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IS THE WORLD FLAT?¹

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Abstract: *Globalization became more and more prominent during the last decades. There is no way to argue that globalization led to more interconnected economies, facilitating the communication and the collaboration around the world. But where is this going? Does globalization mean uniformity or diversity? As the world begins to resemble more, the people are trying to distinguish between them more, which can exacerbate nationalistic feeling.*

Friedman argues that globalization made the world smaller and flatter, allowing all countries to take chance of the available opportunities equally. But is this really true? Although politic and cultural factors can stand in front of a really flat world, what is the key for Chinese and Indian success and which are theirs perspectives?

Keywords: flat world, flattener, globalization, nationalism, China, India, communication, technology, emerging economy, education

JEL Classification: F02, O33, L14, F52

1. INTRODUCTION

Although it might seem that this issue falls strictly within the political area, as a national vs. supranational governance dilemma, like the classics of economic thought, politics and economics are complementary in their aims. To address the phenomenon called "globalization" in all its complexity, the economic dimension should be intertwined with cultural and social aspects of the effects involved. As knowledge became the most important asset of our times, the traditional society became the knowledge society (Andriescu, 2008, p. 20). As Friedman describes in *The World is Flat* there are three eras of globalization and ten flatteners which made the world smaller, making it easier to communicate and share our knowledge.

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2. ABOUT THOMAS FRIEDMAN'S „FLAT WORLD”

Friedman identifies three eras of globalization. The first era, called "*Globalization 1.0*", between the years 1492, when Columbus set out to discover a new trade route to the New World, and 1800, made the world fall in size from large to medium. During this period, the strength of a country was based on the number of horsepower or the number of steam engines owned, compared with other countries. The second period - "*Globalization 2.0*", between the years 1800 and 2000, decreased the size of the world, from medium to low. Multinational companies were the integration force, and the power was given to a company by the level of innovation in the field of machinery and equipment. Last era - "*Globalization 3.0*" - began around the year 2000. If the first two periods led to globalization at the country level and, later, at the company level, this new period favored reduction to a very small world, flattening the playing field and putting the individual in the centre (Friedman, 2007, pp 25-26).

Globalization has been maintained by the action of some "flattening factors" that favoured the levelling of the World and the emergence of some opportunities that could increase welfare if successfully exploited. The first of these factors is the event from 09.11.1989, namely Berlin Wall collapse, representing, symbolically, the reunification with the countries across the Iron Curtain. The barriers to information movement were removed. Finally, we could see the world as a unique community and we could think of common standards. Shortly after the collapse of the Berlin Wall another important event was to produce, defining the "flat world platform" - the emergence of a newer Windows version, easier to use, for IBM personal computers, allowing users to become authors of their own electronic content.

Shortly thereafter, on 09/08/1995, the Netscape Company was to give life the Internet by creating the first commercially and well known web browser, facilitating web browsing culture definition to general public. Emergence of standard transmission channels and protocols have made possible to create *the workflow automation software*, which not only allowed people to connect directly, but more, allowed them to work together on digital content for everyone. Thus, if the individual policy restriction collapsed with the fall of the Berlin Wall, the potential restriction of individual practice disappeared with the advent of PCs, Internet and software, which founded what Friedman calls the "flat world platform". Highlighting the potential of individual, his desire to participate and make his presence heard, was possible through *uploading* process. This allows the individual to "come into play", to produce, not only to consume. Uploading can become more important as development of Internet search engine allows you to create your own "supply chain" of

information, knowledge and entertainment, without the need for guidance, without going to the library, cinema or consulting other old sources.

Outsourcing and *offshoring* have emerged as solutions for taking advantage of cheaper resources (especially the lower cost of labor) from developing countries and to achieve dominance in these markets, favouring increased interdependence between economies worldwide. If outsourcing and offshoring have led to increasing economic links between countries, developing *supply chains* of companies and *insourcing* led to increased interconnections between companies.

All these "flatteners", as Friedman calls them, are amplified by other new technologies called "*steroids*", like digital wireless technology or telecommunications, which take no account of distance or time. And as more and more of us learn to work in these new and different ways, the world is slowly becoming flatter.

In a flat world, the importance of comparative advantage disappears. Bhagwati (2010) argued that, although global capital markets led to decreasing interest rate differences between different countries and even multinational companies have facilitated technology transfer between countries, the differences remain due to culture and politics. An example is the political regime from China, which has undermined software development. PC (Communist Party) in China is irreconcilable with the PC (personal computer) of U.S. origin. But unlike China, which occupies a leading position in hardware production, India is better at programming and not at the hardware, thanks to the recently opened Indian autarchic regime following the 1991 reforms (Guha and Ray 2004, pp 301-302). The other obstacle in the flattening process, but an obstacle which can both accelerate or decelerate the global integration, is the national culture. The more resistant to globalization the local culture is, the higher the chances of isolation are and the probability that the community will crush because of the internal conflicts. Régis Debray (in Matthew, 2007) lists two reasons behind the crisis of the world culture: rapid population growth and the local retreat which the technological globalization is fuelling - as the world begins to resemble more, the people are trying to distinguish between them more through local cultures, leading to an increased nationalistic feeling.

