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Globalization
Approaches to Diversity

Edited by Hector Cuadra-Montiel



GLOBALIZATION – APPROACHES TO DIVERSITY

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Meet the editor



Hector Cuadra-Montiel is a Profesor at El Colegio de San Luis (Mexico). He holds academic degrees in International Political Economy (PhD, MA). He has published several academic articles and book chapters, and is an active participant in international research projects. He is also consultant in Politics and International Relations. He is currently engaged in interdisciplinary research

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Preface

Much has been written on globalization. The term has been widely used in academic and non-academic circles. Its sole mention triggers opinions and turns debates on. Everyone seems to have an idea what globalization is and how it affects our daily lives. Very few voices have been so widely used, yet unable to reach consensus on its profile and characteristics. There are as many ideas and perceptions on globalization as arguments to analyze it. This is exactly where the treasure of globalization lies: its diversity. Globalization plural and contingent character provides ample room for discussion to identify its elements, actors and dynamics.

Originally, the hyperglobalist thesis portrayed the primacy of market driven processes, policy convergence, and the Western lifestyle as a model to be emulated throughout the world. Widely discredited now at the turn of the 21st century, current scholarship on globalization approaches the phenomena associated with it differently. The logic of inevitability has been substituted by critical studies that assess processes and counter-tendencies in a multifactorial fashion. Economic determinism has given way to nuanced evaluations of the issues under scrutiny. The restoration of agency to the process and phenomena associated with globalization opens up the possibility of acknowledging their open-ended nature.

This book contributes to the globalization debate from diverse approaches. Its authors represent international group of academics from four different continents. Their respective contributions highlight issues, policies and experiences that challenge mainstream theses on globalization. They show as many faces of globalization as chapters are in this collective enterprise, and they do it from their particular academic and disciplinary standing. Hence, they all give voice to diversity within globalization.

The first section of this book focuses on key issues such as culture, history and international organizations. Authors explore their relevant interactions with globalization, at the same time that make propositions for theoretical scenarios and historical interpretations. Acknowledging interdependence among societies and people on multiple levels the role of values is present, even in contrasting forums such as international organizations and sports movements.

The second section discusses the centrality of policies in globalization processes. Contrasting emphases shed light on public policy, local development, foreign policy

and criminal activities. Either they benefit or pose a challenge to globalization, there is hardly any doubt on their socially constructed importance. International and national policies make use of diverse channels such as hierarchies and networks in order to have a deeper impact.

It is in the final section that the strong links of the global level with the local and national ones are particularly stressed. Concerns such as social protection are approached from diverse angles, while analyzing ecological, socio-political and economic factors on local and national experiences. As these experiences are associated with globalization, they provide name, face and voice, evidence of diversity that that is vital and ever present in the globalization dynamics.

As Editor of this book I would like to express my appreciation for the authors of all chapters, showpieces of globalization themselves. Likewise, I am grateful to InTech staff for their professionalism making my task easy throughout the way. This volume is dedicated to the loving memory of my grandparents Margarita and Ismael.

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El Colegio de San Luis,
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Globalization Agendas

Globalization and Culture: The Three *H* Scenarios

Abderrahman Hassi and Giovanna Storti

Additional information is available at the end of the chapter

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1. Introduction

Transnational flows of people, financial resources, goods, information and culture have recently been increasing in a drastic way and have profoundly transformed the world (Ritzer and Malone, 2001). This phenomenon has been labeled *globalization*. As a result, a great deal of debate and discussion, even controversy (Bird and Stevens, 2003) has taken place about globalization in various disciplines from different angles. In fact, there seems to be a controversy in regards to globalization and the contradictory meanings associated with it. This controversy refers, among others, to either “a dominant logic of globalization” which postulates that there is a single cause for globalization or to a “phenomenon with a complex set of causes” which argues that there are various causes for globalization (Beck, 2000). In corollary, research has not been successful in grasping the globalization phenomenon in its entirety.

Globalization is a multidimensional phenomenon that encompasses not only economic components but also cultural, ideological, political and similar other facets (Prasad and Prasad, 2006). Consequently, globalization has been addressed from the points of view of economics, social sciences, politics and international relations and has been subject to endless debates in various disciplines. Nonetheless, globalization effects are rarely addressed as a determinant that impacts societies and their cultures. More precisely, the interaction between globalization and culture still remains under-researched (Prasad and Prasad, 2007) and the current globalization debate in this respect is relatively recent (Acosta and Gonzalez, 2010). Along the same lines, the literature has not been able to stress whether concepts such as Americanization and Macdonalization are synonymous with globalization (Latouche, 1996).

In an increasingly borderless world impacted by a globalization of economies, the preservation of cultural diversity feeds contrary and controversial reactions. For

instance, Cowen (2002) contends that while changes and potential losses imposed by globalization on local and traditional cultures, including those extending to cultural differences, may be damaging and destructive, they may also lead towards new prospective opportunities.

Given the above context, it is argued that globalization brings about diverse trends, namely cultural differentiation, cultural convergence and cultural hybridization (Pieterse, 1996) and each trend does not preclude the other as cultural homogeneity and heterogeneity are complementary (Cowen, 2002).

The purpose of the following chapter is to provide a lens view of the interactions between globalization and culture as the latter positions itself on the spectrum of a theoretical perspective. To look into the interactions between globalization and culture, a literature review of relevant theoretical contributions has been conducted followed up with a discussion on their main insights. To do so, the key concepts of culture and globalization will be introduced. The following sections will present and discuss the three scenarios of the interaction between globalization and culture, namely heterogenization, homogenization and hybridization. We posit that these scenarios and theoretical perspectives associated with them are capturing the broad contours of the current debate on globalization and culture, despite some overlapping insights among the different viewpoints. We conclude that they are of use and interest for both researchers and practitioners as the subject still remains under-researched across disciplines.

2. Globalization

In the beginning of the late 20th century, nation-states began opening their borders in efforts to be more globally competitive in international markets. Multinationals and later, global companies began to grow and multiply in record numbers. Due to the generalization of free trade, the market economy of the twentieth century has progressively spread at remarkable proportions around the world. And hence, the recent shift from the international economy to a world economy that supersedes nations, including their regulations. This shift has been labeled *globalization* with the latter's extended and evolving history yet to be traced to its origin (Acosta and Gonzalez, 2010). Despite its long history, globalization remains almost constant as its forces continually aim at transcending human differences around the world.

Globalization is one of the most discussed concepts across the disciplines but still remains elusive and confounded. In this respect, the debate taking place in the literature on globalization is two-pronged as the definition of the meaning of globalization is still not consensual and its impacts on local cultures are yet to be circumvented (Matei, 2006). One thing that is definite and sure is that globalization is multidimensional and has economic, cultural, social and political aspects which impact both individuals and societies. More specifically, globalization constitutes a policy and/or system that promotes global interaction interdependence and interconnection among nations through advanced technologies (Jaja,

2010). As is, globalization refers to both the aspiration and determination to make a way of life applicable throughout the world, hence contributing to uniformizing ideas and systems of ideas in every single part of the world (Jaja, 2010). Thus, some commentators contend that globalization emerged with the advent of globalism which is an ideological discourse that constitutes a political belief system (Steger, 2005). It seems that globalization has an ideological basis as it is founded on the capitalist economic tradition with its premises such as the development of free markets, private ownership, open and free decision making, the price mechanism and competition (Jaja, 2010).

In addition to an openness of diverse economic, political, cultural and social flows in both information and trade and its market-related dimension, globalization also has political features through the so-called notion of *global governance*. In fact, the involvement of various states and governments in promoting the internationalization of their companies contributes to globalization, particularly through *multilateral* agencies such as the World Bank, the World Trade Organization and the International Monetary Fund (Drucker, 1997).

Finally, globalization is a natural and inevitable process as no country in the world can avoid or ignore it and failing to embrace it will lead to marginalization (Jaja, 2010). It is noteworthy to mention that globalization does not concern countries at the same level. World nations are not integrated to the same extent in international exchanges. Thus, the concept of world village characterized by the same values and concerns does not hold true. In fact, globalization has not eliminated immense disparities in the ways of life or standards of living between rich and poor nations.

3. Culture

Scholars and researchers do not agree on a general definition of culture with over 150 plausible definitions identified in the 1950s (Kroeber and Kluckhohn, 1952). In fact, culture has been studied from various fields such as anthropology, sociology and psychology. Hofstede (1980:25) defines culture as “the collective programming of the mind which distinguishes the members of one group or society or category or nation from another”. The ‘mind’ refers to thinking, feeling and acting, with consequences for beliefs, attitudes and behaviors. In this regard, values and systems of values constitute a core element of culture. While the concept of ‘culture’ can be applied to any human collectivity, it is often used in the case of societies which refer to nations, ethnic entities or regional groups within or across nations (Hofstede, 2001). As such, culture is concerned with a distinct environment of a community about which members share meaning and values (House *et al.*, 1999). As for Kroeber and Kluckhohn (1952: 181):

Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements of future action.

In addition, Bennett and Bennett (2004) distinguish between an objective culture, which refers to the institutional aspects of a culture and a subjective culture that focuses on a worldview of a society's people.

On another note, Cowen (2002) contends that culture refers to art products and activities, as well as, other creative products that stimulate and entertain individuals such as music, literature, visual arts and cinema. In this regard, some populations use their culture to create new products making culture a commercial label.

A worthwhile observation is the fact that culture is not rigid. It is a process that gradually builds up through interaction. Culture allows individuals to create human societies by defining the conditions of how people live among each other and together, as well as, by abiding to social and cultural codes that distinguish them from other cultures.

In a nutshell, the concept of culture has two major definitions. On the one hand, culture is an integrated set of values, norms and behaviors acquired by human beings as members of a society. As such, culture constitutes an element of identification within a given group of individuals and an element of differentiation vis-à-vis other groups from an anthropological standpoint. On the other hand, from a sociological stance, culture refers to artistic and symbolic creations, heritage and cultural products. In relation to globalization, these two aspects have important implications with respect to how individuals express their cultural identities, in terms of the future of cultural traditions, and with cultural industries. Therefore, for purposes of the present chapter, the concept of culture refers to the two above-mentioned aspects.

4. Globalization and culture

For millions of years, human groups spanned over immense territories without means of communications other than reliance on their physical body parts such as their eyes, voices, hands and legs. With the advent of the urbanized metropolitan cities dating back to more than 5,000 years ago and the beginning of commercial activities, cultural exchanges have taken place between individuals living among various societies. However, in the past, means of communication and transportation were limited and cultural characteristics did not circulate as rapidly and easily as in modern times.

With the industrial revolutions, societies began to have access to machines which allowed them to create cultural products and export them across borders. By the 18th century, thinkers had forecasted a non-reversible trend of cultural standardization. However, the predominance of the nation-state and national economic barriers had protected and insulated cultures from external influence. Cultural uniformization based on the European model at the end of 18th century was prevalent, particularly due to the success of the rational capitalism that characterized Europe and which was the symbol of cultural modernity (Weber, 1905). Additionally, the enlightenment thinkers had forecasted a uniformized and borderless world in the sphere of values. In the 19th century, cultural

industries depended on technical innovations during the first and second industrial revolutions such as, printing in 1860, and electricity and cinema in 1890. Further, cultural miscegenation-related fear dates back to 1853 when Arthur de Gobineau wrote an influential essay on the inequality of human races in France. Marx and Engels noted an intellectual convergence in the literature which was a kind of intellectual globalization of ideas that preceded the materialistic globalization of goods and markets. As for the German intellectual Goethe, he pleaded for a world culture through world literature (*Weltliteratur*) where everybody would contribute. In the 20th century, cultural industries appeared as communication technology started to develop and flow seamlessly across borders.

Interactions between globalization and culture do not seem to be a recent phenomenon. In fact, they constitute, particularly with the influence of globalization on culture, a contention point in the literature as various theoretical standpoints have been developed to examine these interactions. These standpoints will be grouped under three different scenarios and presented in the subsequent sections.

5. Heterogenization scenario

While certain scholars (i.e. Appadurai, 1996; Featherstone, 1995) admit that globalization for the most part originates from Western cultures, they however reject the idea that this phenomenon constitutes a homogenization of world cultures resulting from one way exchanges among the latter. In fact, this “school of thought” argues that globalization generates rather a state of heterogeneity which refers to a network structure in which nodes tend to connect with each other in regard to certain cultural dimensions (Matei, 2006). Two distinct variants of heterogenization can be distinguished (Chan, 2011). The heterogenization at a local level refers to a situation where the practices of a sphere of life in a specific milieu or locale become more diverse over a period of time. The heterogenization at a trans-local or global level refers to a situation where the practices of a sphere of life in at least two locales become more distinct over a period of time. In short, heterogenization, which has also been labeled differentiation, relates fundamentally to barriers that prevent flows that would contribute to making cultures look alike (Ritzer, 2010). In this perspective, cultures remain different one from another.

Heterogenization represents a process which leads to a more inwardly appearing world due to the intensification of flows across cultures (Appadurai, 1996). Hence, local cultures experience continuous transformation and reinvention due to the influence of global factors and forces. It is important to keep sight of the fact that according to this perspective, cultures do not remain unaffected by global flows and globalization in general, but the actual crux of the culture remains intact and unaffected, as has always been (Ritzer, 2010) with only peripheral surfaces directly impacted.

The convergence thesis advancing that globalization favors homogenization of the world underestimates the global flows of goods, ideas and individuals. In this regard, Robertson

(2001), who is critical of the focus on processes stemming from the United States and its homogenizing impact on the world, advocates the notion of heterogeneity with a focus on diversity, multi-directional global flows and the existence of world processes that are independent and sovereign of other nation-states. These flows do not eradicate local cultures, they only change some of their traits and reinforce others. Along the same line, Wiley (2004) contends that national cultures, which are fluid constructs, have become part of a heterogeneous transnational field of culture.

Different cultural groups develop into heterogenous entities due to differences in demands necessitated by their environment in efforts to adapt to the requirements of the latter. And consequently over a period of time, these groups become diversified and very different due to environmental circumstances and pressures. For instance, although the spread of the colonization phenomena yielded a reduction of cultural differentiation, when the colonization movement receded, cultures sprung up and cultural differentiation was favored.

In sum, it has been documented in some instances that foreign cultural practices remain in the margins of local and national cultures resulting in a side-by-side coexistence of distinct and disparate global and local cultures (Prasad and Prasad, 2006). It seems that cultural differentiation will most likely remain strong despite globalization forces. What will probably change are the criteria used by different cultural groups to define their identity and differentiation vis-à-vis other cultures.

6. Homogenization scenario

Are international exchanges and flows of goods, services, capitals, technology transfer and human movements creating a more standardized and unique world culture? Would acculturation, which yields from long and rich contacts between societies of different cultures, result in a universal culture?

The homogenization perspective seems to positively answer these questions as the increased interconnection between countries and cultures contributes to forming a more homogenous world adopting the Western Euro-American model of social organization and life style (Liebes, 2003). In the homogenization view, barriers that prevent flows that would contribute to making cultures look alike are weak and global flows are strong (Ritzer, 2010). In its extreme form, homogenization, which is also known as convergence, advances the possibility that local cultures can be shaped by other more powerful cultures or even a global culture (Ritzer, 2010). This perspective is reflected in several concepts and models such as the Global Culture, Americanization and more importantly the McDonaldisation theory.

Across different regions and countries in the world, more and more people seem to watch the same entertainment programs, listen to the same music, consume common global brand products and services, and wear the same or similar clothes (Prasad and Prasad, 2006).

These comparable developments in cultural practices are suggestive of the emergence of a “global culture” (Robertson, 1992) or “world culture” (Meyer, Boli, Thomas and Ramirez, 1997) based on the assumption of the demise of the nation-state as a major player on the global stage (Ritzer, 2010). In other terms, globalization contributes in creating a new and identifiable class of individuals who belong to an emergent global culture. According to this concept, the selfsame dynamics of globalization are weakening the connections between geographical places and cultural experiences (Held and McGrew, 2003), and eroding the feeling of spatial distance which tends to reinforce a sense of national separateness (Prasad and Prasad, 2006). Thus, globalization, which is a replication of the American and/or Western cultural tradition (Beck, 2000; Berger, 2002), is considered a destructive force, a recipe for cultural disaster (Jaja, 2010) and an assault on local cultures which the latter are not able to withstand or resist (Berger, 2002). This is presumably due to the fact that globalization contributes in atrophying identities and destroying local cultural traditions and practices, diluting, even eliminating the uniqueness of national cultures, and establishing a homogenized world culture.

