CQ Global Researcher
Exploring International Perspectives

September 2009 Volume 3, Number 9 Pages 233-256 www.globalresearcher.com

Future of Globalization

Is the Recession Triggering Deglobalization?

Global trade has plummeted in recent months by rates not seen since the Great Depression. This year alone, the World Trade Organization predicts trade will tumble 10 percent, the biggest contraction since World War II. While countries so far have avoided the kind of disastrous trade wars that marked the 1930s, protectionist measures and nationalist sentiments are rising across the globe, reflected in the original "Buy American" provision of the U.S. government's economic stimulus package. Clearly, globalization, so recently hailed in books like Thomas Friedman's best-selling *The World Is Flat*, has stalled. Some economic historians even believe the world is entering an era of "deglobalization," with nations turning inward economically and culturally, which could lead to a dangerous increase in international tensions. Other analysts say the economic, technological and social ties that bind nations to each other have grown so strong that globalization is an irreversible phenomenon that will help the global economy recover.

Indonesian activists in Jakarta protest policies being discussed at World Trade Organization talks in Geneva in July 2008. The eight-year-long negotiations have since stalled because developed countries refuse to significantly cut their farm subsidies, which often hurt farmers in developing countries.

Published by CQ Press, a Division of SAGE www.cqpress.com CQ Press

THE ISSUES

BACKGROUND

CURRENT SITUATION

OUTLOOK

SIDEBARS AND GRAPHICS

FOR FURTHER RESEARCH

Cover: AFP/Getty Images

CQ Global Researcher
EXPLORING INTERNATIONAL PERSPECTIVES

September 2009
Volume 3, Number 9

MANAGING EDITOR: Kathy Koch
kkoch@cqpress.com

CONTRIBUTING EDITOR: Thomas J. Colin
tcolin@cqpress.com

CONTRIBUTING WRITERS: Brian Beary, Peter Behr, Roland Flamini, Sarah Glazer, Rob Kiener, Jennifer Weeks

DESIGN/PRODUCTION EDITOR: Olu B. Davis

ASSISTANT EDITOR: Darrell Dela Rosa

FACT CHECKER: Michelle Harris

CQ PRESS

A Division of SAGE

PRESIDENT AND PUBLISHER:
John A. Jenkins

EXECUTIVE DIRECTOR, REFERENCE INFORMATION GROUP:
Alix B. Vance

CQ Global Researcher is published monthly online in PDF and HTML format by CQ Press, a division of SAGE Publications. Annual full-service electronic subscriptions start at $500. For pricing, call 1-800-834-9020, ext. 1906. To purchase *CQ Global Researcher* electronic rights, visit www. cqpress.com or call 866-427-7737.

Future of Globalization

BY REED KARAIM

THE ISSUES

In a two-bedroom Mumbai apartment in 1982, young entrepreneurs Ashank Desai and two partners launched Mastek, one of India's first software companies. Today, its nearly 4,000 employees handle information-technology operations for firms around the world, many in the United States and the United Kingdom.

If Mastek is a symbol of the outsourcing phenomenon sweeping the global workplace, Caterpillar embodies the traditional, heavy manufacturing that first made America an economic powerhouse. Catepillar's big, yellow "Cats" — backhoes, bulldozers and loaders — are still ubiquitous in the United States, but these days two-thirds of Caterpillar's business comes from foreign sales.

Mastek and Caterpillar, in fact, are both examples of modern, highly globalized firms. And both companies are dealing with a world economy that looks far different than it did two years ago.

AP Photos/Richard Vogel

Vietnamese workers in Vietnam's Mekong Delta region process shrimp bound for American dinner plates. International trade has tumbled dramatically since the current recession began, declining by margins not seen since the Great Depression. Some economists suggest international trade is entering an era of "deglobalization" — a sustained retreat from global trade and economic integration fed by increasingly nationalistic policies and rising protectionism.

In the wake of the global recession, international trade has fallen off a cliff, tumbling by margins not seen since the Great Depression. The falloff, combined with other factors, has led some economists and historians to suggest international trade is entering an era of "deglobalization" — a sustained retreat from global trade and economic integration fed by increasingly nationalistic policies and rising protectionism. The result, they say, will increase not only economic stress but also political tensions around the world. International sales and profits have tumbled at both Mastek and Caterpillar in the last year. But as officials at the two firms contemplate the future, they see two scenarios. From India, where the economy has continued growing despite the downturn, Desai is optimistic the "Great Recession," will end within a year.

"If that happens," he says, "I don't think things will change much. We'll get back to where we were."

But from his office in Washington, Bill Lane, Caterpillar's director of governmental affairs, sees more cause for concern. "There's increasing evidence that the world could be turning inward," Lane says, "and where you will see that first is in countries embracing protectionist measures. Some of that's already happening."

Analysts who believe deglobalization lies ahead say it is being driven by more than just the recession. "Two phenomena are overlapping," says Harold James, a British professor of history and international affairs at Princeton University. "One is a crisis in the financial system that drove global integration over the past four decades; the other is worry about the character of globalization itself and a backlash against it. I think the financial crisis is the tipping point that moved things in the direction of deglobalization, but there were already substantial pressures pushing in that direction."

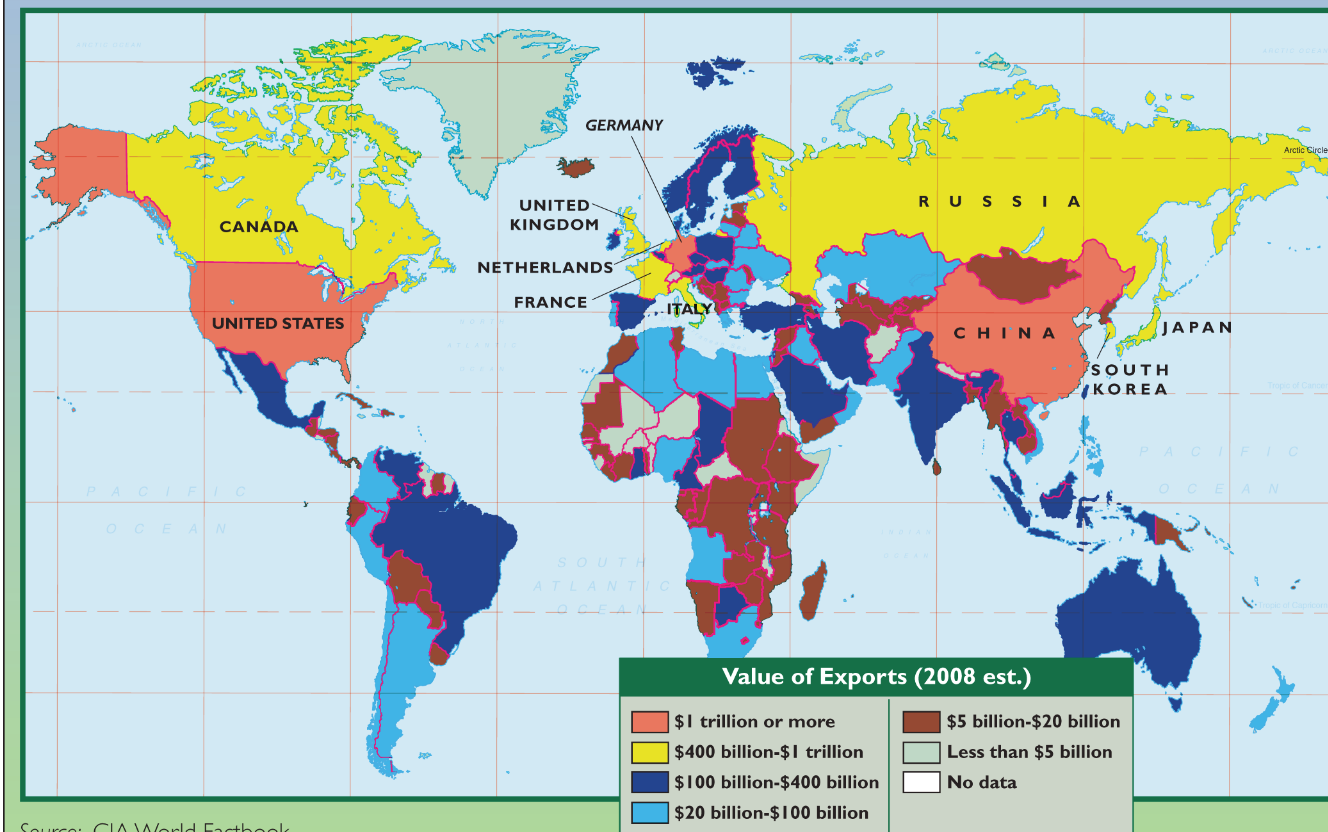
In a recent article James became one of the first scholars to suggest the trade collapse heralds something more lasting. [1] Other economic analysts support his view, as do many longtime critics of globalization, but for different reasons.

James' theory — also laid out in his soon-to-be published book *The Creation and Destruction of Value: The Globalization Cycle* — has its skeptics. "If you see globalization as primarily a matter of trade flows, then, yes, it has slowed down," says Moisés Naím, editor of *Foreign Policy* magazine. "But it's really a web of interactions between institutions and individuals in a whole variety of arenas. I see it as a political and technological revolution that's essentially irreversible."

Deglobalization undoubtedly would represent a sea change in the course of

Trillion-dollar 'Club' Has Three Members

Germany, China and the United States export more than $1 trillion worth of goods and services, according to the most recent data available from the Central Intelligence Agency. Eight countries export more than $400 billion in goods.



Source: CIA World Factbook

history. Since World War II, global trade has grown steadily, spurred by a Western political consensus that trade promotes both peace and prosperity. In the last two decades, this process has accelerated dramatically, with China, India and other emerging economies becoming aggressive players in global markets.

But the World Trade Organization (WTO), which monitors world trade, is now predicting global trade will contract by 10 percent in 2009. [2] Other forecasts are even bleaker. The Organisation for Economic Co-operation and Development (OECD), a group of 30 nations working to promote democracy and open markets, predicts a 16 percent falloff in world trade this year. [3] *(See graph, p. 238.)*

Global trade is declining faster than at the beginning of the Great Depression, according to Kevin O'Rourke, a professor of economics at Trinity College in Dublin, Ireland, and Barry Eichengreen, a professor of economics and political science at the University of California, Berkeley.

They examined a host of factors, such as industrial output and stock market levels, and concluded that the downturn is, in fact, another depression. [4] Of all the indicators, "the one that really stands out is the world trade index. It is clearly falling more rapidly than world trade in the Great Depression," says O'Rourke. "It's really the most alarming aspect of the day."

The Depression was the last great era of deglobalization, with disastrous worldwide economic and political consequences. But while O'Rourke sees many similarities between the Great Depression and today's collapse, he is careful to point out that the current governmental responses have been very different.

