

Globalization – a phenomenon that has defined the world's economy in recent decades – is under pressure. As Donald Trump prepares for his tenure in the White House, he talks of dismantling a whole history of globalized trade that he sees as having had a catastrophic effect on the global economy.

His strategy so far has involved tearing up established trade agreements, such as NAFTA, and burying others that are yet to get off the ground. One of these is the Trans-Pacific Partnership, which he has slammed as “a potential disaster for our country”. The incoming president's pledge to "make America great again" is based partly on challenging countries such as China by limiting imports and boosting exports.

But the backlash against globalization is not confined to the United States. In the United Kingdom, the Brexit vote saw a majority of citizens prioritize immigration controls over membership of the world's biggest trading bloc. Those who wished to remain in the EU accused those who wished to leave of being protectionist, even racist – but much of the concern over immigration stemmed from fears (real or imagined) over the number of new people arriving on British shores and what it would mean for jobs, the economy and British life as they knew it.

If globalization is facing a fundamental threat, perhaps now is a good time to remind ourselves of exactly what it is.

How globalization works

In simple terms, globalization is the process by which people and goods move easily across borders. Principally, it's an economic concept – the integration of markets, trade and investments with few barriers to slow the flow of products and services between nations. There is also a cultural element, as ideas and traditions are traded and assimilated.

Globalization has brought many benefits to many people. But not to everyone.

Storm in a coffee cup

To help explain the economic side of globalization, let's take a look at the well-known coffee chain Starbucks.

The first Starbucks outlet opened its doors in 1971 in the city of Seattle. Today it has 15,000 stores in 50 countries. These days you can find a Starbucks anywhere, whether Australia, Cambodia, Chile or Dubai. It's what you might call a truly globalized company.

And for many suppliers and jobseekers, not to mention coffee-drinkers, this was a good thing. The company was purchasing 247 million kilograms of unroasted coffee

from 29 countries. Through its stores and purchases, it provided jobs and income for hundreds of thousands of people all over the world.

But then disaster struck. In 2012, Starbucks made headlines after a Reuters investigation showed that the chain hadn't paid much tax to the UK government, despite having almost a thousand coffee shops in the country and earning millions of pounds in profit there.

As a multinational company, Starbucks was able to use complex accounting rules that enabled it to have profit earned in one country taxed in another. Because the latter country had a lower tax rate, Starbucks benefited. Ultimately, the British public missed out, as the government was raising less tax to spend on improving their well-being.

How did globalization happen?

We might think of globalization as a relatively new phenomenon, but it's been around for centuries.

One example is the Silk Road, when trade spread rapidly between China and Europe via an overland route. Merchants carried goods for trade back and forth, trading silk as well as gems and spices and, of course, coffee. (In fact, the habit of drinking coffee in a social setting originates from a Turkish custom, an example of how globalization can spread culture across borders.)

What drives it?

Globalization has speeded up enormously over the last half-century, thanks to great leaps in technology.

The internet has revolutionized connectivity and communication, and helped people share their ideas much more widely, just as the invention of the printing press did in the 15th century. The advent of email made communication faster than ever.

The invention of enormous container ships helped too. In fact, improvements in transport generally – faster ships, trains and airplanes – have allowed us to move around the globe much more easily.

