

Globalization likened to 'tough love'

Lowered trade barriers, freer flow of goods in shrinking world let big companies, common folk benefit

By BENTO LOBO

Mention globalization and most people think of outsourcing and the loss of jobs to cheaper labor overseas.

On reflection, however, globalization is merely a new term for an old idea. It encompasses the free flow of goods, capital, people and ideas across borders.

Practically every major technological innovation has made the world a smaller place, which in turn has facilitated global integration. The Industrial Revolution of the 18th century in Europe gave rise to steam engines, which made production more efficient and transportation more widespread and less costly.

Telegraphs, telephones and the opening of the Suez Canal significantly contributed to the shrinking of the globe. Fed Chairman Ben Bernanke points out the Romans unified their territories some 2,000 years ago by establishing common laws and language, a unified legal system, a single currency, and an extensive transportation system throughout the empire.

Today, globalization has become the new dirty word for the uninformed. The difference between the process of globalization then and now is its pace.

The world is getting smaller at a much faster rate than before partly because modern technology such as mobile phones and the Internet allows for almost instant exchange of information.

Data on the volume of business and consumer Internet sales in the United States reach the hundreds of billions of dollars.

The Internet also generates other types of domestic benefits. In 2006, one out of eight couples married met online.

More than 2.7 billion searches are performed on Google each month. The number of text messages sent and received each day exceeds the total population of the planet.

Global integration has exploded as advances in information and communication technologies have reduced the cost of coordinating production and facilitated improvements in supply chain management.

Now, more products are viewed as tradable, including services such as call center operations, tax accounting and medical diagnostics. This progress is also due to supportive government policy that has resulted in the dismantling of capital controls and eased the flow of trade and collaboration.

Chattanooga is no stranger to the globalization process. Many of the mom and pop stores that used to line the streets downtown have been replaced with corporate stores that are part of international chains.

Those locally owned businesses that have survived typically sell merchandise that has been shipped in from abroad. The fact is that everyday our world gets smaller.

We can no longer confine our interest to the community around us.

We must now be conscious of what is going on around the globe even as high school and college graduates face the challenge of globally competing for jobs.

EMPOWERING, COERCIVE

Those who support globalization argue that it creates growth and increases opportunity, especially for emerging market economies.

They argue that globalization maximizes income and gives everyone the opportunity for a better lifestyle, although they admit this may not happen equally across the globe. Advocates go on to say that globalization creates new industries and broadens markets. It lowers prices, encourages education and increases economic fitness.

The phenomenon is manifest in IBM employing 50,000 workers in India, the Russians making a bid for Italian airline Alitalia and American store shelves being stocked with goods made in China.

It is also manifest in Whirlpool's closing a Cleveland, Tenn., plant and eliminating 370 jobs from the area.

Moreover, while the Good-year tire cord plant in Decatur,



Hyundai Motor automobiles wait to be shipped to South Africa at the company's export quay at the Ulsan, southeast of Seoul, South Korea.

Americans describe globalization in favorable terms, surveys indicate

Majorities around the world believe economic globalization and international trade benefit national economies, companies, and consumers, according to surveys conducted by the Chicago Council on Global Affairs and WorldPublicOpinion.org.

But many think trade harms the environment and threatens jobs and want to mitigate these effects with environmental and labor standards.

According to the polls conducted in July 2006, 60

percent of Americans say globalization, "especially the increasing connections of our economy with others around the world" is "mostly good" for the United States, while 35 percent say it is "mostly bad."

Modest majorities of Americans see international trade as good for the U.S. economy (54 percent) and for American companies (52 percent), though these majorities are smaller than in the other countries polled. Substantial majorities, however, feel that trade

is good for consumers like themselves (70 percent) and for their own standard of living (64 percent).

About 49 percent of Americans see trade as bad for the environment, even as nine in 10 Americans want countries that sign trade agreements to be required to maintain environmental protections.

A large majority of Americans believe that the United States should comply with World Trade Organization rulings made against their country. — Bento Lobo

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— Thomas Friedman in “The World is Flat”

Ala., was sold to South Korea-based Hyundai, the restructuring also included relocating Hyundai's U.S. headquarters to Decatur that added executive and manufacturing jobs to the area.

Those who oppose globalization argue that globalization concentrates power and wealth into the hands of the wealthy and, in doing so, promotes inequality and poverty.

Beyond the issue of wealth, critics say globalization disregards human and worker rights and has begun to erode cultural diversity.