However, some proponents of the concept of global culture argue that the latter is not cohesive in nature and refers to a set of cultural practices that only bear surface resemblance. Moreover, Smith (2003) completely rejects the existence of the notion of global culture whether as a cohesive or discordant concept. Along the same lines, Tomlinson (2003) maintains that globalization makes individuals aware of the diverse national cultures in the world which are multiple in numbers and distinct in nature. Hence, globalization strengthens national cultures rather than undermine them.

On another note, Jaja (2010) stresses that the world is presently experiencing Americanization, rather than globalization with the former referring to the global spread of America’s influential dominance and culture through drastic growth of mass communication and penetration of American companies in other countries. As a matter of fact, there seems to be an American hegemony reflected by a domination of the Internet as 85% of web pages originate from the United States and American companies control 75% of the world’s packaged software market (Jaja, 2010). In addition to the latter, there is an American monopoly of the media as seen with popular films, music, and satellite and television stations around the globe. It should be highlighted that the American conception of culture is open and far from the *erudite* notion of several European countries, for instance. Further, the American way of life does not appear to be elitist and aims at spreading cultural products to the masses which increase economic opportunities. This model is desired by other populations, developed and developing.

Nonetheless, it has been documented that only countries that share values similar to those of the United States are more inclined to adopt products which reflect the American culture and consider them as their own; conversely, cultures with values different than those of the United States are less likely to embrace products typical of the American culture (Craig, Douglas and Bennett, 2009). Therefore, the Americanization phenomena

seems to be contingent with the predisposition of local cultures to embrace artifacts reflective of the American culture, rather than with the simple availability of these artifacts.

There is little doubt if any that the McDonaldization theory constitutes an important symbol of the homogenization perspective. It is defined as “the process whereby the principles of the fast-food restaurant are coming to dominate more and more sectors of American society and the world” (Ritzer, 1993:19). McDonaldization is the idea of a worldwide homogenization of cultures through the effects of multinational corporations. The process involves a formal consistency and logic transferred through corporate rules and regulations. The McDonaldization model refers to the principles that the McDonald’s franchise system has been able to successfully spread across borders and into the global marketplace. These principles embedded within the system are efficiency, calculability, predictability, and control. In fact, the McDonald formula is a success for the reason that it is efficient, quick and inexpensive, predictable and effective in controlling both labor and its customers.

Most important to the origins of McDonaldization is the interaction between culture and economics. Although Ritzer (1993), like Robertson (2001) recognize economic factor as forces of McDonaldization, the authors emphasize the importance to consider cultural factors. For instance, examining the fit between a culture that values efficiency and accepts a McDonaldized system is vital for companies planning to take their businesses global.

From a theoretical standpoint, McDonaldization is based on Weber’s (1927/1968) work on formal rationality. In this regard, Weber maintained that the West has been characterized by an increasing tendency towards the predominance of formally rational systems. McDonaldization represents the bureaucracy in Weber’s model of the modern development of rationalization. Further, McDonaldization refers to the far-reaching process of social change (Ritzer and Malone, 2000). It impacts social structures and institutions in its country of origin, as well as, in other developed and developing countries around the world. The McDonaldization thesis’ relevance to issues of globalization asserts that social systems in today’s society are becoming increasingly McDonaldized, and more significantly that the fundamental tenets of its principles have been successfully exported from the United States to the rest of the world. Ritzer and Malone (2000) contend that organizations in foreign markets that adopt the basic principles of the model are to an extent undergoing the process of McDonaldization. In other words, the latter is actively exporting the materialization and embodiment of that process.

It seems that the McDonaldization model has transformed the nature of consumer consumption by encouraging and compelling individuals to consume infinite amounts of goods and services. Due to the fact that McDonaldized systems are robust entities imposing themselves on local markets in other societies, these systems are drastically transforming economies and cultures along the process (Ritzer and Malone, 2000). The model’s blueprint has been put into operation in fields beyond the fast food eatery

business reaching out to the domain of higher education with the McUniversity (Parker and Jary, 1995), theme parks as Disneyworld (Bryman, 1999), politics (Turner, 1999; Beilharz, 1999) and the health care sectors. The phenomenon of being McDonaldized has transformed the many aspects of the cultures within those societies, particularly, the way people live in their environments.

Although cultural differences are unchangeable forces that breed conflict and rivalry, growing global interdependence and interconnectedness may lead toward cultural standardization and uniformization as seen with the phenomenon of “McDonaldization” (Pieterse, 1996). It should be noted that while businesses may slightly adapt to local realities, the fact is that the basic items available for customers are generally the same worldwide (Ritzer and Malone, 2000). Even more importantly is the fact that the core operating procedures remain similar in every outlet around the globe. Thus, the most important aspect of the McDonaldized systems is in how local and global businesses operate using their standardized principles. What is actually being sold is not as relevant as the activities related to how things are organized, delivered and sold to customers; it is these steps that must abide to similar sets of principles for the business to be successful in its new global context.

Despite the contribution of the McDonaldization theory in explaining implications of globalization, Pieterse (1996) stresses that fast food outlets like McDonalds and the sort are not at all culturally homogenized but rather characterized by differences that reflect culturally mixed social forms. In fact, McDonaldized systems have had to adapt in order to succeed overseas. Organizations once imported, serve different social, economic and cultural functions that all need to be custom-tailored to local conditions.

In an ethnographic study of the McDonaldization theory, Talbott (1995) examines the fast food technique at the McDonald’s fast food restaurant in Moscow and discerns that the McDonaldization method is not precise and accurate. In fact, every point substantiated by the theory turned out to have different outcomes in Moscow. For instance, the fast food outlet appeared to function inefficiently with customers waiting for hours in extensive long line-ups to get their meals served. The prices of a typical McDonald’s meal costs more than one thirds of a Russian worker’s average daily income. Talbott (1995) observed that, in opposition to what the McDonaldization theory holds about predictability, the main attraction for the Russian customer is in the diversified and unique lines of products that the chain offers not the standard menu items that one thinks they may find in Russia. The latter are not even available for the Russian customer. Further, control of the labor force is not as standardized and unvarying as presented by the theory. McDonald’s Moscow offers flexibility to their employees; for instance, the chain encourages competitions among colleagues and has special hours for workers and their families. This flexibility is also extended to Russian customers that spend hours on end socializing and chatting over teas and coffees. This would be unconceivable in a North American fast food outlet as these sorts of customer practices would be strongly discouraged by the business.

Similarly, American adaptations of the fast food principles have been observed in China, south-east Asia and India. In these areas McDonald's responds to diverse tastes as well as different customer wants and needs than their American counterparts. The *Big Mac* is most probably not a standard menu item in Delhi. Another important point to mention is the fact that these sorts of fast food outlets in these countries are not considered as junk food eateries but in fact cater to an upper middle class. The latter seek to explore new modern tastes of the fusion of food variations whether it is the mixed tastes of Chinese and American menu items or Japanese and American. These customers are far from adhering to the principle of uniformity. In Yan's (1997) work on McDonald's in Beijing, the author argues that the local will prevail over McDonaldization, Americanization, and globalization predicting that in the future, Chinese customers will not associate typical standard menu items with America but may in fact get to the point where they consider fries, nuggets and coke as local menu options (Yan 1997: 76).

The cases of McDonald in Russia and Asia evidently fall short of being considered as cultural homogenization but should rather be seen as global localization, *insiderization*, or *glocalization*, the latter term coined by Sony chairman Akio Morita to indicate the necessity for companies to look in both local and global directions when working in diverse business settings (Ohmae, 1992).

Lastly, Appadurai (1996) and Pieterse (2004) argue that cultural homogenization is too simplistic as several local cultures have demonstrated their ability to domesticate or resist foreign cultural influences. Therefore, interactions between cultures favor cultural hybridity rather than a monolithic cultural homogenization. In doing so, globalization leads to the creative amalgamations of global and local cultural traits.

7. Hybridization scenario

It is needless to mention that growing awareness of cultural differences and globalization are interdependent as awareness becomes a function of globalization (Pieterse, 1996). In fact, with the advent of international workforce mobility, cross-cultural communications, migration, international trade, tourism, and global investments, awareness of cultural differences is inevitable and of vital necessity in the current global context. In this regard, Featherstone (1990) contends that globalization defines the space in which the world's cultures merge together while generating innovative and valuable heterogeneous significance as well as culturally compelled global insights.

The process of translocal fusion and cultural mixing or hybridization is another model that touches on interactions between globalization and culture. According to the hybridization view, external and internal flows interact to create a unique cultural hybrid that encompasses components of the two (Ritzer, 2010). Barriers to external flows exist; however, although they are powerful enough to protect local cultures from being overwhelmed by external exchanges, they are not powerful enough to completely block external flows.

The main thesis of cultural hybridization is the continuous process of mixing or blending cultures. The latter resulting from the globalization of ends derived out of the integration of both the global and local (Cvetkovich and Kellner, 1997) and of new, distinctive and hybrid cultures which are fundamentally neither global nor local at their core (Ritzer, 2010). As for Robertson (2001), globalization is a complex blend or mixture of homogenization and heterogenization as opposed to a wide-ranging process of homogenization.

Pieterse (1996) argues that hybridization is in fact an offspring rooted in the breadth of racism with inferences shedding light on the existence of the *métis*, half-caste and mixed-breed. The latter standpoint opposes the doctrines of racial purity and integration of the 19th century because, according to the father of racial demography, de Gobineau, and other scholars, the idea of race-mixing with what they considered lower elements of society would eventually elevate the former in the dominant role. Based on the premise of de Gobineau's theory of the Arayn master race, it is believed that race created culture and that mixing the *white*, *black* and *yellow* races broke established barriers set in place to avoid states of chaos. Based on these premises, the regions of central Asia, south and Eastern Europe, and the Middle East and North African regions are mixed racial demographic areas.

Merging the races would inevitably cast doubt on pillars of the purity creeds, as for instance with those that relate purity with strength and sanctity. Hybridization takes the experiences that are marginalized and considered taboo and merges them with principles of nationalism, challenging the latter by taking matters beyond national borders. Merging cultural and national elements would undermine ethnicity because the very nature of the blending process would innately originate from the experiences spurred and acquired across territorial boundaries (Pieterse, 1996). In this respect, hybridization reflects a postmodern view which curtails boundaries adhering to the merging of diverse cultures. Proponents of the tenets of modernity stand for a culture of order rooted within an unambiguous separation of national boundaries. Modernists would not tolerate that hybridization vanguards effects and experiences of what Foucault (1977) termed *subjugated knowledge*.

On another note, humanity has not been inherently divided in cultural bands as those formed in the past; hence the need for an equidistant position which acknowledges the multifaceted and overwhelming nature of modern technologies while recognizing the contribution that distinctively diverse cultures bring to the new and inventive shared common space (Pieterse, 1996).

Moreover, regarding the mixing and blending of immigrants within their early settler societies, Pieterse (1996) alleges that the intermingling of this process engages both peripheral and deeply rooted cultural elements as observed with the case of North America. The author maintains that the appeal of American popular culture is defined by its mixed and nomadic characteristics, its light-hearted resilience, and its disconnection from its unequal and hostile past. Both marginal and peripheral cultural elements

intermingled with deeply rooted facets of diverse cultures blending and merging in newly varied intercultural landscapes. This eclectic blending may be the source of the subliminal and subconscious magnetism towards American pop music, film, television, and fashion. It is an effect of the intimate intermingling and collision of different ethnicities, cultures and histories (Pieterse, 1996).

Along the same lines, intercultural mingling is a deeply embedded process which is supported by Hamelink (1983:4) who remarks that: “the richest cultural traditions emerged at the meeting point of markedly different cultures, such as Sudan, Athens, the Indus Valley and Mexico”. This sheds a different light on the surface/inherent arguments for culture. It appears that some cultures have been fused and united for centuries. And thus, the mixture of cultures should be part of a *world* narrative.

Pieterse (1996) questions whether the distinction between what has been referred to as cultural grammars as a metaphor for inherent and deep-rooted cultural elements and cultural languages which are the peripheral or marginal elements of a culture can be looked at as divergences between surface and depth at all. The author infers that to address the issues raised by the hybridization theory requires a decolonization of the imagination and the need to reassess how we examined culture in terms of territory and space in the past and how we view culture in its varied global landscapes in the present and future.

Hybridization in cultural studies has also been associated with the notions of *creolization* and *glocalization* (Hannerz, 1987). The word “Creole” refers to people of mixed race but it has been extended, among each other, to the creolization of culture (Cohen, 2007). Further, glocalization, which is at the heart of hybridization, refers to the interpretation of the global and local producing unique outcomes in different geographic regions (Giulianotti and Robertson, 2007). Glocalization is reflected by the fact that the world is growing pluralistic with individuals and communities becoming innovative agents that have a tremendous power to adapt and innovate within their newly glocalised world (Robertson, 2001).

On another note, in tune with the hybridization view, Appadurai (1990) argues that globalization represents a process of both differentiation and interconnection. Therefore, the world should not be labeled as a monolithic network spreading worldwide but, rather, as a collection of partially overlapping socio-techno-cultural landscapes (Appadurai, 1990). The latter can be global and regional in nature, and marked by a particular speed of growth and direction of movement. These landscapes, which serve to examine disjunctures between economy, culture and politics, constitute diverse layers of globalization or dimensions of cultural flows. *Mediascapes* are about the flows of image and communication. *Ethnoscapes* are concerned with the flows of individuals around the world. *Ideoscapes* deal with exchanges of ideas and ideologies. *Technoscapes* refer to flows of technology and skills to create linkages between organizations around the world. *Financescapes* relate to the interactions associated with money and capital. These landscapes are independent of any given nation-state and differently affect various territories (Ritzer, 2010).

The process of hybridization is distinguished from the McDonalization theory in part due to the fact that it is not derived from pre-established theorem but has ventured into a divergent unexplored and unmarked path. While homogenization in general and McDonalization in particular evoke a victorious Americanism, hybridization is indefinite and open-ended in reference to practical experience and from a theoretical perspective (Pieterse, 1996). The theory does not correspond to an established theoretical matrix or paradigm but it conjectures a shift by virtue of its nature. The hybridization thesis stands for cultural convergence and assimilation. The theory advances cultural mixing and integration without the need to give up one's identity with cohabitation expected in the new cross-cultural prototype of difference (Pieterse, 1996). The McDonalization thesis may be interpreted as a policy of closure and apartheid (Pieterse, 1996) as outsiders are encouraged to engage in the global arena but are kept at a peripheral distance by the most dominant force in the game.

In terms of limitations, the hybridization thesis may conceal the unevenness in the process of mixing and distinctions need to be made between the different types and styles of mixing as the latter may undergo different evaluation processes in diverse cultural settings (Pieterse, 1995).

As a final thought, it appears that only the superficial elements of a culture are what are actually being mixed together. Conversely, the deeply rooted and inherent aspects of a culture are not subject to the blending and fusion. In fact, only the peripheral elements of culture actually navigate and traverse beyond borders and across national cultures via external and marginal rudiments such as cuisine, fashion styles, shopping habits, crafts, arts and entertainment. Meanwhile deeply rooted underlying assumptions, values and beliefs remain adjacent to their original cultural context.

8. Conclusion

Interactions between globalization and culture, particularly the influence of the former on the latter, constitute a contention point in the literature as various theoretical scenarios have been developed to examine these interactions.

The heterogenization view, which is also labeled differentiation, relates fundamentally to barriers that prevent flows that would contribute to the sameness of cultures. In the homogenization perspective, which is also known as convergence, barriers that prevent flows that would contribute to making cultures look alike are weaker and the global flows are stronger. In its extreme form, there is a possibility that local cultures can be shaped and overwhelmed by other more powerful cultures or even a global culture. According to the hybridization view, external flows interact with internal flows to create a unique cultural hybrid that encompasses components of the two (Ritzer, 2010).

There is no doubt that cultures get influenced and shift through contact with other cultures. However, this influence and shift does not mean cultural standardization or convergence

towards a world cultural model based on the American or the European one. Some authors have rejected the simplistic idea of homogenization and convergence (see Garrett, 1998) as there is empirical evidence that supports the fact that globalization preserves national particularities (Guillén, 2001; Zelizer, 1999). In fact, nations will maintain their variety and complexity, and cultural diversity is not endangered as cultural differences between countries are maintained. Nations get involved in cultural integration processes on a regular basis without losing their cultural peculiarities. They interpret cultural elements in light of theirs in a way that they become compatible with their culture. The adoption of a Western way of life does not mean standardization. Human societies resort to their symbolic fences in order to express their particularity and difference as a set of customs, habits, practices and productions.

To benefit from opportunities, cultures do not shut themselves off from the rest of the world, but rather they open up to other cultures in efforts to improve their social and economic capabilities. Culture openness is a phenomenon that recognizes differences between cultures, does not necessarily standardize or blend cultures and allows cultures to benefit from richness of other cultures. In the old days, individuals were subject to cultural consequences as they had to live with what their environment transmitted to them in addition to their contribution. Culture was part of individuals' destiny as it shaped their identity and future. Nowadays, individuals have access to an immense ocean of data and information which influence their socialization through acquired behaviors and attitudes. However, these acquired elements do not constitute a source of destruction to the core components of their own native culture.

