

**GLOBALISATION AND ITS EMPHASIS ON ECONOMIC AND FINANCIAL DIMENSIONS: A REVIEW OF REMARKS MADE BY THE PRESIDENTS OF THE UNITED STATE AND CHINA**

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**Abstract**

There have been various viewpoints on some of the causes and effects of globalisation. Some of the discussions surround; globalisation's potential to benefit humanity, globalisation already works but can be improved to reap potential benefits, and globalisation creating access to resources solely dependent on markets and wage labour. This paper highlights remarks made by the presidents of the United States (US) and China representing their perspectives on globalisation. The former US President Barrack Osama was quoted saying, "Rapid changes and globalisation have led to a populist backlash that has supported the election of protectionist politicians with anti-integrationist policies". Similarly, President Xi of China was quoted saying, "Economic globalisation was once seen as the treasury cave found by Ali Baba, but now it has become the Pandora's Box in the eyes of many. This paper therefore reviewed the Populist backlash to globalisation, Economic globalisation, its perceived uncertainties and explore the various dimensions of globalisation.

**Keywords:** Globalisation, Populist-Backlash, Markets, Protectionist, anti-integrationist.

**INTRODUCTION**

Over the last few decades, there have undoubtedly been competing definitions as to what globalisation means. In the midst of a wide range of debates on the causes and effects of globalisation lies a plethora of literature from varying viewpoints of the phenomenon. Earlier studies argue that globalisation is to a certain extent an expression of capitalist ideology (Ferguson, 1992). However, the most influential early use of the term globalisation outlines a fully integrated borderless world economy characterised by high economic activity and declined nation state powers (Homage, 1990). The lack of a stringent definition of globalisation is only one facet of the phenomenon. The processes associated with globalisation are also subject to endless debate. Such endless debate has given rise to the discourses on globalisation with three main viewpoints. Firstly, globalisation has potential to benefit humanity. Secondly, globalisation already works but can be improved to reap potential benefits. Finally, globalisation has made access to resources solely dependent on markets and wage labour. This paper examines the key discourses around globalisation with reference to remarks made by the presidents of the US and China. To do so, the populist backlash to globalisation will be discussed alongside the perceived uncertainties of economic globalisation. Also, this paper argued that there is evidence to suggest an over emphasis of economic and financial globalisation at the expense of its cultural, social and political dimensions.

## THE POPULIST BACKLASH TO GLOBALISATION AND ITS COMPLEX DIMENSIONS

In a recent article, former President of the US, Barrack Osama argued that rapid changes and globalisation have led to a populist backlash that have supported the election of protectionist politicians with anti-integrationist policies. While populism seems to be a recent occurrence, there is evidence to suggest that there has been a rise in global populism for some time (See figure 1). Populism is concerned with a diverse set of motivations and in today's economic climate; populism incorporates a wide range of political movements. Such movements include but not limited to the anti-euro and anti-immigrant parties in Europe, Donald Trump's anti-trade stance in the US, Chavez economic populism in Latin America and so on (Roderick, 2017). While it can be argued that the preceding examples represent different movements in different parts of the world, they all share anti-establishment views in an attempt to speak for common people against the elites (ibid). Thus, it can be argued that in many cases, populism has led to the rejection of liberal economics and globalisation and the tendency for authoritarian governance. By looking at economic history and theory, the rise in populism should be no surprise to the economics of trade and globalisation today.

