Restructuring a globalization model to reflect changing dynamics

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Key Words
Globalization, global institutions, interaction, regional blocs, systems analysis

Abstract
Globalization is a phenomenon everyone talks about but is seen by many as an abstract construct that is difficult to measure or assess. Analyzing Globalization’s impact is complex. Many approaches are narrow with analysis based solely on the discipline or specialty of the researcher. In reality, globalization is multidisciplinary and multidimensional. Gopinath (2008) developed a systems approach that frames and analyzes globalization using a series of domains that also serves to delineate boundaries. This paper expands the existing systems based model of Globalization by including an additional level of analysis that considers neighboring country dynamics, trade blocs and global institutions not found in the initial model.

Introduction
The term Globalization is ubiquitous. Much has been written about it. However, there is no common understanding of what the term Globalization means and there is no consensus on how to define it. Articles on Globalization are typically framed from a narrow viewpoint based on the individual scholar or practitioner’s discipline. Thus, when analyzing Globalization it is often done from a limited perspective. This paper introduces a restructured model of Globalization that encompasses a multidisciplinary framework in order to provide scholars and practitioners of various disciplines with a comprehensive tool to use in discussing the wide range of interactions concerning Globalization. Additions to the model include a focus on global institutions, trade blocs, and neighboring country dynamics.

Definitions
Defining Globalization has not been an easy task as every author sees it from their own perspective and background. Illustrating this point, Nayef & Al-Rodhan (2006) provide an overview of 114 definitions of globalization. Sixty-seven of the definitions “make some reference to the economic dimension” (p. 6). Al-Rodham (2006) offers the following definition: “Globalization is a process that encompasses the causes, course, and consequences of transnational and transcultural integration of human and non-human activities” (p. 5). In his book, Globalization: A Multidimensional System, Gopinath (2008) reviews multiple definitions of globalization that are based on the practitioner or scholar’s discipline. Dickens, a geographer, uses the following definition: “globalization is the umbrella term for the complex set of transformative processes and outcomes that drastically and relationally interact with places and people” (Gopinath, 2008, p. 5). Giddens, a sociologist, defines Globalization as “the intensification of worldwide social relations that link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice-versa”. Finally, illustrating the diversity of definitions, Stiglitz, an economist, defines globalization as “the removal of barriers to free trade and the closer integration of national economies” (Gopinath, 2008, p. 5).

Why a Systems Approach
Forrester (1994) states, “interest in system dynamics is spreading as people appreciate its unique ability to represent the real world. It can accept the complexity, nonlinearity, and feedback loop structures that are inherent in social and physical systems” (p. 4). Nayef & Al-Roden (2006) indicate “no matter what definition you adhere to, globalization is complex and multifaceted” (p. 5). Thus, while a focus on any number of the 114 or more different definitions of Globalization could be relevant, using a systems approach to model globalization is appropriate.

The working definition Gopinath (2012) uses is “globalization represents the continuing effort of peoples of the world to interact and share transnationally in the pursuit of their objectives” (p. 7). This existing systems view of globalization is based on three previous perspectives; namely a general system view, a world system and an autopoietic system (Gopinath, 2013). International and Global text books tend to depict globalization from a rather narrow viewpoint; namely from the perspective of globalization of markets and globalization of production. Daniels, Radebaugh and Sullivan (2007) in International Business Environments and Operations
focuses on business ethics and cultural influences on bribery in the text chapter on Globalization and Society while trade blocs and global institutions are discussed in other chapters. An overarching model of Globalization is not employed.

As professors of Marketing, Cateora, Gilly and Graham, and Money (2016) describe globalization in the context of Marketing and include geographical areas, institutions and trade blocs in their discussion. The authors do not use a particular model when discussing globalization. In the text Global Business Today, Hill (2008) discusses the “globalization of markets” (p.7) and the “globalization of production” (p.8) but does not include a model of globalization. Lechner and Boli (2012) in The Globalization Reader, offer a sociological perspective and a production perspective of globalization. The authors do not include a model of globalization or an integrated perspective on the system. Cavusgil, Knight and Riesberger, (2017) in International Business: The New Realities, discuss “globalization of markets and the internationalization of the firm” (p.31) using a linear model that includes Drivers of Market Globalization; Dimensions of Market Globalization; Firm-level Consequences of Market Globalization: Internationalization of the Firm’s Value Chain; and Societal Consequences of Market Globalization.