It is our contention that homogenization and hybridization are concerned with cultural artifacts rather than with cultural values and underlying philosophical assumptions of a given culture. It is noteworthy to mention that the former do not impact the latter. It seems that the superficial elements of cultures such as clothing, fashion, foods, arts, music, movies and crafts are what gets transferred whereas the deeply embedded components of cultures remain contextually bound and culturally specific. Every culture maintains its cultural particularities while absorbing and interpreting cultural characteristics of other societies with which they are in contact. In fact, cultural exchanges among nations are positive as seen with the influences that global trade transactions have exerted on cultural identities. These transactions are not purely and solely destructive and negative for local cultures, they also bring about more possibilities and opportunities. In this regard, cultures are dynamic rather than static and can incorporate foreign contributions into their components without being necessarily subject to cultural domination.

Interactions between globalization and culture hold considerable implications for both societies and organizations. In this respect, economic globalization may exert an influence in reinforcing the ideology of individualism worldwide (Herriot and Scott-Jackson, 2002). As globalization promotes the flow of cultural practices and norms along with cross-border

exchanges of products and goods, both societies and organizations need to understand cultural implications of these flows in hopes for better interaction with other cultures and more efficient management of international organizations. In addition, while resorting to standardized practices across cultures, organizations need to adapt these practices in light of local cultural specificities.

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Captain Cook's Voyage Around the World – The First Steps of Globalization and the First Problems

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Additional information is available at the end of the chapter

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1. Introduction

Captain James Cook (1728-1779), between 1768-1779, took three voyages around the world.¹ Considering his reflections about the different cultures he observed and the impression he gained through his interactions, it is recognized that the aim of Cook was not only to carry out a geographical discovery, but also to spread the British culture to other nations, to impose the social, political, economic and cultural power of the British over these communities. In other words, it can be asserted that the first steps of colonialism were put into practice through the voyages of Captain Cook, who was appointed to this position by the British Admiralty. Analyzing the Secret Instructions of the Admiralty, it is clearly seen that the ultimate goal of the British was to attain the valuable mines, grains, and the seeds of fruits in these lands and to cultivate these products in Britain so as to achieve commercial and economic superiority. Moreover, another reason of these voyages was to observe the distinctive characteristics of the natives in order to take advantage of these aspects in accordance with the self-interest of the British. It is obvious that Captain Cook, compares and contrasts the life style, beliefs, traditions, educational background, and the conventional

¹ Captain James Cook, between 1768-1779, took three voyages around the world. In his first voyage (1768-1771), Cook, with Charles Green, the astronomer and the assistant at the Royal Observatory at Greenwich, Dr Solander and Mr Banks, travelled from England to Cape Horn, the islands in the South Atlantic Ocean, Tahiti across Pacific, exploring New Zealand, and Australian Continent. In his second voyage (1772-1775), with John Reinhold Forster and his son Georg Forster, German naturalists, William Hodges, an artist, together with Tobias Furneaux, the second lieutenant of Captain Wallis, Mr Wales and Mr Bayley, the astronomers, Forster discovered the unexplored islands and Antarctica, re-explored Tahiti. Moreover, since he found out that the hypothetical Terra Australis did not really exist, this voyage comes to the fore as the most significant one. Finally, in his third voyage (1776-1779), with Sir Hugh Palliser, Philip Stephens, John Montagu, the members of Royal Navy, Cook travelled around Hawaiian Islands, Sandwich Islands, North America, Alaska, and South Pacific, and was killed in Hawaii by the natives (Kodicek&Young, 1969, 51-52).

manners of the natives with those of the British, with the intention of emphasizing the power, prestige and superiority of British nation, thus he portrays the natives as uncivilized, violent, uneducated beings, whereas his own society is depicted as the source of progress and education. Therefore, Cook stresses that the natives, because of their brutal and barbarous traditions, kill both their enemies and one another, oppress women due to the norms of male-domination, corrupt the marriage institution by carrying out polygamy, force women to be submissive, as a consequence the inferiority of the natives is strengthened through such striking depictions. Cook indicates that the natives commit crimes, employ immoral actions and lead their lives in an isolated and restricted manner. His attempts to change these conventions prove that he is the representative of the colonizer, so one can observe the prejudice of the British against the natives and recognize the perspective based on the western understanding.

In this sense, the second voyage of Cook plays a very important role, since one of the fundamental reasons of this voyage was to discover the continent titled Terra Australis, which has been considered to exist in the Southern Sea since the ancient times, furthermore it has been proved that there was not such a continent and this can be regarded as one of the most significant outcomes of this voyage. Thus, as a result of this discovery, there appeared an outline of the world as a whole, therefore one of the most distinctive works, effectively reflecting this perception of the world in terms cultural dimension, belongs to Georg Forster. He was an 18 year old young man in 1722 when the voyage was initiated. Due to the efforts of his father Johann Reinhold Forster, a naturalist, Georg Forster was allowed to take the voyage with the purpose of assisting his father and making drafts. He brought approximately 600 drafts of animals and plants which have not been discovered before, but the first and the foremost, his collection, which was produced with the support of his father, including his own notes about the voyage, should be highlighted. In fact, his father was officially appointed to write the collection, but the outline of his writings was not appreciated and it was censored, as a consequence of which it could not be published, therefore Georg Forster, on behalf of his father, wrote the work titled *A Voyage round the World* and had the work published in 1777. This work, attracting the attention of public to a great extent, enables Forster not only to become a leading figure in his own period, but also to be a Professor in Kassel. What makes this work unique is that unlike Cook's composition, it is written without any prejudice against the natives in a philosophical and critical manner, so that both the traditions of natives and the social notions of the British culture are reflected in an objective style.

The work contains so many observations about various aspects of culture together with botany, biology, and geography. In this perspective, Forster states that the development of culture is based on conditions of nature, climate and geographical position and also he concludes that these environmental circumstances undeniably influence people and their culture both in a positive and negative way, so he tries to prove his thesis by giving significant examples about the cultural norms of the natives. Moreover, he regards individual as the product of his environment both in the physical and cultural sense, therefore culture is depicted as the habits acquired by these conditions. In this respect, a

society's disregarding, rejecting, and judging the culture of another is associated with the inconsistency between the cultural features of that community and those of the other one. However, Forster, despite all these discrepancies, underlines that there are striking similarities all over the world within different social structures and in the relationship of people with one another. The emphasis on this issue can enable nations to overwhelm the problems about injustice, the wide gap between the wealthy and the poor, the social position of women, colonialism, discrimination, all of which have also been recently discussed within the criticism of globalization. Considering the impact of colonialism upon Cook's voyage and regarding this voyage as the first step within the understanding of global world, one can define Forster's work as a philosophical, sociological and anthropological study including the first problems emerged as a result of globalization and also demonstrating the solutions offered to overcome these problems.

2. James Cook

2.1. The real aim of Cook's voyages

Analyzing the observations of James Cook about the different cultures he had interaction with and taking his approach to the inhabitants into consideration, it is obvious that Cook not only aimed at achieving a geographical discovery, but he also wanted to broaden the minds of natives about British culture by replacing the social and cultural norms² of these people with the ones belonging to the British culture. Thus, it can be affirmed that the voyages of Captain Cook play a very important role in initiating the first steps of colonialism. Captain Cook, appointed to his position by the British Admiralty, was asked to explore the undiscovered parts of the world and to reach the mines, seeds and the grains that would contribute to British trade and economics. Furthermore, another aim of Cook's voyages was to recognize the common aspects of the natives so as to make use of these inhabitants and to prove the colonial power of the British (Rose, 1929, 105). Therefore, it is apparent that Captain Cook, in a critical and evaluative manner, analyzes the living conditions, belief systems, cultural habits, and the distinctive attitudes of the natives, as a consequence of which he asserts the superiority of the British. In other words, while he depicts the inhabitants as ignorant, barbarous and wild beings, his own community is reflected as the centre of enlightenment and development, so Cook underlines that the natives, due to their barbarity and ignorance, kill human beings, impose their dominance over women as a result of male hegemony, prevent women from participating in social life and proving their capabilities, degenerate the marriage institution by employing polygamy, hence these examples strengthen the negative image of the natives. Moreover, with the intention of indicating the corruption in these communities, J. Cook highlights that the natives do not hesitate to commit crimes and to spread immorality over their societies.

² The natives' manners of speaking, eating, praying, together with their traditions such as polygamy and polytheism, were criticized by Cook, who attempted to eliminate the regional habits of inhabitants and to teach them the British norms of marriage, religion, and the civilized public manners, so the personal identity, in other words, individuality of these dwellers was ignored for the sake of colonial understanding.

Considering Cook's attempts to alter the actions and understandings of these people in accordance with the British notions, it is obvious that as a representative of the British colonizer, Cook was charged for the voyages, so within the narration of Cook, the biased views of the British about the natives can be observed.

2.2. Cook's relationship with native people

Considering Captain Cook's observations about the native people he met during his second voyage, one can clearly see that he regards the native people as uncivilized, uneducated, and violent, therefore he emphasizes that they should be educated in accordance with the manners of European civilization, which is seen as the source of enlightenment. This proves that he affirms the superiority of the western culture, the British civilization, by considering the natives to be brutal due to lack of education, as recognized in the text:

"The sight of the head, and the relation of the above circumstances, struck me with horror and filled my mind with indignation against these cannibals. Curiosity, however, got the better of my indignation, especially when I considered that it would avail but little, and being desirous of becoming an eye-witness of a fact which many doubted, I ordered a piece of the flesh to be broiled, and brought to the quarter-deck, where one of the cannibals ate it with surprising avidity." (Cook, 1821, 436)

It is obvious that the native people are defined as cannibals, barbarous and brutal beings, as a consequence of which Cook stresses his superiority by focusing on the inferiority of the natives. Because of their isolation from the civilized life and their alienation to the opportunities of the world, they are not accustomed to the European people's way of life, so even eating a broiled piece of flesh is an extraordinary situation for the natives. It justifies that Cook describes them as the other since they do not have the civilized manners of the western public. Thus, it is apparent that Cook cannot get rid of his imperialist view. Owing to this voyage, the British, as an imperial country, came to the fore and achieved gaining colonial power in New Zealand, Australia, California, and British Colombia in the nineteenth century (Waters, 1968, 162). As a British, he feels himself as the colonizer while he regards the others as the colonized. He is the one who brings light and the source of civilization to the individuals who have a restricted life, however in Cook's perspective even if the colonizer makes attempt to reform the attitudes, to broaden the mind of the colonized, it is hardly possible for these natives to change their outlook as observed in the quotation:

"Next morning, I made the natives another visit, accompanied by Mr Forster and Mr Hodges, carrying with me various articles which I presented them with, and which they received with a great deal of indifference, except hatcheta and spike-nails; these they most esteemed. [...] we saw the whole family. It consisted of the man, his two wives (as we supposed) [...]" (1821, 371)

The approach of the inhabitants to the objects brought by Captain Cook should be taken into consideration, because C. Cook criticizes the indifference of the people to these materials as he thinks that due to their lack of education, they are unaware of the importance and

benefits of these products. The items attracted their attention are hatchet and spike-nails,³ since they know that they can make use of them while dealing with their tasks. Although it is normal for them not to be interested in the other articles, C. Cook finds it unusual. He asserts that the goods that can be used in modern life are more important and beneficial than the primitive ones such as hatchet and spike nails. Therefore, he represents the imperial British view and behaves as a colonizer, who aims at altering the perspective of the colonized to life. Furthermore, another criticism about these people is related to the dominance of patriarchy and their freedom in terms of sexuality, so Cook says that as far as Mr Forster, Mr Hodges, the other participants of the voyage, and he himself suggest, after observing the relationship of the native man with the other two women, they have supposed that he has two wives. It reflects the male-domination in society and the vulnerability of women because of the superior position attributed to the males. Nevertheless, Cook, rather than considering the influence of the environmental conditions upon the behaviours of these people, merely focuses on the inequality between man and woman in order to judge their primitive manners. As Beaglehole also suggests, he sheds light on the life of natives in a sceptical manner, in other words he does not take anything for granted due to his mistrust in inhabitants (1956, 424). He criticizes the inferior position attributed to females by the patriarchs in society by giving examples about the corruption in terms of marriage, sexuality, and the concept of morality in these words:

“That there are prostitutes here, as well as in other countries, is very true, perhaps more in proportion [...].But the truth is, the woman who becomes a prostitute does not seem, in their opinion, to have committed a crime of so deep a dye as to exclude her from the esteem and society of the community in general.” (1821, 415)

What should be emphasized about the quotation is that the transmission of prostitution is not seen as a crime but as a way of life according to the male dominated society, because they themselves have sexual affairs with these women and to satisfy themselves sexually they do not condemn this profession and disrespect the prostitutes. Cook highlights that the corruption among the natives becomes an ordinary custom, which demonstrates the spread of degeneration in society. In this sense, Cook dwells on the gender problem and attacks the prejudice against the females by stressing that, “[g]reat injustice has been done to the women of Otaheite, and the Society isles [...]” (414). However, while illustrating the problems, he cannot take the situation into account in an objective way without any biased view, because as a Western man he thinks that the values, life styles, ideologies, cultural habits and beliefs of the British are superior to the others’ notions, so he unconsciously humiliates the primitive traditions of the ‘other’ who are defined as uncivilized. Analyzing Cook’s portrayal, in most of the parts of his work, it is clear that he does not consider the impact of environmental factors and restricted atmosphere upon the habits of dwellers, as a

³ Hatchet and spike nails attracted the attention of the inhabitants, since they could benefit from these materials while building their houses, constructing their boats, repairing their wooden objects, protecting themselves in nature. It proves that the wild life and isolation from the opportunities of modern world forced them to become accustomed to a primitive way of life. However, Cook, rather than explaining this fact as an outcome of their living conditions, criticized their interest in traditional materials.

consequence he finds out the practices, which are inconsistent with those carried out in Britain, and regards them as brutal and abnormal. Since he cannot forget his origin and background within his depictions, his comments on the different practices employed by the residents of the islands show his prejudice against the ‘other.’ For example, Cook explains the dominance of male population in public as seen in the excerpt:

“The inhabitants of the island do not seem to exceed six or seven hundred souls; and above two-thirds of those we saw were males. They either have but few females among them, or else many were restrained from making their appearance during our stay; for though we saw nothing to induce us to believe the men were of a jealous disposition, or the women afraid to appear in public, something of this kind was probably the case.” (1821, 453)

As the two-thirds population of the island consists of males, Cook claims that it is due to the narrow-mindedness and jealousy of men or women’s fear to be seen by the others in public. He states that though they have not noticed anything related to jealousy of males or females’ worries about appearing in public, he stresses that either of them must be the case. It justifies the prejudice of the British against the inhabitants of the island. Both of the claims despise the natives in terms of their perspective to situations and their approach to one another; in this respect as a western man, Cook defines the society of those people as underdeveloped and socially corrupted, so the imperialists argue that it is the European people who have brought the light of education and progress to the uncivilized, however the people on the island also consider the western to be a threat and the cause of a disease for which they could not find a cure as it is emphasized:

“The Otaheiteans complained of a disease communicated to them by the people in this [Spaniard ship] ship, which they said affected the head, throat, and stomach, and at length killed them[...]. I should have concluded that, long before these islanders were visited by Europeans, this, or some disease which is near akin to it, had existed amongst them. [...]. These people are, and were before the Europeans visited them, very subject to scrofulous diseases; so that a seaman might easily mistake one disorder for another.” (1821, 412)

In this respect, as a western man, Cook represents the other Europeans by putting the blame on the inhabitants of Otaheite. The spread of disease among the natives is said to have been dominant before the arrival of the Europeans, in other words western people cannot cause such a serious disease, since they see themselves as saviours who have the mission to educate, civilize and to reform the ‘savage’ man. So, according to Cook, only natives, due to their isolation from the modern life and its opportunities, and because of their restricted knowledge of science and medicine, could not heal that malady. Ironically enough, despite his complaints about the actions of those people, he continues to discover the unexplored parts of the world, because one of the reasons of this voyage was to find out the profitable lands that could be cultivated for the benefit of British commerce (Gough, 1989,217), as a result while Cook criticizes the public for their violence and barbarity, he does not give up exploring the land of those people. In the light of the issues discussed, it can explicitly be affirmed that in spite of the advantages the British tries to benefit from, they do not hesitate

to indicate the brutality and savagery of the inhabitants, thus negative aspects of life are attributed to the primitive people as it can be deduced in the quotation below:

"[...]I went to the place myself, when I learnt that one of the inhabitants had been very troublesome and insolent. This man, being pointed out to me, completely equipped in the war habit with a club in each hand, as he seemed bent on mischief, I took these from him, broke them before his eyes, and, with some difficulty forced him to retire from the place." (1821, 405)

One of the inhabitants' attempting to attack Captain Cook, the representative of the European man, is described by Cook himself. His depicting the native man through the adjectives "troublesome" and "insolent" shows that he aims at proving that the attacker is a 'savage,' whose violent and brutal manners should be reformed, therefore Cook's taking the sticks from him and breaking them before his eyes portray that he feels it necessary to educate that man. His achieving to calm down the 'brutal' man and to prevent him from employing his violence is reflected in the following excerpt:

"After the first transports of his grief were over, he began to expostulate with his people, telling them, (as far as we could understand) how well I had treated them, both in this and my former voyage, and how base it was in them to commit such actions." (1821, 406)

Thus, Cook states that the intention of European people is not to give harm but to improve the condition of the 'ignorant' and to rehabilitate them by changing their wrongdoings into good behaviour. Furthermore, although the western men do not know the language of the natives, they claim that the inhabitants see the western people as civilized beings who have good intentions and they can conclude that such an attempt to attack the European is debasing. So according to his own perspective, Cook interprets the situations and dialogues, as a consequence he justifies the actions of himself and the people accompanying him whereas he portrays the 'other' as ferocious, impolite, ill-mannered beings; thus "the tragic clash of cultures"⁴ (Stoddart, 1997, 537) plays a very important role in the progress of Cook's diary, in this sense, while dwelling on these cultural contradictions, he behaves as a colonizer who tries to change the self-identity of the colonized so that one can conclude that the first steps of colonialism could be recognized in Cook's demonstration of natives' life.

