

CADERNOS DE GEOGRAFIA

INSTITUTO DE ESTUDOS GEOGRÁFICOS
FACULDADE DE LETRAS ◊ UNIVERSIDADE DE COIMBRA
COIMBRA 1998 N.º 17

HOMENAGEM AO DOUTOR J. M. PEREIRA DE OLIVEIRA



CONFRONTING GLOBALIZATION

Stephen Syrett*

INTRODUCTION

The notion that a series of globalizing tendencies are producing a distinctive new era of economic globalization is one that has excited considerable debate. Much of this debate has been based around rather exaggerated positions between pro and anti globalization factions (DICKEN *et al.*, 1997). Proponents of an idealized global economy envisage a world where giant corporations are free to roam unrestricted across global economic space producing goods for a world market of a common consumer culture in conditions of perfect global competition (KORTON, 1995). Globalization critics dismiss many of these ideas as a lot of "globaloney" (HIRST, 1996). Instead they argue that globalization is exaggerated, and are sceptical about the empirical claims for a more integrated global economy. Furthermore they question whether the notion of globalization is really of any help in understanding, interpreting and responding politically to economic change.

At one level, economic globalization can be viewed as the networks of relationships which tie people, businesses, institutions and regions together in the same global economic space. Seen in this way globalization is nothing new. Rather across history globalization has manifested itself in different forms. Since the expansion of the European powers in the fifteenth century, an evolving world economy has seen regions and peoples across the globe brought into economic relationships with each other. But the notion of globalization as used by the majority of contemporary commentators seeks to go beyond this. In this view global economic relationships in the current period have *deepened and extended* to include more peoples and places than ever before. The notion of economic globalization therefore emphasizes the increased connectedness of the global economy such that flows of goods, information, capital and people are more intense, occur more rapidly, and across a wider geographical space. It points to a set of processes which are producing a level and degree of global integration which "compresses" time and space in a manner unlike any former phase of economic development. These tendencies towards economic globalization are thus seen as the defining feature of the contemporary economic order.

In considering this view of economic change, a number of issues become apparent. First, new technologies are crucial in permitting this increase in flows, the speed of these flows and their geographical extent. Although historically the introduction of new communication technologies have permitted more rapid flows, new information technologies have the ability to actually bypass physical space entirely – a world of cyberspace where information can be instantaneously transferred across the globe through computer networks. Second, the complex and sometimes chaotic nature of this period of accelerating globalization creates an atmosphere of change and instability. A rapidly changing economic environment characterized by both opportunities and threats places a premium on innovation and flexibility as prerequisites for successful survival by individuals, businesses and nations. The resulting state of 'permanent revolution' creates a lack of security for workers and employers throughout different types of economic activity. Furthermore, the absence of any strong and concerted governance of the global economic system means a sense of precariousness permeates this whole phase of development.

Third, the impacts of globalization are uneven. They are uneven across regions, sectors, businesses and peoples. Not everyone and everywhere are tied into the global economy and neither are they tied in to the same extent. Thus whilst the advanced industrial economies of North America, Japan and Western Europe are much further down a path to global integration, regions such as Eastern Europe or Africa, remain marginalised from increasing global flows. Fourth, globalization refers to a number of different processes of change. The tendencies towards the globalization of economic activity are evident in finance, production, knowledge, state power, culture, consumption and a changing economic geography. Yet economic globalization is not one universal process, but a myriad of separate processes. Although these are often interrelated, they need to be analyzed and understood in their own terms. For different processes we can identify different global worlds, even different degrees of globalization. Agriculture, many services, public procurement and state-owned sectors are engaged with the global economy in different ways than financial services, manufacturing, tourism and the media. It is misleading, confusing and politically dangerous to collapse all into one amorphous category.

* Centre for Enterprise and Economic Development Research, Middlesex University.

CONTROVERSIES AND DEBATES

Debates on globalization have centered around a range of interrelated and overlapping issues. Disagreement is evident in terms of specifying the nature, extent and novelty of economic globalization, whether the notion of globalization provides any useful insights into contemporary economic change, and the kind of political choices and challenges which globalization presents.