Wild and Wild (2012) in International Business: The Challenges of Globalization discuss Globalization in the context of “The Global Business Environment” (p.26) where the firm is the epicenter and Globalization is the outer layer at the periphery. With the firm at the center the adjacent circle is labeled “National” and lists Cross-Cultural Business; Politics, Law and Business Ethics and Economics and Emerging Markets. The next layer is labeled “International” which includes International Trade, Business-Government Trade Relations, Foreign Direct Investment, Regional Economic Integration, International Financial Markets and International Monetary System. The outer circle is labeled “Globalization” which includes Technological Innovation, Increasing Competition and Falling Trade/FDI Barriers. While important and significant elements of Globalization are included and discussed each approach is limited and fails to include a systems approach.

A Systems Model

Gopinath’s (2012) systems model considers globalization to be an ongoing process with no overall coordination where actions and communication take place across five defined domains (p.323). An illustration of the model is represented in four concentric circles. The epicenter is labeled “Interactions”. The adjacent circle to Interaction is labeled “Domains”. The 5 domains are labeled “Political, Physical, Business, Economics, and Social/Cultural”. “Actions and communications originating in one domain further impact the other domains not in any particular defined sequence but following their own logic” (p.322). The next circle includes two arrows. One is labeled “Convergence” and one is labeled “Divergence”. The arrows exemplify possible convergences and divergences of individual, organizations and/or countries as a result of the interactions occurring among the dimensions. Nations, groups and individuals may converge towards the event creating unity among the world or diminishing differences with trends that “seem to make the world as one” (p.325). Divergence, shown opposite of convergence, indicates a separation rather than a uniting of a trend. Consensus, acceptance, agreement are related to convergence. The outer circle depicts the individual countries of the world where each feels the impact of the globalization process. Globalization is embedded in all nations and societies. Events or issues that could be seen as global affect nations and societies and in turn generate convergence or divergence within the globalization process (Gopinath, 2012).

Domains

The domains in Gopinath’s (2012) model are “Social, Political, Economic, Business and Physical”. The Physical domain is described as “communications and actions related to governance; how power is generated and distributed through society; the freedoms that people enjoy in the country; the legal/court sub-system; the freedom of the press; rules and structures within which people solve public conflicts and problems; the constitution, how laws are framed and enforced; the political parties and how they operate; the nature of bureaucracy that administers public functions” (p.323).

The Economic domain is described as “factors related to the nature and direction of the economic activity; the growth and performance of various economic units; trade and investment issues; markets and intervention; state policies regarding price and money supply; production and consumption of goods and services, their exchange, and the allocation of resources accordingly” (p.323).

The Social domain is described as “the structure of society including how humans organise themselves; intragroup and inter-group relations; existence and size of ethnic groups; migration patterns; class divisions, families, kin groups; tribal and racial distinctions; the culture encompassing attitudes, values and beliefs; and
the learned norms in a society. Basic value systems (good versus evil, acceptable and unacceptable behaviour, and rational versus irrational), religion, language systems, feelings of nationalism and ethnic identities” (p.323).

The Business domain is described as “the nature of industries and the operations of organisations within them: their decisions and actions; managerial practices; competitive activity, and supply chains” (p.323.)
The Physical domain is described as “the non-living such as the land mass; geological resources (oil, minerals, etc.), water, atmosphere; the living but non-human (plants, animals, and insects); the technological issues connected with fundamental knowledge, basic research, invention, innovation, or the improvement/new way of doing things” (p.323).

A Restructured Systems Model

In restructuring the model, we designed a new definition of Globalization by combining elements from Gopinath (2008) and Al-Roden (2006). Globalization is a multidimensional process that encompasses the causes, course and consequences of transnational and transcultural integration of human and non-human activities and represents the continuing effort by the peoples of the world to interact and share transnationally in the pursuit of their objectives.