2.3. Cook's reflections

As western people regard themselves as more learned, refined and enlightened, Cook, as a European man, thinks that the inhabitants practise wrong applications not only in terms of social and cultural manners, but also in terms of religion. Human sacrifice for the sake of

⁴ The clash between the cultures is defined as tragic as a result of the conflicts, problems, lack of communication that came into view within the process of interaction. Throughout the voyage, the inability of the British to empathize with the native people, to accept their individuality, to respect their culture, causes serious contradictions between the British and the natives. Thus, rather than establishing peace, order and enlightenment, Cook and his companions, try to change the personal identity of the inhabitants, which makes their encounter a tragic one.

gods is questioned and criticized by Cook, since according to Christianity, there is no human sacrifice for god and there is no polytheism, therefore the natives are condemned as they kill innocent people for the sake of their religious understanding, as a result of which they are depicted as barbarous and cruel individuals who could not broaden their minds and visions to life. The dialogue below between Cook and the inhabitants proves the differences between these two cultures in terms of religion:

“As I had some reason to believe, that amongst their religious customs, human sacrifices were sometimes considered as necessary [...].I then asked, If they sacrificed men to the Eatua? He answered Taata eno; that is, bad men they did, first Tipperahy, or beating them till they were dead. I then asked him, If good men were put to death in this manner? His answer was No, only Taata eno. I asked him if any Earees were? He said, they had hogs to give to the Eatua, and again repeated Taatu eno. I next asked, If Towtows, that is, servants or slaves, who had no hogs, dogs, or fowls, but yet were good men, if they were sacrificed to the Eatua? His answer was No, only bad men. I asked him several more questions, and all his answers seemed to tend to this one point, that men for certain crimes were condemned to be sacrificed to the gods[...].” (1821, 413)

The dwellers’ sacrificing the ‘bad’ men by beating them until they die is analyzed by Cook. First of all, the concept of ‘good’ and ‘bad’ is said to be determined by those people according to their unquestioned traditions, which makes Cook irritated. Secondly, in order not to be sacrificed, they can give their animals to be sacrificed, which is another practice of religion problematized by Cook, and finally what is under analysis is criminals’ being murdered for the sake of their gods. All of these habits show that isolation from the outside world, the constrained life people have been leading with their own values, doctrines, and regulations make them determine their own laws. Cook, rather than focusing on the reasons that lead these persons to these practices, denounces their wild and primitive manners, so he cannot leave his British origin behind and cannot deal with the attitudes of the ‘other’ objectively, so while shedding light on their different traditions, he attacks their brutality. In this outlook, their barbarity is strengthened with several examples, which portray these individuals as violent creatures. For instance, their murdering a man against whom a priest has an antipathy (1821, 414) is expressed so as to indicate their ignorance and their blindly committing crimes without any hesitation. In addition to killing people for the sake of religion, they are also said to be accustomed to stealing, which is another crime that must be punished according to Cook:

“The night before, one of the natives attempting to steal a water-cask from the watering place, he was caught in the act [...]. I expostulated with Otoo on the conduct of this man, and of his people in general; telling him, that neither I, nor any of my people, took anything from them, without fist paying for it. [...]. I, moreover, told him, that the punishing this man would be the means of saving the lives of others of his people, by deterring them from committing crimes in this nature [...].” (1821, 467)

One of the natives’ being caught while stealing a water-cask is described by Cook, who tries to teach the man not to steal by saying that European people do not take something without

paying for it. Although his intention seems to be good, his attempts to convince the others to punish him justify that he regards himself as the decision-maker and law-giver. He thinks that if this 'immoral' man was not condemned to punishment, the other natives would go on stealing, so as a warning to the others, he must be punished. It would be worth discussing the manner of Cook in this situation, because even if he makes a criticism about their putting their own rules into practice, he himself also tries to interfere with their regulations and change them in accordance with his own western understanding. Even though he does not belong to that community, he makes an effort to rule and dominate them culturally, socially and politically, consequently he represents the western philosophy, which affirms the superiority of the European and underlines the necessity to educate and civilize the 'brutal.'

3. Georg Forster

3.1. Philosophical description of the journey

The second voyage of Captain Cook comes to the fore as more significant than the other two voyages in terms of its aim and results. What makes this voyage very significant is that the naturalist, Johann Reinhold Forster was appointed to reflect his observations about the voyage in an objective way by making a scientific research. But, as it will be highlighted in the paper, it was Georg Forster, the son of J.R. Forster, who wrote his reflections about the voyage. When J.R. Forster was selected by the British Admiralty in 1772 to take part in the second voyage of Captain Cook, his son Georg was 18 years old.⁵ The goal of the voyage was to go to the South Sea, which was explored by Cook between 1768-1771, to reach New Zealand from Cape of Good Hope, and to discover Easter Island from Polynesia and Melanesia, and finally to arrive in Cape of Good Hope again from Tierra del Fuego with the intention of returning to England in the end. J.R. Forster, who was asked to prepare a scientific report about the voyage after his return, only demanded to bring his son to the voyage as a draft maker.

During this voyage, the South Sea would deeply be explored, moreover it would be discovered whether the continent supposed to have existed in this region really existed or not. It was claimed that Terra Australis, the continent that could be seen in the maps that belonged to the Ancient period and Medieval Times, was thought to extend from India to the South Pole (Küchler-Williams, 2004, 17). By the end of this voyage, it would be proved that such a continent which was regarded as establishing the balance of the world, did not exist (Forster, 1877, 133). Another important result of this voyage was the emergence of a

⁵ Georg Forster, when he was eleven, with his father, went to Russia in 1765. The mission was initiated by Katherina II, and the purpose was to analyze the condition of the German colonies. During this period, which lasted more than a year, Forster not only supported his father, but also received education in St. Petersburg in the field of maths, history and geography and also learnt Latin, French, and Russian. The father, Forster, before their return to Germany, went to England and started to work in the Warrington Academy, where his son, in the following years, would take courses about drawing, and a year later the other members of the family came to England (Uhlig, 2004, 25). Johann Reinhold Forster, owing to his good relationships with people and due to his studies in the field of naturalism, was chosen, instead of Joseph Banks, to participate in Captain Cook's second voyage (Forster, 1877, 694).

very significant study that could be considered to be a turning point in the field of travel literature and also to be one of the most significant compositions belonging to the Age of Enlightenment (Neumann, 2005, 75.). When the work that would be written by J.R. Forster was subjected to some obstacles, it was composed in 1777 by his son George Forster, who entitled the work as *A Voyage Round the World*.

“He was told that if he meant to preserve his claim to half the profit arising from the plates which the Board of Admiralty provided, he must conform to the letter of the agreement; and though he had always considered himself as sent out chiefly with a view to write the history of the voyage, he acquiesced for the benefit of his family, and strictly confined himself to the publication of his unconnected philosophical observations made in the course of the voyage.” (Forster, 1877, 7)

The manuscripts J.R. Forster sent to the Admiralty for revision were not rejected in the beginning, but it was suggested that it should be analyzed by an English in terms of language and style. This suggestion was regarded as a censure by J.R. Forster, so since Georg Forster was disillusioned by the frustration of his father, he decided to compose the work on behalf of his father so as to motivate him. In order to achieve his goal, he made use of the diaries of his father and his own drafts, approximately 600 drawings.⁶ Forster, who had the chance to observe Captain Cook’s journals, stressed that he did not prefer to make use of Cook’s work, since Cook subjectively focused on the details about the natives, which could not be correlated with the philosophical perspective of Forster. For example, the following excerpt by Forster shows that he deals with his task in an analytical, systematic and objective manner:

“The seaman views many objects on shore with retrospect to maritime affairs, whilst the other attends to their economical uses. In short, the different branches of science which we have studied, our turns of mind, our heads and hearts have made a difference in our sensations, reflections, and expressions.” (Forster, 1877, 8)

Therefore, it is clear that the aim of Forster is to discuss the outcomes of the voyage in a philosophical manner, because he thinks that due to the rise of enlightenment in his society, a romantic disposition within narration cannot appeal to the readers of his period. Moreover, the most important target of Forster is to express his opinions and observations without any prejudice, so he underlines that the praise and attacks in his reflections do not contain any biased view in terms of nationality, therefore he emphasizes that he treats everyone as an equal in an objective manner (Forster, 1877, 10). Forster highlights that he collected the data about his experiences related to his voyage and effectively combined them with one another so that his work would be a turning point for the other travel books, because he believes that all of the prejudices and subjective viewpoints should be eliminated within narrations, since he aims at replacing the biased views of the authors with a scientific

⁶ These drawings were sold by Forster in order to provide the cost of the work’s publication and only several years ago they were found in the Natural History Museum, and then published in Germany (Georg Forster *Reise um die Welt Illustriert von eigener Hand; Mit einem biographischen Essay von Klaus Harpprecht und einem Nachwort von Frank Vorpahl*. Frankfurt am Main: Eichborn-Verlag, 2007).

and an objective outlook that can broaden the minds of people and enlarge their vision to life.⁷ However he was aware of the fact that it would be hard to carry out these principles throughout the process of his writing:

“I have sometimes obeyed the powerful dictates of my heart, and given voice to my feelings; for, as I do not pretend to be free from the weaknesses common to my fellow creatures, it was necessary for every reader to know the colour of the glass through which I looked. Of this at least I am certain, that a gloomy livid tinge hath never clouded my sight.” (Forster, 1877, 9)

It proves that Forster is not indifferent to his weaknesses, some of which can also be recognized in his work. Moreover, these flaws justifying the impossibility to depict facts in a totally objective way and not to be under the impact of cultural values (Hall, 2008, 109). This situation is based on a perspective which affirms that varieties in terms of scientific methods, the minds and the emotions of people, lead to the differences about their feelings, observations and their statements. It can be stated that Forster supports a progressive, humanist, global, totally eurocentric perspective by paying attention to morality and religion under the influence of his father.

3.2. The reasons of cultural differences

Forster's work, which discusses philosophically Cook's second voyage around the world, also includes many botanical, biological, and especially geographical depictions. But, what is foregrounded in his work is the portrayal of people, their living conditions, their relationship with their environment, and particularly their cultural notions. Some depictions and observations contain a literary quality⁸, however the author asserts that he does not prefer to add extra fictional details to his work, since there is no need to elevate such a culturally colourful voyage of discovery with fiction, as a consequence Forster's work acquires both scientific validity and literary subtlety (Martin, 2004, 1637). In that period, travel literature became one of the most basic genres of literature and this aspect enabled this genre to emerge as the most important means of communication among cultures. Therefore, works like *A Voyage Round the World* can be regarded as documents that portray, in global terms, the interaction between different cultures and that demonstrate the transfer of cultural values (Frank, 2006, 9). The most significant point that distinguishes Forster's work from the other works of travel literature is that it consists of the first positive and

⁷ It should be taken into consideration that when Forster produced such a scientific, objective and comprehensive work in the light of his own observations, he was a very young man at the age of twenty without any university degree, and was brought up by his father, who worked as a priest, naturalist and as a teacher.

⁸ The following examples prove the literary aspect of Forster's work. The first quotation reflects the first impressions and feelings of Forster when he first saw the Island of Tahiti: “In the evening, about sun-set, we plainly saw the mountains of that desirable island, lying before us, half emerging from the gilded clouds on the horizon.” (Forster, 2000, 141-142). When they returned to the island after eight months, that glamorous island was more exotic: “Early in the morning I awoke, and was as much surprised at the beauty of the prospect, as if I had never beheld it before. It was indeed infinitely more beautiful at present, than it had been eight months ago, owing to the difference of the season. The forests on the mountains were all clad in fresh foliage, and gloried in many variegated hues; and even the lower hills were not entirely destitute of pleasing spots, and covered with herbage” (Forster, 2000, 348).

negative reflections of a global world perception and it affirms that there has been nearly no place in the world that has not been discovered. Thus, in the work, together with the environmental aspects of the geographies discovered, the cultural notions of the inhabitants have been compared and contrasted with the western culture, and the philosophical content of this work made people read it not only in the era it was written but also in the following centuries. Forster's observations about individuals and their culture, his perception of those cultures and the way how he depicts them, as well as his knowledge related to nature, have established the background and the basis of many critical writings about the discussions of globalism carried out in contemporary world. The author deals with such concepts as culture and civilization with a new approach with his criticism about the eurocentric viewpoint. The work can be read as a product of humanist philosophy, which does not regard a culture as superior to the other, from the most developed to the least primitive.

In the light of the issues discussed, Forster's study, about the people on the islands of the South Sea, whose culture has been portrayed as idealized since the middle of the 18th century, plays a very important part in terms of cultural analysis. Since the publication of the travel book (1771) of Louis-Antoine de Bougainville, the first French who travelled around the world (1766-69), especially the South Sea of Tahiti was regarded as a heaven and the inhabitants were considered to be 'noble savages,' who were in the beginning of the civilizing process (Hall, 2008, 43). This region, so far away from Europe, made Forster critically compare and contrast the cultural habits he recognized there with those belonging to Europe. These comparisons and contrasts were based on the social structure, power relations, religion, traditions, language and cultural aspects. In accordance with his reflections, Forster concludes that the nations of the world do not differ from one another in terms of structure, but the difference from one individual to the other is associated with the capability of people to survive in any environment in any condition, even "in the burning sands of Africa, and in the frozen extremities of the globe" (Forster, 1877, 623). In all of these communities, some significant characteristics such as inequality, greed, the desire to dominate, and to impose pressure can be observed in some respects. Forster explains this fact by indicating that human beings establish similar life styles everywhere, but the cultural values that come into view as a result of social structures vary. As can be seen in the quotation below, the cultural differences are based on different factors. For instance, Forster, realizing the skills of the Tahitian people in a different kind of music, which does not consist of any melodies, expresses his feeling in this manner:

"The effect of these notes, without variety or order, was only a kind of drowsy hum, which could not indeed hurt the ear by its discordant sounds, but made no pleasing impression on our minds. It is surprising that the taste for music should be so general all over the world, when the ideas of harmony among different nations are so distinct! Charmed with the picture of real happiness, which was thus exhibited before us". (Forster, 1877, 623)

Although he utters these expressions, he does not regard his own culture as superior in terms of the progress people have experienced. He claims that every culture is equal to the other, since culture is a product of habits which come to the fore as a consequence of education and

particularly many environmental factors. In another work he produced in the following years, (*Über lokale und allgemeine Bildung*, 1791), owing to the knowledge and experiences he gained through this voyage, he effectively defines the characteristics of individuals and the culture they have established. He thinks that the status of human beings in the universe totally depends on the local factors in their environments. Climate, the geographical position of the region, the height of the mountains, the way the rivers flow, the features of the soil, the species and variety of plants and animals, somehow restrict people or make them free in terms of some aspects, so all of these elements have a considerable impact upon individuals from the shape of their bodies to their moral values (Forster, 1963, 45). Thus, culture, which has become a habit in time, is a process of education directly related to regional circumstances. In his work, Forster exemplifies the effect of the aspects, restricted to a specific region, on the physical state and moral notions of people. For instance, he emphasizes that on Madeira Island, common people's having big feet is due to "the efforts they are obliged to make in climbing the craggy paths of this mountainous country" (Forster, 1877, 25). Moreover, Forster highlights another similar situation about the impact of local conditions upon people; for example the violent warriors in New Zealand, and peaceful and mild public of Tahiti have different attitudes and behaviours in spite of the same origin they come from. The provincial characteristics have made individuals in New Zealand cannibals, whereas Tahiti, Forster's second home, in his own words, is the country of inhabitants who do not make so much effort to survive, since nature offers them everything they need, so they hardly have such emotions as domination, fierce, greed, and jealousy. Similarly, while the foreigners coming to Tahiti are warmly and friendly greeted, citizens from Europe are faced with timidity and envy on the islands of New Zealand with so many rocks even if these surroundings are not so far away from Tahiti, and according to Forster, this discrepancy is:

"Owing to the difficulty of preserving their existence from the scanty provisions on their narrow circle, and which may be heightened by the consciousness that their small numbers render them liable to oppression." (Forster, 1877, 141)

Forster asserts that the fertile lands in Tahiti and its warm climate enable the growth of nutritious products so that Tahitian people are healthy, happy and harmoniously living together without any worry about the future.