In the 1930s, countries around the world retreated behind tariffs and other trade barriers, led by the protectionist Smoot-Hawley Tariff Act of 1930 in the United States. (*See "Background," p. 244.*) "There have been some protectionist actions here and there, but there's nothing dramatic like what happened in the '30s," says O'Rourke, who considers it an "open question" whether a period of deglobalization is coming.

Economists are perhaps most alarmed by the fact that world trade has fallen more precipitously than the overall global economy has contracted, suggesting strongly that something more fundamental is occurring.

However, an analysis by Joseph Francois, an economics professor at Johannes Kepler University in Linz, Austria, indicates the decline is not as out of line as it appears. Rather, Francois says, trade has fallen off most sharply in those sectors that have been hardest hit by the recession, such as automobiles, machinery and tools. [5]

Leaders of the industrialized nations, known as the G-20, met in Washington in November and vowed not to repeat the protectionist mistakes made during the Great Depression. [6] By February, however, a World Bank study found that between October 2008 and February 2009 at least 17 of the G-20 nations had implemented 47 protectionist measures at the expense of other countries, and more were proposed. [7] (*See graph, p. 239.*)

Still, protectionist impulses have been largely contained so far, most economists note. "Even if you look at the 'surge' in trade remedies, they don't really cover a lot of trade," says Francois. "These actions are like steam valves, allowing governments to blow off some of the protectionist pressure they're feeling, while still maintaining the basic system."

But to globalization's longtime critics, the world economic order is collapsing from the weight of its own excesses and inequities. "The whole idea that we've got a free market is a misnomer, because it's actually bound by rules that protect corporate power and not the rights of people," says David Korten, author of the new book *Agenda for a New Economy: From Phantom Wealth to Real Wealth.*

Until now the anti-globalization movement — a loose coalition of disparate groups, ranging from anarchists to union members seeking labor protections in international trade agreements — has been unable to derail the political consensus favoring expanded trade. Now, however, those who see deglobalization on the horizon worry that anti-globalization sentiment and other political pressures could usher in a new world order characterized by greater international tension and conflict.

"I'm absolutely convinced that eras of deglobalization are much more destructive and difficult for people living in them than periods of globalization," says Princeton's James. He doesn't see the world economy getting back to normal anytime soon.

As analysts study the global economy, here are some of the questions they are trying to answer:

Does rising protectionism threaten global economic recovery?

Some analysts worry that recently adopted protectionist measures may signal that more protectionism is on the way.

James says last November's G-20 meeting reminded him of the World Economic Conference organized by the League of Nations in 1927, in which the major industrial nations pledged to reduce tariffs — a proclamation that proved empty after the global economy crashed. He sees a similar hollowness to the G-20 declaration.

The G-20 "vowed to stand by free trade, and within a day or so Russia imposed a whole series of tariffs on automobiles, and India imposed a whole set of protectionist regulations," he says. "It was a kind of political verbiage that was disconnected from what immediately happened."

But Douglas Irwin, a Dartmouth College professor specializing in trade history, believes international structures now in place will prevent a tariff war like the one that broke out in the 1930s. "We have the World Trade Organization," he says, "and in previous times, most notably the Depression, there wasn't such an organization, and it wasn't clear you'd be retaliated against if you took protectionist action. Today, it's very clear that if you violate a rule, you are going to be penalized."

Jaime Daremblum, a Costa Rican author of several works on economics and former ambassador to the United States, notes that much of world trade nowadays is governed through regional pacts, such as the North American Free Trade Agreement (NAFTA). [8] Although trade issues can still flare up, he says, larger trading

The World's Top 20 Exporters

Rank	Country	Exports In $billions (2008 est.)
1	Germany	$1,500.0
2	People's Republic of China	$1,400.0
3	United States	$1,300.0
4	Japan	$776.8
5	France	$761.0
6	Italy	$566.1
7	Netherlands	$537.5
8	Russia	$476.0
9	United Kingdom	$468.7
10	Canada	$461.8
11	South Korea	$419.0
12	Belgium	$372.9
—	Hong Kong*	$362.1
13	Saudi Arabia	$311.1
14	Mexico	$294.0
15	Spain	$292.8
16	Republic of China (Taiwan)	$255.7
17	Singapore	$235.8
18	United Arab Emirates	$207.7
19	Brazil	$200.0
20	Malaysia	$195.7

** Listed separately from mainland China*

Source: CIA World Factbook

World Exports Fall 16 Percent

After years of steady growth, world exports began to decline in early 2008, as the full effects of the global economic crisis unfolded. During the first quarter of 2009, world exports totaled $3.3 trillion, about 16 percent less than the same period in 2008.

Source: Organisation for Economic Co-operation and Development

blocs created through regional agreements like the European Union or NAFTA have "taken a lot of trade off the table," when it comes to retaliatory battles.

But other analysts see a threat from so-called soft, or indirect, protectionism. "It's protectionism with a smile," says Caterpillar's Lane. "In today's world, no one will give a speech openly promoting protectionism and isolationism, but they will support policies that have the same effect." Soft protectionism includes industrial policies that favor domestic companies or shield them from larger economic forces, such as the original "Buy American" provisions in the U.S. stimulus package, which mandated that U.S. materials be used for any public-works projects funded by the act. [9]

Nearly all of the stimulus packages passed by Western industrial nations in response to the recession included some protectionist measures, notes Austin Hughes, chief economist for KBC Bank Ireland. He considers indirect protectionism one of the threats to economic recovery. "It's almost inevitable, really," Hughes says, "that as governments get more involved in bailing out sectors of their economy, they become more susceptible to this sort of thing."

The German stimulus plan, for example, is "designed to primarily benefit the German auto industry," according to *Der Spiegel*, the leading German newspaper. [10] And French President Nicolas Sarkozy caused a furor when he announced his country's stimulus benefits would include nationalist requirements at odds with European Union principles of economic integration.

"We want to stop moving factories abroad, and perhaps we will bring them back," Sarkozy said, specifically citing French auto companies that have moved production to the Czech Republic, a fellow EU member. [11]

But Irwin believes most world leaders recognize that trade inequities did not cause the Great Recession. "It's not a problem of too many imports," he says. "Cracking down on trade is not going to solve the problem."

If the global economy begins to turn around within the next year or so, Irwin predicts that protectionist impulses will quickly fade. But Lane is not so sure, noting that political leaders are becoming reluctant to actively champion free trade. "Normally, during an economic downturn, the reaction from policy makers is to promote exports by opening foreign markets, and one of the easiest ways to do that is to negotiate trade barriers away," he says. "That's not going on right now. The bilateral free-trade agreements before Congress aren't moving forward, and the WTO talks are stalled." [12]

In India, Mastek's Desai believes globalization will prevail, since he's seen the difference it has made in his country's burgeoning IT industry. "Maybe there was a time when globalization's benefits just went one way, to the wealthier nations," he says. "But now the benefits are spread across so many countries. There's so much more diversity, I don't think protectionism will really take hold unless the recession lasts three or four years."

Some economists see a shorter window of opportunity. If global economic conditions continue to deteriorate for another year, says Irish economist O'Rourke, "not only would protectionism be likely, it would be almost inevitable. I don't think you could expect political leaders not to succumb to the pressure that would ensue."

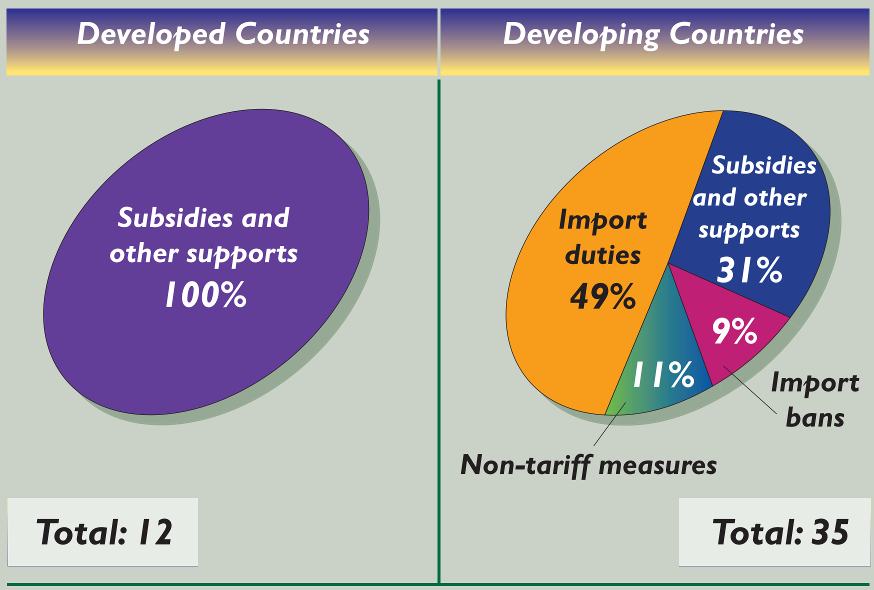
Are some protectionist measures appropriate in today's economy?

Arvind Panagariya, an Indian economist at Columbia University who has worked for both the World Bank and the World Trade Organization, notes that WTO rules allow "countries, in certain situations, to safeguard domestic companies from foreign competition" during times of economic distress.

Crisis Triggers Protectionist Measures

Developed and developing nations implemented 47 protectionist measures during the height of the global economic crisis last winter. Developed countries adopted subsidies totaling $48 billion worldwide. Developing countries adopted a variety of measures, including import duties and subsidies. Russia raised tariffs on used autos, and Argentina used non-tariff measures, such as imposing licensing requirements on textiles, TVs, toys and shoes.

Types of Trade Protections Implemented
(October 2008-February 2009)



Source: "Trade Protection: Incipient but Worrisome Trends," The World Bank, March 2, 2009

The so-called safeguard provisions allow restrictions on certain imports if they threaten serious injury to a domestic industry. But the restrictions must be temporary, providing the domestic industry time to adjust to new conditions. Countries also may restrict imports if they believe a foreign company is "dumping" goods into their market at subsidized or unfairly low prices. [13]

In 2002 when the U.S. steel industry sought protection from foreign imports, President George W. Bush used the safeguard provisions to impose temporary tariffs on imports. [14] Some critics said the action betrayed the administration's free-trade principles. [15] But Kevin Dempsey, senior vice president for public policy and general counsel for the American Iron and Steel Institute, says Bush made the right choice. "The U.S. industry worked hard during that period to become more competitive," he says, "It gave us time to restructure."

In the current recession, the U.S. automobile tire industry has applied for similar relief from Chinese imports. Manufacturers of several different steel products also have brought dumping charges against Chinese competitors, which the Commerce Department is reviewing. [16]

Dempsey believes such actions are necessary and legitimate, particularly in today's economic climate. "Unfortunately, when companies invoke their rights under WTO law to insure that other countries' actions don't harm them, a lot of people refer to this as protectionism," he says. "But bringing an anti-dumping case or a safeguard case can be an important way to make sure we have fair competition."