Opponents also claim that globalization destroys the envi-

ronment, spawns terrorist gangs, drug cartels and money-laundering networks, not to mention global diffusion of contagious diseases and transnational environmental problems.

Thomas Friedman, in the “The World is Flat,” sums up the process:

“(Globalization) can be incredibly empowering and incredibly coercive. It makes the whales bigger and the minnows stronger. It leaves you behind faster and faster, and it catches up to you faster and faster. While it is homogenizing cultures, it is also enabling people to share their unique individuality farther and wider.”

GLOBALIZATION AND AMERICAN JOBS

In America, the globalization debate has centered on the loss of jobs to low-cost foreign labor. In a peculiar twist of terms, this has been framed as the outsourcing debate. Yet, this is not quite outsourcing.

After all, our forefathers stitched their own clothing, grew their own food and built their own houses. Today, we outsource the making of clothes that we wear, the food that we eat and the houses that we live in.

As human wants and needs have grown, so have entire industries in home building,

clothing and food supply and service. No, it is not the outsourcing per se, but rather the offshore outsourcing that has got some people bothered. Why should a foreigner have a job at the cost of an American? Why are our store shelves filled with goods made abroad?

Economists are loathe to support this argument. In fact, when the economist David Ricardo argued that countries need not grow grapes to enjoy the fruit of the vine, he was suggesting that countries could trade those commodities they made comparatively well for others that someone else made well, thereby making both countries

STUDENTS' RESEARCH



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better off.

By extension, why shouldn't a firm produce where it is most economical to do so? Isn't this in everybody's best interest? Since when has America been shy to compete on the world stage?

The goal should be to raise productivity toward world-class standards in all sectors of the economy. Trade liberalization promotes competition in domestic markets, which in turn forces domestic firms to increase productivity and make better products, both of which drive economic growth.

One graphic example of how trade promotes competition occurred in India, which up until 1991 had protected its machine tool industry with a 100 percent tariff on imports.

After the Indian government cut the tariff sharply, Taiwanese firms initially grabbed one-third of the Indian market. Over the next decade, however, Indian firms boosted their productivity almost to the levels of Taiwanese firms, thereby winning back the domestic market. Eventually Indian tool firms became so efficient that they were able to start selling their goods abroad and become substantial exporters.

The adage “everybody wants economic growth, but no one wants change,” seems to apply here. Just like the rest of the world, Americans have to face the threat of competition from low-cost, overseas labor.

DREAM, DON'T REMINISCE

Globalization is not just a passing trend. It is an overarching international system shaping the domestic politics and foreign relations of virtually every country, and we need to understand it as such.

Our youth should bear in mind that Friedman's “untouchables” of the future will be highly educated, flexible and globally collaborative workers competing for better jobs in newer industries.

The top 10 in-demand jobs in 2010 will not have existed in 2004, according to former U.S. Secretary of Education Richard Riley. In fact, the U.S. Department of Labor estimates that today's student will have 10 to 14 jobs by the age of 38.

The same forces that allow businesses to operate as if national borders did not exist also allow social activists, journalists, academics, and many others to work on a global stage. To try to stop globalization would be like trying to stop a freight train with a compact car.

Cultures that tend to look back and dream about the good old days are likely to be left behind.

Dream, America; don't reminisce.

While outsourcing takes jobs away, insourcing brings them to workers

It seems that low-skilled workers suffer the most as trade continues to expand because the majority of the jobs they are qualified for are continually being offshored to countries that will provide cheaper labor.

This situation leads to more income inequality and resentment of the globalization process. Although offshoring allows firms to operate more efficiently, it is difficult for peo-

ple to recognize the good when it causes them to lose their only source of income.

But consider this perverse example: while a lot of companies have offshored their customer service call centers to India, the national do-not-call list has eliminated more call center jobs than such offshoring to India.

In 2003 while the United States outsourced \$87 billion in

services, it insourced \$134 billion in services. On average the jobs insourced paid wages 16 percent higher than the national average.

When Delta Airlines eliminated 1,000 jobs in the U.S. in 2003 by outsourcing them to India, the \$25 million savings were then used to hire 1,200 U.S. employees.

The Tennessee Department of Economic and Community Development says foreign coun-

tries have invested almost \$22.5 billion in the state, and employ more than 135,000 people.

A study by the University of Tennessee at Martin points out that Tennessee ranks eighth in the nation with over 5 percent of the workforce employed by foreign companies.

Of the 629 foreign companies in Tennessee, 50 of them are in Chattanooga providing over 4,000 jobs. — Bento Lobo