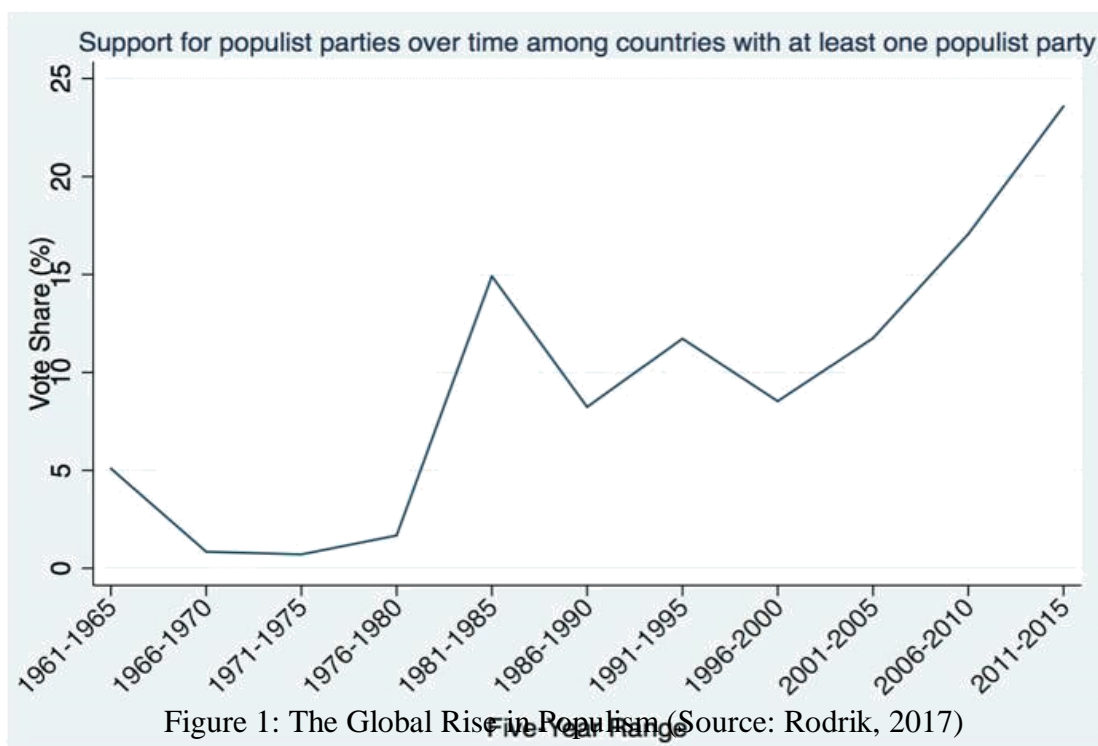


Figure 1: The Global Rise in Populism (Source: Rodrik, 2017)

The first era of globalisation where a group of workers in the US opposed the Gold Standard and North-eastern Banking and Finance establishment saw the first self-conscious populist movement in history. In the 1870s and 1880s, there was a decline in world agricultural prices

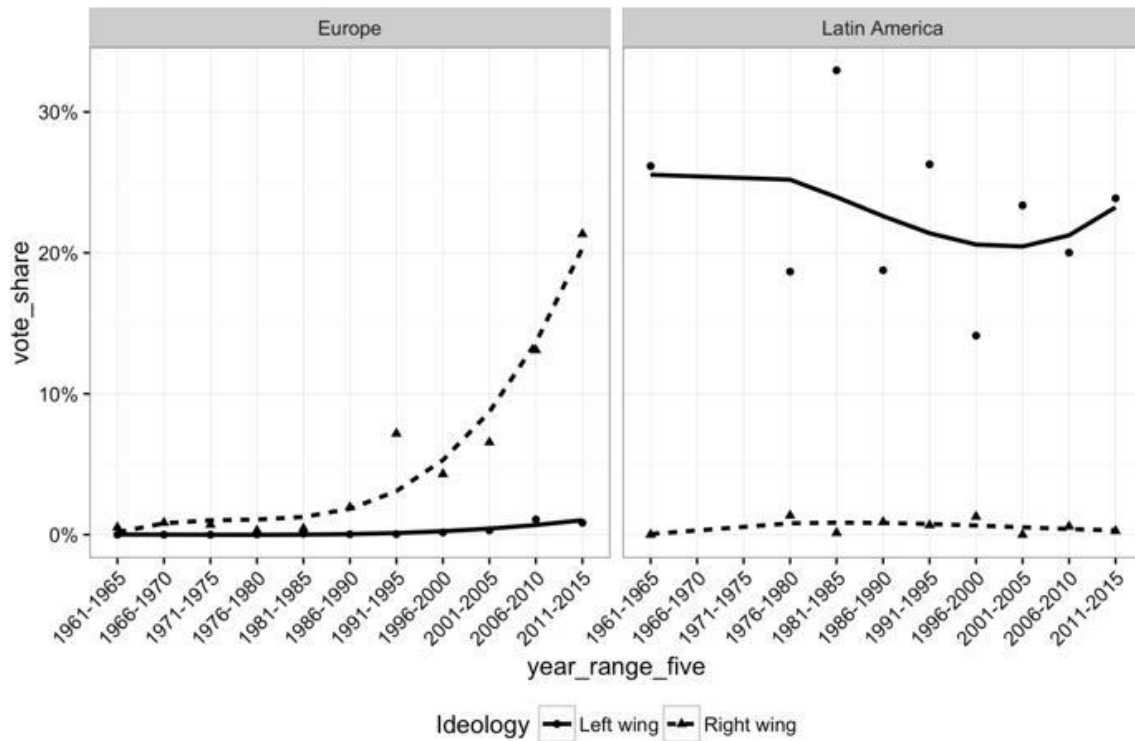
that led to countries imbibing import protectionists policies. Apart from Britain, most European countries increased agricultural tariffs. Towards late 19th century, policies limiting immigration began to appear. The US restricted Chinese immigration via the Chinese Exclusion Act while Japanese immigration was restricted in 1907.