Panagariya is skeptical, noting "a big surge in anti-dumping actions" since the economic crisis began. "There are signs people may be abusing the privilege." Even if these actions meet the WTO definition of a legal action, he believes they are usually counterproductive. "In the end, two can play the same game," he says. "You're simply inviting retaliation, and it's ultimately detrimental to everyone."

The Obama administration moved aggressively early in its term to back the U.S. auto industry, believing its survival was essential to the nation's economic health. The industry's troubles were, in part, the result of the financial crisis, which dried up credit, and not of the industry's making, Dempsey notes. "We support the efforts to help the U.S. auto industry to restructure," he says. "It's critical to give them breathing room to adjust, and under these circumstances, it's warranted."

But Panagariya believes subsidized loans and other aid provided to domestic auto industries by the United States, Germany, France, Australia and Brazil were protectionist, discriminating against foreign manufacturers selling cars in those countries. The actions "will almost certainly be challenged and found to break WTO rules," he predicted. [17]

Other analysts, however, think even stronger measures are needed to protect domestic industries. The Trade Reform, Accountability, Development and Employment (TRADE) Act, supported by organized labor and other U.S. interest groups, would require the president to renegotiate NAFTA and other trade agreements with more stringent environmental, labor and safety standards for nations exporting goods into the United States. The legislation, which has more than 100 House cosponsors, also sets out what could not be included in trade agreements, such as requirements that economic sectors be privatized or deregulated.

Lori Wallach, director of Global Trade Watch for Public Citizen, a U.S. consumer advocacy organization that has lobbied for legislation to dramatically revamp U.S. trade law, rejects the notion that such measures will hurt global commerce.

"The question isn't whether there's going to be trade," she says. "The question is 'Under what rules?' The TRADE Act is about taking a different approach, fixing the rules to get agreements that are consistent with the goals and values of the American people."

But Boris Kozolchyk — director of the National Law Center for Inter-American Free Trade at the University of Arizona in Tucson — believes the effort is protectionist and will fail.

"In today's global economy, there's always going to be a replacement buyer or seller to take your place," he says. "It would be a loss economically for whoever tries it."

Will globalization survive the world economic crisis?

The recession, by numerous measures, is the worst economic crisis since the Great Depression. But economists disagree over what impact the recession will have and whether globalization will be one of its casualties. Those who believe deglobalization could worsen see political and economic conditions combining to create a fundamental breakdown in the existing order.

"It is now clear that the global economic crisis will be deep and prolonged and that it will have far-reaching geopolitical consequences," former

Does a 'Level Playing Field' Exist in Global Trade?

Critics say rules often favor competitors.

American critics of free-trade policies often say they only want to establish "a level playing field" so U.S. and foreign businesses all compete under the same rules.

When American companies compete with Chinese manufacturers, for instance, the Chinese companies have an advantage because of exploitative government labor policies, argues Sen. Byron Dorgan, D-N.D. In his book *Take this Job and Ship It: How Corporate Greed and Brain Dead Politics are Selling Out America*, Dorgan writes that government policies in China allow "for children to work, or for workers to be put in unsafe workplaces, or for companies to pollute the air and water, or jail [for] those who try to start a union. Manufacturing is less expensive in China precisely because workers are exploited." [1]

But what constitutes a "level" playing field in trade, and are U.S. companies really being forced to compete at a disadvantage? The answers aren't as simple as they may seem.

Free-trade policies today are based on the classical economic theory of "comparative advantage," developed by 19th-century English political economist David Ricardo. The theory states that each nation has natural advantages and disadvantages when it comes to producing different crops and goods. Prosperity, Ricardo argued, is achieved if each nation concentrates on its strengths by producing crops and products it can create the most efficiently (cheaply) and selling them in the international marketplace.

For example, Ricardo noted, England's lush, cool landscape was perfect for raising sheep, while Portugal enjoyed other natural advantages for growing grapes. While wine could be made in England and sheep raised in Portugal, the economic efficiency and thus the wealth of both nations would increase if each nation played to its strength and traded its key product for the other's country's specialty.

Trade today is vastly more complicated than exchanging wine and wool, encompassing services and complex manufactured goods made from raw materials that can come from dozens of

AFP/Getty Images/Issouf Sanogo

Cotton farmers in Burkina Faso gather cotton bolls for market. Farmers in the West African nation and other developing countries say they can't compete with cotton farmers in industrialized countries, particularly those in the United States, who receive hefty government subsidies.

countries. But Ricardo's theory remains at the heart of free-trade ideology, particularly the idea that free trade allows a country to concentrate on areas in which the field is tilted decidedly in its favor. The concept of a level playing field is largely irrelevant under Ricardo's theory, say some economists.

"The idea of competitive or uncompetitive applied to a country is problematic," says Arvind Panagariya, a former economist at the World Bank, the Asian Development Bank and the World Trade Organization. [2] "In an industry, you can be competitive or uncompetitive, but as a nation you can't be." Nations can always find areas where a trading partner seems to have an unfair advantage, he says. For instance, while U.S. free-trade critics cite a lack of safety and labor standards in competing nations, "If you are India or China, you could say, 'There's no level playing field because America has so much money to invest in new technology, and we've got such limited capital, it's not fair.' "

Likewise, cotton farmers in a developing country who don't receive government subsidies say it's unfair for them to have to compete with cotton farmers in industrialized countries, particularly the United States, who get hefty government subsidies.

But critics of globalization believe the theory of comparative advantage isn't working. As proof, critics like Dorgan cite the $673 billion U.S. trade deficit, the result of U.S. imports exceeding exports. [3] "Yes, they can create an economic advantage," Dorgan writes. "But it is not a *natural* competitive advantage." [4]

However, Jaime Daremblum, former Costa Rican ambassador to the United States, says trade agreements can help reduce such disparities. "Free-trade agreements like CAFTA [Central American Free Trade Agreement] are not just about trade," Daremblum says. "They're also plans for governance, in terms of improving the judiciary, improving the enforcement of labor laws and labor standards, improving transparency and accountability. The field is being leveled as we speak."

But many free-trade critics see such trade rules as unfair intrusions into national policies. If CAFTA, NAFTA (North American Free Trade Agreement) and other trade pacts are leveling the playing field, they are doing so by encouraging a "race to the bottom," forcing wages and standards in the wealthier nations down to those in the poorest nations, according to Lori Wallach, head of Global Trade Watch for Public Citizen, a U.S. advocacy group.

Getty Images/Hrvoje Polanafp

Farmers halt traffic in Zagreb, Croatia, on June 10, 2009, to protest plummeting milk and wheat prices. Such well-organized resistance from farm groups in developed countries prevents officials from lowering agricultural subsidies that harm Third World farmers.

Wallach claims advocates of free trade cite the wrong statistic to prove it's working. "They look at the volume of trade flows between countries, but that is not the measure of the success of a trade agreement," she says. Instead, the question should be: "Did it raise incomes?" U.S. median wages have now declined to 1972 levels, and income inequality has drastically increased since NAFTA and the World Trade Organization accords were adopted, she says.

To Wallach and other critics of current trade policy, the increase in income inequality helps prove the playing field remains far from level.

[1] Byron Dorgan, *Take this Job and Ship It: How Corporate Greed and Brain Dead Politics are Selling Out America* (2006), pp. 42-43.

[2] Panagariya is now an economics professor at Columbia University.

[3] Christopher Rugaber, "U.S. Trade Deficit Fell Sharply in 2008," The Associated Press, March 18, 2009.

[4] Dorgan, *op. cit.*

U.S. Deputy Treasury Secretary Roger Altman wrote recently. "The long movement toward market liberalization has stopped, and a new period of state intervention, re-regulation and creeping protectionism has begun. Indeed, globalization itself is reversing. The long-standing wisdom that everyone wins in a single world market has been undermined." [18]

Altman and others see deglobalization as the start of a new geopolitical era that will be accompanied by escalating conflicts over key natural resources and the ascendancy of China to a position of greater worldwide influence. In effect, they say, the world's economic problems and geopolitical tensions will create a feedback loop of growing distrust and disagreement, pushing the world into the deglobalized era. In this scenario, countries with a smaller economic base, particularly developing nations, will be especially hard hit. (*See "Outlook," p. 251.*)

In Honduras, however, former trade minister Norman García sees nothing so severe in his crystal ball. Despite the severity of the recession, he says, "We haven't really felt that much effect in our trade with the United States. We're still maintaining the same levels." Honduras' primary exports are clothing and agricultural goods, and its primary markets are the United States and Europe, he says.

Indeed, García says that while trade is down overall, "No trading partner has enacted any protectionist measures that have had any effect on us," thanks mostly to the Central American Free Trade Agreement (CAFTA). The pact includes the United States, Honduras and five other countries. [19] The Honduran government was determined to sign CAFTA for that very reason, García says.

AFP/Getty Images/Dominique Faget

AFP/Getty Images/Raveendran

Farmers — Both Rich and Poor — Demand Protection

European milk producers seeking protection from falling milk prices clash with police outside European Commission headquarters in Brussels, Belgium, on July 22, 2009 (top). As economic stress increases, farmers in poor countries are also flexing their political muscle. In New Delhi, thousands of protesting Indian farmers on Dec. 16, 2008, demand help in competing in global markets (bottom). Among other things, they were seeking higher subsidies, lower diesel prices and interest-free agricultural loans.

"What we were doing is guaranteeing that that market was here to stay for good," he says. Because of such agreements, including the WTO, he says, "I don't think this so-called deglobalization will get any momentum."

But David Smick, an economic policy strategist and author of the 2008 book *The World Is Curved: Hidden Dangers to the Global Economy*, has less faith. "The whole economic model under which the world has operated in the last two decades is crash landing," he says. "The global emerging-market export model is in real trouble."

In that model, he explains, less developed nations such as China promoted rapid growth by setting up their economy "as an export platform, heavily dependent on the U.S. consumer." The model depended on several factors, including a favorable rate of currency exchange with the dollar to keep exports relatively inexpensive. [20] But most critically, it depended on Americans' voracious consuming habits and their willingness to pile up debt as they kept buying. The debt habit was fed by easy credit, underwritten by ever-appreciating home equity.

But the housing bubble has burst, and Americans appear to have changed their buying habits, at least for the moment. "There are surveys showing Americans are pulling back, and they're finding pleasure in pulling back," Smick says. "A large part of the world is in denial about this. They think the U.S. consumer is coming back. Well, the U.S. consumer is never coming back in the same way because U.S. regulators are never going to allow that kind of over-leveraging again."

The contraction of that export market, he believes, will significantly strain export-dependent countries such as China, Germany and Korea, along with many smaller developing nations. "I really think we are entering a period of deglobalization," Smick says. "The question is just how fast and to what extent."

But Alan Winters, an economist at the University of Sussex in the United Kingdom, is more optimistic about the future, citing the G-20's April pledge of additional aid to help developing nations weather the crisis. [21] "There's certainly room to do more, but we have avoided a meltdown," he says.

