This essay "Globalization - Magic Potion or Pandora's Box?" has been excerpted with permission from the book:

Opportunities for Global Poverty Reduction

The Role of Policy Makers, Corporations, NGOs, and Individuals

WDL VERLAG

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This book is dedicated to "my" World Vision sponsored child Melwie who lives in the Philippines. In March of 2006 I was afforded the joy of meeting him in his homeland. Although our brief time was limited to a few hours of savoring a hefty seafood lunch together, I will always remember this meeting.

"Speak up for those who cannot speak for themselves,
for the rights of all who are destitute.
Speak up and judge fairly;
defend the rights of the poor and needy."

Proverbs 31:8-9, Holy Bible

REVIEWERS' PREVIEW

"In his dissertation Mr. Lütz has chosen to analyze ways to reduce poverty in the world. In contrast to the usual critical globalization debate, Mr. Lütz argues for an important role of corporations to fight poverty. For him, big *and* small are beautiful. This means that multinational companies as well as small companies can help to reduce poverty. Mr. Lütz discusses the poverty problem in a comprehensive approach. He combines the macroeconomic and microeconomic levels and discusses possible actions of different agents, especially policy makers, corporations, NGOs, and individuals. In the debate about poverty reduction, this approach is not common. Mr. Lütz managed to overcome boundaries of established thinking and in this way created something new."

—Prof. Dr. Hansjörg Herr, Chief Reviewer
(Academic Director of the School of Labour Policies and Globalisation)

"This thesis is definitely an unusual one. Not only by its format. Johannes Lütz has delivered an opus with a more than challenging aim: display the opportunities of all men and institutions, regional and global, to fight human poverty. For this, the author exploited his own experiences and economic knowledge and interviewed experts from different areas, such as the German Minister Wieczorek-Zeul and University Lecturer Eileen Baldry from Australia. He demonstrated his ability to develop a clear story, full of interesting facts and numbers. His economic competence enabled him to draw compelling conclusions that show where the opportunities are. The thesis is based on excellent content."

—Prof. Dr. Sven Ripsas, Co-Reviewer
(Director of the Institute of Management at the Berlin School of Economics)

"*Opportunities for Global Poverty Reduction in the 21st Century* presents the sobering reality of the world's dire state of poverty. At the same time the book shines a hopeful ray of light on the path towards a poverty-free world. It is easy to follow and introduces views and ideas from key leaders and sectors in society pinpointing a myriad of opportunities which may be examined and pursued for the respect of human dignity and the betterment of the world. The book inspires empathy, hope, vision, and motivation. All leaders and laymen who cherish basic human values will be encouraged to take action in an endeavor to reach that grand goal which has never been more attainable than at the dawn of the 21st century: making poverty 'history.'"

—Prof. Dr. Ulrich Trogele
(North American Director for FMC Corporation and Professor at the Berlin School of Economics in Germany)

"'Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do. So throw off the bowlines. Sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover.' This famous invitation to 'dream audaciously' has been attributed to none other than Samuel Langhorne Clemens, better known as Mark Twain (1835-1910). One-hundred years later – in the early 21st century – another 'audacious' dream is presented to mankind: the dream of ending global poverty. *Opportunities for Global Poverty Reduction in the 21st Century* is an invitation to get on board, cast off, catch the trade winds, and discover new shores of human dignity, peace, and prosperity. Whether as politicians, corporate executives, aid workers, or individuals... I personally wish that the dream this book inspires will attract a widespread global following."

—Dr. Shlomo Ben-Hur
(Chief Learning Officer DaimlerChrysler Financial Services AG)

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A.3 GLOBALIZATION – MAGIC POTION OR PANDORA'S BOX?

> *"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity but to their self-love and never talk to them of our own necessities but of their advantages."*
> —*ADAM SMITH, THE WEALTH OF NATIONS, 1776, VOL. I, P. 16*

Over two hundred years have passed since the Scottish philosopher and economist Adam Smith (1723-1790) published his classic book *The Wealth of Nations*. Since globalization is the mother of all modern wealth, this book would be incomplete without a brief discussion of global trade.

When Tim Berners-Lee launched the world's first-ever website on August 6, 1991, explaining on http://info.cern.ch how the World Wide Web worked, nobody imagined that within the short space of a few years the world would be hit so hard by a revolution which has been likened by Sony chairman Nobuyuki Idei to "the meteor that hit the earth and killed all the dinosaurs" (Friedman, 2006, p 231). Since that day, millions upon billions (upon zillions) of websites have been added around the world, shifting the Internet from the shadows of regional obscurity to the limelight of global publicity.

Undeniably, the last decade alone has ushered in a new era of "flatness" in which the rainbow of globalization has visibly stretched from one end of the world's horizon to the other, uniting and blending colors like never before in human history. And yet, while some people have discovered an economic pot of gold at the end of this rainbow, many others have unearthed nothing but pandora's box. Globalization is too young and complex a phenomenon to draw definitive conclusions. And yet, global poverty reduction simply cannot be understood – and driven – apart from the forces of globalization.

In only 20 years computer power has risen by a factor of 10,000 (World Bank, 1999), and according to Moore's Law functionality continues to double every 24 months. What started as a technological snowball has long tumbled and rumbled into an unstoppable avalanche called the Digital Revolution in which the world is gradually being transformed into a single ecosystem. Our once vast planet has "shrunk" down from a size XXL to a size S and simply no longer "fits" the old mold. The once vast and untamed expanse of our mighty planet has been steadily domesticated into a "global shop" where goods are bartered in all directions. Never has it been easier to communicate horizontally, and never have best practices flowed more freely from anywhere to anywhere. Additionally, once saturated information costs have virtually evaporated into hot air, as if flattened by an invisible steam press. Look at the example of a three-minute telephone call from New York to London in the decades from 1950 until today: 1950 ($53.2), 1960 ($45.9), 1970 ($31.6), 1980 ($4.8), 1990 ($3.3), 2005 (almost free) [Venohr, 2006]. Engaging with this global world has not only become possible. It has become impossible not to!

Globalization is many things to many people in many places and in many ways. The following list is but a brief and inconclusive introduction of major "Zations" associated with it: virtualization (it looks real but is really unreal), customization (meeting individual needs through mass production), horizontalization (hierarchies come crashing down like a house of cards), digitization (analog processes go digital), computerization (the

PC is the major threshold), commoditization (products turn from innovations into commodities faster), internationalization (global communities are international, intercultural, and inter-time-zonal), individualization (people are wont to want what-when-how-and-where-they-want it), research equalization (anyone can become an accomplished researcher on Google), specialization (spezialized specialists abound by the boat-loads), standardization (the world now interoperates from the same platform – or "flatform"), containerization (improved logistics have yielded big cost cuts), leadership democratization (the playing field has been flipped from top-down to side-to-side), grassroots political mobilization (less command and control, more connection and collaboration), flexibilization (never have workers needed to be more versatile), meritocratization (the law of education is no respecter of persons), ... all culminating in a strange "senzation" (it just doesn't look "right").

To put it in my parlance, the World Wide Web has enabled folks to fire up the net and open the Windows on the world. Soup eaters scoup up their alphabet soup by the bowlfuls (FTP, HTTP, HTML, SMTP, SSL, POP, PPP, TCP/IP, VoIP, MP3, 3G, Wi-Fi), while vegetarians take humongous bytes from their Apples or savor the steady info-streams of their Blackberries. Surfers ride the information waves at Hawaii's Wikipedia Beach, while corporates insource, outsource, throughsource, open source and anything-inbetween-source. Globetrotters apply for VISAs to explore the jungles of Amazon, while fishermen now cast the line at eBay. Shoppers Google their goodies, then shop til they drop, which – provided PayPal picks up the tab – significantly UPS their chances of a swift delivery by the folks wearing the homely brown shorts and driving the brown quadrangular trucks. Fiber highways and American Express-lanes entice scores of witless shoppers to byte off far more than they can chew, pushing them far and fast with their Greenbacks against the wall – or mall (usually an odd combination of both).

If markets heat up in the grip of an Internet fever and investors begin hemorrhaging money, adventure capitalists are prone to see dot-com doctors for advice. (Formerly, the universal prescription was excessively hot bubble baths in dot-com jacuzzies – at least until the frothy dot-com bubbles burst and the fluff ran dry.) Henceforth folks have sworn to take matters into their own keyboards: logging in and blogging away, plugging in and playing away, hacking in and phishing away, grading up and networking away, loading down and shooting up, connecting, collaborating, and concocting along the way.

Few folks would deny that a truly "mindblogging" phenomenon has popcorned upon global villagers right round the world, shifting the Internet from backstage obscurity to center stage omnipresence. If anyone had in mind to casually saddle up and romantically ride on mouseback into the sunset, such a one had better bear in mind that the WWW is the Wild Wild West indeed! (The only thing that hasn't changed in this ever-changing environment is the eternal law of motherboards: most motherboards still leave most mothers bored – will it ever change?)