Global institutions, trade blocs and neighboring country dynamics play a significant role in global and regional affairs. Figure 1 illustrates a restructured model of globalization that builds from Gopinath’s (2008, 2012) model. The restructured model includes the influences of the interactions between Global Institutions, Trade Blocs and Neighboring Countries not captured explicitly in the model’s original 5 domains.

![Restructured Model of Globalization](image)

Figure 1 Restructured Model of Globalization

Interactions are central to the model. Whether between individuals, businesses, governments, organizations, or other entities interactions are at the core. The new model adds arrows between the original 5 inner domains and between the original domains and the spheres of influence depicted by the 3 newly added outer domains; Global Institutions, Trade Blocs and Neighboring Country Dynamics. The restructured model illustrates the complexity of the interactions and interchanges between the inner and out domains and countries that results in convergence or divergence between individuals, organizations and countries.

Global Institutions

Global institutions play an important role in the globalization process. One of the most important institutions regarding trade is The World Trade Organization (WTO). The WTO consists of 162 member countries and deals with global rules of trade between nations. “Its main function is to ensure that trade flows as smoothly, predictably and freely as possible” (WTO, 2016, para. 1). Membership in the WTO requires countries adhere to the terms and conditions inherent to its membership otherwise disputes may arise. One example listed on the WTO’s web site under Dispute Settlement is the United States imposition of tariffs on tire imports from fellow WTO member country China as the US believed China disrupted the US tire market with a surge of low cost tires. China argued the tariff violates WTO rules under the ascension articles of the 1994 GATT agreement and that the US did not prove a disruption of its domestic market.

The WTO dispute resolution panel sided with the US ruling a market disruption occurred in the US as a result of a surge of low cost tires from China. The tariff on China was upheld. As a result, tires from China became more expensive in the US and low cost tires imported from Mexico, Thailand and Indonesia surged in the US, illustrating the dynamics of globalization. In this case, the beneficiaries of the dispute included Mexico, Thailand and Indonesia (WTO, 2011).
Another global institution, the Organization for Economic Co-operation and Development (OECD), consists of 34 member countries and its mission “is to promote policies that will improve the economic and social well-being of people around the world” (OCED, 2016, para. 1). Roden-Hardy (2015) demonstrates the importance of global institutions when examining the telecom industry. Using event history analysis with an original data set of 189 countries between 1970 and 2003 the author finds “International organizations are the critical and overlooked factor in explaining rapid global convergence of pro-market telecom reforms...and membership in key liberal trading organizations, especially the WTO and the OECD, increases the likelihood that countries will adopt liberal pro-market reforms in telecommunications” (p. 517). Global institutions may also influence the globalization process by potentially limiting individual country autonomy and instilling anti-competitive behavior. Demedts (2015) illustrates the point when examining the European Union, Free Trade Agreements (FTAs) and Globalization. Demedts (2015) states that “the European Union's (EU’s) capacity to rise to this challenge depends on the international mode of governance it decides to pursue and the determination with which it does so” (p.407). Demedts (2015) further states that “the EU has always been a strong advocate of competition law within a WTO context” (p.407).

The 34 Organization for Economic Co-operation (OECD) member countries and five non-member countries signed a Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 1997. All signatories agreed to introduce legislation making foreign bribery a crime (Hinsey, Subramanian, & Kalka, 2001). The members of OECD demonstrate a convergence toward social and cultures norms where bribery is deemed illegal. Claessens and Van Horen (2015) “show that in terms of foreign bank presence, the global banking system has not become more fragmented. Rather, the crisis has accelerated a number of structural transformations, with banks from a larger variety of home countries active abroad and a system that, while globally less integrated, is regionally more integrated” (p.869). The global banking example illustrates a divergence of global integration and a convergence toward regional integration. Convergence or divergence is dependent upon the actions and interactions between the domains. Multilateral Development Banks (MDBs) are used to fund infrastructure development in developing countries. Annual resource commitments from MDBs total over USD $100 Billion. In 2015, an agreement signed by Brazil Russia, India, China and South Africa launched The New Development Bank BRICS. “The New Development Bank is a key milestone of the cooperation among emerging economies and developing countries” (NDBBRICS.ORG, 2016, para.1). One stated reason for the New Development banks is to offer “an alternative to the existing US-dominated World Bank and International Monetary Fund” (Ndbrics.Org/za, 2016 para.1.). The influence of Global Institutions and Trade Blocs on globalization is evident and supported by the literature.