Moreover, he says, the world's two rising economic powers, China and India, have tremendous incentives to avoid a retreat from globalization. "When people ask me, 'Is this the end of capitalism as we know it?' I say, 'No, capitalism is safe in the hands of the Chinese. They know they've done incredibly well out of the global markets, and the Indians know that, too."

But after considerable time in China, Smick believes China's ability to adjust to the changing trade picture is complicated by an authoritarian political structure, an aging population and a bureaucratic culture that can still discourage individual innovation.

The United States remains the engine of the global economy, he says, and American political leaders are losing their determination to resist Americans' rising protectionist sentiment. But without U.S. leadership, he warns, the global consensus in favor of free trade could splinter.

"Today there are just so many parallels to where we were in the '30s, when every country paid attention to their own bilateral priorities," Smick says. "I'm afraid that's the world we're moving in again." ■

BACKGROUND

Ancient Traders

Globalization is either a modern phenomenon or nearly as old as civilization itself — depending on one's viewpoint.

Many economists see globalization as the unprecedented level of worldwide economic and financial integration, fueled by technological advances, witnessed in the last 30 years. Others view globalization as the age-old exchanging of goods and ideas by people from different parts of the world. As financial historian William J. Bernstein puts it: Globalization "is a process that has been slowly evolving for a very, very long time." [22]

In his 2008 book *A Splendid Exchange, How Trade Shaped the World*, Bernstein traces the role of trade in world affairs since the dawn of recorded history, depicting a surprising range and diversity of trading in the ancient world.

Bronze-age Mesopotamians actively traded grain, metals and goods across southern Arabia. The Roman Empire traded across Europe, much of Africa and as far away as India and China. In 30 B.C., "Rome was flooded with pepper, exotic animals and precious jewels from the Orient," Bernstein writes. "Chinese silk was the most famous and coveted of these commodities." [23]

In more recent times, the disruptive impacts of international trade were felt long before modern treaties like the North American Free Trade Agreement sought to promote open trade between nations. More than 200 years ago, for example, a flood of cheaper tanned hides from the Americas undercut Europe's leather industry. "If *The New York Times* columnist Thomas Friedman had been writing in 1800, he would have had little trouble explaining the flattening of world commerce to European tanners," Bernstein observes. [24] (Friedman, *The New York Times* columnist and author of *The World Is Flat, A Brief History of the Twenty-first Century*, embraces globalization as a nearly unstoppable revolution brought forth by a convergence of new technologies and an emerging world order.)

"Globalization is such a diverse, broad-based, and potent force that not even today's massive economic crash will dramatically slow it down," writes *Foreign Policy* editor Naím. "Love it or hate it, globalization is here to stay." [25]

But historians such as Bernstein and Princeton's James believe the longer view reveals many eras of globalization, usually followed by periods in which trade and other contacts declined significantly. In the period around 30 B.C., for example, trade expanded within the Roman Empire, followed by a period in which it slowed to a trickle, Bernstein notes, as Rome fell into decline following the death of Emperor Marcus Aurelius. [26] And other periods of robust globalization — including the era of trade expansion that occurred during the Renaissance and the emergence of French and English colonial empires in the 18th century — also eventually slowed or ended dramatically, James observes.

"All of these previous globalization episodes came to an end, almost always with wars . . . accompanied by highly disruptive and contagious financial crises," he writes. [27]

Depression and Protection

Whether globalization is an old story or uniquely modern, the contemporary chapter clearly begins about 80 years ago, with a worldwide economic disaster.

Contrary to popular belief, the Great Depression of the 1930s wasn't started by protectionist tariffs and other trade barriers rising around the globe. The economic debacle was well under way when President Herbert Hoover signed the 1930 Smoot-Hawley act, which increased nearly 900 different import tariffs on foreign goods.

Authors Rep. Willis Hawley, R-Ore., and Sen. Reed Smoot, R-Utah, reaped political infamy for their efforts, but the measure reflected lawmakers' widespread protectionist sentiments. Thomas Hall, a professor of economics at Miami University in Ohio and co-author of *The Great Depression: An International Disaster of Perverse Economic Policies*, believes it was more the Depression that caused Smoot-Hawley, rather than the reverse. "Smoot-Hawley had been kicking around in Congress for some years," he says. "What the Depression did was align the political forces to get it passed."

The measure became law despite desperate opposition from financial and economic circles, remarkably including 1,028 economists who signed an open letter calling on Hoover not to sign the bill. Thomas Lamont, a partner at J. P. Morgan and an economic adviser to the president, recalled: "I almost went down on my knees" to beg Hoover to veto the bill. [28]

Hoover, however, had long harbored protectionist sentiments and signed the bill into law. As opponents had predicted, the act led to a trade war, with nations around the world raising their own import barriers in retaliation.

Economists differ on how much responsibility Smoot-Hawley bears for the calamitous collapse in world trade in the 1930s. U.S. imports from Europe declined from a 1929 high of $1.3 billion to just $390 million in 1932 — a precipitous 69 percent drop. U.S. exports to Europe declined 65 percent — from $2.3 billion to $784 million — over the same period. Overall, world trade fell a breathtaking 66 percent from 1929 to 1934. [29]

But many historians have noted that the real impact of Smoot-Hawley was to turn nations inward at a time of international political and economic crisis. In its 1941 obituary for Hawley, *Time* went so far as to call Smoot-Hawley "one of the most enormous acts of isolationism in U.S. history." The magazine even suggested that the act set the world on course for the worst war in history. "Economic nationalism, forced into full flower by the Smoot-Hawley Tariff, became the physical basis for the ideology of fascism," *Time* intoned. "The lines were written, the stage was set for World War II." [30]

Whether that verdict was too harsh — and most historians would argue the conditions that gave birth to fascism ranged beyond isolationist trade policies — it reflects postwar convictions. The democracies of the West, led by the United States, emerged from World War II convinced that protectionist tariffs had not only exacerbated the worst economic collapse in modern history but also helped lead to a catastrophic war.

For the rest of the 20th century, trade policy would be seen through the lens of the negative impact of protectionism. With only occasional demurrals, the Free World agreed that trade must be kept open to maintain peace and prosperity. In the aftermath of the war, the West would go about setting up the international structures to make that happen.

From GATT to WTO

The years immediately after World War II produced watershed events in international integration. The United Nations held its first General Assembly in 1946. [31] The North Atlantic Treaty Organization (NATO) set up its collective defense agreement in 1949. And the forerunner of the European Economic Community was formed in 1951.

But before the war had even ended, representatives of the 44 Allied nations met in tiny Bretton Woods, N.H., in July 1944, to hammer out the postwar economic order, establishing the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (the World Bank).

The delegates also established a new global monetary system. Because the United States had become far and away the world's most powerful economy and also held most of the world's gold reserves, Bretton Woods tied the world's currencies to the dollar, which the delegates agreed should be convertible into gold at $35 per ounce. The goal was to prevent the wild currency fluctuations that had contributed to instability in the 1930s. The IMF was charged with maintaining the system of exchange rates. [32]

Guiding all these efforts was the belief that a stable global economic system, allowing a free exchange of goods and services, was essential to world order. "Unhampered trade dovetailed with peace. High tariffs, trade barriers and unfair economic competition with war," U.S. Secretary of State Cordell Hull later wrote in his autobiography. [33]

Three years after Bretton Woods, 23 nations met in Geneva, Switzerland, to finalize work on a General Agreement on Tariffs and Trade (GATT). It established basic trade rules and included 45,000 tariff concessions, eliminating or reducing duties on $10 billion worth of products being traded at the time — about one-fifth of the worldwide total. [34]

GATT membership would grow dramatically through the years, as would its scope, which was expanded in a series of negotiations known as "trade rounds," named after the cities in which they were convened. For nearly half a century, GATT would provide the basic framework for world trade.

Dartmouth trade historian Irwin notes that GATT didn't always succeed in boosting trade. For instance, its inability to eliminate agricultural subsidies, still widely protected around the globe, is considered one of the treaty's largest failings. And its provisions are often ignored by some countries during economic stress, such as in the late 1970s and early '80s, when sluggish growth again led to a rise in protectionism. [35]

Continued on p. 246

Chronology

1920s Trade flourishes until Great Depression hits.

October 1929
U.S. stock market crashes.

1930s Protectionism worsens the Depression.

1930
Smoot-Hawley Tariff Act in U.S. raises more than 900 import duties; other nations later follow suit.

1929-1934
World trade drops 66 percent.

1940s Nations seek to build postwar international economic relationships.

1944
Allied nations meet in Bretton Woods, N.H., to create international monetary and financial structure.

1947
General Agreement on Tariffs and Trade (GATT) encourages free trade by reducing tariffs.

1950s-1960s

Growing economic and political cooperation expands ties among Western nations.

1951
Six countries form European Coal and Steel Community, the precursor of the Common Market.

1957
European Economic Community, or Common Market, expands economic cooperation and cross-border trade.

1962
Trade Expansion Act empowers President John F. Kennedy to negotiate major tariff reductions. . . . European Union gives members joint control over food production and prices.

1967
Kennedy round of trade talks, honoring the slain president, conclude.

1970s-1980s

Open markets and political changes in West appear to reverse economic stagnation, while dramatic reforms unleash China's economy. Soviet Union and former satellite nations embrace free markets, open trade.

1973
Arab oil embargo causes gas shortages and worsens economic malaise known as "stagflation."

1978
China initiates free-market reforms.

1985
Soviet leader Mikhail Gorbachev initiates reforms that lead to the USSR's collapse in 1991.

1989
U.S. and 11 Pacific nations form Asia Pacific Economic Cooperation forum to discuss free trade.

1990s Global trade grows, but backlash develops.

1992
A European Union treaty moves toward a common currency. Union eventually grows to 27 nations.

1994
North American Free Trade Agreement eliminates most trade barriers between U.S., Canada and Mexico.

1995
The 123-member World Trade Organization (WTO) replaces GATT.

1999
Anti-globalization protesters shut down WTO Seattle meeting.

2000s Recession undercuts global trade.

2001
Trade talks begin in Doha, Qatar, to lower remaining trade barriers.

2007
U.S. housing prices begin to collapse, rattling U.S. financial institutions.

2008
Worst recession in nearly 80 years hits world economy. Banking institutions worldwide face insolvency. . . . Doha round talks collapse.

2009
Global trade plummets in the first two quarters and is expected to drop 10 percent or more for the year. . . . China and Western nations initiate massive stimulus spending to revive their economies. By mid-summer signs of recovery are mixed with economic difficulties, prompting some experts to predict deglobalization will fracture the global status quo.

Continued from p. 244

But overall the picture has been positive. "There's been a demonstrable lowering of trade barriers over the last 60 or so years, and GATT was largely responsible," says Irwin. World trade has expanded dramatically in the 60 years since GATT was first signed, growing 8 percent a year through the 1950s and '60s. [36]

"It added stability to the system," he notes, making people "more willing to make investments in other countries, which has helped the developing world, in particular."