Is globalization something new? Proponents of globalization are keen to represent globalization as something that is startling new and quite unlike anything we have seen previously (OHMAE, 1995). Yet, if we take a longer run historical perspective on the development of the global economy, the intense degree of interpenetration and interlinkage of economic activity which is said to be the distinctive characteristic of globalization may appear more of a continuation and evolution of what has gone before, rather than a dramatic break with the past (HIRST and THOMPSON, 1996). Placed within its historical context important continuities in the evolution of the global economy can indeed be recognized. However important changes in the organization of the world economy are also evident. Whilst previously the organization of economic activity had been essentially international in nature, tendencies towards an increasing globalization of economic activity have been evident since the early 1970s. In particular the breakup of the Bretton Woods system of control of national economies, combined with the availability of new technologies, set in train the development of a new international financial system which permitted the increased integration of global financial markets and greater flows of money and financial capital (THRIFT, 1995). Whilst in an internationalized world economy, the extension of economic activity took place across national borders, with the nation state occupying the preeminent role as a force for change and as the focus for policy activity, in a globalized economy, locationally dispersed economic activities are increasingly strategically integrated at a global scale via transnational corporations (TNCs). Furthermore the role of the nation state is less dominant, as it is increasingly constrained and conditioned by external forces (DICKEN, 1994).

The shift towards a global economy can be identified quantitatively, in terms of the intensification of economic linkages and interconnections, but more importantly qualitatively, in terms of new power relationships between different institutions (e.g. TNCs, nation states, supranational organizations) and across different spatial scales (global, supranational, national, regional, local) (DICKEN *et al.*, 1997). Recognition of such a shift does not imply that all economic activity is now organized globally, or that the nation state is no longer important. What is being identified is an ongoing process of change which is developing unevenly across time and space. The global economy is developing out of what existed previously. It

would not be expected to be equally well developed in all economic sectors, regions and corporations. However, it is important to talk about a global economy because the emerging changes in the organization of economic activity represent a significant shift from what went before.

How global is globalization? Proponents of the globalization thesis often present a vision of a market based capitalist system extending across the globe, dominated by transnationally organized corporations producing for global markets. Critics suggest that this is a distorted vision of reality which reflects the concerns of a small proportion of the world's population who live in the advanced industrial economies. Undoubtedly some writers supportive of the globalization thesis do overemphasize the nature and extent of global activity. More firms may operate internationally than ever before, but only a small number of TNCs are, as yet, truly global in terms of their scope and organization of activities (ALLEN, 1995). Similarly, distortion is evident in the proposition that processes of globalization are creating a homogenization of taste around certain styles of music, food, dress, entertainment and design. In fact, rather than creating one common global consumer culture, the reality is a greater juxtaposition and mixing of local and global cultures. However, the partiality of these arguments does not negate the whole concept of economic globalization. An increasing number of TNCs aspire to organize their activities globally and a growing number of instantly recognizable global brands are a key feature of the economic landscape at the end of the twentieth century. What it suggests is that notions of economic globalization need to display greater sensitivity towards the uneven, multiple and incomplete trajectories of globalizing tendencies.

The dominance of global flows of trade and foreign direct investment (FDI) between the three regional trading blocs of North America, Europe and Asia, is also often cited as evidence that the world economy is regional rather than global in nature. However, this reveals an overly narrow conception of what constitutes the global economy. Globalization of economic activity will be uneven in its geographical impacts. In fact globalization processes will themselves often contribute to processes of uneven development – as can be seen in the tendency towards increased globalization of service industries which serves to strengthen inward flows of FDI to the most developed economies (DANIELS, 1997). Therefore it appears likely that a global economy will be characterized by greater polarisations of wealth between rich and poor regions. Yet, the economic prospects, or lack of them, of the developing world are intimately connected with the economic changes occurring within the core of the global economy, and by worldwide processes which are changing the balance of power between various economic agents and spatial scales. The developing world is therefore very much part of the global economy, although often marginalised and excluded from the centres of power and influence which are shaping

its development. Furthermore, globalization is currently the dominant conceptualization of global economic change in a developed world which drives much of the international political agenda. The manner in which politicians and policy makers in the developed world are thinking about the global economy directly influences their policies on trade, industry, employment and the environment; policies which directly impact upon developing nations via the operation of international agreements and in influencing (and sometimes dictating) the development of national policies.