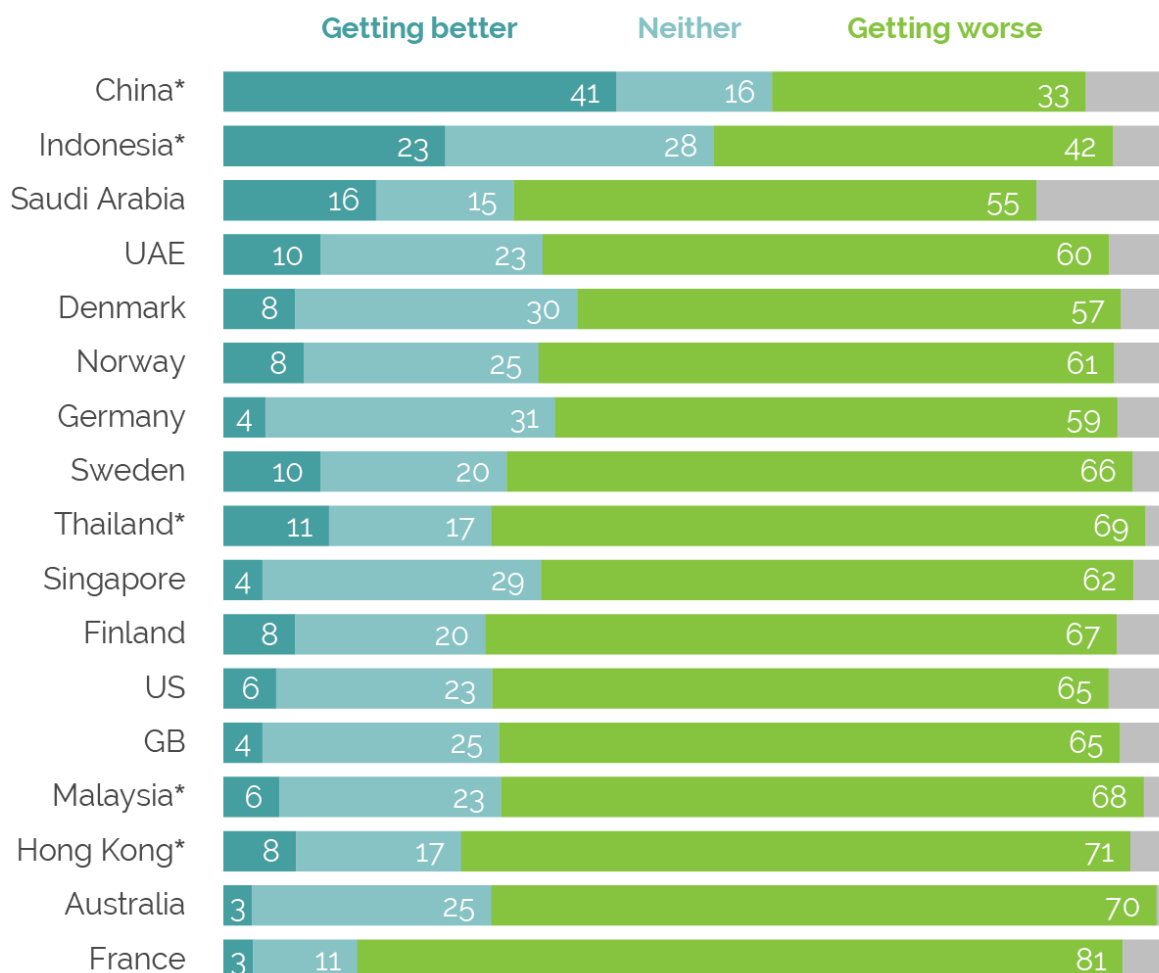
What's good about it?

Globalization has led to many millions of people being lifted out of poverty.

For example, when a company like Starbucks buys coffee from farmers in Rwanda, it is providing a livelihood and a benefit to the community as a whole. A multinational company's presence overseas contributes to those local economies because the company will invest in local resources, products and services. Socially responsible corporations may even invest in medical and educational facilities.

Globalization has not only allowed nations to trade with each other, but also to cooperate with each other as never before. Take the Paris Agreement on Climate Change, for instance, where 195 countries all agreed to work towards reducing their carbon emissions for the greater global good.

This chart, however, shows that global attitudes towards globalizing forces aren't all that good. It shows that, in fact, in all but a couple of countries polled, people believe life was better in the old days.



*Weighted to be representative of online population

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What's bad about it?

While some areas have flourished, others have floundered as jobs and commerce move elsewhere. Steel companies in the UK, for example, once thrived, providing work for hundreds of thousands of people. But when China began producing cheaper steel, steel plants in the UK closed down and thousands of jobs were lost.