Trade Blocs

The World Trade Organization (2016) reports that the number of Regional Trade Agreements (RTAs) in force in the world has increased from approximately 50 in 1991 to 419 in 2016. Trade blocs can have a significant influence on member and non-member country interactions toward convergence or divergence. Kurlantzick (2001) in his article, “Block That Trade Bloc” sees the formation or expansion of trade blocs as a potentially disruptive trend. He states that the global economy is being divided “into three increasingly unfriendly trading blocs” (p.38). “As the European Union looks to expand its borders over the next decade, it is gaining more confidence on the world stage. Asian nations, too, have initiated regional trade pacts and considered launching an Asian Monetary Fund as an alternative to the IMF” (p.38). Moore, Teixeira and Shill (2006) study trade blocs in context of national health and illustrate a divergence in infant mortality rates. “The two blocks with the lowest density in capital-intensive exchange, i.e., the periphery, are significantly and positively associated with national level infant mortality rates. Results show the effects of peripherally and stratification on population health, and highlight the influence of broader macro-level factors such as trade and globalization on national health” (p.165).

Individual countries may exert significant influence on a trade bloc. One example is France’s insistence on a cultural exception before allowing the European Union (EU) to negotiate a trade pact with the United States (US). “The tensions between a protectionist French government and the Hollywood film industry sums up two radically different views: the U.S. considers arts as an industry making profits, whereas Europe considers culture as the product of ideas that extend beyond strict commercial value” (Beauvais, 2014, para. 2). France gained what is known as a cultural exception, with the majority of the EU members opposing the idea, in 1993 with the General Agreement on Trade and Tariffs (GATT). While a number of members initially opposed the exception “the EU has a legal obligation under the 2005 UNESCO Convention (which the US has not signed) to protect and promote the diversity of cultural expressions, a principle also enshrined in the EU...
The intra trade bloc divergence on exception resulted in significant economic risk to the EU bloc. “Trade between the United States and the European Union accounts for 50 percent of global gross domestic product and secures an estimated 15 million jobs. (Culture Wars, 2013, para.9). The EU intra trade bloc negotiation between member countries that was required before the bloc agreed to begin a trade negotiation with the US demonstrates the impact trade bloc membership can have on the globalization process. On February 12, 2013, the President of the United States announced plans to notify the US Congress that the administration would negotiate with the EU on the Transatlantic Trade and Investment Partnership (USTR.Gov, 2013). On June 14, 2013, EU Member States gave the European Commission permission to begin start trade and investment talks with the United States.

Demonstrating convergence regarding trade blocs, Pang (2003) argues that the two regional markets (ASEAN and MERCOSUR) “have reached the optimum point of intra-regional trade creation under the existing political economy models and there challenge is how to blend the two systems so that the model can satisfy the domestic political needs and at the same time enable economic growth in the next phase of globalization” (p. 122). Also, Shadlen (2006) “show(s) how fundamental changes in global patterns of investment and trade, in combination with international and domestic power asymmetries, contribute to the spread and proliferation of regional and bilateral trade agreements (RBIs) between the United States and its hemispheric neighbours” (pp. 1-2). Shadlen’s emphasis on “neighbors” presages the next domain in the restructured model of globalization.

Neighboring Country Dynamics

Neighboring Country Dynamics often play a role in trade agreements and are a significant influence on global divergence or convergence. Grundy-Warr (2014) reveals the importance of neighboring country dynamics in his review of three recently published books on border studies; The Ashgate Companion to Border Studies by Doris Wastl-Walter (2011); Beijing’s Power and China’s Borders: Twenty Neighbors in Asia by Bruce A. Elleman, Stephen Kotkin and Clive Schofield (2013); and The Borderlands of Southeast Asia: Geopolitics, Terrorism, and Globalization by James Clad, Sean M. McDonald and Bruce Vaughn (2011). “These three edited volumes taken together are testimony to current dynamism in border research. They are part of a growing multi-disciplinary literature on borders tackling a broad range of issues: theorizing borders, border delineation, demarcation, evolution, management, cross-border trade, territoriality, ethnography, security, displacement, terrorism, insurgency, natural resources and transnational governance” (p.154).

