

2. The New Globalization and Its Challenges

John Kirton

Hello, I'm Professor John Kirton, Director of the G8 Research Group at the University of Toronto in Canada and your lead instructor for G8 Online 2002.

In this second session of G8 Online, we take up the topic of "The New Globalization and its Challenges."

At present, many individuals feel their lives are subject to fast-paced, far-reaching forces, flowing in from far-off foreign locations and disrupting their familiar routines. In the past, people had occasionally experienced the upheavals of war, genocide, economic depression, disease and famine, and the arrival of new technologies such as railroads, steamships, the telephone and television. But today, such changes seem to come continuously, in many different forms, through processes that engulf everyone and that few can comprehend or control. Many individuals are taking advantage of the new freedoms and opportunities these processes of **globalization** bring. But many others are bypassed by the benefits, harmed by globalization's dark side, anxious about its impact, and eager to have it governed for the benefit of all.

The G8 has long shared this concern about globalization. As the G7, it first identified the process of globalization at the 1988 Toronto Summit. It took up globalization as its central focus at its Lyon Summit in 1996. Since then it has continuously grappled with this complex subject, seeking to enhance globalization's benefits, reduce its costs and govern it for the global community in ways that work for all.

In its work, the G8 has confronted the central questions raised by globalization. Just how new is today's wave of globalization? Who will it help and harm? And, above all, how can it be controlled in ways that all will accept?

Assembling answers to these questions has

given rise to a vigorous debate. Some with long memories recall Europe's great global expansion from the fifteenth through the nineteenth centuries and say that today's globalization is nothing new. They argue that current moves to global openness are actually historically modest, with today's nation-states more in control of what crosses their borders than ever before. Others reply that this European-led process of modernization is a historical inevitability that is destined to embrace all. Still others claim that today's "new technologies" — in information, communications, the Internet and medicine — now give globalization a global reach and impact never seen before, and one well beyond the control of even the most powerful national governments. But some still counter that today's globalization is a result of democratic choice — as it stems from conscious choices made by national governments in favour of openness and liberalization, and is thus controllable and even reversible should those governments and their citizens so choose.

So, is today's globalization nothing new, a historical inevitability, a product of new technologies or the result of democratic choice? In today's lecture I argue that today's globalization is indeed a new phenomenon. Left alone, it brings much expanded benefits and much expanded costs. But today's globalization is not being left alone. Rather, it is generated and guided by the world's major governments. They are working together, through the G8, to create the freedom and prosperity that openness brings, but also to control the costs of globalization and make it meet the development, social and environmental needs of all. Looking ahead, today's globalization will require new forms of global governance, forms that the G8 is already starting to construct.

A. Globalization Then and Now

Just how new is today's globalization? In a famous passage, the eminent British economist John Maynard Keynes spoke of how a nineteenth-century gentleman living in London could enjoy each day the products from, markets in, and travel and communication with, most parts of the far-flung globe. From his privileged position, this Londoner was reaping the fruits of the first wave of globalization. This wave was one of European expansionism. It began with Portuguese seafaring adventures around Africa in the fifteenth century, went westward with Christopher Columbus's discovery of the Americas in 1492, and was carried by Spanish, Dutch, French and British explorers and settlers to virtually all corners of the world (Roberts 1995).

This first wave of globalization was essentially an **imperial** system, created and controlled by European capitals primarily for the benefit of their citizens at home and their relatives who emigrated abroad. It was by no means an inevitable, unstoppable process. The rise of strong nation-states and their rivalries in the last half of the nineteenth century, and the two world wars and depression that followed in the first half of the twentieth century, reversed much of the globalization built up over the previous five hundred years.

The second wave of globalization began at the end of World War Two, when the wartime victors began to liberalize international finance and trade across national borders long closed by depression and war. This time, with imperialism fading as a model of global governance, they did so under international rules embedded in a new generation of multilateral organizations — notably the **International Monetary Fund (IMF)** and the **World Bank** created in 1945 and the **General Agreement on Tariffs and Trade** (now the **World Trade Organization**) founded in 1947.