Globalization as ideology. Globalization is clearly not only significant as a series of interrelated economic processes but also ideologically. In its embodiment of certain Western values and meanings the globalization discourse is used to reproduce and legitimate certain dominant economic relations. This discourse can be seen to support the extension of a competitive, free trade capitalist global economy, the promotion of certain commodities and lifestyles, a business culture of enterprise, individualism and new technologies, and a series of broader values such as freedom, democracy, sovereignty and citizenship. Thus the notion of globalization can be seen as a means by which dominant economic powers are creating a global economy in their own image – a global economy from which they are likely to be the principal beneficiaries (PIVEN, 1995). In this respect, some argue that globalization is a development of previous notions such as colonialism or imperialism with which dominant powers seek to protect and extend their hegemonic position within the global economy.

Many politicians and economists are indeed using the notion of globalization in a very specific way, often to support a broader political project for the development of a free-trade global economy. However, this ideological appropriation of the globalization thesis by neo-liberals needs to be recognized and contested, as this is only one of many possible readings of the globalization process. Furthermore, it is a mistake to situate the debate about globalization within an entirely European or North American world view. The economic success of Japan and other Asian economies has demonstrated the importance of alternative approaches to business and economic development, and already these have had their impacts upon economic practices in the advanced Western economies. In fact the ideological discourse surrounding globalization is still being actively constructed through a variety of competing positions and visions as to what can, and should, constitute a global economy.

Managing globalization: the exaggerated death of the nation state? The aspect of economic globalization which has probably elicited most debate is the governance and regulation of the developing global economy. Central to such debates is the extent to which economic globalization diminishes the role of the nation state. Some authors have argued that the new significance of supranational agencies and institutions at the global level, and of regional economies at the sub-national level, are combining to shrink

the traditionally dominant role of the nation state (CERNY, 1996), possibly leading to its ultimate demise (OHMAE, 1995). In response others have argued that a view of globalization which sees the nation state in retreat and on the way to extinction is erroneous. This viewpoint argues that the nation state continues to play a central, albeit changing role, within the global economy (ANDERSON, 1995). It argues that the nation state retains responsibility for most of the key elements of economic development (e.g. education and training of the workforce, provision of infrastructures etc.). Furthermore, the nation state remains highly influential within many supranational agencies, where certain states retain considerable power to promote or veto policy agendas, and at the regional level, through its control of resources and the regulatory setting under which regional bodies often operate. Thus, in a globalizing economy, the key issue is not the demise or otherwise of the nation state, but how new power relationships are emerging between a less dominant nation state and a range of other actors and institutions operating at a variety of scales.

Consideration of how the global economy should be effectively governed leads to a series of fundamental political debates and differing political visions. For those who see the global economy as being primarily about the promotion of global economic growth via free trade, the principal requirements are for a regulatory context which guarantees the free movement of goods, capital and labour around the globe, and places few restrictions on business practice. Competing visions of the global economy stress the importance of forms of global governance which recognize the importance of broader, social, cultural and environmental agendas. This might include supranational institutional arrangements which prevent the exploitation of workers and the environment. For some this might be best achieved through large continental blocs, such as the European Union, which would be capable of confronting economic globalization and promoting a degree of democratic political control and social protection (BENOIST, 1996). Others might stress the continued importance for the nation state (HIRST and THOMPSON, 1995) and/or the importance of strengthening local and regional structures of governance to promote and protect local cultures and economies and ensure that local populations have as much power and control as is possible to live in and adapt to a globalizing economy. Whilst these debates are ongoing, what is clear is that in a globalizing economy new institutional and regulatory arrangements operating at a variety of scales are required, not only to provide a basis for stable and sustainable economic growth, but also to meet social, political and environmental needs.

TERRITORIALITY IN THE GLOBAL ECONOMY

In seeking to understand the spatial dimension of the global economy, a key aspect of change is the emergence

of new relationships between different geographical scales. In the international economy, the nation state was the key territorial unit in the organization of economic activity as well as the central unit for politics and much cultural activity. Consequently it was the national scale and the relationships between nations which dominated economic and political activity. In contrast, an important element in the globalization of economic activity has been a relative decline in the nation state and a relative rise in the importance of firms, institutions, actors and state bodies operating at the global and subnational scales. As has been stressed before, this does not mean the national level is now unimportant. Rather it points to the importance of new relationships between different scales of local, regional, national, supranational and global; a "rescaling" of economic activity which forms part of the emergence of the global economy (SWYNGEDOUW, 1997). It also suggests that to understand different aspects of economic activity different scales may provide greater or lesser insights.