All light-heartedness aside. Globalization is the 21st-century steam engine of economic growth, hauling inestimable amounts of trading goods across the globe, and in the process re-drawing the maps of entire continents! In his best-selling classic *The World Economy: a Millennial Perspective*, Angus Maddison (2001) plots the growth of the entire world economy over the course of the past 2000 years. Maddison calculates (p 28) that in the year "zero" the world yielded a Gross Domestic Product (GDP, Glossary) of $102.5 "billion 1990 international dollars," which then increased as follows: $116.8 (year 1000), $694.4 (year 1820), and $33,726 (year 1998). After a protracted period of stagnation, *the world's GDP incontestably skyrocketed*! "Trade or die," it was shouted from the rooftops...

The study of globalized trade is truly remarkable. Computations by Professor Dr. Bernd Venohr (2006) of the *Berlin School of Economics* reflect how post-WWII trade steadily gained pace. The following figures (showing world trade as a percentage of world GDP) make this crisp and clear: 1950 (1.6%), 1960 (2.0%), 1970 (2.7%), 1980 (12.2%), 1990 (15.1%), 2000 (21.7%). Globalized trade ("export or die") clearly is on the rise! Anne Krueger, First Deputy Managing Director of the International Monetary Fund (IMF, Glossary) reiterates: "The numbers tell the story clearly. According to the WTO, the volume of world trade was 22 times higher in 2000 than it had been in 1950 ... [which] shows that world trade has expanded much more rapidly than global GDP. ... This rapid expansion of global trade has been a key driving force for growth in almost every part of the world" (Krueger, 2006). The advent of globalization has undeniably raised the significance of worldwide trade to unprecedented and unfathomable heights. "Change or die," is now the roar from the rooftops.

Why is global trade on the rise? Because it has never been easier to engage in it. A simple PC connected to the Internet is the threshold to plugging in and playing with the big boys. In other words, the bar has been lowered.

How the game will play out, however, remains difficult to predict. Incontrovertibly, the globalization game has reshuffled the deck of playing cards and dealt the "global" players seated around the world's table a new hand of economic reality. Few players still bet that their cards of "comparative advantage" will – as a matter of course – hold water against the "trump" cards which their competitors are constantly pulling from their sleeves to snatch up the prized "blue chips" on the table. And yet, globalization has far less to do with gambling or employing a poker-face-ploy to win in a zero-sum game. To the contrary, globalization abounds with opportunities for poverty reduction precisely because it is *not* a zero-sum game in which the gains of the one side are mirrored by the losses of the other. This game holds the promise of a win-win future for both developed and developing nations that can learn to play this game to "win." (This game won't be won by the house: Not only is there enough "pie" for everybody – the pie is also growing bigger and bigger as the players continue to play. As it does so, the marginal utility gained will be bigger for developing countries over developed countries!)

Hence this chapter is an invitation to participate in writing and rewriting the rules that govern this global trade game so that all players emerge as winners – especially the poor.

As I was saying, technology has been the whirlwind out of which all kinds of hi-tech innovations have emerged. But if information technology has made global trade a possibility, container shipping has made it a reality. Containerization has quite possibly become the most important innovation in logistics which has fanned the wee spark of global trade into red-hot reality. Why? Because it only costs peanuts to transport the world across the world to the world.

When American trucking entrepreneur Malcom McLean (1913-2001) glimpsed that easily transferrable containers could improve efficiency as part of a comprehensive ship-rail-truck system of transportation, nobody guessed that his first "container ship" in 1956 would usher in a new era of incandescent globalized trade, yielding colossal cuts in logistics costs. While in 1956 loading cargo onto a ship cost $5.83 per ton, today it costs less than 16 cents a ton (Venohr, 2006). The biggest ships are about 1,100 feet long, 140 feet across, and can carry over 14,000 containers (Levinson, 2006). And yet, as impressive as these super-freighters can be to our imagination, even a single medium-sized ship can carry as many containers as are transported on the gargantuan German Autobahn (the major highway system in Germany) during a whole day (ibid). Today, as Wikipedia recounts, approximately 90% of non-bulk cargo worldwide moves by containers stacked on transport ships. In 2005 about 18 million containers made a total of over 200 million trips.

When goods are shipped in such vast quantities, transportation costs become negligible or outright ridiculous. Recently the BBC World Service reported live on the global crossroads, the Panama Canal: "One of the reasons we can buy such a vast amount of cheap goods from Asia is because companies cram huge amounts of them on container ships, and they get them to us quickly using the Panama Canal. To ship a pair of training shoes right round the world only adds a few pence to its price" (live on air October 21, 2006). Within the course of a few years, the global currency for logistics appears to have gone from Pounds to Pence to Peanuts. Incidentally, in a referendum on Sunday, October 22, 2006 voters in Panama overwhelmingly endorsed an ambitious project to double the capacity of the famous shipping canal which has now become too small for the yearly throughput of 14,000 vessels. The new "super-sized" lane will allow passage to the world's largest super-freighters with a 12,000-container-capacity (BBC World Service, October 23, 2006). Global villagers had better buckle up!

Notwithstanding, the trading temperature was also raised by trade talks and tariff reductions. Strict tariffs imposed during the 1920s and 1930s (presumably to protect domestic companies) resulted in largely stagnated worldwide economic growth during that era, and so it was against this backdrop that progressive tariff reductions were subsequently phased in. The General Agreement on Tariffs and Trade (GATT) which regulated trade between nations and cut tariffs spurred "very high rates of world trade growth during the 1950s and 1960s – around 8% a year on average!" (source: WTO) Then in 1993 the Uruguay negotiations led to the birth of the World Trade Organization (WTO, Glossary). Its creation on January 1, 1995 marked the biggest post-WWII reform of international trade. A powerful mechanism for dispute resolution and trade law enforcement has since bolstered economic planning reliability in the global marketplace.

A significant number of additional regional and bilateral treaties also increased trade (e.g., European Union [EU] with free movement of goods among EU member states and adoption of the "euro" (€) as the trading block's single currency, or the North American Free Trade Agreement [NAFTA] with the US, Canada, and Mexico). According to the WTO, "Tariffs on industrial products have fallen steeply and now average less than 5% in industrial countries" (source: WTO).

What all of this means is that the forces of globalization have begun to flatten the economic environment, creating opportunities for players who previously could not compete. In his best-selling book *The World Is Flat – The Globalized World in the 21st Century*, Thomas Friedman (2006) highlights multiple benefits for poorer players on a level playing field. The following account is exemplary for the economic promise that the equalizing forces of globalization hold for the weak, the disabled, or the poor. Says Meg Whitman, the CEO of eBay: "eBay offers the little guy, who's disenfranchised, an opportunity to compete on a totally level playing field. We have a disproportionate share of wheelchairs and disabled minorities, [because] on eBay people don't know who you are. You are only as good as your product and feedback" (p 557). Then she tells a story about a couple who were coming to an event at which she was speaking and asked to meet her backstage after her speech. "So after the keynote ... they come back to my green room, and in comes mom and dad and a seventeen-year-old boy in a wheelchair – very disabled with cerebral palsy. They tell me, 'Kyle is very disabled and can't go to school, [but] he built an eBay business and last year my husband and I quit our jobs, and now we help him – we have made more money on eBay than we ever made on our jobs.' And then they added the most incredible thing. They said, 'On eBay, Kyle is not disabled.'" (ibid)

Globalization has meant personal empowerment for many people at the bottom of the economic pyramid who now find themselves on a more equal footing with the rest of the world. Additionally, people can choose to engage together in ground-breaking research by tapping into each other's knowledge pools, collectively churning out unprecedented volumes of ingenious inventions, innovations, and imaginations. In this environment best practices can flourish and flow freely across the world for the common good of all. At last, reciprocal learning may aid and abet us to crack century-old bottle-necks in medical science (all of us together are smarter than one of us alone). If the world begins to ask more and more, "what is bright?" instead of "who is right?" – many deadly diseases could soon be researched "to death." (People could live in peace and let their former diseases "rest in peace.")

When people feel self-empowered to improve their lot, they begin to wield authority from the bottom up. A vivid example of such ground-up governance is "blogging." The term "blog" is derived from the word "Weblog" which Wikipedia defines as a "user-generated website where entries are made in journal style." Hence bloggers can be described as a growing community of independent one-person online commentators who have created a sort of open-source newsroom where information flows with total freedom.

Technorati is an Internet search engine for searching blogs. As of January 2007, Technorati indexes over 55 million blogs and their number is growing at about 70,000 new blogs a day. Since there are no entry barriers to operating in this open community of "commons" (aside from having access to a web-enabled PC), the "v*e*racious" voice of bloggers has steadily become more and more "v*o*racious." The grassroots empowerment is enormous. Friedman (2006) likens digesting blogs to drinking "your news from a fire hose" (p 119).