But GATT was only meant to be a stop-gap measure. The architects of the postwar world order envisioned an International Trade Organization (ITO), operating as a U.N. agency, which would serve as a third pillar of the world economy alongside the IMF and the World Bank. The draft charter for the ITO included rules on employment, business practices, international investment and services. [37] Eventually, ITO negotiations foundered on the sheer magnitude of the concept. However, nearly half a century later, the international community would return to the idea, creating the World Trade Organization in 1995 as the successor to GATT.

The WTO represented the culmination of the original postwar vision of a new level of international commerce. But at the end of the millennium the world was a much different place than in the years immediately after World War II. And since its inception, the WTO has attracted ardent critics and supporters.

But on one thing they all agree: the WTO in the 21st century faces a series of challenges that reflect the stresses of the global economic and political order.

Governing Trade Today

In recent years, countries have focused more on crafting regional and bilateral trade agreements, while international trade talks have languished. In fact, regional free-trade agreements have proliferated so rapidly they've become an alphabet soup of acronyms: NAFTA, CAFTA, SAFTA (the South Asia Free Trade Agreement) and more.

Bilateral free-trade agreements have also proliferated. The United States, for example, now has trade agreements — both bilateral and multilateral — with 17 countries, and three more are pending in Congress. [38] Many other countries have similar agreements with neighboring countries or important trading partners.

As the number of trade agreements has multiplied, the size of global markets has grown dramatically. Before the collapse of the Soviet Union in 1991 and the opening up of the Chinese and Indian economies, a large share of the world's population was essentially shut off from international

Rejecting Globalization Produces Winners and Losers

Developing nations could suffer economically and politically.

For two decades, Ireland flourished as "the poster child for globalization," in the words of Irish economist Austin Hughes. Today, the country's battered economy reflects the sharp reversal of fortune that can come with a collapse in world trade.

Ireland's embrace of policies that opened the island to global markets and international investment had turned its economy into the "Celtic Tiger." But the global economic downturn sent Ireland's property values plummeting, its banks required a government bailout and unemployment has soared to close to 12 percent.

"There was a sense that we had discovered the crock of gold at the end of the rainbow," Hughes says. "Now there's this fatalism that says it was just a crock."

Some desperate economies that once embraced globalization are now beginning to turn inward, in a trend called deglobalization, in which they adopt restrictive tariffs and other protective policies. If the trend continues, experts say, there will be winners and losers on both the global and national stages. The losers will far outnumber the winners, according to many mainstream economists, but in anything as vast and complicated as the global economy, some industries and even nations will find themselves with a relative advantage in the new status quo.

Ireland is hardly the only nation that will face a significant economic adjustment if the recession triggers an era of deglobalization. Several smaller Western nations, including Iceland and Latvia, are in similar straits, and many of the world's successful economies are highly export dependent, notes David Smick, an international economic strategist. Exports provide more than 40 percent of the gross domestic product (GDP) in China, Germany and Korea, among other nations, he says.

Boris Kozolchyk, director of the National Law Center for Inter-American Free Trade in Tucson, Ariz., believes developing countries would be big losers in an era of deglobalization. Many Latin American countries, for example, have staked their economic and political development on free trade.

Kozolchyk says the banking crisis that sparked the recession illustrates intertwined global relationships. "There was a chain of finance: you had Wells Fargo Bank providing financing to Banco Atlántida in Honduras, which was financing local businesses," he says. "Now it's all come to a halt."

Kozolchyk also fears developing nations could lose politically, as their economic struggles lead them to turn away from democracy in search of other solutions. "This has already started happening," he says, citing the influence of Venezuelan President Hugo Chávez. "You definitely have a return to demagoguery and authoritarian government, all in the name of false economic development."

Large and economically diverse nations will be hurt less. Only 11 percent of the U.S. GDP is tied to exports, according to Smick. "We will be hurt," he says, "but we will be less vulnerable than most of the rest of the world."

Within the U.S. economy, however, certain industries would be disproportionately affected by deglobalization. Exports in medical equipment, industrial engines and aircraft engines all grew significantly last year. [1] Other industries, however, were already heavily export driven. For example, nearly 40 percent of the computer and electronics-industry jobs in the United States are dependent upon exports, according to government statistics. Heavy manufacturing, the chemical industry and the U.S. leather goods trade also count on exports for a substantial share of their business. [2]

Even distinctly American industries are global enterprises these days and could suffer if the world deglobalizes. Hollywood made nearly twice as much money on its movies overseas as it did in the United States. [3] If deglobalization triggers a rise in economic and cultural nationalism, the entertainment industry could be a big loser.

The winners? It depends on your perspective on globalization. David C. Korten — a longtime critic of "corporate globalization" and author of *Agenda for a New Economy: From Phantom Wealth to Real Wealth* — sees a retreat from international markets sparking a more sustainable lifestyle in the United States and abroad. The trend would embrace smaller-scale, local agriculture and green technologies, including alternative-energy production and more efficient building practices. In the view of anti-globalists like Korten, the final winners would include Americans, who would enjoy better-quality lives.

Others take a more cynical view of how winners would be determined. "It really depends on which industries have the political clout to get the best protectionism," says Douglas Irwin, a specialist in trade policy at Dartmouth College.

[1] "U.S. Export Fact Sheet," International Trade Administration, U.S. Department of Commerce, Feb. 11, 2009, http://trade.gov/press/press_releases/2009/export-factsheet_021109.pdf.

[2] "Total Jobs Supported by Manufactured Exports, 2006," Office of Industry and Trade Information, U.S. Department of Commerce, www.trade.gov/td/industry/otea/jobs/Reports/2006/jobs_by_industry.html.

[3] "Entertainment Industry Market Statistics 2007," Motion Picture Association of America, p. 3, www.mpaa.org/USEntertainmentIndustryMarketStats.pdf.

trade. As a result of political changes in those countries, however, more than 1.5 billion people joined the competitive global work force. [39] Many smaller, developing nations also turned to low-cost global exports in an attempt to raise living standards.

Simultaneously, the World Trade Organization has expanded its reach into areas such as the trade in services and intellectual-property rights. The expanded authority, however, required new rules that reach much farther into the internal practices and regulation of national economies.

"Until the mid-1990s, trade rules were about trade. They set tariffs, that sort of thing," says Wallach at Global Trade Watch. "Now you have a whole bunch of policies that have nothing to do with how goods move between countries. They have to do with domestic policies."

WTO rules on intellectual property, for instance, have been particularly controversial because they can involve patents for lifesaving drugs and can restrict or increase the cost of medicine in many parts of the world. Proponents view the WTO's intellectual-property-rights provisions as essential to boosting trade, encouraging innovation and promoting the adoption of best practices around the globe. Opponents see them as a form of exploitation by multinational corporations.

Trade agreements and other WTO policies have caused job losses in certain economic sectors in participating countries, such as the U.S. textile industry, and have contributed to downward pressure on wages, particularly in developed nations.

Not surprisingly, a backlash developed against the WTO and the whole idea of globalization. The scope of the anti-globalization movement and the depth of its frustration became apparent during the 1999 WTO meeting in Seattle, where a massive, largely peaceful protest was marked by violent outbursts that so rattled officials they ended the conference early. [40]

Globalization's critics cite the economic crisis that hit in 2007 and '08 as proof of its failure, while supporters urged that eight-year-long trade negotiations, known as the Doha round, be concluded to help lift the world out of the recession.

Although these debates reflect modern tensions, Bernstein points out that anti-globalization protests have occurred for centuries. "Today's debates over globalization repeat, nearly word for word in some cases, those of earlier eras," he writes. "Wherever trade arrives, resentment, protectionism and their constant companions — smuggling, disrespect for authority and occasionally war — will follow."

Yet Bernstein also notes, "The instinct to truck and barter is part of human nature; any effort to stifle it is doomed to fail in the long run." [41] ■

CURRENT SITUATION

Clouded Forecast

Several analysts say evidence suggests the recession in the United States, China and other nations could be coming to an end. In early August, the U.S. government said the nation's economic output shrank only 1 percent in the second quarter of the year, a dramatic improvement over the 6.4 percent contraction in the previous quarter. [42]

Moreover, the U.S. stock market recorded its best July in 20 years, and home prices appeared to be creeping upward. [43] A number of major banks also have recorded profits, leading some to predict the financial system has stabilized. Since the United States is the largest driver of the global economy, these signs indicate a recovery may be in the cards for the last half of 2009 or early 2010.

Two of the world's emerging economic powerhouses, India and China, also offer reason for optimism. In June, the World Bank raised its 2009 growth forecast for China from 6.5 percent to 7.2 percent. [44] In July, Chinese manufacturing expanded at its fastest rate in a year, according to a survey. [45] Also in July, the IMF revised its projection for India's economic growth for 2009 upward to 5.4 percent while forecasting an overall global contraction of 1.4 percent. [46]

"My take is that the U.S. will come out of this in another six months to a year, and the large majority of nations will start pulling out once the U.S. economy does," says Panagariya, the former World Bank and WTO economist.

AP Photo/Dolores Ochoa

In one of the most protectionist responses to the global economic crisis, Ecuador's government in February imposed restrictions on most imported items. Now many imports — like this hair conditioner and deodorant being sold in a store in Quito — are more expensive.

But for every patch of blue sky visible on the economic horizon there remains a cloud. U.S. consumer spending, which comprises 70 percent of economic activity, has continued to fall. And with U.S. unemployment not expected to peak until later this year or early in 2010, a consumer-driven recovery will be delayed. The Obama administration's $787 billion stimulus package now accounts for 20 percent of U.S. output, but federal officials acknowledge that the current level of deficit spending is unsustainable in future years. [47]

Meanwhile, credit markets remain tight, both globally and in the United States, limiting money for new investments, particularly in riskier economies. Conditions continue to look bleak in many leading Western industrial nations. The IMF predicts continued contraction of 4 percent or more this year in Germany, Japan, the United Kingdom, Russia and Italy — among other nations — with negative or only negligible growth seen in 2010. [48]

"There's all this talk right now about 'green shoots' [signs of economic recovery] and the end of the recession, and I understand why people feel this way: They hope they can get back to normal very quickly," says James, the Princeton University economic historian, "but I just don't think they're going to be able to do that."

Indeed, the overall world economy looks remarkably grim by any historical measure. As of June, the declines in world industrial output and other key indicators were slightly worse than during the Great Depression at the same point in its history, according to one analysis. [49] In a late June assessment, the World Bank noted that "unemployment continues to rise throughout the world, housing prices in many countries are still falling . . . bank balance sheets are fragile." [50]

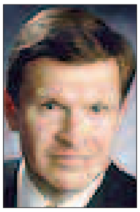
Several factors could derail the beginnings of a recovery, analysts say, especially rising energy costs. In early August, Fatih Birol, chief economist for the International Energy Agency, warned that rising oil prices — which had reached $73 a barrel — threaten economic recovery. Sustained oil prices above $70 a barrel could strangle a recovery, he says. [51]

Even if the recession is ending, the recovery is widely expected to be

Continued on p. 250

At Issue:

Will a period of deglobalization disrupt world trade?



