

GLOBALIZATION AND ITS CRITICS

Francis Ghilès, Senior Associate Researcher, CIDOB
[@FrancisGhiles](#)



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The coronavirus pandemic has offered an opportunity to those convinced that economic retreat and border closures are the best answers to the many challenges that globalization brings to western democracies. The hidden costs and fragility of global supply chains have been brutally exposed by the pandemic. But what the COVID-19 has also demonstrated is that each country has a selfish and very self-evident interest in helping others, and no amount of anti-globalist rhetoric will detract from the huge source of stability offered by international trade and cooperation.

The coronavirus pandemic has offered a field day to critics of globalization, most notably Donald Trump, who are convinced that drawing up the bridges and putting their country in economic lockdown offers an answer to the many challenges that face western democracies which include rising social inequality and growing regional economic disparities, which pitch London against the much poorer north of England; the rich east and west coasts of the US against the rust belts of Pennsylvania and Michigan; or the rich Lombardy region of Italy against a south often dominated by mafias.

It is important first of all to distinguish between the flaws of Western globalization program and the global crisis of which the coronavirus pandemic is but a symptom. If we do so, we might reach the conclusion that the world is facing a global crisis rather than a crisis of globalization. The Western approach has, since the collapse of the USSR carried within it the seeds of nemesis: the “**End of History**” was doomed from the start by six factors to which too many Western political leaders and analysts were blinded.

First of all, international and regional realities made the adoption of Western liberal democracy impossible. China, Russia, India or Iran, some of which are heirs to proud civilisations, much older than anything Europe or America can offer, were always going to resist a Western blueprint. They would betray their interests were they to support US foreign policy which, for the past generation, has been predicated on warmongering rather than supporting better education or health for citizens of the world. The US and the EU proudly proclaim their support for democracy but as soon as their geopolitical interests, as their leaders see it, demand they undermine

those very principles, they are happy to do so. Nowhere is this betrayal more glaring than in the Middle East where it predates the collapse of the USSR. Western policy has fatally undermined its credibility among the populations it was supposed to win over.

Western globalization has been associated for the past generation with an unrestrained form of capitalism known as the Washington Consensus which only worked in some South East Asian countries which understood it had to be qualified, controlled and reshaped by a strong local state. Certain countries in South East Asia and China now offer an alternative form of capitalism which is attractive to many countries, western and non-western alike.

Western states undermined their own strength by refusing to imitate the East Asian states. They discarded the time honoured tools of economic planning, control of financial flows, restrictions on trade and immigration flows which have led to deep internal problems which have fuelled so called populist parties. The attraction countries like America, Britain and certain European countries hold for outsiders is far diminished today from what it was at the turn of the millennium.

The first problem of globalization as it stands today is concentrated risk. It is obvious now that a production system overly concentrated on a single place for reason of cost and convenient backward linkages is fragile. Second one of globalizations' hallmarks, long supply chains, requires an energy system that is cheap and massively subsidized. And finally, the costs of extracting resources from every last ecological niche are invariably overused. Whether it is disrupting the traditional hosts of viruses, indigenous societies in rain forests, mining the ocean floor or looking for rare earth minerals, globalization as it is currently conceived is inexorably raising average global temperatures. These costs are born neither by global companies nor by their stakeholders. Tax evasion is a major challenge.

The hidden costs and fragility of global supply chains have been brutally exposed by the coronavirus pandemic. The challenge today is to redesign these supply chains around risk competitiveness rather than cost alone; regional diversification may be better than relocalising. After the Fukushima crisis, many companies realised that the global microchip supply chain ran through Japan, with many lower-tier suppliers clustered near the earthquake zone. They shifted some of their production to Taiwan. The production of microchips offers an interesting example: the best manufacturing equipment comes from Holland, the best designs from the US and the best foundries are found in Taiwan. Unwinding the global nature of supply chains will not answer the present crisis, mitigating risk with diversification will.

It is worth recalling that countries which have embraced global trade but have also educated their people and provided for their welfare are more prosperous today than a generation ago. China, Taiwan and South Korea have done far more to lift their people out of poverty than India or Brazil. Coronavirus should not make us forget this huge success story. The pandemic demonstrates that each country has a selfish and very self-evident interest in helping others. No amount of anti-globalist rhetoric will detract from the huge source of stability offered by international trade and cooperation.

What the West needs to shed, once and for all, is preaching – often by open warfare, a form of democracy which does not suit many other cultures and countries and often goes against their very interests. We could do worse than to reread a book which is arguably one of the best analysis of the dilemmas posed by globalization. Dani Rodrik argued that “globalization is a tremendously positive force, but only if you are able to domesticate it to work for you rather than against you”. In a broader sense, the rise of nationalism and populism since the turn of the millennium illustrates the fundamental trilemma of the world economy he was one of the first to detect: “we cannot have hyper-globalization, democracy and national self-determination all at once. We can have at most two of the three.” The next few years will decide which of the two we in Europe and the West decide are the most important.