In a recent segment of Digital Planet (January 23, 2007), a weekly BBC program on technology stories from around the world, Gareth Mitchell expounds the power of bloggers.

"Boing boing and bye bye – what happens when bloggers bond to bust big business ... The blogosphere is proving itself a formidable force for consumer rights. Possibly the best known example of a blogger sending a company to the bloghouse was Jeff Jarvis who whipped up nothing short of a consumer revolt against computer manufacturer Dell over its alleged poor customer service. More recently, other bloggers have [also] been making their presence known: [A large blogger's] boycott occurred after clothing salesman Matthew Shinnick attempted to cash a check he had received after selling his bikes online. The check had come from fraudsters, and Shinnick was arrested at the bank... [it cost him $14,000 in legal fees to clear his name]. 'I posted this on Boing Boing saying that it was unfair that Bank Of America didn't look into this more closely and talk to him about it before calling the police,' [said] Boing Boing's co-founder Mark Frauenfelder... 'After the poor guy had been arrested and treated like a criminal – when in fact he was just the victim of fraud himself – they should have reimbursed his legal expenses. So I said I think that if you have an account with Bank Of America, you might want to consider boycotting them or closing your account.' ... Boing Boing claims that [the] recent boycott of Bank Of America by its bloggers resulted in $1 million being taken from the bank in closed accounts" and keeps a running tally of the sum total dollar amount withdrawn from Bank of America (boingboing.net).

Blogging is no doubt sending a strong signal to the corporate community which is beginning to monitor this growing grassroots movement with trepidation. Due to the viral nature of blogs, potentially millions of sympathetic readers can be rallied around a common cause. And since information on the "Web" spreads like wildfire, an inflamed blogger with a grievance now wields influence from the ground up. Often a blogger's flabbergasting tale spills out into traditional media – and since anything posted on the Internet has a long half-life – the backlash can be enormous. Says Friedman (2006), "Today, major corporations, such as General Electric, monitor and respond daily to what the blogs are saying about them" (p 119). Thus the so-called blogosphere is fast becoming the checks and balances system for companies and consumers. The humble blog can humble big business!

Since the threshold to engaging in this web-enabled and self-empowered community is the PC, developing countries should be assisted to close the digital divide. This is just one more reason why the Hundred-Dollar Laptop and related initiatives are pivotal projects to "plugging in" the poor and giving them their "voice" in this world. Thankfully, many poor nations are beginning to attract growing rates of Foreign Direct Investment (FDI, Glossary), which increases their chances of becoming participants in their own development. As shown by the chart on the next page, their share of FDI inflows is steadily increasing.

The most recent World Investment Report (UNCTAD, 2006) lays the facts on the table: "Developing countries have gained in importance as recipients of FDI," with their share in total world inflows rising to nearly 36% for 2003-2005 (p 6). "Inward FDI in developing countries rose by ... 22% to $334 billion, following a 57% growth in 2004" (p 4), and "FDI inflows in the 50 least developed countries (LDCs) recorded a historic high of $9.7 billion, mainly due to a significant rise in flows to

Cambodia, the Dem. Republic of the Congo, the Gambia, Guinea-Bissau and Mauritania, in each of which inflows more than doubled" (p 5). The record, however, was raked in by China: In 2005 China was again the largest recipient of FDI inflows among all developing countries worldwide. China's historic high of $60.6 billion in FDI inflows (2004) was topped yet again in 2005 by a staggering all-time record: $72.4 billion (p 301). Is it any wonder that China measures everything in "reverse dog years?" – What takes seven years anywhere else takes just one year in China (de Silva, 2006).

Chart	**FDI Inflows** (Share of World Total)			**FDI Outflows** (Share of World Total)		
Region	1988-1990	1998-2000	2003-2005	1988-1990	1998-2000	2003-2005
Developed Economies	82.5%	77.3%	59.4%	93.1%	90.4%	85.8%
Developing Economies	17.5%	21.7%	35.9%	6.9%	9.4%	12.3%
South-East Europe/CIS	0.02%	0.9%	4.7%	0.01%	0.2%	1.8%
World (Total)	100%	100%	100%	100%	100%	100%

(Chart: The share of developing countries in investment (inbound and outbound) has risen significantly in the last two decades; UNCTAD, World Investment Report 2006, p 7)

When poor countries engage in trade, they can pull themselves free from economic entrapment. Trade is a critical instrument to engaging with the rest of the world. When poor countries make what the world wants, their goods are exchanged, their people engaged, their cultures endorsed, their values esteemed, and their workers validated. Taking all this into account, what might possibly be even more important than the exchange of goods is the exchange of *ideas*. Crisp ideas can ignite fresh visions, capture new imaginations, and inspire grand dreams. Ideas are powerful! They can woo and allure poor nations to come out of moldy, medieval backwaters – think of Afghanistan under the Taleban – and flush them into open oceans teeming with life and opportunity. Said Albert Einstein (1879-1955), "Logic will get you from A to B. Imagination will take you everywhere."

As indicated by the chart on the previous page, the World Investment Report (UNCTAD, 2006) also focuses attention on the growth of FDI *from* developing economies: "Developing countries as emerging sources of FDI strengthened their global position further in 2005, investing $117 billion in 2005 – 4% more than in the previous year" (p 5). "In 2005, 57 transnational corporations listed in *Fortune 500* were from developing and transition economies, compared with 19 in 1990. This trend is expected to continue" (UNCTAD Online). Since poor countries have little – and by implication need much – they are increasingly understood to be lucrative markets. And the fact that poor nations are beginning to raise their voices in the global arena can be understood as nothing but good news. The world would be poorer for it if they didn't.

If globalization is weaving together a seamless global garment, then trade is its colorful yarn. In the process, countries are becoming enmeshed and economically reliant on one another. This is beneficial in that it can act as a compelling restraint on fighting wars.

Nations that have made substantial investments in research and development naturally become concerned about protecting their equity and state of development. This translates into increased reticence about rocking the boats of their neighbors and partners or squabbling over small potatoes. While global trade can never make wars altogether obsolete, it does force potential brawlers to sharpen their pencils as they sit down to count the cost of "picking a fight." Says Friedman, "the cost of war for victor and vanquished [is becoming] prohibitively high" (p 521). The counter-example makes it as plain: People who have little or nothing to lose – either because of rampant poverty or anarchy in their nations or neighborhoods – are far more prone to engage in acts of despair, terrorism, or civil wars. The morgue of history is full of dead examples. And so is the daily news.

Hence equitable trade provides the poor with the hope that has inspired generations of people around the world – hope of obtaining prosperity and thereby escaping the clutches of poverty. It holds the awesome promise of turning the sad memories of yesterday into the hopeful dreams of tomorrow. The stakes are high. Unfortunately, many people – from leftists to rightists to terrorists – seem unable to shift gears and think outside of the box. (I muse whether perhaps compulsive optimists could help compulsive extremists envision a world where "living it up" is more compelling than "blowing it up.")

Today the question is not *whether* the world is globalizing. The forces of globalization are clearly upon us and are forging a new cast in the furnace of globalization as we speak. I did not start it any more than you could stop it. Said Kofi Annan, former Secretary-General of the United Nations, "Arguing against globalization is like arguing against the laws of gravity." And speaking at the World Economic Forum in Davos, Switzerland in 1999, Mr. Annan put it this way, "Globalization is a *fact* of life. But I believe we have underestimated its fragility" (UN Press Release). Globalization is here to stay. Unequivocally, it has become the ticket – the *only* ticket. Yes, I think we're stuck with it. I do not think we can go back and exchange the ticket for another one. What we can do, however, is adapt the rules of the game and make them fair on ourselves and everybody else. This is the convergence where the family of nations must engage together in a global dialogue unprecedented in human history. We need to be deliberate about where we want to go and what we want to achieve. The world's peoples are part of the same family, and if one family member suffers, the others will feel the ripple effects of pain. Said Mr. Annan, "suffering anywhere concerns people everywhere."

The fact that the world is globalizing is far beyond the need for further evidence. But the greatest question which humanity faces today is not whether globalization is good or not, but whether humankind will *make* it good or not. Says Friedman, "It is imperative that we be the best global citizens that we can be – because in a flat world, if you don't visit a bad neighborhood, it might visit you" (p 570).

Since horizontalization allows us to tap into the world's most radiant knowledge centers with more ease than ever, connecting, collaborating, and sourcing our wisdom from the world's best and brightest brains, I argue that it should be possible to dig deep into ourselves as human beings and form a perfect casting mold in the smelters of globalization. We must decide: will globalization be allowed to become our master – or will we resolve to become masters of globalization? Will globalization go unbridled, or will we take the reins and harness globalization?

If we are not ahead of the game, the game will get ahead of us. Make no mistake. Unless we tame the forces of globalization and bring them in submission to us, before long they will evolve into driving taskmasters who will mercilessly crack their whips on our bare backs as we run for a cover that no longer exists (in an unwalled environment you can run, but you cannot hide). In a singular, integrated world, there is but one way: 360-degree-responsibility.

