

Is globalization in retreat?

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For no more than seven months, we have been suffering the great recession, a worldwide contraction, and then a flu outbreak arises that threatens health on all continents. The financial crisis that began as turmoil in one small segment of the U.S. mortgage market, within months turned into a recession that affects almost all the countries in the world.

Disease can also travel rapidly. The flu outbreak that started in Mexico has already been said to have arrived in Puerto Rico, although there are no confirmed cases. Modern air transport means the outbreak of contagious illnesses can go around the world in a matter of days. In the past, it would have taken months or years. The complexity of the world economy has made us more vulnerable than ever.

The more complex and efficient a system, a growing body of research tells us, the faster and wider any contagion can spread. Network theory suggests complex diversified systems can often bring greater stability. But only to a point. Complex interconnected systems organize themselves around key nodes. If one of these is hit, the whole house of cards can collapse. This is one reason why the damage done by the subprime mortgage crisis to major global investment banks had such a devastating effect.

As a result, principally of the great recession, the process of globalization that began in the 1990s with the development of information technology, the Internet and the end of the Cold War has receded. Globalization privileged occidental values such as democracy, human rights, free trade and neoliberal ideology. This process of an economic, technological, sociocultural and political nature began to transform local or regional events into global events. The effects of Hurricane Katrina on the oil rigs in the Gulf of Mexico affected the markets throughout the world. McDonald's appeared in Moscow and Beijing. IBM manufactured in whatever country suited its best interests. Ricky Martin came to be known in every corner of the world.

So, in two decades, a global society began to emerge in which the events occurring in one part of the world had relevance for people in other parts of the world. It has been a process of openness—openness of local and nationalistic perspectives toward a world interconnected and interdependent with free movement of capital, goods and services through national frontiers.

Puerto Rico opened up its economy a long time ago. We are pioneers in this field. Commonwealth was a breakthrough from nationalistic perspectives toward interconnectedness and interdependence, the same principle that has applied in forming the European Union. Predicated on the free movement of goods between Puerto Rico and the U.S., commonwealth and Operation Bootstrap positioned us to compete openly in the largest market of the world. As our manufacturing reached a higher technological level, we

began to compete in the international markets. With our first-class Puerto Rican workers, our manufacturing plants eventually became some of the toughest competitors in the world.

So far, most of our manufacturing sector has been able to cope in the highly competitive context of globalization. In order that this may continue, it is necessary that we curtail or reduce the increasing costs of production in Puerto Rico. Globalization has positive and negative effects. If we can compete, then the open markets offer important opportunities. It also benefits our consumers with lower prices. Competition, however, operates not only in the markets where we sell our products; it operates also as to foreign direct investment, which is essential for development. In this sense, globalization hurts our workers by outsourcing different phases of production. Small businesses also fall victim to the Walmarts of the world.

Globalization has thus brought a change in the economic, technological and sociocultural environment of Puerto Rico just as it has done to the other countries of the world. The great recession that the world is undergoing has altered the premises of globalization and has caused a temporary retreat in the process. But globalization is here to stay, and we in Puerto Rico must rise above our insular mentality to face the challenges and make use of the opportunities within the wider world with which we have become interconnected.

The premise that is undergoing fundamental change in globalization is the neoliberal tenet of minimum government and deregulation. It is widely accepted that governments must have a broader role than that allotted to them by Ronald Reagan and Margaret Thatcher. It has also become quite clear that regulation of the financial sector is of the essence if we are to avoid similar catastrophes as the great recession now affecting the world. There will be changes regarding the Bretton Woods institutions World Bank, IMF (International Monetary Fund) and WTO (World Trade Organization) leading toward a more humane governance to deal with the negative effects of globalization. There will be changes in the domestic legal orders of nations such as the U.S.

We, the people of Puerto Rico, must determine the strategy that we are going to use to meet the challenges and take advantage of the opportunities of this phenomenon. This requires a basic change in our political discourse structured by the division within us regarding the future political status of the island. This division has led to a surreal and utopian political debate. “We can’t face our challenges because we must solve our status problem first.” Well, no doubt that if this problem were solved, we would be better positioned to do so. But we fail to recognize that this isn’t about to happen, so we keep arguing that everything is going to be resolved when we resolve the status problem. Statehood is going to provide us the same quality of life that they have in Florida. Independence is going to turn us into a successful sovereignty such as Singapore. Fully developed commonwealth is going to provide us with the powers that we need to solve our problems. This is the stuff of our politics. We keep thinking that status change is going to happen, sometimes that it is just around the corner, but it doesn’t happen.

It is high time that we strategize, taking into account our present political realities and the global context that engulfs us. A debate that centers on three different scenarios regarding our future and, which ignores or demeans our present resources and possibilities, is sterile and unproductive. We must change the debate from the utopian futures to the realities of the present.

We now live in a networked world where our possibilities lie in our connectedness. This world exists independently from the international legal order defining and regulating the sovereignty of nation states. It exists above the states, below the states and through the states. A system of peer production that can be quite useful to Puerto Rico is evolving from the interconnectedness of globalization where supply chains become “value webs” in which suppliers become partners and, instead of just supplying products, actually collaborate in their design. They share both risk and knowledge to achieve a higher level of performance. At its core, a company can be quite small but, with the right networks, it can reach innovators, factories and service providers anywhere. Productive members of any society such as businesspeople, doctors and architects can generate income across multiple societies. This is just one example of the possibilities in globalization. If we develop the right policies with the resources and professional talent that Puerto Rico has, we can grow in ways unprecedented in this globalized world.

History doesn't stand still. Our future in a globalized world will depend on what we do now to take advantage of the positive aspects of globalization and to shield ourselves from the negative aspects. We can sit on our backsides and continue to argue that we can't deal with our important problems until the status question is resolved or we can begin to build the interconnected productive Puerto Rico that is necessary to prosper under globalization. We must choose because, in globalization, there are winners and losers.