"This climate, and its salubrious productions, contribute to the strength and the elegance of their form. They are all well-proportioned, and some would have been selected by Phidias or Praxiteles, as models of masculine beauty. Their features are sweet, and unruffled by violent passions. Their large eyes, their arched eyebrows, and high forehead, give a noble air to their heads, which are adorned by strong beards, and a comely growth of hair. These, as well as their beautiful teeth, are the proofs of vigour, and of a sound habit of body." (Forster, 1877, 380)

In this angle, Forster assumes that considering the New Zealanders who have many enemies and who do not have productive lands, it can be asserted that due to the insufficiencies in the environment inhabitants have an inclination to cannibalism, since as a consequence of starvation and poverty, human beings may adopt different actions and approaches. In New

Zealand, since life is based on killing the enemy and eating the flesh of the dead person because of rage, the natives have realized that they can be healthy if they taste the flesh of the corpses, thus Forster asserts that those killing their enemies have begun to eat the dead bodies, so it has turned out to be a habit. Accordingly, civilized people's disgust of human beings' flesh is related to their education.

3.3. Social criticism

Analyzing the importance of education in one's perception of life, it can be asserted that the education the European people have received is such a kind of ironical educational process that Forster expresses his perspective about the western culture by making self-criticism: "Though we are too much polished to be cannibals, we do not find it unnaturally and savagely cruel to take the field, and to cut one another's throats by thousands, without a single motive" (Forster, 1877, 380). In this sense, Forster's criticism against his own nation is also associated with the sailors. He states that due to the way how they were brought up, the seamen who cannot even imagine the idea of eating the flesh of an individual, can employ so much barbarity, which can be regarded as worse than cannibalism. Although Forster does not criticize the practices of colonialism inflicted by people from Holland in Africa, dwelling on his discourse, he can even be seen as among the anti-colonialists of his period. His tendency to learn the language of native people he has come across in his voyages, to compare and contrast their language with the other ones, to employ the original names of these places instead of the phrases used by the European sailors, and to support the inhabitants who are peacefully leading their lives despite their isolation from the outside world, all of these, prove that he is an anti-colonialist. Forster, going one step further, affirms that the relationship between the European with the natives on the islands of the South Sea should be hindered:

"It were indeed sincerely to be wished, that the intercourse which has lately subsisted between Europeans and the natives of the South Sea islands may be broken off in time, before the corruption of manners which unhappily characterises civilized regions, may reach that innocent race of men, who live here fortunate in their ignorance and simplicity." (Forster, 1877, 168)

Forster also begins to question that how the Europeans cannot achieve eliminating their inclination to destruction, violence, and cruelty in spite of their knowledge and their ability to analyze and evaluate, in other words, he employs a social criticism. Furthermore, Forster observing the foreign cultures, recognizes the irrational situations belonging to his own culture. In this sense, he emphasizes different nations' different manners of eating. He centres on people's consumption of pork in Europe although the taste of dog meat is similar to lamb, which has also been consumed by many people, and in spite of the fast fertilization of dogs, they do not want to consume the dog meat. While the meat of the dirtiest animal, according to many cultures, is without any hesitation eaten, people disgust dog meat, and Forster explains this situation by referring to the impact of education upon the acquisition of habits. Forster states that the same tendency can be recognized within the consumption

habits of animals and indicates that the dogs in New Zealand consume their own species as the inhabitants have the same custom. In other words, not only the people but also the animals are cannibals there. Similarly, Forster also declares that the dogs on the islands of the South Sea are regarded as the silliest animal, whereas in Europe they are considered to be animals with special capabilities, and he explains this contradiction in this way: "But it is owing to the time we spend on the education of dogs, that they acquire those eminent qualities which attach them so much to us" (Forster, 1877, 134).

Forster thinks that European individuals' rejecting to eat dogs should be questioned as it is an irrational attitude, however he himself, under the influence of his father's Protestant moral values (Nuemann, 2005, 78), inevitably represents his father's strict religious principles, which may be defined as irrational by another culture. For example, he finds it difficult to accept the nakedness of Tahitian women and their freedom in terms of their sexual understanding. The Tahitian females belonging to all social classes, in exchange for some bed covers or clothes, do not resist fulfilling the sexual desires of sailors. In New Zealand the situation is worse, since women, with the confirmation of their fathers or brothers, cannot say no to the seaman's immoral proposals for only some nails or for a shirt. When the inhabitants have realized that by this way they can attain the useful tools and materials of the Europeans, they begin to sell their wives and daughters to the sailors for sexual slavery when they want to get rid of them. It is a usual tradition, because a single girl before marriage can have more than one boyfriend. Thus those who are not subjected to this corrupted system are merely the married women who are expected to be loyal to their husbands. According to Forster, the degenerated way of life, in other words, the spread of prostitution is the negative outcome of the interaction between the two cultures, so he questions whether it is the natives or the Europeans who cause the problem. Even though he cannot reach an absolute conclusion, he implies that both sides are responsible for this system, since he believes that on the one side "the members of a civilized society, who could act such a brutal part", on the other side "the barbarians who could force their own women to submit to such indignity" can be seen (Forster, 1877, 121). In this respect, Forster gives more striking examples so as to prove that he lost his belief about the possibility to see people having created a heaven-like environment. The scene in which a fat man and his two servants prepare the table for Forster causes him to lose his hopes about a society equality and justice have been somehow established:

"We had flattered ourselves with the pleasing fancy of having found at least one little spot of the world, where a whole nation, without being lawless barbarians, aimed at a certain frugal equality in their way of living, and whose hours of enjoyment were justly proportioned to those of labour and rest (Forster, 1877, 41). Our disappointment was therefore very great, when we saw a luxurious individual spending his life in the most sluggish inactivity, and without one benefit to society, like the privileged parasites of more civilized climates, fattening on the superfluous produce of the soil, of which he robbed the labouring multitude." (Forster, 1877, 165)

Towards the end of the voyage, after seeing Tierra del Fuego, on the south of the Strait of Magellan, where people who are not civilized and developed enough to protect themselves

from cold and to provide themselves with sufficient food, Forster totally changes his mind related to the state of happiness and concludes that the European citizens are more pleased with their life than these people who constituted their own primitive way of life (Forster, 1877, 632). Forster, in the last chapter of his work, defines these inhabitants as human beings “who follow the impulse of their senses, without knowing the nature or name of virtue” (684). But, this remark is valid not only for these natives but also for Tahitian people who have polytheistic belief system despite their heaven-like life with their highly developed living style and traditions. According to Forster, the noticeable shortcoming of these human beings is that they do not adopt a religious belief system based on only one exalted God, in other words they do not have monotheistic religion. The basic principle and the source of morality in the west, which is one’s devoting himself/herself to merely one God, cannot be observed among the inhabitants of the islands, since they are so preoccupied with providing their basic needs that they have no time for dwelling on the fundamental principles of religion. In spite of their limited capabilities about evaluative thinking, they tried to improve themselves in the field of religion, nevertheless they could just achieve establishing “a system of polytheism as ever was invented” (Forster, 1877, 398). All of these observations made Forster regard religion as the primary notion of morality, as a consequence of which the relationship of individual with religion is defined by Forster as essential to attain moral values. However, towards the end of the 18th century, people’s relationship with reason and knowledge, instead of with religion, was the ultimate criteria (Küchker-Williams, 2004, 31). One can recognize that Forster also puts the 18th century philosophy into practice in his reflections, but his statements that disillusioned people are associated with his devotion to his own faith. Therefore, it can be claimed that Forster supports both knowledge and religion for the progress, prosperity and the future of a society, however he could not see the combination of these notions on the islands he visited. Particularly, his emphasis on the importance of knowledge can be recognized throughout his work. He thinks that the focus on knowledge makes it easier to learn about nature and to adapt to the conditions in nature, so the tools in the hands of the European, which are depicted as a part of civilization, knowledge and development by Forster, and the reaction of the people on these islands to these materials, according to Forster, play a very important role in portraying the culture of these people. For example, Forster claims that a man from New Zealand, who realizes the importance of shovels and big nails, learns to use them, so he is an intelligent person, whereas people leading their lives in a dehumanized way, lack intelligence:

“They seemed totally insensible of the superiority of our situation, and did not once, with a single gesture, express their admiration of the ship, and its many great and remarkable objects.” (Forster, 1877, 630)

Furthermore, Forster, so as to broaden the minds of these people, believes that they must have interaction with the English culture, so he demonstrates his views about the transportation of a native, in Tahiti, named O-Mai, to England. O-Mai, who was brought back to Tahiti during the third voyage, was introduced to the English upper class during his stay in England “and presented at court amidst a brilliant circle of the first nobility” (Forster, 1877, 10), but he could not focus on the habits of English, which could be useful

for his own nation. Forster thinks that his lack of concentration is related to his child-like evaluation capability. Like a child, he only dwelt on satisfying his instincts, however despite this weakness, Forster emphasizes the necessity to make an effort to educate this native man, so he tries to say that we should do our best “to improve his moral character, to teach him our exalted ideas of virtue, and the sublime principles of revealed religion” (Forster, 1877, 11).

Forster, emphasizes these eurocentric opinions which seem irrational, also in his essay *Über lokale und allgemeine Bildung*, which he produced in the following years, and also states that the knowledge belonging to Europe is in fact not original, since it is a treasure collected from the whole world. In European culture, the distinctive features of the natives may not be so apparent, but all of the traditions and the principles of Europe have not been established by the Europeans themselves, so it cannot be denied that its culture is the combination of other cultures (Forster, 1963, 48). Forster indicates that the knowledge that came to the fore as a consequence of the Enlightenment of Europe has been gathered from different parts of the world, so the progress experienced by Europe as a result of their focus on knowledge should be shared with the natives, who need to acquire a new perspective to life through knowledge. So the voyage of Forster enables him to realize that there are so many people who require knowledge to survive, consequently one must help these people so as to fulfil the necessities of humanism. For this reason, Forster's attending this voyage of discovery has been considered to be a very beneficial and progressive step for humanity (Forster, 1877, 12). However, Forster stresses that those who would support these people must not impose the understanding of colonialism on these inhabitants, so the aid that would be brought to the natives should be based on just helping individuals gain the positive outcomes of leading a civilized and a moral life and contributing to the establishment of a more prosperous and peaceful living condition. Forster, at the end of the voyage, realized that a civilized, developed and educated society is better than a community destined to a primitive life: “The superiority of a state of civilization over that of barbarism could not be more clearly stated, than by the alterations and improvements we had made in this place” (Forster, 1877, 105).

4. Conclusion

Considering these voyages of discovery to be the first steps of globalization, one can point out that the problems about this process were scientifically analyzed by Forster. The most serious of these problems was the wide gap among different citizens of the world in terms of their economic condition, which has not been solved yet in our contemporary age. The solution Forster offered to this problem can be summarized in this manner: Those who were responsible for creating and broadening this wide gap due to their superiority in terms of knowledge and skills, as a result of the necessities of humanism and civilization, should support the ones who needed urgent help, but Forster was not sure whether or not such a support was essential for the public on the islands of the South Sea, who were leading a peaceful life, because he thought that such extensive knowledge and capability of thinking have not led European people to positive results. He was highly influenced during the

voyage by the immoral and ego-centric manners of the European sailors, and it was not the ideal Europe Forster imagined, therefore he suggested that the inhabitants and the European on the islands should not have a relationship with one another (Forster, 2000, 200), because the life of the natives did not consist of past or future but just present with limited concepts and objects. As such an isolated life would be unpleasant, boring and unbearable for European people, who have been familiar with so many materials and notions, would destroy that peaceful environment due to their progress in terms of education and social structure.

Finally, comparing and contrasting the narration of Cook about the second voyage with the reflections of Forster related to the same voyage, it is clearly seen that while Cook cannot leave his British background behind, Forster achieves a more objective and philosophical portrayal of cultural multiplicity. Cook, commenting on the social life and cultural norms of the natives with prejudice, comes to the fore as a representative of British colonizer, whose ultimate goal is to dominate the language, religion, ideology, and the traditions of the colonized. However, Forster, in most of his observations, accomplishes to portray a more realistic panorama of different cultures, as a result of which his work can be regarded as a collection focusing on the distinctive features of different communities and dealing with the different way of life belonging to these groups of people. In this sense, Forster sheds light on the unexplored parts of the world by dwelling on the inhabitants' living manners, whereas Cook emphasizes the necessity to alter these people's habits and practices, which are considered to be wrong and immoral according to the western understanding. In this respect, similar problems can also be recognized in contemporary societies, as a consequence of the attempts to establish the structure of a global world, in which different cultures have close interaction with one another, therefore Captain Cook's voyage can be regarded not only as a voyage of discovery, but also the first steps of globalization and its problems, which have not solved even in contemporary world. Thus, it is clear that through time not Forster's, but Cook's understanding has been put into practice, therefore one can conclude that in contemporary age different cultures have been experiencing a difficulty to accept and respect the cultural values, ideologies and social manners of each other, so the perspective of modern people to different cultures is similar to the viewpoint of Cook. Although there are some institutions and people supporting the ideology of Forster, their notions have not been appreciated by a wide range of groups. In this sense, it can be asserted that Cook's understanding, from the very beginning, has been respected and put into effect. The outlook, which rejects the values of different cultures, disrespects their way of life, comes to the fore as a result of the feeling of superiority, thus those regarding themselves superior attempt to change and civilize all the principles that do not coincide with their own morals, therefore this ego-centric aspect of many western societies can also be observed in economics; consequently, within the globalization process, the insufficiencies and the problems which emerged from the beginning of this process, have influenced the approach of individuals in contemporary communities to different values belonging to different cultures, thus the conflicts and struggles among these groups have not resolved yet due to lack of communication, cooperation, respect, solidarity and empathy among these individuals.

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Globalization, Olympism, Sport and Multiculturality – Reality or Necessity

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Additional information is available at the end of the chapter

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1. Introduction

By means of our approach, we will try to bring to light the main demands and restrictions that have lain and will continue to lie at the basis of the evolution and of the confrontation, of the purpose and of the goals of the Olympic Movement, of sports in general, and their connection with the problems of mankind from the perspective of globalization. From this perspective, one of the premises of our approach starts from the fact that, by comparison to the past, mankind has reached the *wall*, this aspect being highlighted by the recent unprecedented population growth and by the inhabitation of the most unexpected Earth areas (recently, we have recorded 7 billion inhabitants). At the same time, given the existing means of communication and transport, namely given the compression of time and space, the human individual has become *homo planetarium* being present anywhere and anytime, in this way getting to reach the limits of any delimitation that man has ever wanted to know and to experiment professionally, emotionally or affectively. Yet, this phenomenon is nothing new. In 1955, A. Gregg stated, for instance, that "The Earth has cancer, and the cancer is man"; 19 years later, in *Mankind at the Turning Point*, J. Clifford stated that "suddenly...the world has found itself faced with a series of unprecedented crises... The intensity of the crisis appeared in the world's global development... can only be solved in a global context". Then, we attained the concept of "organic growth", which later on became, after many transformations, the concept of "sustainable development", concepts that are still evolving.

So, *globalization* is becoming a process of increased interdependence among societies and people on an economic, political, cultural and social level. Trade ties, battles, migration and culture have been present everywhere in mankind's history. The recent globalization process has delivered from chains and brought independence to many people from different parts of the Globe.