The nature of the emerging relationships between different geographical scales in the global economy is a complex and contradictory process. The increased importance of economic processes operating at a global level might lead us to conclude that national and local economic settings are becoming less important. The existence of new communication technologies and an international financial system which can instantaneously move information and capital thousands of miles around the globe, perhaps suggests that "places" within the global economy are less important. Economic activity increasingly flows freely across national borders as a range of international and supranational agreements have created conditions which ease the movement of capital around the globe. For some, this vision of a global field of economic action leads to an "end to geography"; a shift from the "space of places" of an international economy, to a global economy characterized as a "space of flows" (CASTELLS, 1991).

The notion that global processes are capable of operating without regard to places, is initially a seductive one. However, further consideration reveals a more complex reality. There may indeed be more global flows, but they still have to go from somewhere to somewhere else. Differences in labour costs, labour skills, environmental regulations, trade union membership, market conditions, continue to exist and TNCs organize their activities to exploit such differences. In reality, in a global economy where firms are increasingly able to move wherever they want, such local differences actually become more important (HARVEY, 1989). As firms become more discriminating about where they locate, more and more localities, towns and cities are actively marketing their unique characteristics to attract mobile inward investment to their locality. Furthermore, the need to maintain a sense of local identity amongst increasing global flows has led to local communities seeking to reassert their localness by rediscovering their local culture and promoting their local

economy (LASH and URRY, 1994). In fact, the vast majority of economic behaviour remains embedded in particular settings. Economic activity is profoundly territorial. For economic activity to take place it requires a series of social and cultural factors to be in place; for example networks of contacts, the availability of information and knowledge, a shared understanding of habits and customs as well as a degree of trust. Whilst these factors are not necessarily place bound (i.e. they could occur anywhere), in reality they are usually bound up in specific places (AMIN and THRIFT, 1997).

Yet in the global economy it is not just that local and regional settings continue to be important, but that they are actually an integral element in the emergence of the global economy. There remain considerable advantages of specialization and spatial clustering of economic activity in manufacturing, high technology, information, financial and cultural industries as a basis for achieving competitive advantage. In fact, such things as face to face contact, trust and clusters of skills and knowledge within specific localities may be essential ingredients to achieving this within a global economy (AMIN and THRIFT, 1992). Considerable attention has been focused on a range of localities and regions which appear to occupy a privileged and successful role within a transnational division of labour. Global cities (London, New York, Tokyo), high technology districts (Silicon Valley), industrial districts (Third Italy), centres of global entertainment industries (Hollywood); all provide exemplars of how certain local/regional/city spaces critically constitute the developing global economy. Importantly, all of these regions either produce, or have good access to flows of knowledge and information, which appears to make them better placed to benefit from globalization processes. Although there appears to be the possibility for certain localities to prosper as centres of knowledge and excellence within a global economy, it is crucial to stress that these are relatively few. The flip side to this concentration of economic activity within specialized, asset rich regions, is an increasing marginalisation, and in some cases exclusion, of the vast majority of localities in the global economy.

A key characteristic of the global economy is therefore the emergence of new relationships between activities and places and new relationships between different spatial scales (AMIN and THRIFT, 1997). For some these will take the form an emerging "global mosaic" of regional systems of production and exchange (SCOTT, 1998), or a necklace of technology districts dispersed around the globe (STORPER, 1992), or the centralization of power in a small number of global cities (SASSEN, 1991). For others, the importance of regional systems is in danger of being overemphasized at the expense of nation states which will continue to play a central economic role in areas such as innovation, training and education and in regulating large corporations (AMIN and TOMANEY, 1995). However, the overall picture which is emerging is one of a global economy where supranational

and transnational economic activity is increasingly important but where a multiplicity of specialist regional centres and a changing role for the nation state remain important constitutive elements. This interplay between the global and the local illustrates the intimate relationship which exists between different spatial scales. The globalization of economic activity is not therefore just about global economic forces impacting upon local spaces, but also about local spaces influencing the evolution of the global economy.