In a globalized ecosystem, global citizens must begin to deliver to *all* stakeholders and adopt an enhanced, enlightened, and enlarged frame of mind. Let me explain.

We cannot comprehend the standing of workers in the globalized world without a brief excursion into history. A few years ago, *Harvard University* economist Richard B. Freeman studied the global workforce and made a stunning discovery.

Prior to 1980, the global economic world consisted only of Europe, North America, most of Latin America, and parts of East Asia and Africa. Hence prior to the 1980s the global workforce was only approximately 960 million persons strong. Owing primarily to population growth, by the year 2000 this largely contained global labor force grew to 1.46 billion workers. In the 1980s and 1990s, however, workers from China, India and the former Soviet bloc began to enter this global labor pool. Of course, these workers had existed prior to that "magic" date. The difference was, however, that – while previously they had been locked out of world markets for geopolitical reasons – their economies suddenly flung open the flood gates and started producing for international markets. Hence, in 2000, China, India, and Russia flushed an additional 1.47 billion workers into the global labor pool, effectively doubling the size of the world's overall labor force to nearly 3 billion workers.

Freeman reports this widely detracted "labor supply shock" in an article recently published in *The Globalist* (June 3, 2005). "These new entrants to the global economy brought little capital with them ... because they were poor... Having twice as many workers and nearly the same amount of capital places great pressure on labor markets throughout the world." The resulting effects are legion as labor leaders around the world lament. Production is offshored and jobs are outsourced to least-cost countries. In this climate the blunt reality of a doubled global labor pool has created *downward* pressure on wages in industries where overseas production is a viable option. And here is the catch: "A decline in the global capital/labor ratio shifts the balance of power in markets away from wages paid to workers and toward capital, as more workers compete for working with that capital," says Freeman (ibid), who argues for a new model of globalization that shores up the well-being of workers around the world, favoring labor over capital.

A sudden abundance of low-cost labor in many industries has weakened the bargaining power of workers and strengthened the bargaining power of capitalists. Woe unto workers! Wow unto investors!

An example is worth a million words. Let's therefore shine our spotlight on an example which deals with both workers and capitalists: Wal-Mart, the world's biggest retailer. Wal-Mart's incessant price pressure – driven by its "every day low prices" philosophy – translates not only into better prices for consumers but also into everything but benevolence for its workers and suppliers. The following story "The Wal-Mart You Don't Know" was published by Charles Fishman in the popular magazine *Fast Company* (December 2003). The story brings the concept of 360-degree-responsibility into sharp focus. If Wal-Mart is as "tough as a nail," then Fishman's account hits that nail on the head:

"A gallon-sized jar of whole pickles is something to behold. The jar is the size of a small aquarium. The fat green pickles, floating in swampy juice, look reptilian, their shapes exaggerated by the glass. It weighs 12 pounds, too big to carry with one hand. The gallon jar of pickles is a display of abundance and excess; it is entrancing, and also vaguely unsettling. This is the product that Wal-Mart fell in love with: Vlasic's gallon jar of pickles.

Wal-Mart priced it at $2.97 – a year's supply of pickles for less than $3! 'They were using it as a statement item,' says Pat Hunn... 'Wal-Mart was putting it before consumers, saying, 'This represents what Wal-Mart's about. You can buy a stinkin' gallon of pickles for $2.97. And it's the nation's number-one brand.'

Therein lies the basic conundrum of doing business with the world's largest retailer. By selling a gallon of kosher dills for less than most grocers sell a quart, Wal-Mart may have provided a service for its customers. But what did it do for Vlasic? The pickle maker had spent decades convincing customers that they should pay a premium for its brand. Now Wal-Mart was practically giving them away. And the fevered buying spree that resulted distorted every aspect of Vlasic's operations, from farm field to factory to financial statement.

Indeed, as Vlasic discovered, the real story of Wal-Mart, the story that never gets told, is the story of the pressure the biggest retailer relentlessly applies to its suppliers in the name of bringing us 'every day low prices.' It's the story of what that pressure does to the companies Wal-Mart does business with, to U.S. manufacturing, and to the economy as a whole. That story can be found floating in a gallon jar of pickles at Wal-Mart.

Wal-Mart is not just the world's largest retailer. It's the world's largest company – bigger than Exxon Mobil, General Motors, and General Electric. The scale can be hard to absorb. Wal-Mart sold $244.5 billion worth of goods last year. It sells in three months what number-two retailer Home Depot sells in a year. And in its own category of general merchandise and groceries, Wal-Mart no longer has any real rivals. It does more business than Target, Sears, Kmart, J.C. Penney, Safeway, and Kroger combined. 'Clearly,' says Edward Fox, head of Southern Methodist University's J.C. Penney Center for Retailing Excellence, 'Wal-Mart is more powerful than any retailer has ever been.' It is, in fact, so big and so furtively powerful as to have become an entirely different order of corporate being.

Wal-Mart wields its power for just one purpose: to bring the lowest possible prices to its customers. At Wal-Mart, that goal is never reached. The retailer has a clear policy for suppliers: On basic products that don't change, the price Wal-Mart will pay, and will charge shoppers, must drop year after year. But what almost no one outside the world of Wal-Mart and its 21,000 suppliers knows is the high cost of those low prices. Wal-Mart has the power to squeeze profit-killing concessions from vendors.

[...]

At some point in the late 1990s, a Wal-Mart buyer saw Vlasic's gallon jar and started talking to Pat Hunn about it. Hunn, who has also since left Vlasic, was then head of Vlasic's Wal-Mart sales team, based in Dallas. The gallon intrigued the buyer. In sales tests, priced somewhere over $3, 'the gallon sold like crazy,' says Hunn, 'surprising us all.' The Wal-Mart buyer had a brainstorm: What would happen to the gallon if they offered it nationwide and got it below $3? Hunn was skeptical, but his job was to look for ways to sell pickles at Wal-Mart. Why not?

And so Vlasic's gallon jar of pickles went into every Wal-Mart, some 3,000 stores, at $2.97, a price so low that Vlasic and Wal-Mart were making only a penny or two on a jar, if that. It was showcased on big pallets near the front of stores. It was an abundance of abundance. 'It was selling 80 jars a week, on average, in every store,' says Young. Doesn't sound like much, until you do the math: That's 240,000 gallons of pickles, just in gallon jars, just at Wal-Mart, every week. Whole fields of cucumbers were heading out the door.

For Vlasic, the gallon jar of pickles became what might be called a devastating success. 'Quickly, it started cannibalizing our non-Wal-Mart business,' says Young. 'We saw consumers who used to buy the spears and the chips in supermarkets buying the Wal-Mart gallons. They'd eat a quarter of a jar and throw the thing away when they got moldy. A family can't eat them fast enough.'

The gallon jar reshaped Vlasic's pickle business: It chewed up the profit margin of the business with Wal-Mart, and of pickles generally. Procurement had to scramble to find enough pickles to fill the gallons, but the volume gave Vlasic strong sales numbers, strong growth numbers, and a powerful place in the world of pickles at Wal-Mart. Which accounted for 30% of Vlasic's business. But the company's profits from pickles had shriveled 25% or more, Young says – millions of dollars. The gallon was hoisting Vlasic and hurting it at the same time.

{Steve Young, former vice president of grocery marketing for pickles at Vlasic} remembers begging Wal-Mart for relief. "They said, 'No way,'" says Young. "We said we'll increase the price" – even $3.49 would have helped tremendously – "and they said, 'If you do that, all the other products of yours we buy, we'll stop buying.' It was a clear threat." Hunn recalls things a little differently, if just as ominously: "They said, 'We want the $2.97 gallon of pickles. If you don't do it, we'll see if someone else might.' I knew our competitors were saying to Wal-Mart, 'We'll do the $2.97 gallons if you give us your other business.'" Wal-Mart's business was so indispensable to Vlasic, and the gallon so central to the Wal-Mart relationship, that decisions about the future of the gallon were made at the CEO level.

Finally, Wal-Mart let Vlasic up for air. "The Wal-Mart guy's response was classic," Young recalls. "He said, 'Well, we've done to pickles what we did to orange juice. We've killed it. We can back off.'" Vlasic got to take it down to just over half a gallon of pickles, for $2.79. Not long after that, in January 2001, Vlasic filed for bankruptcy – although the gallon jar of pickles, everyone agrees, wasn't a critical factor" (source: Fast Company, December 2003, 77th issue).