As with Global Institutions and Trade Blocs, the nature and complexity of interactions of Neighboring Country Dynamics influences convergence or divergence of the inner and outer domains depicted in the Globalization Model. The neighboring country dynamics between Bolivia and Chile is one example. Gangopadhyay (2014) discusses reasons for stumbling blocks at normalizing relations between Chile and Bolivia. The Andean neighbor’s relations have been strained over the issue of gas. “Bolivia’s political volatility over gas and Chile’s refusal to discuss the issue of access to the sea were viewed as being part of the same quagmire of relations. However, despite disparities in development between the two countries, globalization has altered the context of mutual engagement” (p.139). Demonstrating divergence, Schmitz (2001) reveals “The findings suggest that globalization has so far not made geography as a political category obsolete. Indeed, in some aspects globalization even widened the gap between Europe and Australia” (p.36).

Ounder (2008) expresses the paradoxical nature between globalization and regionalization where both processes are occurring simultaneously. “This seemingly paradoxical phenomenon has raised the question of whether regionalism contradicts or complements globalization and whether it obstructs or reinforces globalization” (p.86). Rosero (2015) examines Latin American counties and neighboring effects on international currency reserves. “Using a sample of the seven largest Latin American economies, the empirical evidence presented here suggests that countries take into consideration the volatility conditions of their neighbors when determining their own optimal level of reserves” (p. 467).

Other examples include political changes in Venezuela affecting relations with neighboring Colombia. The two countries held significant trade relations due to their proximity and to different complementary industries. Venezuela’s main industries are Oil & Mineral Fuels, Organic Chemicals, and Iron & Steel while Colombia is more diversified and has larger agricultural sector. On August 19, 2015 Venezuela decided to close its borders with Colombia for political reason despite the significant trade ties between the countries (Orta, 2015). The decision to close the border between the neighboring countries has disrupted social, economic, political and business activities.
The interactions between Global Institutions and Neighboring Country Dynamics are demonstrated by the involvement of a number of international and global institutions. “Several international bodies — including the Organization of American States (OAS), the Union of South American Nations (UNASUR), and the UN — have stepped in to help find a solution to the escalating problem, yet a resolution at this point remains elusive” (Sonneland, & Castillejo, 2015, para. 17). Additionally, Venezuela, “already the largest weapons importer in South America” plans to buy more Russian and Chinese arms (Bender, 2015, para. 2). Colombia and neighboring countries are on alert. Colombia is pursuing a NATO membership and has signed a security cooperation agreement (NATO, 2014). The agreement is “aimed at exchanging intelligence information in order to improve the capabilities on both sides of the Atlantic to face common threats, particularly transnational crime” (Sanchez, 2014, para. 1). The agreement has yet to be ratified by the Colombian congress. However, the agreement has created concern among other neighboring Latin American countries where certain country leaders regard the NATO agreement as a potential NATO “beachhead” (Sanchez, 2014, para. 1.).

Limitations
Limitations of the paper include potential author bias and the inherent nature of the limits of models. The “Global Institutions” domain includes examples of several disciplines with a majority of the examples focused on trade. The “Trade Bloc” domain is oriented toward the business discipline. The inherent limitations of models attempting to describe real-world phenomena is exemplified by the well know quote attributed to the statistician George Box (1987): “Remember that all models are wrong; the practical question is how wrong do they have to be to not be useful” (p.74). The model is limited to a conceptual framework while the real-world process of globalization is a highly complex system that is not well defined by scholars or practitioners.

Conclusion
The restructured systems model presented in this paper provides for the discussion of globalization and regionalization processes where simultaneously various phenomena are paradoxically converging and diverging. The visual model (where individual, firm, organization or country interactions are the epicenter and inner and outer domains interact across and within each other with either convergence or divergence occurring across multiple levels) conveys the complexity of globalization. Global Institutions, Trade Blocs and Neighboring Country Dynamics added to the restructured model is supported by the literature and documented by real-world cases and interactions. The restructured model provides scholars and practitioners of various disciplines with a comprehensive tool to use in discussing the wide range of interactions concerning Globalization.

References