HAROLD JAMES
PROFESSOR OF HISTORY AND INTERNATIONAL AFFAIRS, PRINCETON UNIVERSITY
***AUTHOR,* THE CREATION AND DESTRUCTION OF VALUE: THE GLOBALIZATION CYCLE**

WRITTEN FOR *CQ GLOBAL RESEARCHER*, SEPTEMBER 2009

yes

Globalization is a very old phenomenon. It has also produced tremendous benefits in terms of poverty reduction in many countries. But historically, globalization is also vulnerable to terrible and costly backlashes, as in the late 18th century, when it was interrupted by wars and revolutions, or in the early 20th century, when the very integrated world of the late 19th century was pulled apart by the First World War and by the Great Depression. We might think of the globalization phenomenon as cyclical.

Because so much recent globalization was driven by financial flows, the financial meltdown is a very serious setback. The most immediate impact of the financial collapse of September 2008 was on world trade, with a 30 percent decline in the last quarter of 2008, and only very fragile signs of recovery in 2009. The World Trade Organization estimates that global trade will be 10 percent lower in 2009 than in 2008.

The measures that governments take against the crisis are likely to produce a longer-term deglobalization trend. State rescues of entire banking systems will tend to produce a different financial system, in which large parts of finance are renationalized. Italian and French taxpayers will not want to see their money used to bail out remote East European debtors. Banks rescued by governments are under substantial pressure to cut back foreign lending and increase domestic loans.

Fiscal stimulus packages have a similar effect, in that they are intended to benefit domestic producers and involve the assumption of additional debt, which constitutes a long-term liability of domestic taxpayers. In consequence, many of the large stimulus packages are accompanied by more or less explicit provisions ("Buy America" or "Buy China") that attempt to ensure domestic, not foreign, producers are stimulated.

The reactions against globalization are as much driven by a new psychology as by economic reality or a precise weighing of the costs and benefits of globalization. Crises give rise to conspiracy theories, often directed against foreigners or foreign countries. Many Americans argue that the mess is the fault of Chinese surpluses. Many people in other countries already argue that they are being hit by a U.S. crisis made in America. We will see trade protectionism and massive and powerful xenophobic sentiment. Perhaps many former so-called "globalization critics" will see just how good the integration was when it starts to fall apart.

MOISÉS NAÍM
EDITOR IN CHIEF, FOREIGN POLICY
***AUTHOR,* ILLICIT: HOW SMUGGLERS, TRAFFICKERS AND COPYCATS ARE HIJACKING THE GLOBAL ECONOMY**

EXCERPTED WITH PERMISSION FROM *FOREIGN POLICY* #171 (MARCH/APRIL 2009) WWW.FOREIGNPOLICY.COM

no

Rumors of globalization's demise — such as Princeton economic historian Harold James' recent obituary for "The Late, Great Globalization" — have been greatly exaggerated. . . .

All kinds of groups are still connecting, and the economic crisis will not slow their international activities. . . . It might even bolster them. Global charities, for instance, will face soaring demand for their services. . . . At a time when cash is king and jobs are scarce, globalized criminals will be one of the few . . . sources of credit, investment and employment in some places. . . .

It's true that private flows of credit and investment across borders have temporarily plummeted. . . . But as private economic activity falls, the international movement of public funds is booming. Last fall, the U.S. Federal Reserve and the central banks of Brazil, Mexico, Singapore and South Korea launched $30 billion worth of currency arrangements for each country designed to stabilize their financial markets. Similar reciprocal deals now tie together central banks throughout Asia, Europe and the Middle East.

Yes, some governments might be tempted to respond to the crisis by adopting trade-impairing policies, imposing rules that inhibit global financial integration or taking measures to curb immigration. The costs of doing so, however, are enormous and hard to sustain in the long run. What's more, the ability of any government to shield its economy and society from outside influences and dangers has steadily evaporated in the past two decades. . . .

Globalization is such a diverse, broad-based and potent force that not even today's massive economic crash will dramatically slow it down or permanently reverse it. . . .

But claims about the return of strong governments and nationalism are equally overstated. Yes, China might team up with Russia to counterbalance the United States in relation to Iran, but meanwhile the Chinese and U.S. economies will be joined at the hip (China holds more than a trillion dollars of U.S. debt, and the United States is the main destination for its exports). . . .

The bottom line: Nationalism never disappeared. Globalization did not lessen national identities; it just rendered them more complex. . . . Globalization and geopolitics coexist, and neither is going anywhere.

Continued from p. 248

feeble, barely relieving public suffering or discontent. "While the global economy is likely to begin expanding again in the second half of 2009, the recovery is expected to be subdued as global demand remains depressed, unemployment remains high and recession-like conditions continue until 2011," Hans Timmer, director of the World Bank's Development Prospects Group, said recently. [52]

In this environment, the determination of the world's political leaders to maintain global trade could be critical. But the latest signals can be read both ways.

Trade Policy Pressure

In July, U.S. Trade Representative Ron Kirk addressed workers at a steel plant outside Pittsburgh, Pa. The steel industry continues to be hit hard by foreign imports and has been pushing the administration to act against what it considers unfair competition from China. Kirk's language was as combative as any heard from a White House trade official in some time.

The United States will get tough on foreign governments that ignore trade rules, he said, and would no longer wait for a complaint to be filed but would proactively identify and investigate potential violations of labor rules in countries with free-trade agreements with the United States.

"We will take new steps to protect the rights of American farmers and small-business owners. We will hold our trading partners to their word on labor standards," Kirk said. "And we will use work we're already doing to fight even harder for the men and women who fuel our economy and support their families." [53]

Kirk's speech could be read as a tilt toward the wing of the Democratic Party that has pushed for more aggressive action to level the playing field in trade. Even before Kirk spoke, some free-trade supporters worried the Obama administration was less committed to the idea of free trade than its predecessors.

"I do not believe the current administration is at all protectionist," says Lane, the governmental affairs director for Caterpillar. "But by the same token, there's been a reluctance to engage their core constituencies on these measures. What's missing so far is advocacy. So far, they haven't made it a priority."

Yet some observers saw the speech as an attempt to reassure labor unions and other Democratic Party interest groups before a push by the administration for ratification of bilateral trade agreements with Panama, Colombia and South Korea. [54] The deals, signed by the Bush administration, are pending in Congress but have been put on hold by a wary Democratic leadership.

The G-20 will meet again later this month in Pittsburgh, where President Obama is expected to discuss his administration's trade agenda.

Doha Stalls

More than eight years after negotiators began working on the latest international trade agreement, known as the Doha round, the adjective most commonly attached to the negotiations is "stalled."

In mid-summer, WTO Director-General Pascal Lamy laid out what he described as a road map for negotiations to be completed in 2010. But his plan was met with only muted responses from the world's leading industrial nations.

Yet finishing Doha is critical in helping the world economy recover and preventing deglobalization, says Winters, the economist at Sussex University in the U.K., who studies the problems of developing nations. "If the Doha round fails, it's not clear that we can maintain the status quo," he says. "Doha helps us head off a big increase in protectionism that could occur if we don't get it."

The Doha impasse centers on disagreements between developed and developing nations, which believe they were promised certain concessions in return for opening up their economies in the last round. Perhaps the most highly publicized dispute is over EU and U.S. agricultural price supports. Many developed nations use price supports, import quotas and other programs to protect producers of some farm commodities from cheaper foreign imports.

For example, government programs in the United States subsidize politically powerful cotton producers, helping to depress the world price for cotton and hurting producers in Africa and India. The African nations, in particular, have been pushing for reduced cotton price supports in the developed nations. A 2007 study by Oxfam, a London-based nongovernmental organization dedicated to fighting global poverty, estimated that if the United States — the world's largest cotton-exporting nation — eliminated its cotton subsidies, the price for West African cotton would increase by 5 to 12 percent, dramatically improving the lives of the region's cotton farmers. [55]

Winters believes the disagreement over agricultural policy in developed countries has come to carry more weight than it should. Rather than pressing the developed nations to make politically difficult reforms, Winters thinks developing nations should concentrate on getting rid of quotas, tariffs and other more traditional agricultural trade barriers. "Most African nations are net food importers," he says. "For a good part of the developing world, it's really far more important that the West open up its markets than it is that they lower their agricultural subsidies."

While most analysts are pessimistic that Doha will move forward anytime soon, others remain hopeful. Jagdish

Bhagwati, a professor at Columbia University who has been an adviser for both GATT and the WTO, notes that no trade round has ever failed.

"They often break down, are often thought to be in intensive care where the pessimists predict that they will expire," he wrote with Panagariya, "and they come back like the proverbial cat and are concluded. Doha will be no exception." [56]

But others see a watershed moment. Smick, the author and global economic policy strategist, sees the economic crisis combining with existing tensions to splinter the international political consensus in favor of continuing trade liberalization, even though globalization has lifted millions of people around the world out of poverty.

"You're seeing the collapse of world trade authority with Doha, unless there's a miracle," Smick says, "and it doesn't look like that's going to happen." ■

AP Photo/Imaginechina

Chinese factory workers in Huaibei manufacture clothes for export to the United States. China's rapid growth has been based on an export-driven economy that heavily depended on Americans' voracious consuming habits. U.S. demand for Chinese products declined during the recession, however, prompting China to protect its textile and other labor-intensive industries with tax rebates.

OUTLOOK

Era of Deglobalization?

Experts who fear the world is headed into a period of deglobalization paint a gloomy picture of increased international tensions, conflict and nationalist fervor. Great Power politics — specifically the United States and China — will predominate, and governments will aggressively intervene in their national economies as state power grows.

Princeton professor James says a drop in international commerce combined with growing demand for limited resources such as oil is a recipe for increased international hostility. "Issues like the fuel supply or the supply of food — countries have and may again go to war about exactly this," says James.

Developing countries will be hit particularly hard, according to former Clinton deputy Treasury secretary Altman. "Already unstable nations, such as Pakistan, could disintegrate. And poverty will rise sharply in a number of African nations," he wrote in a recent issue of *Foreign Affairs*. [57]

Like James, Altman sees one nation in particular emerging in a more powerful position. "The one clear winner is China, whose unique political-economic model has come through unscathed," he wrote.

A recent report of the U.S. National Intelligence Council considers it a "relative certainty" that the global tensions predicted by James and Altman lie ahead. The report, "Global Trends 2025: A Transformed World," concludes that world population — expected to increase by 1.2 billion people by 2025 — will put increasing pressure on energy, food and water resources. But the council is less certain that the world will retreat from global markets, calling it one of the "key uncertainties" of the next 16 years. [58]

Deglobalization would be a welcome development for globalization's longtime critics. Walden Bello, a sociology professor at the University of the Philippines and a leading critic of globalization, called the current crisis proof that globalization has "ended in massive failure." The crisis is an opportunity for developing nations to build regional relationships that go beyond trade to shared economic and social goals, promoting greater equity and justice, he says, citing recent efforts by Venezuelan President Hugo Chávez to build regional economic relationships. [59]

Other globalization critics see the crisis as the end of an unsustainable system of corporate economic domination and excessive consumption. Korten, the author and longtime critic of "corporate globalization," thinks the world will eventually embrace a radically different approach. "Food sources would be primarily local," he says. People would rely more on renewable energy, including solar and wind. "It would mean much more energy-efficient buildings and a far greater attention to . . . sustainable development."

