, the drivers of globalisation are underpinned by the principle of international trade – comparative advantage. British economist David Ricardo illustrated this with an example of wine growers from

Portugal and cloth producers from England. By demonstrating that it took fewer workers in Portugal to make wine than it does cloth and vice versa in England, he posited that both countries were better off if Portugal exported its wine to England and England exported its cloth to Portugal.

Therein ran the main argument of comparative advantage and the basis of free trade – and a resultant globalised world.

The Good

Without doubt, much good has come out of globalisation, at least for a large part of its history.

Nobel Prize economist and philosopher Amartya Sen said that “globalisation has enriched the world scientifically and culturally, and has provided vast economic benefits”.



Developing countries and multinational corporations, in particular, gained access to global markets through trade. Global trade created new jobs and boosted manufacturing. Countries that integrated into the global economy saw increases in their gross domestic product (GDP). Technological advancement, foreign direct investment, information exchange and the development of skills and knowledge fed the growth of the four “Asian tiger economies” of South Korea, Taiwan, Hong Kong and Singapore.

However, decades on, the glossy veneer of globalisation has started to lose its shine. At the 2017 World Economic Forum, international economist and free-trade proponent Dambisa Moyo acknowledged that “there have been significant losses from globalisation”.

The Bad

It would seem that the good that came with globalisation also ushered in the bad. Among the negative consequences are by-products of interdependence and interconnectivity. These include the spread of environmental pollution, diseases, cross-border crime, international terrorism and global financial crises.

Air pollution associated with the production of goods and services for international trade has been linked to premature deaths of more than 760,000 people, according to a 2017 study on transboundary health impacts of transported global air pollution and cross-border trade.



The growing inequality between societies has also led to transmigration and urbanisation. Sometimes referred to as the “North-South divide”, the widening chasm between the “haves” and the “have-nots” has been in the spotlight and blamed for sputtering growth in the world’s developed, as well as developing, countries.

Since the 1970s, lower-skilled European and American workers have seen the real value of their wages drop by more than 20 per cent. Productivity and unemployment have become buzz words of developed economies, while

protectionist arguments have gained momentum. These are not confined to strident nationalism.

Interestingly, the anti-globalisation movement is a mixed bag. While protectionist calls to restrict the free flow of labour and capital across borders have come from the conservative right, the liberal left has also expressed disillusionment with the initial promise of globalisation. International aid groups like Oxfam attribute rising socioeconomic inequality to the exploitation of developing countries by corporations.

Wage restraint, tax evasion and the squeezing of suppliers as companies remain overly focused on high returns are some of the supporting arguments.

Once seen as an equalising force to transform developing economies, globalisation is now seen as contributing to social inequality. In a report entitled *Causes and Consequences of Income Inequality: A Global Perspective* (2015), the International Monetary Fund (IMF) acknowledged that globalisation has exacerbated economic inequalities across the world. Technological advances, in particular, have aggravated the pace of unequal development.

The Ugly

Rising inequality brings about huge social costs to society. Countries with wider income gaps tend to yield citizens with poorer physical and mental health. Homicide rates are also higher in these societies.

At a macro level, inequality is a source of social conflict within a country and dampens a country's overall growth. Socioeconomic disparity emphasises fissures in societies and

destabilises governments who face increasing pressures to "right the wrongs" and be more transparent.

Oxfam reports that 82 per cent of the wealth generated in 2017 went to the richest one per cent of the global population while 3.7 billion people who make up the poorest half of the world saw no increase in wealth.



In 1997, economist Dani Rodrik was one of the first to warn about the growing destabilisation of the global economy caused by rising inequality, in his book, *Has Globalisation Gone Too Far?* Arguing that globalisation exposes social fissures between those with the education, skills and mobility to flourish in an unfettered world market, he cautioned against the growing tension and hardening positions on both sides of the political divide.

A buoyant international economy, surging stock markets and an emerging China drowned out his dissenting voice. Today, technological change, demographic trends (e.g. growth of ageing societies in developed countries), migration, international terrorism and climate change have thrown a spanner in the unrelenting pace of globalisation.

Socioeconomic inequality is articulated around the world in different ways (see box, “How Inequality is Felt Around the World”).