Fishman's report reveals how Wal-Mart's lean and mean supply chain relentlessly grinds "every day low prices" *down*. There is no question that this stranglehold-squeeze of suppliers translates into heavenly prices for consumers who can gorge themselves on more for less. Simultaneously, there is no question that it converts into hellish constraints for suppliers who either thrive or wither. Says Fishman, "For many suppliers, ... the only thing worse than doing business with Wal-Mart may be *not* doing business with Wal-Mart" (ibid). Wal-Mart and its suppliers seem stuck in a codependent love-hate marriage. Says Friedman, "Wal-Mart is the China of companies. It has so much leverage that it can grind down any supplier to the last halfpenny. And it is not at all hesitant about using its ability to play its foreign and domestic suppliers off against one another ... 'If Wal-Mart were an individual economy, it would rank as China's eighth-biggest trading partner, ahead of Russia, Australia and Canada,' Xu Jun, the spokesman for Wal-Mart China, told the *China Business Weekly* (November 29, 2004)" [cited by Freeman, pp 163-164].

Someone will ask: where are the poor in all of this? The following excerpt, taken from an opinion essay published by Sebastian Mallaby in *The Washington Post* (November 28, 2005), begins to speak to that question:

"Wal-Mart's critics allege that the retailer is bad for poor Americans. This claim is backward: As Jason Furman of *New York University* puts it, Wal-Mart is 'a progressive success story.' Furman advised John 'Benedict Arnold' Kerry in the 2004 campaign and has never received any payment from Wal-Mart; he is no corporate apologist. But he points out that Wal-Mart's discounting on food alone boosts the welfare of American shoppers by at least $50 billion a year. The savings are possibly five times that much if you count all of Wal-Mart's products.

These gains are especially important to poor and moderate-income families. The average Wal-Mart customer earns $35,000 a year, compared with $50,000 at Target and $74,000 at Costco. Moreover, Wal-Mart's 'every day low prices' make the biggest difference to the poor, since they spend a higher proportion of income on food and other basics. As a force for poverty relief, Wal-Mart's $200 billion-plus assistance to consumers may rival many federal programs."

And what about Wal-Mart workers? Friedman's summary of a *New York Times* article (November 1, 2004), addresses that question:

"... Wal-Mart spent about $1.3 billion of its $256 billion in revenue in 2003 on employee health care, to insure about 537,000 people, or about 45 percent of its workforce. Wal-Mart's biggest competitor, though, Costco Wholesale, insured 96 percent of its eligible full-time or part-time employees. Costco employees become eligible for health insurance after three months working full-time or six months working part-time. At Wal-Mart, most full-time employees have to wait six months to become eligible, while part-timers are not eligible for at least two years. According to the *Times*, full-time employees at Wal-Mart make about $1,200 per month, or $8 per hour. Wal-Mart requires employees to cover 33 percent of the cost of their benefits, and it plans to reduce that employee contribution to 30 percent. Wal-Mart-sponsored health plans have monthly premiums for family coverage ranging as high as $264 and out-of-pocket expenses as high as $13,000 in some cases, and such medical costs make health coverage unaffordable even for many Wal-Mart employees who are covered, the *Times* said" (pp 249-250).

But, quotes Friedman, “If there is any place where Wal-Mart’s labor costs find support, it is Wall Street, where Costco has taken a drubbing from analysts who say its labor costs are too high” (ibid.) Summarizes Friedman, “Wal-Mart has taken more fat and friction out than Costco, which has kept more in, because it feels a different obligation to its workers. Costco’s pretax profit margin is only 2.7 percent of revenue, less than half Wal-Mart’s margin of 5.5 percent.” (ibid)

The emergent picture reveals an incongruence of interests. While shareholders care deeply about the “health” of Wal-Mart, they don’t care nearly as much about the health of Wal-Mart workers. Wal-Mart workers, on the other hand, are deeply benevolent towards themselves and don’t care nearly as much about the investors who own their elephantine employer. Wal-Mart workers seem trapped somewhere between a rock and a hard place. They make too much to die, but too little to live. If “limbo” is the place between heaven and earth, then surely Wal-Mart workers are caught up somewhere in it.

Finally, there are the taxpayers. Guess who picks up the tab if Wal-Mart workers cannot afford to cover their own health care expenses? Bingo. You and I, Mr. and Mrs. taxpayer.

Let’s summarize. The *shopper* in us courts Wal-Mart to obtain ‘every day low prices.’ Let Wal-Mart scrape the fat from the bone; the shopper in us salivates. Let the firms find the floor. Let them race each other to the bottom. Cheap and nasty is zeitgeisty. (Peanuts for plethora!) – But the Wal-Mart *supplier* in us hates being ground to dust and decidedly dislikes the pulverizing power which the modern megastore’s paper-thin profit margins invariably imply. (Paucity for peanuts!) – And the Wal-Mart *worker* in us hates the scroungy health benefits and low pay packages. (Pauperism for a pittance!) – The *citizen* in us knows that if Wal-Mart doesn't cover its employees with health care benefits, the *taxpayer* will carry the burden. (Pay and protest!) – But the *shareholder* in us uncorks the champagne, lights up the cigar, and puffs smoke rings heavenward. (Prosper and party!)

Heaven for shoppers, hell for suppliers, limbo for workers, paradise for shareholders, and purgatory for taxpayers. Since there is enough worker, supplier, shopper, shareholder, taxpayer, and citizen in all of us, we had better pause, scratch our heads, ponder, and wonder how best to bring these diverse identities into alignment. In theory, everybody is a winner. But as computer scientist Jan L.A. van de Snepscheut (1953-1994) famously said, "In theory, there is no difference between theory and practice. But, in practice, there is." It turns out that theory and practice are as incongruent as the multiple identities they encompass. The real question is, therefore, whether in a globalizing world these incongruent interests can be more equitably realigned?

As so often in life, it gets worse before it gets better. If the multiple identity problem is tedious to sort out in a national setting, a globalized arena makes it worse. Why? Because the mix of stakeholders is even more diverse, complex, and now – for the first time – scattered all across the planet!

As shown above, recent years have seen a progressive shift in the balance of bargaining power away from labor and towards capital. Says Friedman, "There is almost nothing about globalization ... that is not good for capital. Capitalists can sit back, buy up any innovation, and then hire the best, cheapest labor input from anywhere in the world to research it, develop it, produce it, and distribute it" (p 244). Capital enjoys a profit bonanza in this era of globalization. The shareholder and consumer in us loves it. The worker, supplier, and citizen in us loathes it.

Whether we like it or not, we are all "trapped" together. On the one hand, we are convinced that we are nothing but a lean consumer – then we flip the coin to notice that we are also "fat and friction" in the eyes of somebody else who is beginning to scrape away at us. As an aggressive shareholder we may eat like a horse and feast on the scattered spoils from hostile takeover battles – but before we know it, someone even more voracious eats us out of house and home.

We are faced with unsettling questions that are searching for imaginative answers: Is it condonable to be invested in a cut-throat company that rapes the environment of a poor and distant country that is simply too desperate to care? Should shareholders give a rip about the physical health of workers in distant lands when the financial "health" of those companies is as fit as a fiddle? Is the "environment" a legitimate stakeholder in our globalized world? Or how about the animal kingdom? Globalization has lulled consumers into confusing "price" with "cost." As Fishman (2003) cautions, "unending focus on price underscores something that {consumers} are only starting to realize about globalization: Ever-cheaper prices have consequences. Says Steve Dobbins, president of thread maker Carolina Mills: 'We want clean air, clear water, good living conditions, the best health care in the world – yet we aren't willing to pay for anything manufactured under those restrictions.'"

Am I now shouting from the antiglobalization bandwagon? Am I beginning to contradict the assertion of section 2.1 "Big is Beautiful"? Am I beginning to berate Wal-Mart and the big boys? Actually, I'm not. We need them on board to *better* the world! The following short anecdote from my life begs to be told to Wal-Mart's credit.

Throughout this book I've made occasional reference to my eventful life which so far has had me live in eleven countries on five continents. As life would have it, it also includes a two-year stint on the Big Island of Hawaii (someone had to do it). Towards the end of this "paradisiac" sojourn – and in anticipation of relocating to Israel – I went on a shopping spree to Kailua-Kona's Wal-Mart store, picking up a precious pair of Goodyear walking boots, a great pair that I knew would "go the distance." And so I merrily left Hawaii to set up camp in Israel. As the story has it – after nine months of use – the sole of one of the boots cracked. I probably wouldn't have thought twice about tossing the pair away had it not been for an American friend who told me about Wal-Mart's "superb customer service" and prevailed upon me to return the pair to the store in Hawaii. Easier said than done. Israel is about as far from Hawaii as two places can be apart – but prompted by the audacious advice of my optimistic American friend, I stuck the pair in a box and mailed it back to a close friend in Hawaii, Michael Taut.