The politically controversial nature of globalisation due to trade economics and integration is apparent in many economies around the world. One argument for this is that some economic models show significant redistributive implications of trade and integration. Particularly, the Stopper--Samuelson theorem of international trade shows very strong distributional implications as a result of trade openness (Kurgan, 2006). While this theorem has very specific assumptions, it can be argued that based on its assumptions, trade generally produces losers, as at least one factor of production is rendered worse off. In addition, economic theory stipulates that the redistributive effects of liberalisation increase and tends to overwhelm the net gains of trade as trade barriers reduce. Thus, the ratio of redistribution to net gains of trade increases as trade openness deals with lower trade barriers (Roderick, 2017). There is some evidence in the existing literature that supports these theoretical findings. While examining the case of NAFTA, Hakobyan and Malaren (2016) found huge adverse effects for an “important minority” of US workers. Similarly, Calando and Parrot (2015) estimated a small overall gains the economy of the US from NAFTA (welfare gain estimate of 0.08%).

According to economic theory, trade tends to lead to job displacement and loss of income for some groups. The issue for economists lies in why populists (both left and right wing) argue strongly against trade openness when imports aren't the singular most important problem with labour market changes. In fact, international trade sometimes causes redistribution due to ruled out competition as a result of the violation of social and domestic norms (Roderick, 2017). This ties in closely to the social and cultural dimensions, which affects globalisation entirely. Trade liberalisation and other means of globalisation is intentionally are opposed as a result of these social and cultural factors.

Apart from trade liberalisation, financial globalisation is seen to have had adverse distributional effects within countries as a result of the occurrence and severity of the financial crises. Fakeries al. (2017) examines 224 incidences of capital account liberalisation and found that it led to declines in the labour market share of income and increases in the Gina coefficient of income inequality. Populism is usually differentiated between left wing and right wing but can differ as a result of societal challenges identified by populist politicians. Most Latin American populism took a left-wing form while recent Trump and European populism with some exceptions take a right-wing variant (See Figure 2). It is important to understand the reasons of oppositions of both right and left-wingers to globalisation. The most compelling suggestion for this is associated with the way globalisation shocks are felt in the society (Roderick, 2017). Populist politicians can easily mobilise along ethno-national or cultural grounds when globalisation shocks become noticeable in the form of immigration and refugees. Similarly in Europe, populist politicians easily capitalise on income and social class grounds when globalisation shocks take the form of trade, finance and foreign investment. It can be argued that both types of globalisation shocks are

apparent in the US evident in the emergence of Donald Trump and Bernie Sanders. It is also important to note that the economic issues and distributional struggles associated with globalisation generate a base for populism but not directly determining its political orientation. Rather, it is the availability of narratives provided by populists that provide content and direction to the protests against globalisation.



**ECONOMIC GLOBALISATION AND ITS PERCEIVED UNCERTAINTIES**

At the World Economic Forum in 2017, President Xi of China argued that economic globalisation was once seen as the treasury cave found by Ali Baba, but now it has become the Pandora’s Box in the eyes of many. Although Xi’s speech supports he is a proponent of globalisation, its shortcomings cannot be ignored. This section examines specific argument made for and against globalisation.

**Promoting Democracy**

There are competing views on the effects of globalisation on democracy. There are three theoretical positions: globalisation fosters globalisation, globalisation impedes democracy and globalisation has no effect on democracy. In fostering globalisation, it can be argued that globalisation fosters democracy through promoting economic development. This view argues that globalisation promotes economic growth, increased the proportion of the middle class, encourages education and reduces income inequality, which aggregately promotes democracy. A second view stipulates that globalisation de motivates authoritarian leaders to hold on to power.

As states earn rents from society, loss of office will imply loss of these rents. By increasing competitiveness and reducing economic policy effectiveness, globalisation restricts the capacity of states to extract these rents. A third view argues that globalisation strengthens the spread of democratic ideas across borders. As increased economic openness is characterised by accessible information flows and transnational contact, the spread of democratic ideas across borders tends to increase as economic integration intensifies.