Every step forward in technology brings with it new dangers. Computers have vastly improved our lives, but cyber criminals steal millions of pounds a year. Global wealth has skyrocketed, but so has global warming.

While many have been lifted out of poverty, not everybody has benefited. Many argue that globalization operates mostly in the interests of the richest countries, with most of the world's collective profits flowing back to them and into the pockets of those who already own the most.

Although globalization is helping to create more wealth in developing countries, it is not helping to close the gap between the world's poorest and richest nations. Leading charity Oxfam says that when corporations such as Starbucks can legally avoid paying tax, the global inequality crisis worsens.

Basically, done wisely (in the words of the International Monetary Fund) globalization could lead to "unparalleled peace and prosperity". Done poorly, "to disaster".

The word globalization has lost its relevance and lustre with the emergence of the new global economy of the 21st century. In fact, it's become an anachronism.

Its deficiency is that it's not a new concept which creates nuances of confusion.

Globalization describes the international outreach of countries for the purpose of economic, social, political and cultural liaisons. Global linkages between countries through military conquest, colonization, multilateral free trade agreements and cultural exchange existed in an uninterrupted continuum in the evolving history of humankind.

Historically, however, the process of globalization has taken different forms, and its meaning has changed and mutated since it was first used in English in the 1930s.

For lack of a better word, the term received an extension to its lifeline until the end of the 20th century despite the profound structural changes and technological advances that began to take place in the 1980s.

Therefore, globalization has come to be used to represent "modern" 20th century economics and social processes, including the instant exchange of money enabled by internet technologies. Yet because of its varied historical use, it does not truly reflect the electronic and digital empowerment that has been unleashed by the information technology revolution.

Therefore, globalization is not an accurate descriptor of the 21st century and the internet-driven transformational change sweeping the international economic landscape.

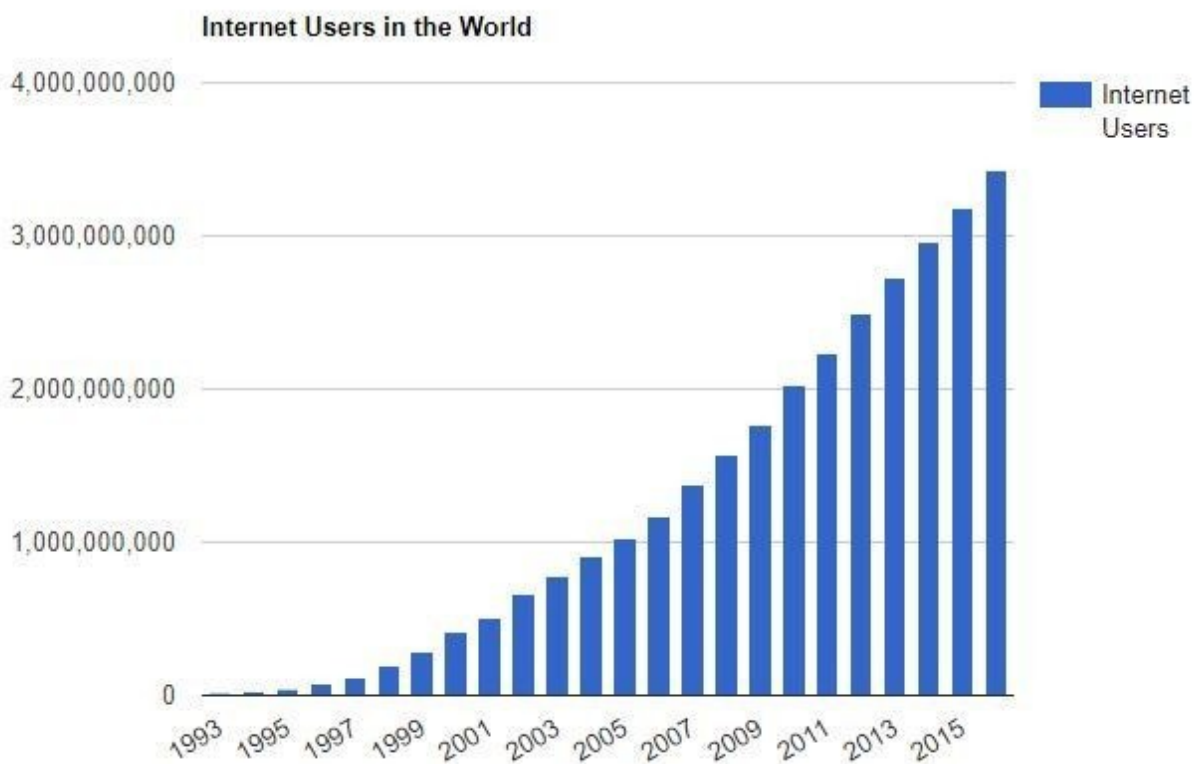
And so I have coined the term internetization which I believe should replace the concept of globalization.