In Korten's vision, global prosperity would depend not on what a country sells abroad but what it produces close to home. "The economy would be much more based on what our real needs are," he says.

But other experts predict a less calamitous or revolutionary future. Panagariya, the Columbia University economist, says under the most pessimistic scenario the U.S. economy would follow the route of the Japanese in the 1990s, with a lost decade of little or no economic growth. But he considers that unlikely.

"The U.S. is a lot more proactive policywise," Panagariya says. "It's willing to take a lot more risks, and the U.S. markets are a lot more flexible."

He also doesn't expect any significant changes in habits, among nations or individuals. "If housing prices go up," he says, "I think we'll go on a spending spree again."

Ireland did as well as any nation under globalization, but its crash has been as severe as any in Europe. Looking ahead, Irish economist Hughes hopes the future is found in the middle ground.

"I don't think the question is whether globalization is the right thing or not, but whether you can have a trajectory that's more sustainable and deals with the downsides of globalization," he says. "I'm suggesting that wise counsel prevails and people realize they have to learn to move it forward at a walking pace, rather than just rocket forward." ■

Notes

[1] Harold James, "The Late Great Deglobalization," *Current History*, January 2009.

[2] Jonathan Lynn and Kazunori Takada, "World trade to shrink 10 pct, Asia leads recovery: WTO," Reuters, July 22, 2009, www.reuters.com/article/businessNews/idUSSP48113720090722.

[3] Angel Gurría and Jørgen Elmeskov, "Economic Outlook No. 85," Organisation for Economic Co-operation and Development, June 24, 2009, www.oecd.org/dataoecd/36/57/43117724.pdf.

[4] Barry Eichengreen and Kevin O'Rourke, "A Tale of Two Depressions," at VoxEU.org, Centre for Economic Policy Research, June 4, 2009, www.voxeu.org/index.php?q=node/3421.

[5] Joseph Francois, "The Big Drop: Trade and the Great Recession," *The Random Economist*, May 2, 2009, www.intereconomics.com/blogs/jff/2009/05/big-drop-trade-and-great-recession.html.

[6] "Statement from G-20 Summit," Nov. 15, 2008. The complete text can be found at www.cfr.org/publication/17778/.

[7] Elisa Gamberoni and Richard Newfarmer, "Trade Protection: Incipient but Worrisome Trends," *Tradenotes*, No. 37, The World Bank, March 2, 2009, www.voxeu.org/index.php?q=node/3183.

[8] For background, see Mary H. Cooper, "Rethinking NAFTA," *CQ Researcher*, June 7, 1996, pp. 481-504.

[9] Those provisions were subsequently modified, at the insistence of the Obama administration, to include a stipulation that they must comply with WTO rules.

[10] Wolfgang Münchau, "Europe and the Protectionism Trap," Spiegel Online International, Feb. 13, 2009, www.spiegel.de/international/europe/0,1518,607457,00.html.

[11] *Ibid*.

[12] The latest round of WTO-sponsored trade talks, known as the Doha round, have been stalled over disagreements between developing and developed countries.

[13] "Anti-dumping, subsidies, safeguards: contingencies, etc," "Understanding the WTO: the Agreements," www.wto.org/english/theWTO_e/whatis_e/tif_e/agrm8_e.htm.

[14] "President Announces Temporary Safeguards for Steel Industry," White House press release, March 5, 2002, http://georgewbush-whitehouse.archives.gov/news/releases/2002/03/20020305-6.html.

[15] Daniel J. Ikenson, "Sordid Steel Shenanigans," Fox News Online, Sept. 18, 2002, www.cato.org/pub_display.php?pub_id=3608.

[16] Daniel Lovering, "Steel Product Makers Claim China Dumping Goods," *Manufacturing.net*, June 9, 2009.

[17] Jagdish Bhagwati and Arvind Panagariya, "Legal Trade Barriers Must Be Kept in Check," *The Financial Times*, June 11, 2009, www.ft.com/cms/s/0/bcdf98c8-56b2-11de-9a1c-00144feabdc0.html.

[18] Roger Altman, "Globalization in Retreat, Further Geopolitical Consequences of the Financial Crisis," *Foreign Affairs*, July/August 2009, p. 2.

[19] The agreement is formally known as the CAFTA-DR, and the other signatories are Costa Rica, El Salvador, Guatemala, Nicaragua and the Dominican Republic.

[20] For background, see Peter Behr, "The Troubled Dollar," *CQ Global Researcher*, October 2008, pp. 271-294.

[21] For background, see Peter Behr, "Fixing Capitalism," *CQ Global Researcher*, July 2009, pp. 177-204.

[22] William Bernstein, *A Splendid Exchange, How Trade Shaped the World* (2008), p. 14.

[23] *Ibid*., p. 8.

[24] *Ibid*., pp. 13-14.

About the Author

Reed Karaim, a freelance writer living in Tucson, Arizona, has written for *The Washington Post*, *U.S. News & World Report*, *Smithsonian*, *American Scholar*, *USA Weekend* and other publications. He is the author of the novel, *If Men Were Angels*, which was selected for the Barnes & Noble Discover Great New Writers series. He is also the winner of the Robin Goldstein Award for Outstanding Regional Reporting and other journalism awards. Karaim is a graduate of North Dakota State University in Fargo.

[25] Moisés Naím, "Think Again: Globalization," *Foreign Policy*, March/April 2009, www.foreignpolicy.com/story/cms.php?story_id=4678.
[26] Bernstein, *op. cit.*, p. 8.
[27] James, *op. cit.*, p. 21.
[28] "The Battle of Smoot-Hawley," *The Economist*, Dec. 18, 2009, www.economist.com/displayStory.cfm?story_id=12798595.
[29] Statistical information on U.S. and international trade volumes from the U.S. Department of State Historical Timeline, http://future.state.gov/when/timeline/1921_timeline/smoot_tariff.html.
[30] "The Congress: Death of a Woodcutter," *Time*, Aug. 4, 1941.
[31] "Milestones in United Nations History, a Selective Chronology," www.un.org/Overview/milesto4.htm.
[32] "The Bretton Woods Conference," from the U.S. Department of State Timeline of U.S. Diplomatic History, www.state.gov/r/pa/ho/time/wwii/98681.htm. For background, see Behr, "The Troubled Dollar," *op. cit.*
[33] Cordell Hull, "The Memoirs of Cordell Hull: Vol. 1" (1948), p. 81.
[34] "The GATT Years: From Havana to Marrakesh," Understanding the WTO, World Trade Organization, www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm.
[35] Douglas Irwin, "GATT Turns 60," *The Wall Street Journal*, April 9, 2007, http://online.wsj.com/article/SB117607482355263550.html.
[36] "The GATT Years: From Havana to Marrakesh," *op. cit.*
[37] *Ibid.*
[38] For a list see Office of the United States Trade Representative, www.ustr.gov/trade-agreements/free-trade-agreements.
[39] Tom Friedman, *The World Is Flat: A Brief History of the Twenty-first Century* (2007), p. 212.
[40] For background, see Brian Hansen, "Globalization Backlash," *CQ Researcher*, Sept. 28, 2001, pp. 761-784.
[41] Bernstein, *op. cit.*, p. 367.
[42] Catherine Rampell and Jack Healy, "In Hopeful Sign, Output Declines at Slower Pace," *The New York Times*, Aug. 1, 2009, p. A1, www.nytimes.com/2009/08/01/business/economy/01econ.html.
[43] Nick Timraos and Kelly Evans, "Home Prices Rise Across U.S.," *The Wall Street Journal*, July 29, 2009, p. A1.

FOR MORE INFORMATION

Focus on the Global South, http://focusweb.org. An anti-globalization research and activist group with offices in Thailand, the Philippines and India, which aims to transform the global economy "from one centered around the needs of transnational corporations to one that focuses on the needs of people, communities and nations."

Organisation for Economic Co-operation and Development, 2, rue André Pascal F-75775 Paris Cedex 16, France; +33 1.45.24.82.00; www.oecd.org. Organization made up of 30 industrialized countries that provides economic research and advises governments on handling the economic, social and governance challenges associated with a globalized economy.

Peterson Institute for International Economics, 1750 Massachusetts Ave., N.W., Washington, DC 20036-1903; (202) 328-9000; www.iie.com. A private, nonpartisan research institution devoted to the study of international economic policy; advocates expanded global trade.

Public Citizen's Global Trade Watch, 1600 20th St., N.W., Washington, DC 20009; (202) 588-1000; www.citizen.org/trade. Nongovernmental organization that promotes democracy "by challenging corporate globalization, arguing that the current globalization model is neither a random inevitability nor 'free trade.' "

World Trade Organization, Centre William Rappard, Rue de Lausanne 154, CH-1211 Geneva 21, Switzerland; (41-22) 739 51 11; www.wto.org. A 153-member international organization established to set global trade rules and manage disputes.

[44] *China Quarterly Update*, The World Bank, June 2009, http://go.worldbank.org/9FV11IHMF0.
[45] Joe McDonald, "Survey: China manufacturing improved in July," The Associated Press, Aug. 3, 2009.
[46] "World Economic Outlook Update," International Monetary Fund, July 8, 2009, www.imf.org/external/pubs/ft/weo/2009/update/02/pdf/0709.pdf.
[47] Rampell and Healy, *op. cit.* U.S. Treasury Secretary Timothy Geithner, speaking on ABC's "This Week," Aug. 2, 2009.
[48] "World Economic Outlook Update," *op. cit.*
[49] Eichengreen and O'Rourke, *op. cit.*
[50] "Global Development Finance 2009: Outlook Summary," The World Bank, June 22, 2009, http://go.worldbank.org/HCR2ABQPX0.
[51] Kate Mackenzie, "Global economy at risk from oil price rise," *The Financial Times*, Aug. 3, 2009, www.ft.com/cms/s/0/1281aad6-8049-11de-bf04-00144feabdc0.html.
[52] "The Financial Crisis: Charting a Global Recovery," The World Bank, June 22, 2009, http://go.worldbank.org/KUG53HWZY0.
[53] A complete text of Kirk's speech can be found at www.ustr.gov/about-us/press-office/speeches/transcripts/2009/july/ambassador-kirk-announces-new-initiatives-trade.
[54] Ian Swanson, "Kirk Sooths on Trade," *The Hill*, July 16, 2009, http://thehill.com/the-executive/kirk-soothes-on-trade-2009-07-16.html.
[55] Julian M. Alston, Daniel A. Sumner and Henrich Brunke, "Impacts of Reductions in US Cotton Subsidies on West African Cotton Producers," Oxfam America, 2007.
[56] Jagdish Bhagwati and Arvind Panagariya, "Doha: The Last Mile," *The New York Sun*, Aug. 21, 2008, www.nysun.com/opinion/doha-the-last-mile/84314/.
[57] Altman, *op. cit.*
[58] "Global Trends 2025: A Transformed World," National Intelligence Council, www.dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf.
[59] Walden Bello, "Challenges of Regional Integration," presented July 21, 2009, to the Universidad de Deportes, Asunción, Paraguay, reprinted by Focus on the Global South, http://focusweb.org/index.php.