I know this is nuts, and I'm incredulous as I type and reminisce. The night before I wrote this page I called Michael to run the details by him and make sure they had not blurred. He concurred. He still vividly recalls receiving the beat-up boots by post, clearly feeling less than elated about the prospect of returning them to the store on behalf of "someone in Israel" who did not even have a receipt to go with the pair. Being the gracious friend Michael was and is, of course, he did it. [He has confessed that he mainly did it "just for the heck of it," so he could say he tried.] Anyway, off he went. Before I knew it, I received the following e-mail:

11/24/97, Monday — Aloha, my name is Debbie. I am the Department Manager for the Shoe Department here at the Kailua-Kona Wal-Mart. I met your friend who came and did a return for you. I accepted the return without a receipt. I am sad to say that the boots you returned have been deleted from our inventory, which means I will no longer be carrying that style made from Goodyear. Therefore, your friend and I found something similar to it, made by Caterpillar, the folks that make tractors. I pray it will meet with your satisfaction. I made it an even exchange. The Cats are slightly higher than the Goodyears. The other choices were not that great. The other Cat boots had a thicker bottom, but it was very heavy. Not very good for winter weather. So.....I hope you will be happy with the new pair Michael will be sending you. If not.... well, I will take it back. I want to make my apologies on the other boots. It was a good seller, but the company decided not to carry it anymore. Our return policy is a good one. We serve our customers the best we can. Again, thank you for shopping at Wal-Mart. Aloha ke akua, —Debbie

Two weeks later, the brand-new pair of Caterpillars hit Jerusalem's Jaffa Street central post office. I kid you not, this is really what happened. (What is nearly as amazing as the story itself is the fact that last night I was still able to fire up my cranky 12-year-old 520c Apple Powerbook to fish out the above e-mail from my "ancient" and long-obsolete Compuserve inbox!) What a tale!

Without receipt, Wal-Mart Shoe Department Manager "Debbie" exchanged a 9-month-old pair of beat-up Goodyears for a superior pair of brand-new Cats. Her chief interest: pleasing a Wal-Mart customer. In all my travels around the world, nothing ever remotely rivaled Debbie's deferential customer service. I e-mailed back and thanked her a million. {A few days ago I tried to check with her to see if she minded my printing this short tale, but alas, her e-mail address has been discontinued... – "Debbie, if ever this gets around to you: yours was the *ultimate* customer service I've ever experienced. Thank you again!"}

For years I wore the boots with fondness. Although they have long gone on to "boot-heaven," the memory of Wal-Mart's astonishing customer service happily lives on here on earth.

No, I am not knocking Wal-Mart, and neither am I contradicting my earlier assertion "Big is Beautiful." Let me make unmistakably clear what I am going on about. With big size comes big power. And big power intimates big authority. Big authority, in turn, translates into big responsibility. Big is beautiful. *Big responsibility – beautifully discharged – is very beautiful indeed*! Can you imagine what force for good would be unleashed if the Wal-Marts of this world started to care deeply about poor nations? Remember how Quanta, the world's biggest Original Design Manufacturer for laptop computers, agreed to manufacture the Hundred-Dollar Laptop (section 2.1) for the world's poor? What if the world's Wal-Marts were to deliver not only to consumers and shareholders, but also to their other stakeholders? Whoa! This book couldn't hold the stories that would be told.

Debbie went out of her way to provide exceptional customer service on behalf of her company. It is fitting that her company should also go the second mile for her. In a globalizing world, insular thinking simply no longer fits the bill. More and more, everybody needs to start looking out for everybody else. Keep that thought tucked away in the back of your mind as I move on to conclude.

Globalization is creating an ecosystem where more and more, there is less and less alignment between the interests of companies and the interests of the governments whose countries they are headquartered within. Interests and identities have begun to popcorn all over the world.

As Friedman perceptively notes (p 243), "HP today has well over 150,000 employees in at least 170 countries. It is not only the largest consumer technology company in the world; it is the largest IT company in Europe, the largest IT company in Russia, the largest IT company in the Middle East, and the largest IT company in South Africa. Is HP an American company if a majority of its employees and customers are outside of America?" Friedman's brilliant mind asks the question which everything hinges on: *To whom are global giants loyal*?

What we see unraveling before our eyes is the gradual growth of a globalized world in which historical allegiances are being dramatically challenged and realigned. The objectives of policy makers (domestic job creation) and the interests of corporations and shareholders (global value creation) are no longer overlapping as concentric circles that fit inside each other. The forces of globalization are pushing the two circles apart to where now there is little or no overlap.

In this evolving environment, age-old – and formerly unquestioned – allegiances are gradually shifting from domestic governments to global governance. A company that is globally owned, globally managed, globally engaged, and globally taxed in dozens of countries understandably no longer feels answerable primarily to its historical host nation. It increasingly considers itself answerable to its heterogeneous mix of global shareholders scattered to the four winds. Says Friedman, "... what is going on today, on the flat earth, is such a difference of degree that it amounts to a difference in kind" (p 244).

The naked reality is that until recently shareholders and investors could be complacent or indifferent to where their profits were coming from, or even how they were being realized. (For the most part, investors of giant mutual funds don't even know the precise ingredients that have been interspersed into their mutual funds' potluck-mix-compositions [more on that in section 4.3].) I dare say that this is beginning to change. It must change. All too often the environment or the poor end up paying a stiff price for the "savings" which unscrupulous companies may be scouring and squeezing from those too weak or poor to make waves.

The BBC recently reported on the so-called "cancer villages" in southern China (January 17, 2007). According to Dan Griffiths, the idyllic village of Shangba in Guangdong Province has become the latest victim of lax environmental controls rampant across China. "250 people from the village's population of 3,000 have died of cancer since 1987 ... In the past the villagers relied on the river for drinking water and to irrigate their crops. What they did not know was that mines further upstream were dumping their waste into it. ... Scientist Chen Nengchang has been studying the pollution... 'We have appealed to the mine and to senior officials to stop this,' he said. 'But so far nothing has happened. I have one family of three young children who have lost their mother and father. Our rice crops have failed because of the polluted water. What am I supposed to do? We can't afford to move, so we are stuck here.' ... This is a situation repeated across China. Some 320 million people drink polluted water every day."

The mines may be reaping rich returns for a global community of investors nestled far afield in plush safety, but the violated environment groans in pain and poor peasants are paying a predatory price with their lives.

Likewise, the legendary exporting of trash from the rich to the poor world is so unsettling that the UN has finally called for an end to Western countries using Africa as a landfill for useless electronic waste. A recent report by the BBC's Liz Carney (December 19, 2006) drew attention to the alarming accumulation of electronic trash in Nigeria, increasingly considered the world's PC dumping ground. Says John Oboro, assistant general secretary of the dealers' association Capdan, "'The systems coming in are ... not serviceable ... obsolete, [and] of no economic value. Honestly speaking, 75% is junk.' ... Kitan Ogungbuyi, a senior scientist at the Nigerian Environment Ministry, explains that it is easy to disguise the condition of what is coming in. 'We have more than 500 tons coming in daily, most of the time shipped as used electronics for which the documentation is not clear,' she says. ... [And says Jim Pucket of Basel Action Network environmental NGO] 'exporters say it is working equipment to help the poor to bridge the digital divide, but what we've observed is not bridging the digital divide but the creation of a digital dump.'" The logic goes like this: Offshore rubbish. Offload responsibility. End of story.

Sure. Some firms coerce from the poor the resources they *want*. Other firms dump on the poor the waste they *don't* want. 360-degree-responsibility simply *won't* impose either way but *collaborate* with the poor.

Hewlett-Packard did this by asking a question which spiraled into an amazing tale: "What do poor people *need* that we could sell them?" In his inspiring book, Friedman (p 477-479) recounts how HP sent a visual artist to the Indian farming village of Kuppam to engage the poor in "graphic facilitation," a concept whereby the artist – as people expressed their dreams and aspirations – immediately drew images of those visions on craft paper. According to Maureen Conway, HP's vice president for emerging market solutions, "When people, particularly people who are illiterate, say something and it gets immediately represented on the wall, they feel really validated, and therefore they get more animated and more *engaged*." These sessions spiraled into the discovery that "photography" was painfully absent from the poor villagers' lives. In order to obtain their pictures for licenses, IDs, government permits, and applications, they had no alternatives but to use a single photo studio downtown. Says Conway, "We noticed that people would come back in from villages on a bus, spend two hours, get their pictures taken, come back a week later for the pictures, and find out that they were not done or done wrong. Time is as important for them as for us. So we said, 'Wait a minute, we make digital cameras and portable printers. So what is the problem? Why doesn't HP sell them a bunch of digital cameras and printers?' The villagers came back with a very short answer: 'Electricity.' They had no assured supply of electricity and no money to pay for it."

"So we said, 'We are technologists. Let's get a solar panel and put it on a backpack on wheels and see if there is a business for people here, and for HP, if we make a mobile photo studio.' That is the approach we took. The solar panel can charge both the camera and the printer. Then we went to a self-help women's group. We picked five women and said, 'We will train you how to use this equipment.' We gave them two weeks of training. And we said, 'We will provide you with the camera and supplies, and we will share revenue with you on every picture.'" Says Friedman, "This was not charity. Even after buying all their supplies from HP and sharing some of the revenue with HP, the women in the photography group doubled their family incomes."