The solution

Inequality is best tackled at multiple levels.

At the global level, international organisations such as the United Nations, the World Trade Organization, the IMF, and other civil society

agents have proposed and/or implemented policies that would help diminish the divide.

For example, Christine Lagarde, Managing Director of the IMF, has been a leading voice for better wealth distribution and for countries to embrace inclusive growth. This entails greater emphasis on retraining and vocational training, preparation for technological advances, and stronger fiscal policies.

How Inequality is Felt Around the World

| US | Europe | Asia |
|--|--|---|
| <p>Americans who were affected by globalisation blamed businesses and the government for promoting/ supporting globalisation.</p> <p>By 2014, more than 10 million workers had lost their jobs and protectionists blamed capital transfer abroad and competition from emerging Asian countries. This was an ideal breeding ground for Donald Trump’s “Make America Great Again” campaign.</p> <p>Since his election as US President, Mr Trump has tried to address two factors that he perceives drive inequality: free trade agreements and uncontrolled immigration.</p> | <p>The 2016 Brexit referendum was a reflection of the dissatisfaction felt by many UK voters toward a system that they perceived as unfair. Unskilled labour forces were worried about the impact of immigration on jobs and wages. Indeed, votes for Brexit were strongest in regions that were most affected by the flight of manufacturing.</p> <p>In Germany, Austria, Sweden and Denmark, the rise of populist and nationalist parties in recent elections have caught the world’s attention. Underlying the anti-immigration rhetoric of these parties is a rejection of growing wealth disparity and social inequality.</p> | <p>An economic giant flexing its muscle on the global stage, the Chinese government is nonetheless preoccupied with the attempt to redistribute wealth more equally, or at least to be seen as tackling the twin evils of corruption and rising social inequality.</p> <p>The emerging economies of Southeast Asia are meanwhile not immune to the anti-globalisation movement. However, the economic upside of export-focused growth and trade has somewhat overshadowed the inequalities that have resulted. Singapore, for example, has one of the highest Gini coefficients (a higher coefficient indicates less equitable income distribution) in the world.</p> |

Separately, Oxfam's recommendations for businesses include limiting returns to shareholders and senior management and ensuring that workers receive a minimum "living" wage.

At the national level, governments should ensure that the wealthy pay "fair" taxes and also look at increasing public spending on healthcare and education and making them more widely available. The main idea is to compensate those who have been hurt by globalisation. Compensation may be in the form of wealth redistribution, retraining, or more robust welfare plans.

At the very least, countries should acknowledge that "trickle-down" theories of wealth do not work, and that attention must be paid to addressing inequality. In 2018, an Oxfam-commissioned global study surveyed 700,000 people in 10 countries and found that nearly two-thirds of all respondents thought that the gap between the rich and the poor needed to be urgently addressed. The consequences of neglecting inequality are real and need to be acknowledged.

What next?

Is globalisation still relevant? According to the business and political elite at the 2018 World Economic Forum, the answer is "yes". While not a resounding affirmation, the fact is that there is no other more viable option.

While the pace of globalisation might slow, it is an unrelenting process because the genie is out of the bottle. Short of isolationism, countries that engage in protectionist policies and separationist rhetoric will find themselves outnumbered and embroiled in a no-win situation.

The inequality that has resulted from globalisation is not sustainable. As outlined by international trade expert, Uri Dadush, the willingness and ability of a country to engage in globalisation critically depends on the social and political consensus that underpins the nation. If the consensus in support for globalisation is broken, countries will be forced to disengage from the world. This effect cannot be constrained.

The interdependence, that is in itself a consequence of globalisation, ensures that if one country collapses or withdraws from the system, this will cause ripples through the system, pulling other countries with it. In the worst-case scenario, some scholars predict that the world will end up in a "Mad Max" situation, an apocalyptic dystopia.

In order to continue yielding the benefits of globalisation, business leaders and politicians will have to address the negative outcomes, especially economic inequality. To quote Amartya Sen again: "There are important issues of equity and fairness that have to be addressed by each country and also by the global community." This will entail corrective action being undertaken by multiple stakeholders, including businesses, civil society, and governments. ■

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