Doubtlessly, the most important sports competitions, by the enthusiasm they generate, do promote a strong social, economic and educational interaction; sometimes the impact that sport events have may be stronger than all the texts of any political conventions. The friends of sports organize contests or participate in them as simple spectators, accepting without reserve democratic procedures, international treaties, rules and relations based on common goals and values.

The Olympic Games have been around for about 3000 years in the history of mankind. Now, it is hard to imagine the changes that have taken place in society, state, education, technology and even religion. Remarkable is the fact that the Olympic idea, a theory of certain ideals related to a certain lifestyle, has remained practically unchanged during all this incredible period, preserving the humanitarian goals expressed in values such as Freedom, Justice and Equality.

The Olympic competition supposes the mutual knowledge of one another's history, and accepting others, a political concept of respect for the native country, which rejects any attempt of getting people to fuse. Today, this competition is a spectacular evidence of the physical, intellectual, economic, technological realizations of mankind on a global scale.

After the 15th edition, of 1952, from Helsinki, all the artistic actions, namely music, dancing, theatre shows and art exhibitions organized in the Olympic country and city, have represented attraction points for the hundreds of thousands of tourists arrived here, which proves that sports is an efficient instrument for combining culture and exercise with the desire to know new physical-geographic and historical areas, unknown up to that moment.

Often, on the agenda of the world's official and unofficial institutions, it was possible to find the Olympic Movement issue, the aspects brought to light being rather those related to the organization and completion of the different editions of the Olympic Games. However, the Olympic contest has had a significant popularity, the offer for organizing the summer or winter Olympic competitions becoming increasingly generous and the administrative, economic, sportive, cultural and educative activities of the International Olympic Committee becoming more and more numerous. The aims of this world organization has benefited of the attention of other global organizations, namely UNO, UNESCO and UNICEF. The Olympic city has become an international one, and the Olympic competition, to which sportsmen, trainers, officials, journalists and other people of over 200 states take part (Athens 2004, Beijing 2008), has become a universal one, which, beside the above-mentioned details, constitutes as well a good opportunity of sustainable development of the tourist infrastructures and not only. This manner of advertising has determined the amendment of the Olympic Charter by the Olympic forum (IOC), out of the desire to complete it with principles related to ecology and to the preservation of the Earth's biodiversity. So, the cities hosting the Olympic Games or other regional, European or world sports competitions are becoming development models, trying to produce no damaging effects on the environment.

At the same time, the financial policy of the international Olympic forum has got the cities of different sizes from countries all over the world, dreaming of the possibility of successfully hosting the Olympic Games and, on the other hand, has assured the required resources needed to support sports for all whenever that is necessary, giving an increased attention and assistance to the cultural programs, from which the sports activities proposed by the host cities are not missing.

The Larousse Encyclopedia (1995) defines *culture* as a term coming from the Latin *cultura*, which means general cultivation, especially of the human skills. Physical culture is defined by *The Terminology of Physical Education and Sports (Terminologia educației fizice și sportului)* (1974) as a domain of universal culture synthesizing the categories, the laws, the institutions and the material goods created for valorizing physical exercise, in order to complete man's biological and, implicitly, spiritual potential. This notion has a more restrained circulation value, being used to highlight general effects of the concentric use of all the constituent elements.

The main sense attributed to sports culture by the same work is that, as an essential part of the universal culture, it synthesizes the categories, the laws, the institutions and the material goods created for an intensive valorization of the physical exercise in competition, the final goal being to obtain supremacy or a record, following man's biological and spiritual improvement. We consider that, today, the interrelation sport-culture is beginning to no longer be considered an elitist phenomenon and, little by little, this relation is becoming general and accepted as an expression of cultural internationalization.

At the same time, for the media, the Olympic contest is becoming one of the best opportunities to test technological novelties, which proves the economic and communicational complexity of these modern social phenomena. Television represents one of the valuable revenue sources for the Olympic Movement but also for advertizing the country and city organizing the Olympic events, as well as their cultural and historical-geographic identity. We should approach this aspect from a longer temporal perspective, as the host country and especially city can become at any moment spots of tourist attraction: often those who participated as spectators feel the desire to return, often joined by other fellows willing to know the places where the best sportsmen in the world competed to obtain the Olympic crown. For a better perception of the phenomenon, of the desire to become Olympic hosts, in the table below, we shall present the list of the candidate and winner cities that prevailed in time in the contest for obtaining this status.

The data from Table 1 show that the obtaining of the status of host city for the modern Olympic competition has been constantly disputed, especially by cities from countries with a capitalist government. The only exception was Moscow in 1980, being the only metropolis situated on the other side of the *iron curtain*. The decision of organizing the 22nd edition on the territory of the former USSR was taken out of the desire to calm down the impetus of the political supremacy of the *cold war* period, which has amplified even more the pacifist ideal of the International Olympic Movement, demonstrating its apolitical character.

Edition - year	Candidate cities	Winner city
I - 1896	Designated by IOC	Athens (Greece)
II - 1900	Designated by IOC	Paris (France)
III - 1904	Chicago (USA), Saint Louis (USA)	Saint Louis
IV - 1908	London (Great Britain), Berlin (Germany), Milano (Italy), Rome (Italy)	London
V - 1912	Stockholm (Sweden)	Stockholm
VI - 1916	The Olympic Games were not organized because of the First World War	
VII - 1920	Anvers (Belgium), Amsterdam (Holland), Lyon (France)	Anvers (Belgium)
VIII - 1924	Paris (France), Amsterdam (Holland), Barcelona (Spain), Los Angeles (USA), Prague (Czechoslovakia), Rome (Italy)	Paris
IX - 1928	Amsterdam (Holland), Los Angeles (USA)	Amsterdam
X - 1932	Los Angeles (USA)	Los Angeles
XI - 1936	Berlin (Germany), Barcelona (Spain)	Berlin
XII - 1940	The Olympic Games were not organized because of the Second World War	
XIII - 1944	The Olympic Games were not organized because of the Second World War	
XIV - 1948	London (Great Britain), Baltimore (USA), Lausanne (Switzerland), Los Angeles (USA), Minneapolis (USA), Philadelphia (USA)	London
XV - 1952	Helsinki (Finland), Los Angeles (USA), Amsterdam (Holland), Minneapolis (USA), Detroit (USA), Chicago (USA), Philadelphia (USA)	Helsinki
XVI - 1956	Melbourne (Australia), Stockholm (Sweden), Buenos Aires (Argentina), Los Angeles (USA), Detroit (USA), Mexico City (Mexico), Chicago (USA), Minneapolis (USA), Philadelphia (USA), San Francisco (USA)	Melbourne - Stockholm
XVII - 1960	Roma (Italy), Lausanne (Switzerland), Detroit (USA), Budapest (P.R. Hungary), Brussels (Belgium), Mexico City (Mexico), Tokyo (Japan)	Rome
XVIII - 1964	Tokyo (Japan), Detroit (USA), Vienna (Austria), Brussels (Belgium)	Tokyo
XIX - 1968	Mexico City (Mexico), Detroit (USA), Lyon (France), Buenos Aires (Argentina)	Mexico City
XX - 1972	Munich (Germany), Detroit (USA), Madrid (Spain), Montreal (Canada)	Munich
XXI - 1976	Montreal (Canada), Los Angeles (USA), Moscow (USSR)	Montreal
XXII - 1980	Moscow (USSR), Los Angeles (USA)	Moscow
XXIII - 1984	Los Angeles (USA)	Los Angeles
XXIV - 1988	Seoul (South Korea), Nagoya (Japan)	Seoul
XXV - 1992	Barcelona (Spain), Amsterdam (Holland), Belgrade (Yugoslavia), Birmingham (Great Britain), Brisbane (Australia), Paris (France)	Barcelona

Edition - year	Candidate cities	Winner city
XXVI - 1996 Anniversary edition	Atlanta (USA), Athens (Greece), Belgrade (Yugoslavia), Manchester (Great Britain), Melbourne (Australia), Toronto (Canada)	Atlanta
XXVII - 2000	Sydney (Australia), Beijing (People's Republic of China), Berlin (Germany), Istanbul (Turkey), Manchester (Great Britain)	Sydney
XXVIII - 2004	Athens (Greece), Buenos Aires (Argentina), Cape Town (South Africa), Rome (Italy), Stockholm (Sweden)	Athens
XXIX - 2008	Toronto (Canada), Istanbul (Turkey), Paris (France), Osaka (Japan), Beijing (China)	Beijing
XXX - 2012	London (England), Madrid (Spain), Moscow (Russia), New York (USA), Paris (France)	London
XXXI - 2016	Chicago (SUA), Tokyo (Japan), Madrid (Spain), Rio de Janeiro (Brazil)	Rio de Janeiro
XXXII - 2020	Madrid (Spain), Tokyo (Japan), Istanbul (Turkey), Doha (Qatar), Baku (Azerbaijan)	The designation will take place in September 2013

Table 1. Candidate cities and winners of the status of host of the modern Summer Olympic Games

2. Globalization and Olympism - A possible incursion into the future through the past

Since the 16th-18th centuries until today, in the history of mankind, one can distinguish two major periods of huge changes, the Modern period, reaching up to the end of the First World War, and the Contemporary period, beginning with the year 1918. Industrialization and urbanization, alphabetization and the intensification of the social-cultural exchanges, the constitution of certain states oriented towards national development represent a few of the important features of this period of affirmation of the liberal capitalism.

Globalization constitutes the *young* top term of the moment, the most mediated and probably the least understood concept of this millennium. It could be just an *accident*, a transitory period on the scale of the future. Ecologists, human rights defenders, groups of farmers and third world citizens call this term at the encounters of the world powers' elite, wherever they take place throughout the world. At the same time, economists and journalists specialized in business fill entire bookshelves and tomes proclaiming *globalization* as a historical inevitability. The phenomenon is much older, the great geographic discoveries being the ones that established it as a new chance, laying the foundations of the European imperialism, substantiated in an intense fight, as the English, the French, the Dutch, the Spanish, the Portuguese, the Belgians, the Germans and later on the Americans became possessors of lands that later on came to be known as *the third world*. So, colonialism has been considered the brand and the essence of the globalization phenomenon, namely

the discovery of new lands allowing an easy access to raw matters and at the same time their exploitation through the cheap labor of the local people. At the same time, the colonies provided a dumping area for the excess of products obtained by their holders. During a ten year period, 1860-1870, the global trade exploded: the richness of the colonies was going towards the great metropolises of the then and of today's world. The awareness of this reality was substantiated in the investments made for the construction of railroads, ports, roads or new towns, the *globalization* of those times, substantiated in the transfers of capital from *north* to *south*, being much more obvious towards the end of 1890 than at the end of 1990. The year 1913, the climax of the economic integration due to cheap transports, recorded a higher export ratio meant for the great metropolises compared to the exports that took place in 1999 (Ellwood, W. 2001). The two World Wars during which the European powers and Japan eroded each other from a human and material viewpoint constituted for the USA the key moment to take over the control and to universalize all the actions by imposing the American spirit, which is not equal to an American empire, but to a domination whose result is freedom of action and expression for all those who will democratically fill the Earth with "in God we trust". Under these circumstances, the Americans of *European origin*, and not just them, have returned to Europe and have entered Japan. Aware of the marketing principles, they have created a monopoly over low-cost transports and over the possibilities of efficient communication; in this sense, the immense market of the anticommunist block and the competition with the Soviet Block were a favorable environment.

It is to the history of these periods recalled above that we shall attach the internationalization of the sports activities as well, namely of the Olympic Games, a process in line with that of global *modernization*, which began in the 18th century Western Europe. We cannot proceed without mentioning that, a century ago, great pedagogues such as Jan Amos Komenski (1592-1670) and John Locke (1632-1704) tried to apply the principles of an integral education, highlighting the beneficial role of physical education. In England, body exercises were promoted, becoming sports such as tennis, football, fight, boxing, running, etc. Visiting England in 1772, Voltaire (1694-1778) was surprised by the contests taking place there and exclaimed: "*I was under the impression that I had been taken to Olympia.*" (N. Postolache, 2004).

So, we can say that the promotion of sports and the modernization of the Olympic Games was and is a continual process, begun long before the period 1892-1896, reflecting the will to fulfill the needs of the new generation concerning this cultural act, namely the right of Modernism to be found as well in the area of Olympism and in the activities of physical education and sports.

So, the period from the end of the 18th century and the beginning of the 19th century marks as well the passage to the creation of some crystallized, multilaterally oriented physical education systems, in which one can notice the influence of the Greek gymnasium and the resuming, one way or another, of some of the activities of the Antique palaestra. From this perspective, several remarkable figures were Per Henrik Ling (1776-1839), the creator of the

Swedish gymnastics, and the Englishman Thomas Arnold (1795-1842), rector of the College of Rugby.

At the same time, the promotion of Olympism and the renaissance of the Olympic Games were given an impetus as well by the archeological researches undertaken in the area of Old Greece. In 1723 and then in 1726, there were proposals to carry out excavations on the bank of the Alpheios River, but they were not approved of. It was only in 1805 and 1807 that a few English archeologists, following some summary diggings, dug out the first remains of the sanctuary from Olympia, and were able to draw a sketch of Zeus' temple. More thorough researches were carried out in 1829, yielding valuable results, despite their duration of just six weeks. The archeological diggings were resumed with proficiency by the team of the German archeologist Ernst Curtius, who, after six years of work (1875-1881), managed to bring to light a series of valuable objects related to the contests from Olympia.

In the meantime, however, the fascinating idea of organizing some modern Olympic Games won new supporters and set into motion significant material means. The first large action related to the Renaissance of the Old Games was carried out in 1859, following the initiative and the financial efforts of Evangelos Zappas (1800-1865). Born in Greece, Zappas had settled in Romania in 1833, being granted (on his demand) the Romanian citizenship in 1844. He became the owner of an estate and a cereal merchant, gathering a considerable fortune. His will, bearing the date of November 30, 1860, authenticated by the authorities from Broșteni, reads: "*...All these revenues from my properties with houses and others, except for the 400 (four hundred) shares of the ship company, which I dedicated to the expenses for the quadrennial Olympics exhibition and which the Administration of Wills (Clirodotimaton) will take care to provide in time to be used wherever they are needed... [will go to my cousin Constantin Zappas] (translation from Romanian)*"; the will goes on by mentioning: "*He [Constantine Zappas, the executor of this will) has the responsibility to build the Olympics' Establishment and its arena according to all the rules of the art and spacious, in agreement to the plan that I sent to Mr. Rangabi and to its copy which I have here*". Zappas had in view the construction of an exhibition complex called Zappeion, with multiple functions: market place, exhibitions, areas for cultural activities and sports. And so "*...Evangelos Zappas leaves the life tenancy of his real estate to his cousin Constantin Zappas, and its legal ownership to an Administration from Greece meant to recreate the Olympic Games*" (Bucur -Ionescu, Maria, coord. (2002).

The Games foreseen by Zappas were largely in accordance to the model of those of the Antiquity and were limited to a Greek participation, a fact shown clearly in his memo of 1858, addressed to the king of Greece, by which he proposed "the restoration of the Olympic Games, so as to be celebrated every four years, according to the teachings of the old Greeks, our ancestors". They were held in Athens in 1859, 1870, 1875, 1888 and 1889, comprising as well artistic contests or different exhibitions. The opinions of different researchers of the Olympic phenomenon are divided when they refer to the success of these Games (later on called "pan-Hellenic" or "pre-Olympic"), yet these opinions converge towards recognizing in Zappas their initiator and their supporter, as well as his contribution to the impetus needed for the renaissance of the modern Olympic Games (Zamarovsky, 1988).

Under these circumstances, in order for Olympism to become truly functional on an international scale, it was necessary for someone to get concretely involved in such a process; this historical responsibility was assumed by France, in agreement to its cultural tradition, whose specific feature is universality. Out of the people who wrote about the history of Olympism, few pondered on the difficulties encountered by France in its approach related to the management of the modernization and universalization of the Olympic Games; in exchange, they overcharged Pierre de Coubertin with initiatives and responsibilities, often starting their comments with certain statements from this Frenchman's late works and especially with his declaration following the success of Ernst Curtis, which reads: "Germany found the material remains of Olympia; why couldn't France resuscitate its spirit and its splendors?" .

Yet, beyond this declaration, we discover France's discontent regarding the attitude of Greece, which had conceded the right to excavate at Olympia to Germany and not to France. So, we notice that the Olympism was bringing to light the French-German antagonism, which had not vanished completely by the end of the 1870 war. At the same time, trying to explain to ourselves the difficulties of the moment, we can state that the existence of the four Central and Eastern Europe empires (German, Austrian-Hungarian, Ottoman and Russian), truly multinational states by their different development levels and external & cultural policies, did not provide favorable conditions for the resuming of the Olympic Games under the aegis of France.