Internetization: Time, geography are irrelevant

Internetization is the contemporary face of globalization. It includes the modern tools of electronic globalization and embraces the digital connectivity and empowerment of the internet and the World Wide Web.

Although we could widen the term globalization to include internetization, I believe it is better to replace the word globalization altogether because the long duration of its usage has given birth to evolving definitions and the creation of a plethora of different nuances.

If we embrace this new term, internetization, within our modern economic vocabulary, it will permit a more accurate description of the engine which drives our new 21st-century global economy. By using the term, we will acknowledge the information technology revolution that's profoundly altered the structural parameters and the modus operandi of most national economies.



Ideas: New digital economy for the 21st century

The role of information and communications technology in the new economy has been pivotal. This is particularly true of the changing structure of international production.

More specifically, information and communications technologies, or ICTs, have altered the production function, enhanced productivity growth, facilitated innovation, spearheaded the transmission of ideas and extended the reach of economic and social interactions.

The revolution of information and communications has given us tremendous capacity for connectivity. Time and geography are irrelevant. Communications have sped up and reduced the time required for connectivity to nanoseconds. Geographical boundaries have melted and become increasingly more porous and insignificant in terms of social, economic and political outreach.

The new economy is built on a culture of innovation and an emphasis on creativity. Indeed, the signature mark of the new global economy is new ideas, new technologies, new products, new directions and new initiatives.

In this context, firms are integrating the production and marketing of goods and services across national borders. International economic transactions that were formerly conducted between independent entities are now being internalized within a multinational corporation.

Electronic financial transactions are the modern face of banking. The new technological infrastructure has empowered services to be delinked from production and performed remotely.

In this contemporary venue, the market for a growing number of internationally integrated but geographically dispersed business enterprises is global rather than national. Indeed, ICTs have displaced the physical market with the virtual market of the internet for business-to-business and business-to-consumer transactions.

Human capital: Our new No. 1 resource

The 20th century economy was about resources under our feet while the 21st century economy is about the resources between our ears. In this context, human capital has emerged as a country's most valuable economic asset. Indeed, the linkages between education, economic growth and prosperity are significant.

Internetization has had a profound impact on formal education, lifelong learning and public education. It's created a more level playing field for educational opportunities and achievement. Both instructors and students, regardless of their geographical location in Western countries or "Global South" countries, as well as schools in the poorest neighbourhoods and those in affluent neighbourhoods, can theoretically access the same high-quality educational material.

Furthermore, internetization has also enabled professionals, scientists and many other specialists with an effective and convenient manner for maintaining and updating their professional qualifications through electronic accessibility to lifelong learning.

However, the profound impact of internetization is not limited to formal education. It also embraces public education and lifelong learning. Indeed, internetization serves as a catalyst through the digital delivery of public education and electronic resources to create better-informed citizens.

In short, the word globalization has reached the end of its natural life. Indeed, its extended tenure in the economic literature has resulted in a lot of semantic baggage that detracts from an effective dialogue on the contemporary academic landscape.

In addition, globalization fails to adequately describe the digital connectivity that is the hallmark of our civil society and the new global economy. Judging by the frequency of use of the new word internetization among economists and interdisciplinary researchers in recent scholarly publications, it's also gaining currency in academic circles.