Conway went on to say, "… what we found out was that less than 50 percent of the pictures they took were for identification pictures and the rest were people just wanting pictures of their kids, weddings, and themselves." Says Friedman, "The poor like family photo albums as much as the rich and are ready to pay for them. The local government also made this women's group its official photographers for public works projects, which added to their income."

After four months HP wanted to end the experiment and take the camera back. The villagers revolted. Friedman recounts it this way, "HP told the women that if they wanted to keep the camera, printer, and solar panel, they had to come up with a plan to pay for them. They eventually proposed renting them for $9 a month, and HP agreed. And now they are branching out into other villages. HP, meanwhile, has started working with an NGO to train multiple women's groups with the same mobile photography studio, and there is a potential here for HP to sell the studios to NGOs all over India, with all of them using HP ink and other supplies. And from India, who knows where?" Conway summarized the success of the venture like this: "They are giving us feedback on the cameras and ease of use. ... What it has done to change the confidence of the women is absolutely amazing."

A true globalization-success-story! Deference, partnership, collaboration, engagement, and empowerment: 360-degree-responsibility at its finest – with all stakeholders benefiting: shoppers, suppliers, workers, citizens, taxpayers, governments, and shareholders. True: it may not *always* be possible to please everybody. And yet, it doesn't follow that because we cannot always do everything we're released from ever doing anything. The future of our globalized world – unequivocally – hinges on 360-degree-responsibility. Allow me to elaborate as I conclude.

It is ironic that on the day I conclude this section (February 1, 2007) the following two stories were reported back-to-back in the same nightly news bulletin. Here is the first as reported live on BBC World a few minutes ago: "Exxon Mobil, the world's largest oil company, has reported the highest-*ever* annual profit by a US business. Boosted by record global energy prices in the first half of the year, its 2006 net profit totalled $39.5 billion, a 9% increase on $36.1 billion in 2005. Its 2006 revenues rose to $377.6 billion, from $286 billion a year earlier."

In shock and awe I went to verify the figures from a press release put out a few hours earlier by Exxon Mobil Chairman Rex W. Tillerson in Irving, Texas. The ears of shareholders must have tingled: "Net income of $39,500 million ($6.62 per share) was a *record* and increased $3,370 million from 2005. ... Earnings per share ... increased by 22% ... The Corporation distributed a total of $32.6 billion to shareholders in 2006."

[Incidentally, a few hours earlier BBC also reported that oil giant Royal Dutch Shell had also reported "*record* annual profits of $25.36 billion for 2006," (reportedly generating earnings of nearly $3 million an hour). "In trading in London, Shell's ... shares ... closed up nearly 2%."]

Apparently, “oil” was doing “just fine.” But if the first report was rosy as a rosebud, the one to follow was black as night:

In Paris the Intergovernmental Panel on Climate Change (IPCC), jointly launched in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP), enunciated the effects of global climate change. Over 2,500 scientific expert reviewers, 800 contributing authors – with over 450 lead authors from 130 countries – had worked six years to compile four volumes, which yielded one report. The report’s message was as follows:

The world is warming faster than expected with frightening results that could soon be irreversible. Emissions of greenhouse gases and the burning of fossil fuels by modern man are causing “unequivocal” global climate change and are damaging our planet for thousands of years to come. Speaking live from Paris, the BBC’s Caroline Hawley said that the report was understood to be so authoritative and serious that it was expected to “shock politicians into action.” Even as mankind was turning on the heat, I felt a cold shiver creep down my spine.

In an equal measure of shock and awe, I checked the detailed IPCC Report, released the following day. Probable temperature rise by 2100: 1.8-4.0°C (3.2-7.2°F); possible temperature rise: 1.1-6.4°C (2-11.5°F). Sea level rise: 18-59 cm (7.1-23.2 in). Concentration of carbon dioxide in the atmosphere: the highest level in 650,000 years. End result: long-term severe climate change – including “extreme weather.” Net effect: devastation!

[Science had finally called the skeleton that everybody had known for years was hiding in the closet.]

The first story broke the news of *record* oil profits; the second story broke the news of *record* oil damage. How ironic! Two stories from the same textbook called "Global Gas Gobbling." Two tales – told on the very same day, and with the very same passion – without so much as a single reference to each other! (The lack of relation nearly takes your breath away.) And yet, the two stories are merely opposite sides of the same coin. As global citizens we really are in the thick of thin things. Our different identities are yet again playing catch-up. One side of the story finds us drooling (oil), while its flip side is nothing but grueling (toil). The consumer of oil in us celebrates and salivates. The consumer of air in us pants and pines. The energy-invested shareholder in us fancies the financial bottom line. But the dead-honest global citizen in us – deep inside – fears crashing on the "rock" bottom line. If we're really honest, I mean *dead* honest, we had better admit that this ever-globalizing world bids us to seriously align our disparate interests and identities.

After the somber news was broken in Paris, French President Jacques Chirac had this to say about the IPCC Report (BBC, 2 February 2007): "Soon will come a day when climate change escapes all control. We are on the verge of the irreversible. Faced with this emergency, the time is not for half-measures. The time is for a revolution: a revolution of our awareness, a revolution of the economy, a revolution of political action." I say we also need a revolution of "creative imagination." Let me explain.

From the start, this book was about holism. It was never about Wal-Mart or any of the featured companies. They are but victors and vanquished in a system that hasn't been bridled. As stated, we are all caged in together. In yesterday's world the dichotomy of "us" and "them" may have been the pragmatic paradigm of the day. Cultures were contained. Pigeonholing was practical. Wars were fought to assert "our" interests vis-à-vis "their" interests. But let me ask: who is "us" and "them" in today's singular world? Aren't we all protagonists in the very same story? Having spent two-thirds of my life outside of Germany – presumably my "home" country – the notion of "us" and "them" has simply blurred beyond recognition. After having lived in eleven nations on five continents in Australia, Costa Rica, Estonia, Germany, Israel, Sierra Leone, Singapore, South Africa, Switzerland, the UK, and the USA – with my diverse friends now scattered to the four winds – I no longer know who is "us" and "them." Is one country competing "against" all these other countries to become leader of the pack? Or would I wish for any of my adopted "home" countries to thrive at the expense of any other?

Globalization is beginning to do away with walls and compartmentalization. Less and less it is "us" and "them." More and more it is just "us" – all of us human beings together – against all of our common problems: AIDS, climate change, global poverty, etc. And I'm not talking about apple pie or pie in the sky, or advocating for one-world government, uniformity, conformity, or monotony – mere mortuary – when it's precisely harmony in *diversity* that holds the promise of blooming life!

I argue that the forces of globalization have begun to weave together a seamless global garment that can no longer be neatly divided asunder – it may tear! The ultimate opportunity for global poverty reduction lies in the hope that the world will discover that its greatest glory will be revealed on the day when people realize that we are all part of the same family. I imagine a world where the family members no longer fear each other but grow to have ever-deeper faith in each other. I dream of a world where the family members – diverse and colorful as they come – can trust and depend safely on each other for dear life – and dear death. Our blue planet is our indivisible integer, international and ethereal. Look at how peaceably it hovers around the sun, reliably revolving around its axis as ONE graceful and indivisible unit. How could anyone wish to cut it up? Or to convey it in the imagery of an analogy from the Holy Bible, our planet has evolved into one single body, seamless and singular.

> "The body is {one} unit, though it is made up of many parts; ... The eye cannot say to the hand, 'I don't need you!' And the head cannot say to the feet, 'I don't need you!' On the contrary, those parts of the body that seem to be weaker are indispensable, and the parts that we think are less honorable we treat with special honor. ... But God has combined the members of the body ... so that there should be no division in the body, but that its parts should have equal concern for each other. If one part suffers, every part suffers with it; if one part is honored, every part rejoices with it" (Holy Bible, 1. Cor. 12).

Together the world will be beautifully arrayed with globalization's glorious garment. Or together it will be moribund. Make no mistake about it. It is one *or* the other (my only dichotomistic assertion in this book). Stand tall or fall, respire or expire, prosper or perish, grow up or go under, boom or doom – the key word is "together." We will all do this "together." My hope is that we will choose the former. Many pessimists – pointing to numerous "Darwinian forces" bearing down on us – already see us doomed. I beg to differ. Globalization can be an overwhelming force for good. We've already witnessed its measureless dynamism which – if harnessed and channelled – could likely become *the* most potent driver of poverty reduction ever.

As Jeffrey Sachs (2005) puts it, "The *anti*globalization movement should mobilize its vast commitment and moral force into a *pro*globalization movement on behalf of the poorest of the poor, the global environment, and the spread of democracy. It is the kind of globalization championed by the Enlightenment – a globalization of democracies, multilateralism, science and technology, and a global economic system designed to meet human needs. We call this Enlightened Globalization" (p 358).

How do we get there? As stated there is but one way: 360-degree-responsibility. And this 360-degree-responsibility can be expressed in one word: integrity.