At the same time, England, Greece, Germany, Romania, Sweden etc., which were states that had promoted an intense national Olympic movement within their boundaries until then, out of their desire to preserve their identity, were feeling justified in slowing down the process of universalization of the Olympic Games, being aware that, in order to become international, you necessarily have to go through the stage of being truly national. Even Greece, the mother-country of Olympism, which, by the honor granted to it, namely to organize the Olympic Games in 1896, also became part of the history of the modern *universal* civilization, went dramatically astray from this road, organizing once again in Athens, in the middle of an Olympiad (1906), its own Games, demonstrating once again that traditionalism remains a specifically modern historical phenomenon. This is why it was necessary for numerous intellectuals and for the liberal elites of these countries to support the consolidation of the road to the modernization and universalization of the Olympic Games, for the full integration of the Olympism in the modern European civilization (N. Postolache, 2004).

The founders of the Olympic Games from the end of the 19th century, who were actually very numerous, structured the Olympic type of Games according to the patterns to which they had assisted themselves until 1890, in Athens. In the harmonization of these forms, a certain role was played by the celebration, for the first time, beginning with 1890, of the day of Mai 1, as an international day celebrating workers' solidarity, first in England, Belgium, Germany, Romania, Hungary, Spain, and then, during the following years, also in France, Serbia, Greece etc. Three years later, in the summer of 1893, it was a century since Guts-

Muths, in his work *Gymnastics for Youth*, launched the idea of the renaissance of the Olympic Games, which meant a reiteration of an older German proposition. In Bucharest, during the same period, Olympic festivities of gymnastics, running, canoeing etc. were organized as support and adhesion to the idea of renaissance of the Olympic Games. The glory of the German archeologists was to be matched by that of the French people through their actions undertaken in support of the reorganization of the modern international Olympic Games; yet, for this, it was necessary to go over the concept of distinctiveness that the Olympism had held until then and to definitively instate the unifying principles (Pehoiu C., 2006).

As a product of the liberalism characteristic for the end of the 19th century, Pierre de Frédi, Baron de Coubertin (1863-1937) brought to light the main historical values of Olympism, which he then passed on to the liberal humanism of his epoch: equality of chances, fair play, justice, respect for the other etc. To these, he added the values of mutual understanding, autonomy, perfection, rationality, in brief, universal values that the modern Olympic movement aims to cultivate as goods pertaining to the entire world. In this sense, beginning with November 1892, Coubertin's spirit was to be conquered by the camp of those who, in Europe and in America, were thinking about the outline of the modern sports and of the Olympic movement. After the travels from England and Ireland (Edinburgh), 1883 and 1885-1887, dedicated to the study of their educative system, including that of physical education (J.P. Boulogre, p. 7-12), he gathered a very well documented material meant to lay at the basis of the reform of the French educative system. From here resulted his first books: *L'Education en Angleterre* (Education in England), Paris Hachette, 1888, and *L'Education anglaise en France* (English Education in France), appeared a year later. During the same year of his debut as an author, Coubertin founded in Paris the Commission for the promotion of physical exercises in education (Comité pour la Propagation des Exercices Physiques dans l'Education) whose general secretary he became (Norbert Müller, p. 23). He then visited numerous schools from France, disseminating the Anglo-Saxon experience that encouraged the creation of sports clubs in the educational institutions. During the autumn of 1889, Coubertin visited the universities from six American and two Canadian towns (Montreal and Toronto) and also took part to the Boston Congress on university sports as envoy of the French government.

His admiration for the future American president (1901-1909), the republican Theodore Roosevelt, and the friendship joining him to professor William Miligan Sloane, from the University of Princeton, were presented by Pierre de Coubertin, along with the results of his visit in the USA, in the book *Universités transatlantiques*, appeared in Paris in 1890. During the same year, the Union of the French Societies of Athletic Sports (Union des Sociétés Françaises de Sports Athlétiques) was created in Paris, Coubertin being one of its main founders. A talented writer, Coubertin published, under the pseudonym of Georges Hohrod, the book *Roman d'un Rallié*, Paris, "Nouvelle Revue", 1897, a novel whose action unfolds almost exclusively in the United States (Pehoiu C., 2006).

In October 1890, he was again in England, at Much Wenlock, as a guest of doctor William Penny Brookes, who, in his honor, organized at that point national Olympic Games, the last

ones in England's experience. As he had reached the age of 81, Brookes wanted to pass on the Olympic torch into the hand of France, by initiating Coubertin concerning this event (David Young, p. 79).

On November 25, 1892, when in the amphitheatre from Sorbonne everybody was celebrating five years since the creation of the Union whose leader he was, Pierre de Coubertin was ending his presentation entitled "Les exercices physiques dans le monde moderne" with the most optimistic thoughts: "We need to internationalize sports, we need to organize Olympic Games!" (Pierre de Coubertin, p. 75). It was the first time when this Frenchman of Italian origin, who had become the apostle of the Hellenism of the stadium, made public his proposition related to the renaissance of the Olympic Games.

Such propositions had been made before as well, yet not from such a high tribune as the amphitheatre of the famous Parisian university. It is here that the lack of unity that had dominated the Olympism until then, making its presence felt in national Olympic-style Games (at Rondeau-France, in some German cities, at Ramlosa-Sweden, Much Wenlock - Wales), Birmingham or Wellington - Great Britain, Bucharest - Romania, Athens - Greece) – until the 1890s – was to be brought to an end. The local, federal, national Olympic contests had done their job concerning the cultivation of the tradition instituted at Olympia. Yet, during this last phase, they risked turning into testimonies of the non-universalization of this civilizational element, menaced by petrification in the national molds and prescriptions. Even if such games were closer to the original ones, those of the Greeks, so of just one nation, Coubertin later explained that "he had considered necessary that the Olympic Games be resumed as a supreme consecration of the cult of sports practice, in the purest spirit of true sport". The explanation is not satisfactory, that is why we need to add to it the results of the archeological excavations from Olympia, which were benefiting of a worldwide scientific echo during this period. They had important repercussions on the European Olympic movement, which aimed to reform the physical education and the sports of the Modern Era. But, this was happening not just in Europe and in the United States, where by virtue of certain events from their history, there were countries interwoven with the Western spirit, but also in the territories under the influence of two more great cultural traditions: India's and China's. Zikoro Kano, for instance, was the Asian homologue of Coubertin, yet the Japanese (who had become a member of the I.O.C.) was preaching at that time educative values that were considered nationalistic.

In direct relation to the economic modernization, a new pastime conception accompanied by an unprecedented population growth (especially in Europe and in the U.S.A.) and the development of the urban area and civilization, there appears a specific environment, which was absolutely necessary for the practice of sports and the organization of international contests.

France, England and Germany (the latter unified as well in 1871, one year after the unification of Italy) are the states that were most affected by industrialization and urbanization. During this period, the Asian civilizations took over many elements of the modern European *lifestyle* and philosophical and moral values. The Church receives a strong

challenge from state institutions, scientific theories and ideological beliefs, but it will soon get adapted to the modernization process. It is only with capitalism or rather with its birth that art, culture, sports embraced larger and larger shares of the public, of any age and gender, which stimulated the tendency of the human nature towards competition and stating one's primacy as a common human feature. The glory of the coronation on the stadium, as once at Olympia, a privilege of the old Greeks that had set them apart among the peoples of the Antiquity, was rediscovered, becoming an international gain.

Slowly but surely, the Olympism that had reached the modern period of the European civilization was to flow over the Atlantic, to the USA and Canada, its values and ideas of sacred peace, fair-play, humanism, individual freedom, honor etc. conquering the entire earth.

At least during the last two decennia of the 19th century, the ideas related to Olympism were under a continuous migration, leading to the gradual but permanent disappearance from the Olympic movement of any trace of political, economic, sportive, spiritual regionalism that could have prevented its globalization.

At the same time, the 1880s mark as well the beginning of the great European colonial expansion, which, by the end of the year 1914, led to the transformation of the South-East of Asia, of Oceania and of India into colonies. Other regions, such as Persia or China were divided into areas of influence as England, France, Germany, Italy, Belgium, Holland, Portugal, Russia, and by the end of the 19th century the United States and Japan had become true empires or colonial powers. The consequences of this colonial expansion will be felt as well in the advertizing of sports but also in the organization of the modern Olympic Games, these countries being in fact the ones that organized the first editions of these contests in their capitals.

In front of the new challenges faced by mankind, namely the scientific impetus and the concept of long healthy living, the Olympic Movement had to adapt objectively, the need to add new elements being obvious. Among these elements, the universalization of the paradigms related to Olympism proved to be the way of no return. So, the period that we have referred to had the possibility to provide civilization with a model of Olympic Games, this time "not as a celebration of just one people, but of the sportsmen from all over the world" (V. Bănciulescu, p. 48). It is the moment when, through the organization and the development of these great periodical programmed international competitions, which were a means of mutual understanding and closeness, more active than the barriers separating them, the Olympic stadium and the sports activity in general were to meet the requirements of the value system for which they had been created.

So, *globalization* is the result of a deep economic and social restructuring of the world that used to be divided into three parts. So, more and more countries or groups of countries got to the point of being able to organize an edition of the Olympic Games, at least economically. So, globalization can be seen from the perspective of a dialectic process in which a tendency is always balanced by an antithetic countertendency: on the one hand, this possibility weakens the division of the tripartite world, and on the other hand, the differences continue to grow on a world scale. At the beginning of the 20th century, the periodical international Games, enriched with new features specific for the modern period,

meant to annul the exclusive domination of a nation, of the male gender, of a single city etc., will truly become Olympic, *comprising all the continents*.

The transformations recorded worldwide have had and will continue to have a certain effect on the financial sources of the Olympic Games institution as well. Actually, they have become a sports event called the “Olympic Games Made in the World”. The role of one large national economy, as the unique basis for the organization and financing of the Olympic Games has begun to waver. Here, many people see a chance for cities from all the continents to host the Olympic Games and ask that the Games be urgently held in an African city, as the dream of organizing them in a South-American city has already been fulfilled (Table 1).

3. Globalization and sport-related activity

Globalization refers to a process of increased independence among societies and people on an economic, political, cultural and social level. Trade connections, fights, migration and culture are present everywhere in the history of mankind. The recent globalization process has determined new links in the interdependence chains that have always connected people all over the world.

So, today mankind is experiencing an intensification of the ongoing globalization process, which increases the speed of time and diminishes the space, giving it a higher degree of interdependence and increasing the world’s significance as a whole.

The actions accompanying man in time, related to his existential needs, were naturally joined by the desire of physiological relaxation and at the same time by the aspiration to obtain a victory in the confrontation with his fellows. This idea was later on called by the Englishmen, *sport* (through the nominalization of the Latin verb *disportare*, which meant *to relax, to have fun*).

Modern sport is connected to this global network of interdependent relations and can only be understood regarded in this context. First of all, it exhorts us to adopt a historical and comparative approach, to appreciate the context in which the global sports model is situated. Here are five associated dimensions of the domains under analysis in the context of globalization :

- people's international mobility (sportsmen, trainers etc.);
- technological optimization and efficiency increase (equipment and facilities);
- economic problems (prizes in money, approvals, marketing);
- mass-media contribution (promoting transnational sports personalities);
- ideological dimension (ideas transcending the national, regional or international ideologies, such as Olympism).

A complex contradictory multidimensional process, globalization seems to be the main feature of the present development, as it refers to the spatial extension of the relations, processes and structures of any nature. This is why, the increasing globalization of the

financial resources meant to promote sports and Olympism and the organization and deployment of regional, continental or worldwide competitions is substantiated by spatial, quantitative, qualitative and intensity changes; the first refer to the spectators, TV spectators of sports shows from different world regions, which highlights as well the increase of the number of participant nations as well as the number of the countries in which the Olympic competition is broadcasted on TV. At the same time, the spatial character of sports globalization and of the Olympic Movement is also brought to light by the fact that more and more *developed* geographic regions have the financial possibility and the desire and political support to enroll in the contest for obtaining the status of organizer of the Olympic Games or of the World Championships.

From a quantitative perspective, the changes appear outside the area of the financial resources, in the increase of the sums of money meant for financing the Olympic competition directed to the organizing city, which sums come from all over the world, as a result of TV rights and sponsoring, Olympic programs, ticket sales, tourism, trade etc. Along with this aspect, we can notice the manifestation of the professional quality of the Olympic Movement, in direct relation to a growing efficiency, better development conditions from one edition to the next, all of these being the result of the easier information and goods exchange among the host cities.

Starting from the fact that the promotion of globalization has the purpose of sharing economic and social benefits among countries and their populations, **by acting in this sense, the sports and Olympic movement – as supporters of globalization – have obtained enviable results.** On an international level, the two movements generally have an important role in the approaches carried out in the sense of keeping the world peace, maintaining the sustainability of the relations among nations, facilitating the promotion of the sportive and cultural international ideal. By the extension they acquired beginning with the year 1896, the year when the Olympic Games were resumed, sport has progressed significantly in the area of knowledge as well as in the social, financial, political and economic areas, which happened, among others, because of the existence of an efficient management system, whose results have improved from one year to the next.

Spatial changes	Quantitative changes
more TV broadcasts more tickets sold	more global financing
more participant countries	more efficiency by means of exchanges service quality growth increase of the informational technology flow - more communication
more Olympic tourists from all the countries	
more potential host countries	more money circulating among the continents

Table 2. Spatial and quantitative changes with a global impact

So, we can notice that through the promotion of new governance models in sports, applied by one country or the other, a rapid and sustainable success of the domain under discussion has been assured. From this perspective, in time, two categories of governance methods have been delineated: an *interventionist one* (Romania, France, Italy, Croatia, Ukraine, Russia, Latvia, Slovenia etc.) and, at the opposite pole, a model with *non-interventionist* features (England, Austria, Finland, Germany, Norway, USA etc.), the differences between them being given by the presence of different structures and of certain demands and criteria for granting the funds imposed by a certain specific legislation, the last one assuring a greater flexibility (requiring no modifications in the sense of an adaptation at the appearance or adoption of new sports branches and contests), a rapid financing and a rearrangement of the sports organizations. At the same time, the sportive movement can be controlled by a governance or the other through the facilitation of public financing, without neglecting the private one, a behavior adopted by most European countries and supported, on the one hand, by the *European Sport Charter, art. 12*, and, on the other hand, by the awareness concerning the state's role in the recognition of sports values as components of the national traditions and culture, in the shaping of a healthy lifestyle and the increase of the quality of the citizens' life.

As far as the financing of the Olympic Movement is concerned, an important role in this sense goes to the Olympic Solidarity. Founded in 1961, this structure of the International Olympic Committee (CIO) has the mission to manage the sums obtained from the share of TV rights for the retransmission of the Olympic Games, directing them towards the National Olympic Committees (NOC), its responsibilities being truly in agreement with the specific technical and financial assistance programs built and approved by the commission of the world Olympic forum for the Olympic Solidarity and taking place every four years in order to promote sports.

The strategy approached in this sense by the above-mentioned structure relies on the principles of decentralization and autonomy of the Continental Associations in the context of the respect for the development of continental programs, for the minimal demands set by the Olympic Solidarity Commission, concerning the acceptance of the yearly financial audit, the realization and presentation of yearly reports. At the same time, beside the things mentioned above, an important concern is to maintain the content of the world Programs, at least on the level of the previous year, namely to increase the financial aid given to the National Olympic Committees. The Olympic programs represent a projection of the organization and development of the Olympic Games in the future; they are specific to each edition, yet substantiated by the permanence of the following general goals: promoting the main principles of the Olympic Movement; developing and completing the sportsmen's and trainers' technical knowledge by means of scholarships granted to them; training and instructing sports administrators; supporting the sportsmen's training for the participation in the Olympic Games, women's participation etc.

These programs are part of a consolidated budget, approved for a four-year period, which becomes the main means by which the world development of sports is assured. The

programs carried out by the Olympic Solidarity during the last decennia of the 20th century and the beginning of the 21st century, on a global and national level, are acknowledged for the high-quality management module applied to the management of the financial means.