Bibliography

Selected Sources

Books

Bernstein, William, *A Splendid Exchange, How Trade Shaped the World*, Grove Press, 2008.
An American financial theorist comprehensively examines how trade has influenced world events throughout history.

Dorgan, Byron, *Take This Job and Ship It: How Corporate Greed and Brain-dead Politics are Selling Out America*, Thomas Dunn Books, St. Martin's Press, 2006.
The populist Democratic senator from North Dakota takes on what he considers the misguided political choices and false perceptions about world trade that have cost Americans jobs and income.

Ferguson, David, and Thomas Hall, *The Depression: An International Disaster of Perverse Economic Policies*, University of Michigan Press, 1998.
Two economists examine policy decisions that helped to create the Great Depression and then make it worse.

Friedman, Thomas, *The World Is Flat: A Brief History of the Twenty-first Century,* Picador, 2007.
The New York Times columnist's international best-seller presents a largely optimistic take on the globalization phenomenon.

James, Harold, *The Creation and Destruction of Value, The Globalization Cycle*, Harvard University Press, forthcoming, September 2009.
The British professor of history and international affairs at Princeton University who started the current debate about deglobalization puts the current crisis into historical context.

Korten, David, *Agenda for a New Economy: From Phantom Wealth to Real Wealth*, Berrett-Koehler, 2009.
An intellectual leader of the opposition to what he terms "corporate globalization" offers a radically different view of economic prosperity, focused not on corporate profits but on quality of life.

Smick, David, *The World Is Curved, Hidden Dangers to the Global Economy*, Portfolio, 2008.
In what amounts to a response to Friedman's book, a global economic policy strategist and free-trade proponent presents reasons to worry about globalization's future.

Articles

"The Battle of Smoot-Hawley," *The Economist*, Dec. 18, 2009.
The article examines how Congress passed and President Herbert Hoover signed one of the world's most disastrous anti-trade measures.

Altman, Roger, "Globalization in Retreat: Further Geopolitical Consequences of the Financial Crisis," *Foreign Affairs*, July/August 2009.
A former deputy U.S. Treasury secretary under President Bill Clinton sees a "new period of state intervention, re-regulation and creeping protectionism" under way.

Irwin, Douglas, "GATT Turns 60," *The Wall Street Journal*, April 9, 2009.
A Dartmouth College professor who specializes in trade history traces the beginnings of modern globalization from the GATT negotiations after World War II.

James, Harold, "The Late, Great Globalization," *Current History*, January 2009.
A Princeton history professor suggests a period of deglobalization is beginning in which trade will decline and tensions between nations will rise as they compete for critical resources.

Naím, Moisés, "Think Again: Globalization," *Foreign Policy*, March/April, 2009.
The magazine's editor, a former minister of trade and industry in Venezuela, argues that globalization is more than an economic phenomenon but an unstoppable cultural and technological transformation.

Reports and Studies

Eichengreen, Barry, and Kevin O'Rourke, "A Tale of Two Depressions," VoxEU.org, June 4, 2009.
Irish and American economists examine a series of key economic indicators that reveal how closely the current economic downturn tracks the first years of the Great Depression.

Gameroni, Elisa, and Richard Newfarmer, "Trade Protection: Incipient but Worrisome Trends," *Tradenotes*, No. 37, The World Bank, March 2, 2009.
The authors examine protectionist measures taken since the economic downturn started.

Gurría, Angel, and Jørgen Elmeskov, "Economic Outlook No. 85," Organisation for Economic Co-operation and Development, June 24, 2009.
The OECD's secretary general (Gurría) and the head of its Economics Department examine major trends in the world economy.

Mattoo, Aaditva, and Arvind Subramian, "Multilateralism Beyond Doha," "Working Paper No. 153," Center for Global Development, October 2008.
The authors contend the international trading system has failed to adapt to changing world economic conditions and suggest what should be done.

The Next Step:

Additional Articles from Current Periodicals

Emerging Markets

"BRIC Countries Role in Global Economy Can Only Increase," *The Times of India*, May 15, 2009.
The four so-called BRIC economies (Brazil, Russia, India and China) represent stability and growth as the global economy navigates its way through the complexities of the recession.

"Chinese President Makes Proposal for Tackling Global Crisis," *Asia Pulse* (Australia), June 17, 2009.
Chinese President Hu Jintao says BRIC countries should solve structural problems in their economic development in order to better address the global economic crisis.

Kramer, Andrew E., "Four Nations Seek More Diversity in Global Economic Order," *The New York Times*, June 17, 2009, p. A10.
Brazil, Russia, India and China are calling for greater representation of developing countries in global financial institutions.

Global Trade

"Leaders Sign Free Trade Accord," *Bangkok Post* (Thailand), March 2, 2009.
Leaders of the Association of Southeast Asian Nations have signed an agreement to open up trade within their region in order to speed up economic integration.

"Worrisome Decline in World Trade," *The Hindu* (India), June 8, 2009.
The World Trade Organization estimates global trade will contract 10 percent in 2009, largely due to collapsing global demand and cutbacks in credit.

Barshefsky, Charlene, "Trading Up to Global Recovery," *The Washington Post*, March 10, 2009, p. A13.
The Obama administration needs to adapt a robust trade policy to revive global economic growth and renew the world's faith in America's judgment.

Soesastro, Hadi, "East Asia Must Show Leadership to Keep Trade Free," *Jakarta Post*, March 16, 2009.
Global trade could help reverse the growing economic nationalism embodied in various forms of trade protectionism.

Protectionism

"China Opposes Protectionism, Supports Cooperation to Fight Crisis: Commerce Minister," Xinhua News Agency (China), April 4, 2009.
China's commerce minister says the world should focus on stabilizing financial markets instead of pursuing protectionism.

"World Protectionism Threatens Economic Recovery," Thai Press Reports, March 31, 2009.
Leaders attending the G-20 summit realize that resorting to protectionism is counterproductive during an economic crisis.

Ja-young, Yoon, "Steel to Be Hardest Hit By Protectionism," *Korea Times*, March 5, 2009.
Exporting countries such as South Korea and the pharmaceutical and steel industries will suffer the most if governments adopt protectionist measures.

Landler, Mark, "Trade Barriers Rise As Slump Tightens Grip," *The New York Times*, March 23, 2009, p. A1.
Rising protectionism is causing trade disputes and undermining efforts to coordinate a response to the global economic crisis.

World Trade Organization

"Asia Likely to Lead Global Trade Recovery — WTO Chief," Philippine News Agency, July 23, 2009.
Asian countries may be leading a new expansion of global trade and setting the world on a path to economic recovery, according to World Trade Organization (WTO) Director-General Pascal Lamy.

Miller, John W., "WTO Warns Members Not to Undermine Trade," *The Wall Street Journal*, March 27, 2009, p. A8.
The WTO warned member states that adopting protectionist measures could undercut the effectiveness of national stimulus plans.

Tsang, Denise, "Abuse of WTO Rules Blamed for Disputes," *South China Morning Post*, June 30, 2009.
Loopholes in WTO rules are to blame for intensifying disputes in global trade, according to a former official.

Citing *CQ Global Researcher*

Sample formats for citing these reports in a bibliography include the ones listed below. Preferred styles and formats vary, so please check with your instructor or professor.

MLA STYLE

Flamini, Roland. "Nuclear Proliferation." CQ Global Researcher 1 Apr. 2007: 1-24.

APA STYLE

Flamini, R. (2007, April 1). Nuclear proliferation. *CQ Global Researcher*, 1, 1-24.

CHICAGO STYLE

Flamini, Roland. "Nuclear Proliferation." *CQ Global Researcher*, April 1, 2007, 1-24.

Voices From Abroad:

PETER MANDELSON
Business Secretary
United Kingdom

The problem with protectionism.

"Economic nationalism did not cause the long economic slump of the 1930s, but it deepened it, and acted as a barrier to the return to growth. It also exemplified the most important problem with protectionism, which is that it is highly contagious."

Jakarta Post (Indonesia), June 2009

HU JINTAO
President
China

BRIC countries should take the lead.

"We [BRIC countries] should . . . take the lead in recovering from the global financial crisis. This is not only for our own need, but also contributes to world economic recovery."

Asia Pulse (Australia), June 2009

ELFREN S. CRUZ
Professor of Strategic Management
De La Salle University
Philippines

Deglobalization leads to immediate solutions.

"Absolutely nobody can claim that he or she can predict what will happen to the world in the next couple of years. But, I believe that there is a strong possibility that as the recession and financial crisis continues to worsen, governments will turn to deglobalization as a means of satisfying their peoples' demand for more immediate solutions."

BusinessWorld (Philippines), February 2009

ROLAND RUDD
Chairman
Business for New Europe
United Kingdom

Free-trade advocates need the European Union.

"In seeking ways of maintaining free trade and eschewing protectionism, politicians should embrace the EU to achieve these goals. In the current climate of national protectionism, we need a stronger EC to maintain the integrity of the single market."

Daily Telegraph (England), February 2009

MANMOHAN SINGH
Prime Minister
India

Reversing impact not easy.

"Some action by the developed countries — particularly the withdrawal of capital resources from developing countries by the banks of the developed countries — is equally worrisome. We have entirely agreed that protectionism of all sorts including financial protectionism has to be avoided."

PTI news agency (India), April 2009

GERARD LYONS
Chief Economist
Standard Chartered Bank
United Kingdom

Protectionism must end.

"Protection measures only give you short-term wins. They might help you today, they won't help you tomorrow. Protectionism isn't evil but it needs to be stopped."

Thai Press Reports, March 2009

STUART HARBINSON
Former Adviser
World Trade Organization

The WTO is to blame.

"The global economic crisis showed cracks in the system. Weaknesses in the system, such as the length of time taken to produce a (WTO) settlement and a lack of compensation, should be seriously reviewed."

South China Morning Post, June 2009

PASCAL LAMY
Director-General
World Trade Organization

We must open our borders.

"In a financial crisis, and at times of economic distress — in particular at a time of soaring world food prices — what impoverished consumers desperately need is to see their purchasing power enhanced and not reduced. What is needed in times of crises is to enable consumers to purchase more for less. The temptation to shut our borders does exactly the opposite. There is no doubt therefore that the current hurricane that has hit financial markets must not dissuade the international community from pursuing greater economic integration and openness."

Speech before WTO Public Forum, September 2008

The Khaleej Times/UAE/Paresh Nath