On the other hand globalisation may impede democracy in a number of ways. One argument is that globalisation tends to encourage policies that suite foreign investors as opposed to masses due to the reduction of state policy autonomy. As globalisation strengthens financial capital mobility amongst states, countries are less able to implement domestically oriented policies. It can also be argued that globalisation intensifies ethnic and class cleavages and weakens the national cultural basis of democracy.

Some scholars argue that globalisation has no real effect on democracy. In fact, Hurst (1997) argued that the extent of globalisation is exaggerated. Others argue that the phenomenon does not necessarily make welfare states powerless, while other argue the effect on countries vary (Longworth, 1998).

### **Widening Inequality gap**

According to the OECD, globalisation has reduced the bargaining power of unskilled workers and increased inequality in a number of western countries (Seeger, 2007). Although trade openness and investment policies positively affect living standards, there are always going to be losers. Increased competition through cheaper imports has seen job losses in western countries. The issue is not with globalisation itself, but rather the process of globalisation. Governments must play an active role in concerns over job and pay as technology improves, communication and transport becomes cheaper and countries such as China and India have large pools of cheap labour (Seeger, 2007). Generally, rising imports in advance economies tend to reduce income inequality while in developing countries, increased agricultural exports and tariff liberalisation have led to improved income distribution neither (Age nor, 2002).

### **Perceived Rise in Poverty**

As a result of distributional effects of globalisation, there are competing views as to how poverty is affected by the phenomenon. Bhagwati (2004) asserts that poverty has been licked by globalisation. He further argues that trade openness promotes economic growth which in turn reduces poverty levels. Bhagwati acknowledges the concerns of rising levels of child labour but also asserts that its principal causes are rooted in poverty itself. The poor can benefit from globalisation if the appropriate policies and institutions are apparent in its process (Harrison, 2007). She argues that the relationship between globalisation and poverty is complex but a number of conclusions can be drawn. The relationship between poverty and globalisation depends not only on trade or financial globalisation but also on how globalisation interacts with other economic factors. Factors such as, investment in human capital, infrastructure, credit

facilities, technical support good governance, institutions, macroeconomic stability and flexible exchange rate systems (Harrison, 2007). What is certain is that globalisation and poverty yield various implications. Restricting exports from developing countries worsen poverty in those countries. Government intervention is necessary in addressing the poor affected by globalisation while over reliance on trade and FDI alone would not alleviate poverty. The poor need to be educated, infrastructure has to be improved and credit should be accessible to take advantage of trade reforms.

### Environmental Effects of Increased Trade

The effects of increased trade on the environment vary. Trade may have secondary effects on the environment such as disruption of existing communities, increased migration and pollution. Although international trade agreements make provision for environmental protection, they are usually limited exceptions to a general principle of trade. For example, the WTO ensures countries take into account environmental impacts of products but not their associated production processes. This has resulted in various trade disputes on whether environmental measures are justified or just disguised protectionism.

Environmental policies related to trade can be formulated at the national, regional or global level. In the European Union, institutions for transnational environmental standards have been set up while with NAFTA, an environmental monitoring authority in the place of the Commission of Environmental Cooperation was set up. It is also worthy to note the Environmental Kuznets Curve which shows that a country's impact its environment more at early stages of economic development but later reduces when income levels increase beyond a "tipping point". This theory is not necessary a justification for environmental degradation through trade, but merely an explanation as to why it may occur.

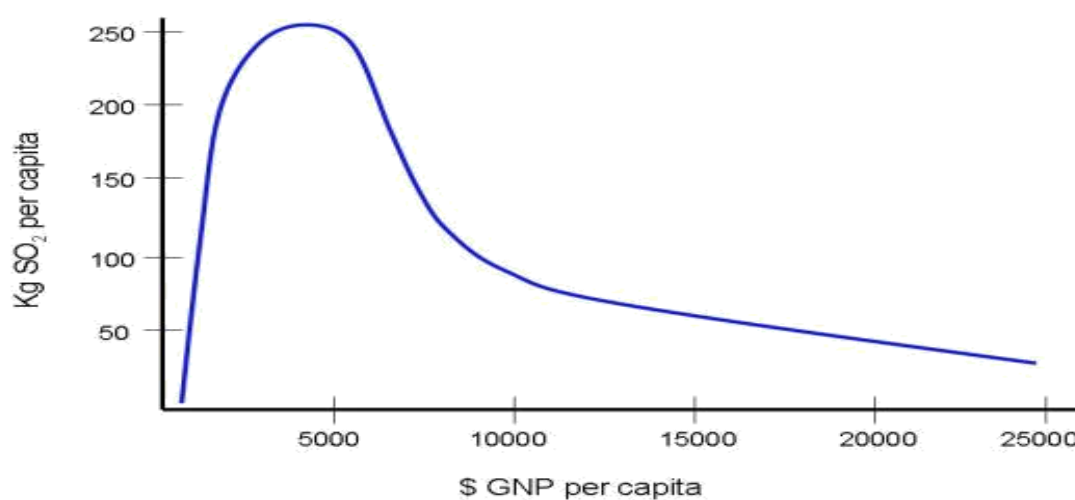


Figure 4: Environmental Kuznet curve for Sulphur (Source: Panayotou, 1993)