This second, post-World War Two wave of globalization was in many ways far more

limited than the first. The cold war meant that much of the Communist world was left out. The newly independent states of the developing world could participate only to a limited degree. In recovering continental Europe, energies went into building **regionalism** as well as **globalism**. Strong national government controls meant that movements of people, goods and messages were far less free than they had been a century before. And the new multilateral organizations affirmed the rights of those national governments to regulate within their borders, as these governments began to construct their modern welfare states. Limited, government-controlled globalization was the order of the day.

The third and current wave of globalization has no single starting point. But its five core features are now clear. If we look at one of its leading instruments, the Internet, we see that the first feature is *speed* — the ability to connect with many throughout the world instantly and communicate at low or no cost in real time. The second feature is *strength*, seen in the power of the Internet in increasing openness and connectedness at a proliferating pace. The third is *scope*, as many aspects of daily life for many people become more closely connected to many other places in the world. The fourth is *simultaneity*, as anyone in the global network, not just those at its imperial centre, can now easily initiate flows and extract benefits. And the fifth is *scale*, as many more people become ever more a part of an interconnected global community whose collective fate decisively affects — and is affected by — each one.

It is no longer just Keynes's privileged gentleman in imperial London but ordinary people throughout much of the world who participate in, benefit from, and shape today's globalization. We are all in it together now, for better or for worse. Every day, the things we produce and consume, the people we deal with, and the information, ideas and value of the money we use, increasingly involve ever more of the world beyond our own nation-state.

B. Globalization's Benefits and Costs

What benefits and costs does today's third wave of globalization bring? Globalization can benefit all, by bringing everyone greater choice at lower cost. It can help ideas spread freely. It can enable individuals to create global coalitions to bring greater transparency, accountability, democracy and social responsibility to once closed organizations and regimes. But globalization does not equally empower or enhance the lives of everyone. Indeed, it creates winners and losers. And, left alone, it does so with greater speed, strength, scope, simultaneity and scale than ever before.

In general, globalization tends to create "winner take all" markets, in which the best person or firm in the world is free to capture the entire global audience or market (Friedman 1999). There are no national barriers left to ensure that those who are best in a single country, but only second best in the world as a whole, can have a protected space in which to thrive or even survive. Globalization is thus good for those countries, regions and citizens located on the world's major communications and transportation lanes, with favourable climates and ecosystems, modern skills and education, and an outward-looking attitude. It is particularly good for those individuals who are already connected to the Internet, highly educated, multilingual, multicultural and mobile, with skills in high demand. The outstanding question is whether this early lead for these privileged few "first movers" will create a permanent and ever more pronounced gap between them and the many left out at the start, or whether the late starters will be steadily drawn into — and able to benefit from — the globalization net.

Whatever the answer about the longer term, it is clear that globalization creates losers as well as winners in the short term. The less connected, less educated, less mobile and less skilled can easily be left behind. While free trade brings global markets to competitive producers and greater, lower-cost choice to

consumers, it makes life difficult for those producing in protected national markets for limited local tastes. Where these products and tastes are vital to sustain language, culture, local communities and distinctive national societies, the costs can be severe. And the sheer scale and scope of production for global markets, and the long-distance transportation that it requires, can impose environmental costs on fragile ecosystems around the world.

Similarly, the free flow of global finance can bring ample supplies of low-cost capital to countries where local savings cannot meet local needs and where the capital can be put to good use for the development of all. But as demonstrated by the global financial crisis of 1997–99, mobile capital can also rush for the exits, leaving devastated countries, communities, families, citizens and unprotected ecosystems in its wake (Kaiser, Kirton and Daniels 2000). Today, modern medicines and health education can help impoverished Africans and others combat the deadly diseases of HIV/AIDS, malaria and tuberculosis. But modern travel can spread infectious diseases such as the dreaded Ebola virus from Africa to poorly protected people in North America and Europe.