Let us consider the etymology of the English word "integrity," which derives its meaning from the Latin term "Integritas," connoting "wholeness." Indeed, in its root, the word is related to "integer," which in Latin means "untouched," "whole," or "entire." And according to the definition rendered by the *Oxford English Dictionary*, "integrity" means:

> "1. The condition of having no part or element taken away or wanting; undivided or unbroken state; material wholeness, completeness, entirety; something undivided; an integral whole. 2. The condition of not being marred or violated; unimpaired or uncorrupted condition; original perfect state; soundness."

Integrity, therefore, is the nitty-gritty of "integration." Integrity integrates the multiple interests and identities which in the context of globalization have begun to quiver like shifting sands. Integrity asks how well a firm has integrated the interests of *all* its stakeholders. Are all benefiting? Or are some bearing huge profits while others are bearing huge damage? Integrity integrates. It integrates the consumer, the worker, the manufacturer, the supplier, the citizen, the taxpayer, the investor, the poor, the environment, the forests, the oceans, the animals,... you name it. Integrity integrates those identities into our ONE world because deep inside we all know it: The world needs them all to maintain its equilibrium. And the world needs them in good health!

The smart, cool-headed economist knows that he or she needs the smart, green-headed ecologist. Only on the back of a good green world can anyone expect to sustain a good great greenback. The IPCC Report has undeniably given the green light for the world to go green and to drive green innovations to green heights! Growing up, I recall that being "green" wasn't considered sexy or swell. Somehow being green meant being wet and "green" behind the ears. This has no doubt changed. In fact, I will be so bold as to predict that no other sector is poised to remotely rival the growth potential of those firms riding the wave on the crest of renewability, recyclability, and sustainability. If global citizens don't want to be wiped out or knocked out by brownouts and blackouts, they had better whiteout the age of fossil fuels. Green is king of the hill! And will soon be crowned king at Wall Street...

Some may shrug off the notion that a global corporation can have or be expected to develop a moral conscience on the grounds that altruism simply doesn't run in the genes of a profit-making firm. I beg to differ. Just as global corporations cannot afford not to "create value," they cannot afford not to "transmit values." And that goes far beyond improving their global brands. As was noted, 360-degree-responsibility is a frame of mind that endeavors to promote the welfare of all stakeholders. Indeed, circumspect vision looks "around" and delivers excellence to all, including suppliers on distant shores. Rather than racing them down to the economic or ecological bottom, socially responsible firms can assist their suppliers to advance to the top. Commenting on corporate social activism, Friedman asserts, "supply chains [can] create values – not just value – [and] could be a wave of the future" (p 383).

Comments Debra Dunn, HP's senior vice president of corporate affairs and global citizenship, "As we have begun to look to ... [offshore] suppliers to do most of our manufacturing, it has become clear to us that we have to assume some responsibility for how they do that work. ... [As global corporations, we] can set expectations that will influence environmental practices and human rights practices in emerging markets" (ibid). Then she goes on to say that, "When you have the procurement dollars that HP [has], people really want to do business with you, so you have leverage and are in a position to set standards and [therefore] you have a responsibility to set standards. ... We used to say that as long as we complied with the local law, that was all that we could be expected to do. But now the imbalance of power is so huge it is not practical to say that Wal-Mart or HP can do whatever they want as long as a state government or country does not stop them. The leverage HP would leave on the table would be immoral given its superior power ... We have the power to transmit global governance to our universe of suppliers *and* employees *and* consumers" (p 384).

Friedman's clever mind sums up Dunn's enlightened globalization mindset: "The role of global corporations in setting standards in emerging markets is doubly important, because oftentimes local governments actually want to improve their environmental standards. They know it is important, ... but the pressure to create jobs and live within budget constraints is overwhelming and therefore the pressure to look the other way is overwhelming. ... Countries like China ... often actually want an outside force, like a global business coalition, to exert pressure to drive new values and standards at home that they are too weak to impose on themselves and their own bureaucrats. ... [Corporations like HP have] huge leverage over [their] Chinese suppliers [who often] are actually very open to having their factory standards lifted, because they know that if they get up to the standards of HP they can leverage that to get [even more] business" (ibid).

Global profitability and local livability are inseparably intertwined. Multinationals not only create value, they also create values, transmit values, and permeate entire nations and societies with those values – all across the globe. (As they excel, may they exceed all expectations!)

As I conclude, I wish to leave a final footnote in this section on globalization. It seems to me that the creation of a Corporate Integrity Rating Index (CIRI) could be a useful instrument to measure and reflect how firms are discharging their 360-degree-responsibility towards all of their stakeholders. My book has come to its end, and it is not for me to spell out details. That would take a separate book – probably volumes. But I do extend a warm invitation to any intrigued readers to run with the idea, to research it, to develop it, and to implement it.

After considerable reflection about this, it appears to me that a global consortium – spearheaded by the UN – would probably be the agent most uniquely qualified to lead in such an international endeavor. Only a multilateral body of multinational, multicultural and multidimensional players and organizations would be poised to provide the broad and cross-functional representation needed to engender widespread support and be regarded both credible and authoritative. Hence the following sketch is but a mere pencil drawing which needs a lot of color.

As the name "integrity rating" suggests, such an index would measure and reflect how well a corporation has "integrated" the interests of its stakeholders into its 360-degree-performance. The rating agency would ask key questions in numerous categories and deduce answers from multiple sources, culminating in one overall score.

First, it might ask how a firm delivers to its *consumers*. Multiple indicators and parameters would be studied. Based on those findings, the firm would then receive a "grade" or performance indicator to reflect its achievement in that category. Second, the rating agency would analyze the firm's commitment towards its *workers*, assessing working conditions, labor wage rates and benefits. Based on those findings, the firm would then receive a second grade. Third, the body would scrutinize the firm's dealings with its *manufacturers* and *suppliers*. Based on the researched findings in that category, the firm would merit a third grade. Fourth, the rating agency would examine how and to what extent *shareholders* are benefiting from the firm's engagements – producing a fourth grade. Fifth, it might measure the extent to which the firm is exhibiting deferential and circumspect behavior towards the *environment* – yielding a fifth grade. Then – if applicable – the rating agency might examine the firm's dealings with its *business partners in the Third World*, focusing on indicators such as human rights, corruption, and wage rates – resulting in another grade. Finally, the rating agency might measure the extent to which the firm is delivering to the *citizens* within its region and to what extent it is benefiting the local economy and host nation – another grade. And so on... Finally, all grades would be weighted according to their importantance and relevance and be converted into an overall score, culminating in a reflection of that firm's commitment to "integrity" (360-degree-performance) towards all of its stakeholders. The firm would then be "stamped" with that "signet of public performance."

Such a Corporate Integrity Rating Index could provide firms with an incentive to do right things right – and provide consumers with information about what set of values they want to support and with whom they want to do business. The above list is neither necessarily complete nor necessarily correct but an open invitation to think and engage.

The point here is not "naming" and "shaming." Rather the point is measuring, expressing, and rewarding circumspect behavior. Let's not kid ourselves. Wasn't it largely the grades in school that pushed so many of us to press on and perform better? Yes, sometimes grades can "sting," but they have a way of making things pretty clear. We know where we stand with regard to where we want to go. We learn what adjustments we need to make in order to excel. Why else would firms appraise the performance of their employees? The United Nations Global Compact (Glossary) is a step in the right direction. Notwithstanding, the initiative's reluctance to demand and enforce compliance greatly diminishes its sense of urgency. As things stand, globalization could be viewed as racing us all to the bottom. Let's turn things around so that its free-flow of best practices will race all of us to the top, especially the poor!

In concluding, please allow me return one more time to the opening quote made famous by the Scottish philosopher and economist Adam Smith (1723-1790): "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity but to their self-love and never talk to them of our own necessities but of their advantages" (1776, vol. I, p. 16). Although Mr. Smith's classic *The Wealth of Nations* is now over two hundred years old, its simple but profound message remains unchanged: trade increases "the wealth of nations."

Those of us who have lived in multiple countries on multiple continents have personally tasted of "the wealth of nations." The "riches" are flabbergasting: people, cultures, customs, foods, goods, and specialities are often beyond description! In Adam Smith's day, moving across countries or continents meant deprivation: the "riches" had to stay behind. Globalization is bringing those glorious riches right back to us. In other words, globalization is inviting us all to a great banquet where the best of what the nations have to offer is set before us as a gigantic potluck buffet. All nations are the invited guests. And all nations are the entertaining hosts. Everybody contributes his or her best dish and "trades" it for the benefit of all. The choicest of all culinary delights are lavishly dished up. The tables are bending under the weight of the ultimate abundance of abundances. The invitation card reads: "Please take what you like best. Please leave enough for the rest."

Globalization is the ultimative opportunity for global poverty reduction in that it holds the promise of bringing the wealth – of all nations – to all nations. The world is our oyster. Its pearl belongs to us all.