The fierce criticism of "the flattening earth theory" is related to increased income disparities, both in developing and developed countries. For example, the poor countries, where the financial markets restrict access to capital for people with low incomes, the investments are extremely low and growth is inhibited. Thus, globalization tends to favour increased income disparities, since the main beneficiaries of globalization are those that have already wealthy capital and higher education or, at the country level, citizens of developed countries, where are healthy and stable institutions. Birdsall (2005, p. 33-36) proposes reforming global institutions like the World Bank or

International Monetary Fund, so they can truly represent the interests of poor countries. They are the ones that have mechanisms to manage the implementation of a social contract model to increase access to educational opportunities for the poor and creating sound and stable institutions in developing countries. For now, the votes are nondemocratically allocated in these institutions. Europeans always choose the IMF president and Americans the WB president. In addition, most of the time, people in their management have no experience in solving the problems they face, since the holding of such functions are not related to previous work experience (Stiglitz, 2006, September 10). The Birdsall's second recommendation proposes the creation of global rules that correct market failures, environmental protection (eg Kyoto Protocol), support markets from poor countries to overcome financial risks (IMF) and deter corruption and other anticompetitive practices.

The same argument - the disparities of income growth - was brought by Stiglitz (2006, September 10) to contradict Friedman's vision. He said that globalization can be felt only in terms of transport and communications costs decrease. Regarding economic development, he gave the example of the Republic of Moldova that although it experiences a transition period from communist regime, its GDP has decreased by 70% in 2005 and has spent about three quarters of GDP for foreign debt.

In *The Lexus and the Olive Tree*, Friedman said that while countries will link national economies and the future of global integration and global trade, their choice will act as an obstacle to war against neighbours. Naming this theory as "the theory of the golden arches of conflict prevention", he considered that holding a McDonald's chain of franchise as an indicator of participation in international trade and a high standard of living, conditions in which conflicts are far too expensive to break. Since the status of McDonald's was not relevant to support the theory (examples are represented by countries like North Korea and Iran) later, in *The World is Flat*, the author called it "the Dell theory of conflict prevention" (Friedman 2007, p. 423). It argues that the emergence and spread of *just in time* global supply chains from the flat world are way stronger brakes for the geopolitical adventurism. Daniel Daianu (2007, p. 14) believes that simply increasing economic interdependence can't give the policy that the world needs to ensure global peace. He recalls the example of another intense wave of globalization from the nineteenth century (Victorian era), which was followed by a spread of protectionism and the two world wars. Therefore, „the world is not and can't become flat - but may be / get better”.

3. INSTEAD OF CONCLUSIONS

Friedman's book is written in an attractive language, easy to go through, describing the disturbing global scene, through practical examples for understanding international economic issues. You don't have to be an economist to understand the ideas presented by the author. The main asset of the publication is the language used by Friedman, a language specifically used by journalists. If we take into consideration the content of the book, I believe that the number of pages could have been significantly reduced. Maybe the accessibility of the text wouldn't have been as it is.

The nationalism-supranationalism governance dilemma is more and more troubling considering the actual financial crisis. The latest example is providing financial assistance for Greece. Despite the fact that most countries from the euro zone agree to help Greece, Germany insisted that the IMF should be the one helping, a clear denial of the solidarity principle behind the Euro Zone. Germany is also responsible for the high interest rate of loans granted by countries from the Euro Zone. This will slow the rejuvenation of Greek economy and will weigh heavily on the fate of the Euro.

The growing importance of economics in international relations was underlined by Silviu Brucan, who stated: "During the Cold War the main conflict was political and military, with ideological roots between East and West. With the collapse of the Soviet Union, political and military confrontation has lost its ideological virulence and, on the international scene, economical and technological competition became the main type of conflict for winning the biggest slice of world market, military rivalry going into the background." (Brucan, 2005, p. 105)

Modern technological revolution, especially the globalization of communications, supersonic transportation and growing independence of industrialization, have determined the appearance of larger unions of states, reflecting different stages of supranational integration. (Brucan, 2005, p.106)

From the Middle Ages to the mid 17-th century the main economic centres were the city-states (Venice, Amsterdam, Anvers). The emergence of sovereign nation-states following the peace of Westphalia in 1648, international relations have been dominated by formally equal sovereign-states (Has, 2009). Nowadays, the main players on the international stage have become the „state continents" (N.A.F.T.A., U.E., A.S.E.A.N., M.E.R.C.O.S.U.R., etc.) (Patapieviči, 2008). We can say that globalization fears are justified. But, as the Swedish writer Johan Norberg said (in Revel, 2004): "Many people are scared of *mcdonaldization*, of standardization through which we all wear the same clothes, and we see the same movies. But globalization is not something like that at all.