C. The G8's Contribution to Governing Globalization

How has the G8 helped govern today's globalization in order to spread its benefits and reduce its costs? Since its creation in 1975 as the G7, the G8 has sought to extend the benefits, by legitimizing **floating exchange rates** and by having its leaders promise one another to forego the pressures toward trade **protectionism** that all are subject to. In the 1980s, the leaders agreed to loosen state control over their national economies, in order to give market forces and foreign firms more freedom. And by the mid 1990s, in its Global Information Society ministerial conference, the G7 sought to harness the new generation of information technologies through easy interconnections.

There are those who see in this G8 effort a bias toward creating rules that benefit only the world major multinational corporations, their owners and managers in the United States and other rich northern countries, and the corporate **neo-liberal** values they profess (Gill 1999). Others, however, emphasize the G8's commitment since the start to open democracy, individual liberty and social advancement, and its emphasis on balancing economic liberalism with social cohesion and environmental protection (Kirton 2002). More recently, some have argued that as a result of the global financial crisis, the G8 moved decisively at the 1999 Cologne Summit to construct a more socially sensitive and safeguarded approach to globalization (Kirton, Daniels and Freytag 2001). Yet some still see this move as merely a marginal, rhetorical cover for a continuing neo-liberal ideological mission (Dallaire 2001).

What is clear is that since 1996, the G8 has focused regularly on the plight of developing countries in general, and Africa in particular, as the only region largely left out of the benefits that globalization can bring. The 2000 Okinawa Summit focused on development and ways to bridge the **digital divide** and health divide that are critical barriers to reducing poverty in Africa. This emphasis continued at the 2001 Genoa Summit. Here G8 leaders agreed to the request of the African leaders who attended to work together on the **New Plan for Africa's Development** (NEPAD). This plan is to be finalized and backed by an action program at Kananaskis in 2002.

These new directions have been accompanied by institutional innovations that

point to how global governance, through the G8, will be exercised in our rapidly globalizing world. The Okinawa Summit created the Digital Opportunities Task Force (the Dot Force). This new body assembled experts from G8 and outside countries, international organizations, the private sector and civil society to explore ways to shrink the digital divide. It also established a similarly constructed Renewable Energy Task Force to define a path to energy security in environmentally enhancing ways.

The greatest innovation came the following year at Genoa. The G8 committed money to the Global Fund to Fight AIDS, Malaria and Tuberculosis (the Global Health Fund). This fund mobilized several billion dollars from G8 governments and public-spirited global corporations. It set aside the old model of funnelling money from donor governments through international organizations with large bureaucracies and cumbersome procedures to recipient governments in the developing world. Instead, the funds are given quickly and directly to those who need them most. Thus the Global Health Fund is governed by a very small, lean and flexible secretariat able to disburse funds rapidly. It mobilizes nongovernmental organizations (NGOs) in recipient countries to ensure that the money was well spent.

At Kananaskis in June, the G8 will also reach out — to bring African leaders to their Summit and to involve their societies in the shared task of overcoming the full array of obstacles to development in Africa. Whether they will succeed in controlling the costs and bringing the benefits of globalization to all Africans remains to be seen. But it is clear that G7 leaders are determined to do their best.

