The Fraying Seams of Globalization

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Globalization may not be coming apart at the seams—yet—but the seams are ever more apparent. Rising fuel prices challenge a model of global transportation based on cheap energy, reinforcing the possibility of decoupling through great regionalization of trade. Already, 50 percent of trade among ASEAN plus China and Japan is among each other.

The Wall Street meltdown has spread a lack of confidence in the American financial system and the model of deregulation which stimulated rapid globalization of capital flows.

Along with other developments, all this raises the question of whether the United States is prepared to operate successfully in a world it no longer dominates.

An anti-globalization leader, a former US labor secretary, a top American intellectual and a Nobel laureate address these issues.

Globalization Is Running Out of Fuel

Naomi Klein, the author of The Shock Doctrine: The Rise of Disaster Capitalism *and* No Logo, *is a leader of the anti-globalization movement. She spoke with* NPQ *editor Nathan Gardels in Toronto in August.*

NPQ | For the moment, the speculators seems to be leaving oil markets, but the long-term price for oil remains on an strong upward trend because of increased demand in the rising economies of India, China and the rest.

The rising costs are particularly evident in freight transport, by air, sea and land. The costs of shipping a 40-foot container from Shanghai to the United States has risen from $3,000 to $8,000 over the last few years.

What impact will this have on globalization?

NAOMI KLEIN | Global corporations are no longer going to be able to operate as if distance doesn't matter. The economic model that was forged at the peak of globalization's expansive period in the '90s was based on oil priced at $20 a barrel. Despite the environmental consequences of this carbon-intensive trade, that may have made business sense at the time. But this model doesn't work when oil is more than $100 a barrel, no less $200 a barrel, where many project it to go in the decade ahead, if not sooner.

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We can see the problem most clearly with Wal-Mart, the very symbol of globalization. The low costs they promise to their customers have depended not only on cheap labor in China but on cheap transport costs. Now all their costs are increasingly inflated—the cost of jet fuel, the cost of shipping across the Pacific, their internal trucking costs, and the unwillingness of customers to drive 40 minutes across the suburbs to the big box stores.

If the inflation on energy costs trickles down to inflation at the store, Wal-Mart will still have lower prices, but not significantly lower than elsewhere, undermining their chief competitive edge. Many people are ambivalent about shopping at Wal-Mart anyway because their cheap wages drive down wages for other workers. If the savings are no longer so great, why not go elsewhere?

NPQ | Since Wal-Mart is the poster child for globalization, will what happens to them also happen to all other companies to a greater or lesser extent?

KLEIN | Yes, the model is unraveling to some degree for everyone in the trading sector. But this doesn't necessarily mean manufacturing jobs will be flowing back to the United States. Rather, I think we'll see more regionalization—more trade within regions such as the European Union, within East Asia, within North America, within Latin America.

Within Europe, the jobs won't return to high-wage countries, but to Eastern and

Central Europe. The wages are nowhere as cheap as in China, but when you factor in energy costs, it makes business sense.

We will see something similar in North America. If you follow the flight of manufacturing jobs, first they went from the northern US to the non-unionized South, then to maquiladora border factories in Mexico, and then from Mexico to China. That increased poverty within Mexico and immigration to the US.

What is likely to happen now is that some of the jobs in China will move back to the maquiladoras in Mexico because it will be so much cheaper to ship from there to the US market.

NPQ | And what is the impact of these higher energy prices on China?

KLEIN | If energy prices had spiked 10 years ago, it would have been devastating to the manufacturing sector in China. At that time, the internal consumer market in China was so small that most of what was being made was immediately exported to the West.

That domestic consumer market in China is much larger now. I was in Shenzhen recently, and there are nine Wal-Mart superstores! And they look positively puny, like a corner shop, next to the Chinese superstores, palatial corporate headquarters and glittering shopping malls. Today, in places like Shenzhen, consumerism is completely over the top.

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Certainly, the worldwide slowdown will affect China. But McCommunism or market Stalinism is hardly in danger. The consumer market remains strong.

Having said that, the social "harmony" that the Chinese leadership seeks depends on continued growth on the order of 11 percent annually in order to bridge the truly dramatic inequality gaps that are part and parcel of the Chinese model. If they slow down too much, unrest is in the wings.

NPQ | It seems that the regionalization effect of higher energy costs reinforces the idea of "decoupling"—that the rising economies, such as China, can continue onward and upward despite recession in the US, on which the world once depended as chief locomotive. Do you see that?

KLEIN | I think there is some truth to that. You can see this in the way the corporate sponsors of the Olympics have chosen to focus on the domestic Chinese market instead of use the Games as a platform for global advertising. The gold medal goes to whoever wins the Chinese market.

NPQ | The other side of the Wal-Mart globalization coin is China. The Olympics were billed as "China's coming-out party." What model, exactly, came out?

KLEIN | The political significance of China's incredible economic success, which the coming-out party of the Olympics represents, is the extent to which it challenges the idea that economic freedom necessarily leads to political freedom, that free markets and free people go hand in hand. This has been an item of faith among those who promote globalization.

The imminent democratization of China has been predicted now for 25 years. In fact, China is moving in the opposite direction today. There was more of a chance of democratization in 1989 or even in 1992, when new information technologies were first introduced and the state hadn't yet figured out how to fully control them.

Today we are seeing the profound influence of what I call "the global homeland security sector." Cutting-edge technologies from Western companies like Google are being used to help the Chinese government censor the Internet and to use the Internet itself as a powerful surveillance tool. Information innovations like text messaging are being flipped into tools of surveillance. What you communicate can be eavesdropped upon.

The West itself has gone so far down the route of rationalizing, for example, warrantless wiretapping in the US or the normalization of mass surveillance in London that it has become intellectually difficult to stigmatize China. The Chinese have flipped the argument. They say our model isn't the East German Stasi—it's London!

The political context extends to other areas as well: When Westerners raise human rights issues with Chinese authorities today, they get a two-word response: Guantanamo Bay.

What I'm arguing is that there is a kind of odd meeting in the middle: China is becoming more like the West as it embraces consumer capitalism and the West is becoming alarmingly more like China in the willingness to sacrifice civil liberties to embrace surveillance technologies.

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