Whosoever walks in Stockholm today will easily find, besides hamburgers and Coke, as well as kebabs, sushi, Tex-Mex, *canard à la pékinoise*, French cheese and Thai soup". So, globalization doesn't really mean uniformity, on the contrary, it means diversity.

Friedman sees a world where the playing field has flattened a lot and where opportunities exist for everyone; the success depends only on whether they manage to take advantage of them. If this is entirely true, how can the low level of development of some countries like North Korea be explained? Developing countries in South and East Asia have followed the pattern of "flying geese theory" developed by Akamatsu. Initial leader was Japan, followed by the four "tigers" (Korea, Taiwan, Hong Kong and Singapore). The three Cubes (Indonesia, Malaysia and Thailand) were next, and finally, China and Vietnam. Now it's India's turn. But how to explain the fact that North Korea remained the only country in this region not assigned on a slope upward growth rates? So, I think there is no way to argue that the political factor is one of the main obstacles in the flattening process. The cultural factor may be another important issue. If huge immigrant communities could not be assimilated by the host culture (like the Mexican immigrants in the U.S.), how can we expect an entire nation to be assimilated in a global culture?

Greater disparities of income are regarded as one of the main concerns about globalization. The rich are becoming richer and the poor becoming poorer. This holds true only in relative terms. In absolute terms, the revenues for a certain category of people have increased, and with them the standard of living. For example, if, in real terms, a poor person earn 8,000 U.S. dollars per year and a rich person 200,000 dollars and now a poor person earns 13,000 dollars per year, while the rich are earning 260,000 dollars, while the income gap has increased from 102 000 to 147 000 dollars, what it's important ist hat the standard of living of the poor increased. In addition, I do not understand why attention is focused on the disparities of income and not on the income of the poor. If this level ensures decent living conditions, why would the concern about equalizing income would still exist? Is it perfectly right that some people that have assumed certain risks, making some investments, to come in front of the rest of mediocre. But another problem arises - the lack of access to capital for poor people in poor countries. As a solution, emigration occurred. The remittances can ensure a higher income, regardless of source country's economy difficulties. Of course, first, the high and medium income households will afford to emigrate due to the initial risks and costs of the emigration. But, as migration networks develop, risks and costs are reduced, allowing people with increasingly smaller incomes to emigrate.

The flattening of the world appears to be a threatening for the US unilateralism. Emerging economies like India, China or Brazil are playing a more and more important role in international economic relations thanks to international spread of new information and communications

technology. Economic statistics indicate an extraordinary boom in India, especially after the 1991 reforms. I don't think this is the main danger threatening the US domination. It is worth mentioning another important aspect, namely that unlike China, which is seen as the main rival, it seems that India is a smarter player. After the reforms and concerns about the education system, apparently India has found a truly way to threaten US domination, and not just economically. The solution is based on using the main resource they own, and what else could it be, if not people? Human capital accumulation is one of the main paths to development and the Indian Ministry of Education is in accordance with this objective, aiming to increase the number of educated people without diminishing the quality of education. So easy to say, so difficult to do. But India is on track, holding a relatively educated labor force, which allowed the development of industries with a high level of technology and ability to provide a wide range of services. I think the future of India's international status will depend on the extent to which they will be able to facilitate human capital accumulation at a high level, by providing a quality education to an increasingly part of the population. The importance of education and research in the development process is not new. But India is one of the developing countries that have managed to put into practice one of the developing channels. In addition, India's economic growth can allow the necessary infrastructure and technology in order to create some large research centres.

I definitely cannot finish without sharing some of my opinions about the perspectives of another emerging economy - China. Here, unlike India, economic reforms were adopted, as I said earlier, in 1978. This may be one of the reasons why economic growth rates of China's economy are higher by those of India, until the period after 2000. Unlike India, which has developed in areas with a higher degree of technology and programming, IT, biotechnology and remote telecommunications services, China has specialized in traditional and labor intensive goods export. This is the first reason why I am a lot more confident in the potential of India comparing to China. Second, providing new knowledge is how education contributes to economic growth. But while the political regime continues to practice censorship, preventing the flow of information, China may not get very far. Considering the high speed of information transmission and the extremely large population (over 1.5 billion people), the freedom of information and its availability for everyone is vital. Third, the Beijing regime has no international credibility. China is still regarded with reluctance by developed countries. Some of these reasons are: the charge of keeping its currency at a higher rate in order to facilitate exports, the charge of falsifying the statistical data (especially economic statistics), the sovereignty claim over Taiwan or the Beijing regime claims to choose the Dalai Lama. Another reason why China is still viewed with distrust is exactly the political-economic model proposed by it, which could be taken as an international model by

developing countries. I recently heard, in a televised program, a Romanian citizen from Shanghai saying that such communist regime, like the one from China, is something that all Romanians would have wanted. So, how can a regime that it is not open to its own population, can be a reliable international partner?

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