CONCLUSION

The notion of global economic integration is a contentious one. Globalization relates to a series of processes which are often contradictory, complex, messy and still unfolding. There is no simple, unilinear and coherent project with the end product of a fully integrated, globalized economy. Criticisms which highlight limitations of the globalization thesis are important, but they do not negate the whole concept. The deeply politicised nature of globalization debates means that there is a lot of hype and partial readings of processes of economic change. Yet the tendencies towards the globalization of economic activities remains critically important to understanding current economic development. The shift from an international towards a global economy is one marked by discontinuities and unevenness of impact. However, it is a transition that has important implications, not least for the spatial organization of economic activity, marking out new economic roles for certain regions and placing others on the margins of global economic activity. What is important therefore, is that the notion of economic globalization should be deployed in a manner which recognizes difference between places and peoples, and which retains a sensitivity to the influence of history, politics and the environment.

REFERENCES

- ALLEN, J. (1995) – “Global worlds”. ALLEN, J. and MASSEY, D. (eds) – *Geographical Worlds*. Oxford University Press, Oxford, pp. 105-142.
- AMIN, A. and THRIFT, N. (1992) – “Neo-Marshallian nodes in global networks”. *International Journal for Urban and Regional Research*, 16(4), pp. 571-87.
- AMIN, A. and THRIFT, N. (1997) – “Globalization, socio-economics, territoriality”. LEE, R. and WILLS, J. (eds) – *Geographies of Economies*, Arnold, pp. 147-157.
- AMIN, A. and TOMANEY (1995) – “The regional dilemma in a neo-liberal Europe”. *European Urban and Regional Studies*, 2, pp. 171-88.
- ANDERSON, J. (1995) – “The exaggerated death of the nation-state”. ANDERSON, J.; BROOK, C. and COCHRANE, A. (eds) – *A Global World?* Oxford University Press, Oxford, pp. 65-112.
- BENOIST, A. de (1996) – “Confronting Globalization”. *Telos*, pp. 117-137.
- CASTELLS, M. (1991) – *The Informational City*. Blackwell, Oxford.
- CERNY, P. (1996) – “What next for the nation state?”. KOFMAN, E. and YOUNGS, G. (eds) – *Globalization: Theory and Practice*. Pinter, London, pp. 123-37
- DANIELS, P. (1997) – “The lead role of developed economies”. DANIELS, P.W. and LEVER, W.F. (eds) – *The Global Economy in Transition*. Addison Wesley Longman, Harlow, pp. 193-214.
- DICKEN, P. (1994) – “Global-local tensions: firms and states in the global space-economy”. *Economic Geography*, 70, pp. 101-128.
- DICKEN, P., PECK, J. and TICKELL, A. (1997) – “Unpacking the global”. LEE, R. and WILLS, J. (eds) – *Geographies of Economies*. Arnold, London, pp. 158-166.
- HARVEY, D. (1989) – *The Condition of Postmodernity*. Blackwell, Oxford.
- HIRST, P. (1996) – “Globaloney”. *Prospect*, February, pp. 29-33.
- HIRST, P. and THOMPSON, G. (1995) – “Globalization and the future of the nation state”. *Economy and Society*, 24(3); pp. 408-442.
- HIRST, P. and THOMPSON, G. (1996) – *Globalization in Question: the International Economy and the Possibilities of Governance*. Polity Press, Cambridge.
- KORTON, D. C. (1995) – *When Corporations Rule the World*. Kumarin Press, New York.
- LASH, S. and URRY, J. (1994) – *Economies of Signs and Space*. Sage, London.
- OHMAE, K. (1995) – *The End of the Nation State*. Harper Collins, London.
- PIVEN, F. F. (1995) – “Is it global economics or neo-laissez faire?”. *New Left Review*, 213, pp. 107-14.
- SASSEN, S. (1991) – *The Global City: New York, London, Tokyo*. Princeton University Press, Princeton N.J.
- SCOTT, A. J. (1998) – *Regions and the World Economy*. Oxford University Press, Oxford.
- STORPER, M. (1992) – “The limits to globalization: technology districts and international trade”. *Economic Geography*, 68(1), pp. 60-93.
- SWYNGEDOUW, E. (1997) – “Excluding the other: the production of scale and scaled politics”. LEE, R. and WILLS, J. (eds) – *Geographies of Economies*. Arnold, pp. 167-176.
- THRIFT, (1995) – “A hyperactive world?”. JOHNSTON, R.J., TAYLOR, P. and WATTS, M. (eds) – *Geographies of Global Change*. Blackwell, Oxford, pp. 18-25.