## **EXPLORING THE DIMENSIONS OF GLOBALISATION**

As continually discussed, proponents of globalisation assert that it would lead to convergence of income, access to technology, increased living standards and political ideas. While there are many dimensions of globalisation in the existing literature. Thus, the economic, political, cultural and social dimensions of globalisation were examined. As earlier stated, the paper argues that there has been much emphasis on the economic dimension of globalisation at the expense of the other dimensions.

### **Economic Dimension of Globalisation**

Globalisation is characterised by increased economic integration and growing economic interdependence between countries. Academics and policy makers recognise that globalisation fosters economic development and to an extent, wealth creation. As previously explained, globalisation has been seen to promote economic growth through trade. The interdependence of countries stems from international trade, foreign direct investments, and international labour migration and so on. The most common argument for globalisation is the smoothening of income disparities. Poorer less developed countries benefit from accessible information. However, globalisation has seen labour intensive processes shift to countries with relatively low salaries or wage costs. Capital-intensive enterprises such as banks remain in developed countries. Economic issues such as growth in poverty, exploitation of labour, widening income inequality and the promotion of democracy were discussed in preceding sections.

### **Political Dimension of Globalisation**

The rise of globalisation has led to the emergence “supranational institutions” like the WTO, the European Union and so on. The emergence of these groups have led to reduced sovereignty of nation states in implementing and formulating policies that suite their respective states. Also, integration of countries through globalisation has seen increased influence from Non-Governmental Organisation mainly in areas of aid provision and other development efforts. Organisations from around the world through the easy movement of money have been able to invest in the most unprivileged societies through FDI. While globalisation has influenced politics positively, increased globalisation has increased political tensions in certain areas of the world. It has also been argued that globalisation efforts have led to the rise of terrorism. Anti-immigration efforts in parts of Europe have been a response to the dangers associated with the free movement of people between countries. Also, the development and accessibility of technology has contributed negatively as terrorists utilise it to strengthen their networks and activities.

### **Social and Cultural Dimension of Globalisation**

With available and accessible technology as well as the existence of complex social structures today, globalisation has aided the spread of differing ideologies around the world. The social dimension of globalisation is concerned with how globalisation impacts people and the society beyond employment and income. There are concerns raised about how globalisation affects

employment, working conditions, income and social protection. The social dimension is also concerned with issues surrounding security, culture, identity and inclusion within the society. Globalisation has given rise to certain social issues. Notably, and as discussed previously, increased globalisation has seen child labour levels increase in certain parts of the world. This is as a result of more developed countries off shoring certain aspects of their production process in search of cheaper labour. The emergence of sweatshops in parts of Asia has seen large cooperation's face exploitation allegations. For example the Anza plaza incident in Bangladesh, which killed approximately 1,110 people, it involved brands such as the Children's Place, J.C. Penney, and Wal-Mart. This trend is seen in a lot of mass produced goods like clothing and footwear. Globalisation has brought about interaction between cultures from around the world. The process of globalisation assumes the spread of western values, uniformity and cultural synchronisation. This is more or less a simplistic view of globalisation as other scholars argue that globalisation is not the same as westernisation or Americanisation. There are opposing arguments of an emergent global American culture as a result of certain mass-cultural symbols like Coca Cola.

## **CONCLUSION**

Globalisation has both its advantages and disadvantages. This paper examined how populism has affected globalisation and led to the election of anti-integrationist politicians. This paper looked at economic globalisation and its perceived uncertainties. The relationship between globalisation, poverty, income inequality and democracy were examined in light of the existing literature. Furthermore, the political, cultural, social and economic dimensions of globalisation were discussed. This paper argued that academics and policy makers put more emphasis on the economic dimension of globalisation at the expense of others. Furthermore, globalisation reaps benefits for different countries in different ways. As Stieglitz argued, globalisation itself is not hurtful, however the process of globalisation and its proper management can yield huge benefits for individual economies and the globe as a whole.

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