References

- Dallaire, Sebastian (2001), "Continuity and Change in the Global Monetary order," pp. 95–112 in John Kirton and George von Furstenberg, eds., *New Directions in Global Economic Governance: Managing Globalization in the Twenty-First Century* (Ashgate: Aldershot).
- Friedman, Thomas (1999), *The Lexus and the Olive Tree* (Farrar Straus & Giroux: New York).
- Gill, Stephen (1999), "Structural Changes in multilateralism: The G7 Nexus and the Global Crisis," in Michael Schechter, ed., *Innovation in Multilateralism* (St. Martin's Press: New York).
- Kaiser, Karl, John Kirton and Joseph Daniels (2000), eds., *Shaping a New International Financial System: Challenges of Governance in a Globalizing World* (Ashgate: Aldershot).
- Kirton, John (2002), "Embedded Ecologism and Institutional Inequality: Linking Trade, Environment and Social Cohesion in the G8," pp. 45–72, in John Kirton and Virginia Maclaren, eds., *Linking Trade, Environment, and Social Cohesion: NAFTA Experiences, Global Challenges* (Ashgate: Aldershot).
- Kirton, John J., Joseph P. Daniels, and Andreas Freytag (2001), "The G8's Contribution to Twenty-First Century Governance," pp. 283–306, in John Kirton, Joseph Daniels and Andreas Freytag, eds., *Guiding Global Order* (Ashgate: Aldershot).
- Roberts, J. M. (1995), *The Penguin History of the World* (Penguin Books: London).

Further Readings

- Bayne, Nicholas. "The G8 and the Globalisation Challenge." Paper prepared for the Academic Symposium G8 2000 on "New Directions in Global Governance: G8's Okinawa Summit," Okinawa, Japan, July 19–20, 2000, <www.g7.utoronto.ca/g7/scholar/bayne2000> (May 2002).
- Johnson, Pierre Marc (2001), "Creating Sustainable Global Governance," pp. 245–282 in John Kirton, Joseph Daniels and Andreas Freytag, eds., *Guiding Global Order: G8 Governance in the Twenty-First Century* (Ashgate: Aldershot). See also "Beyond Trade: Broadening the Globalisation Governance Agenda," preliminary version prepared with Karel Mayrand <www.g7.utoronto.ca/g7/scholar/johnson2000/index.html> (May 2002).
- Johnson, Pierre Marc (2000), "Strengthening Canada's Environmental Community Through International Regime Reform: Twenty-First Century Challenges" [video], keynote address to the EnviReform conference, Toronto, November 16–18 <www.envireform.utoronto.ca/envireform/conference/webcast.html#keynote> (May 2002).
- Kirton, John J. (2001), "International Constraints and Transnational Diffusion: The Dynamics of G8 Effectiveness in Linking Trade, Environment and Social Cohesion." Paper prepared for the 2001 Berlin Conference on the Human Dimensions of Global Environmental Change on "Global Environmental Change and the Nation State," Berlin, December 7–8, 2001. Revised version, January 31, 2002 <www.g7.utoronto.ca/g7/scholar/kirton2002/011207.pdf> (May 2002).

Discussion Questions

1. Is today's globalization nothing new, a historical inevitability, a product of new technologies or the result of democratic choice?
2. To what extent and in what ways did the second, post-World War Two wave of globalization offset the costs, enhance the benefits and alter the cost-benefit balance of the first wave of globalization launched by European imperial expansion?
3. Which countries and regions are in the best position, and which are in the worst position, to benefit from today's globalization?
4. What impacts have the terrorist attacks of September 11th, 2001, on North America had on the process of globalization?

Quiz

1. John Maynard Keynes was, by profession, a:
 - a. politician
 - b. seafarer
 - c. economist
 - d. missionary
2. Christopher Columbus discovered the Americas on his historic voyage in:
 - a. 1500
 - b. 1492
 - c. 1776
 - d. 1812
3. The G7 first took up globalization as its central focus at its annual Summit in:
 - a. Rambouillet in 1975
 - b. Toronto in 1988
 - c. Halifax in 1995
 - d. Lyon in 1996
4. The first wave of globalization was governed by:
 - a. imperial centres
 - b. League of Nations
 - c. regionalism
 - d. United Nations organizations
5. The Digital Opportunities Task Force was created at the G7/8 Summit in:
 - a. Lyon in 1996
 - b. Birmingham in 1988
 - c. Okinawa in 2000
 - d. Genoa in 2001