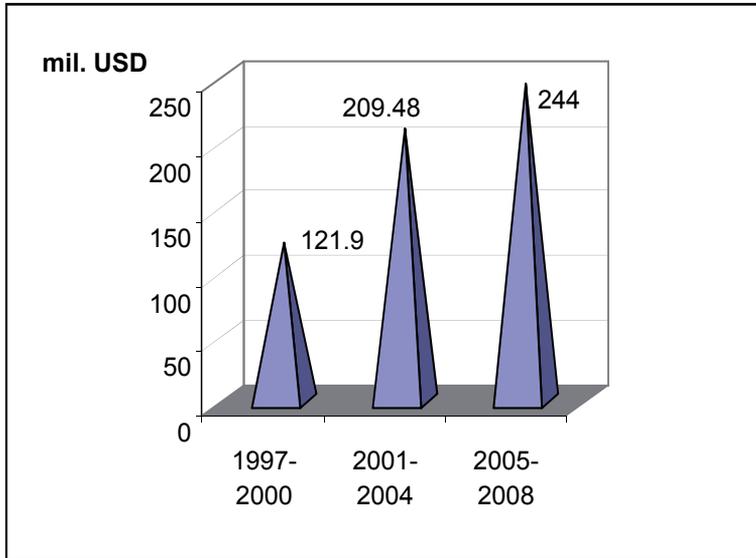


Figure 1. Funds allotted for the realization of the goals of the last three Olympic cycles
(Source: OS reports)

So, for the realization of the goals of the last three Olympic cycles, the budget of the Olympic Solidarity was of \$121.9 millions for the period 1997-2000, the Sydney Program; 1.7 times more for the Athens Program, namely \$209.48 millions, during the interval 2001-2004, while the budget sums planned to be spent within the Beijing Program, 2005-2008 rose to the value of \$244.0 millions, which represents a 16.48% growth compared to the previous one and twice as much as the sum corresponding to the years 1997-2000. (Fig. 1). Important sums from the last consolidated budget were spent on the implementation of the Continental Program, these sums being increased by 28.67%, while for the direct support of the National Olympic Committees, the sums increased by just 8.8% for the same interval by comparison with the previous one (Table 3).

As far as the allotment of resources for the realization of the continental programs, the existing data from the Olympic Solidarity report for the periods under analysis show the fact that Africa was supported with a substantial sum, namely \$15 290 thousands, representing 24.35% of the total of the funds, of which about 12% was directed to be administered by the National Olympic Committees, 12.3% was dedicated to reunions, 9.8% to continental activities, 10.4% to the organization of continental and regional games, the rest of 55.7% being allotted to other specific activities undertaken by the national Olympic forums.

At the same time, Europe benefited of a financing whose value was of \$14,384 thousands, The National Olympic Committees using 53.4 % for the activities undertaken by them and 21.44% for the organization of reunions on different topics. In their turn, the continents Asia and America, for their specific programs, were granted respectively 20.4% and 19.4% of the total of the financial assistance meant for the continental programs. The smallest financial and technical aid for the same kind of activities went to Oceania, namely \$8,200 thousands or 13.6%, low but consistent compared to other programs managed by the Olympic Solidarity.

TYPE OF PROGRAMS	Allotted budget - \$		2005-2008 compared to 2001-2004 (\$)	2005-2008 compared to 2001-2004 (%)
	Athens 2001- 2004 program	Beijing 2005-2008 program		
World programs	99 800 000	110 500 000	10 700 000	10.72%
Continental programs	69 944 000	90 000 000	20 056 000	28.67%
Direct NOC Assistance	31 240 000	34 000 000	2 760 000	8.83%
Management and communication	8 500 000	9 500 000	1 000 000	11.76%
Total OS budget	209 484 000	244 000 000	34 516 000	16.48%
<i>BUDGET VALUE ON CONTINENTS AND SPECIFIC PROGRAMS</i>				
ANOCA – Africa (53 NOC)	15 290 000	19 675 000	4 385 000	28.68%
COE – Europe (48 NOC)	14 384 000	18 508 000	4 124 000	28.67%
OCA - Asia (44 NOC)	12 760 000	16 419 000	3 659 000	28.68%
PASO – America (42 NOC)	12 170 000	15 660 000	3 490 000	28.68%
ONOC – Oceania (15 NOC)	8 200 000	10 474 000	2 274 000	27.73%
ANOC	7140000	9 264 000	2 124 000	29.75%
Total budget	69 944 000	90 000 000	20 056 000	28.67%
<i>WORLD BUDGET VALUE ON SPECIFIC PROGRAMS</i>				
Programs for sportsmen	43 500 000	47 500 000	4 000 000	9.20%
Programs for enterprisers	23 000 000	24 000 000	1 000 000	4.35%
Programs for NOC administration	20 500 000	25 500 000	5 000 000	24.39%
Promoting the Olympic values	12 800 000	13 500 000	700 000	5.47%
Total budget	99 800 000	110 500 000	10 700 000	10.72%

Table 3. From the perspective of the spatial and quantitative changes entailed, globalization affects sports and the Olympic phenomenon at least in four directions:

4. Supremacy over the markets

The selling of the TV broadcasting rights for the European or world sports competitions as well as the increasingly diversified and sophisticated services coming from sponsors

constitute essential financial sources for the organization and development of these events. The international cooperation between the world Olympic forum, local, regional or continental sports organizations and sponsors who act without any boundaries is motivated and determined by the fact that this event represents a platform for advertisements on a global scale. For instance, the introduction of the “Olympic Program” after Los Angeles 1984 has subsequently provided a possibility for the international corporations to use the Olympic symbols, the sports competitions at all levels on a global scale.

The geographic setting of the host city has a strong influence on the origin of the financial sources, the analysis made from this perspective on all the editions of the Games, from Munich 1972 to Athens 2004 showing a substantial increase of the sources of global financing. The USA editions were financed less than those from other countries from this perspective, as the main share of the financial sources still come from this geographic area.

By comparison to the municipal marketing which means improving the city’s image using measurable assets concerning its physical infrastructure, its nature, its public services and the level of its taxes, the host cities of large competitions like the Olympic one have adopted branding as a method for promoting their image. This more recent and distinctive phenomenon, which means adding an emotional level to the image of the city, as well as highlighting its intangible qualities, such as its “soul” or its values, as well as the impressions that a person experiences when he/she visits a certain urban area. The success of a city brand competing for the status of organizer of the Olympic Games is represented by everything that expresses thoughts, feelings, expectations, associations coming into people’s minds when the name, the logo, the products, the services or the events specific for this urban area are brought to the forefront (fig. 2).

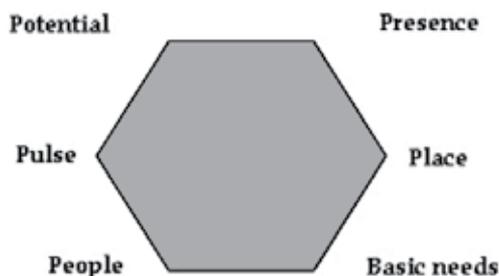


Figure 2. The city brand hexagon: Potential, Pulse, People, Basic needs, Place, Presence

According to Simon Anholt, a specialist in the phenomenon under discussion, what delineates a city’s brand are the following aspects: presence, potential, pulse, place, people, basic needs, elements that all together form the City Brand Hexagon, targeting mainly the international status of the city and the people’s degree of familiarization to certain cities, their desire to visit them or the fact that they visited them, the reasons why certain cities are famous worldwide, the contribution of these cities to the international development of science and culture during the last 30 years.

Based on this hexagon, in 2005, the same author elaborated the report “Anholt City Brand Index” whose content refers to a hierarchization of the world city brands in agreement to their perception among 17.502 people (man and women), aged between 18 and 64, from countries such as: Australia, Brazil, Canada, China, Denmark, France, Germany, India, Italy, Holland, New Zealand, Poland, Japan, Malaysia, Mexico, Russia, Spain, United Kingdom, USA.

The criteria that substantiated this study were related to culture, population, work place, life quality, international status, and, following its application by means of questions addressed by phone, the top 10 world towns, in a descending order, are: London, Paris, Sydney, Rome, Barcelona, Amsterdam, New York, Los Angeles, Madrid and Berlin. We can notice that eight of them had in time the status of hosts of the Olympic competition, while the other two (New York and Madrid) did not have this honor, although they have candidated in this sense. The report showed the fact that the towns hosting the Olympic Games fully benefit of the greatness of the moment, which significantly improves the city’s image and brand. Certainly, everybody will have their eyes on London this year, during the development of the Olympic Games. A strong brand can also create false impressions, for instance people are so delighted by London, yet they do not realize how expensive life is in such a metropolis. This aspect has been seized by another recent study, as UBS appreciates that the capital of England is the most expensive city in the world, while the Anholt study situates it on the 7th place from this perspective. From a different perspective, the Anholt report estimates that Paris represents love, Milano - style, New York - energy, Washington - power, Tokyo - modernity, Lagos - corruption, Barcelona - culture, Rio - fun. They are all city brands, being inseparably related to the history and destiny of each geographic area.

Closely connected to the statements above are two examples of concrete cases that had an unexpected outcome:

- a. Richard Daley, the mayor of the American city Chicago, who competed for the right to host the 31st edition of the Olympic Games, programmed for 2016, declared at the time that Beijing deserved a gold medal for its administration of the Olympic funds it got hold of from different sources for the Olympic contest of 2008, while his metropolis had not settled for such a trophy. The American city’s official was referring to the 40 billion dollars investment (the equivalent of 27 billion euro), which China used in order to assure the infrastructure of the 2008 Games. He underlined the fact that for the 2016 edition, his city’s administration would not use the taxes coming from the citizens, as for this purpose would be used only money from the private sector and from the federal government. The plans of Chicago city include several permanent or temporary sports bases, most of them already present, the cost of their reconditioning and readaptation being estimated to 900 million dollars. At the same time, 1 billion dollars is previewed for the realization of the Olympic Village, the funds being public-private (for the 2012 edition, London was announcing on the date of its designation that it would spend 18 billion dollars in this sense). For the organization of the 2016 Olympic Games,

the other candidates, along with Chicago, were Tokio, Madrid and Rio de Janeiro, the last one being declared winner.

- b. Italy has not been able to assure, during a period of crisis like the present one, the financial support for the organization of the Summer Olympic Games of 2020, the Italian government announcing that it would not support in this sense the authorities of Rome, which gave up showing up with an offer for the organization at the IOC just a day before the deadline, as the cost of the organization of this edition was estimated at 12.5 billion euro. The cities still competing for the organization of the 2020 Olympic Games are: Madrid, Tokyo, Istanbul, Doha and Baku, the winner being due to be announced in September 2013.

5. Need of advanced technology

The information and transport systems have a capital importance in the organization and the deployment of large sports events. Today, the informational system facilitates the increase of the knowledge on sports competitions worldwide, and the transport system reduces the spatial barriers between nations, the result being reflected in the participation of over two hundreds of National Olympic Committees to the Olympic Games, leading, among other things, to the dynamization of the international tourism, as well as to the establishment of new worldwide economic relations.

During each edition of the interwar Olympic Games, a novelty, a premiere was introduced: the Olympic flag¹ and the Olympic oath at Anvers (1920); the arrangement of the Olympic village during the Summer Olympic Games from the capital of France in 1924, a year when the first edition of the Winter Olympic Games was organized (the one from Chamonix); the lighting of the Olympic flame by means of a ceremony at Olympia and then its transportation by a relay race to the host city (Amsterdam 1928); the use of the film at the 1936 Olympic Games from Berlin.

The first trajectory of the Olympic flame, starting from Olympia, went through the cities of Athens, Thessaloniki, Sofia, Belgrade, Budapest, Vienna, Prague, Dresden and then Berlin. In order to commemorate this event, in Tageu, in Arcadia, not far from Olympia, since 1936, there is a marble plate marking the first lighting of the Olympic flame during the era of the modern Olympic Games.

For the Olympic Games of 1956, in Australia, the flame was lit in Olympia and transported to Athens; then, it landed on the Australian land at Cairns, brought over by plane. From here to Melbourne, 2,830 sportsmen carried it on foot, a mile each. The last relay shift was the junior athlete Ron Clarke, who by the end of 1963 was to break down, for the first time, the world record in the 10,000 m race.

¹ The flag was now bearing the inscription *Citius - Altius - Fortius*, which will become the Olympic slogan. The three exhortations (faster - higher - stronger) were formulated by Henri Didon, the director of the secondary school from Arcueil, a friend of Coubertin's.

For the Olympic Games from Tokyo, the Olympic flame covered a distance of about 25,000 km, being carried by a number of about 100,000 people. The last shift of the Olympic relay was the student Yoshinori Sakai, aged 19, born in Hiroshima on the morning of the day of August 6, 1945, when the city was hit by the ordeal of the atomic bomb.

For the first time in the history of the Olympic Games, the Olympic flame was lit in Mexico by a woman, the young Mexican athlete Enriqueta Basilio. Before reaching the stadium, the Olympic flame covered 14,000 km by ship, from Europe to Mexico.

For the Olympic Games of 1976, the Olympic flame was lit by satellite, with laser rays, from Olympia in Greece directly into a Québec square, Quebec being the then capital of Canada.

During the 1980s, the revenues of the organization committees of the host cities from the sales of the television rights strongly depended on the negotiations with the American TV channels. Today, these negotiations are only the responsibility of the International Olympic Committee (IOC). The strong competition among the American TV networks, which began around the 1970s, led to a stronger position of the US for this financing source. The US channels would easily overbid, because the American corporations were ready to pay even higher prices for commercial TV spots. Until the end of the 1980s, when the prices for TV rights in the US were adjusted on demand, the increasing privatization of the TV channels caused a strong increase of the revenues in Europe.

6. A new consumer behavior

The intensification of the global communications is related to the increased exchanges, significances and cultural identities on a global scale. By the end of the last millennium, people talked about the increase and the juxtaposition of the “mediascapes” (world news broadcasting) and “ideoscapes” (key concepts and values of the world enlightenment problems, such as freedom, democracy or other human rights); together they have brought about a trend of world consumption and media models, which have grown together and have interacted. The global presence of certain products, strongly influenced and dominated by the West, serves to highlight this point. Today, capitalism dominates the world economy, promoting a different way of exchange organization, which favors cultural relations and understanding among people from different countries. So, one can state that the occidentalization and the globalization of the consumers’ behavior, regardless of the products, are the main factors responsible for the perception of the Olympic competition as something special, spectacular, created by the Western world. People are developing a demand for the Games and for sports products and broadcasts. This, however, does not mean a cultural homogenization process in the hand of some easily identifiable nations or ideologies, but the fusion of different legends (ex.: *consumerism*, cult of technology).

7. New competitiveness management dimensions

This aspect refers to the appearance of expert systems for organizing worldwide sports competitions. They rely on the learning of an efficient management and communication

using the new technologies. Information sharing and exchange is a crucial element of the global Olympic system on a scale unprecedented before.

The main sense of the sports culture is that, as an essential part of the universal culture, it synthesizes the categories, the laws, the institutions and the material goods created for the intensive valorization of the physical exercise within the contest, with the final goal of obtaining supremacy or a record, following man's biological and spiritual optimization. We think that, in this way, nowadays, the interrelation sport-culture begins to no longer be considered an elitist phenomenon and, little by little, this relation tends to be generalized and accepted as mass culture.

Moreover, to the ancestral dilemma, often present in the world of the antique thinkers as well, namely *whether man should rather cultivate the astuteness of his mind or the strength of his body*, the Greeks of the Antiquity replied by what we have inherited from them as *kalokagathia*, and the Latin people of those times by the well known maxim *Mens sana in corpore sano*.

In the year 776 B.C., was held the first edition of the Olympic Games documented during the Antiquity. If we were to return to the contemporary period, in 1989, the world witnessed, for instance, the longest pedestrian contest ever organized in the world, from Paris to Beijing (about 18,000 km). The participants marched through 12 countries on two continents, celebrating in this way the bicentennial of the French Revolution of 1789 and 40 years since the foundation of the Popular Republic of China. The arrival in Beijing took place on July 14, 1989. In the year 2000, the last Olympic Games of the second millennium took place, and, in 2004, the first ones of the third millennium.

Between the first major event of the Antiquity and the other three belonging to the modern world, there were respectively 2765, 2775 and 2780 years of human history but also of sports history. Throughout all these years the idea of contest for getting better, higher, stronger ("*Citius, altius, fortius*"), has kept its sense – with few exceptions – a fact demonstrated not just by legends, but also by historical accounts, which attest that the first protagonists of the great organized competitions were not the best sportsman in the world.

The level attained by the practice of the physical exercise during the actual stage of development of our society is the consequence of multiple determining factors, of which we consider it necessary to highlight, because of their importance, a number of four:

- a. Taking over the generous idea of the Pan-Hellenic games, the founders of the modern Olympic Games enriched them with new features, first of all conferring them the quality of universality, by inviting young people from all the countries in the world, to a loyal competition, without any discrimination. In the modern world, the Olympic Games convey, along with the Olympic flame, the noble message of peace and harmony all over the world, a harmony dreamed of, a few millennia ago, by Plato, the visionary of the antique Greece.
- b. the continual development of the formal and informal education, a fact that has determined the inclusion of an increasingly larger share of the young population within the sphere of action of the institutionalized physical education;

- c. the creation of leisure time, as a permanent social reality, has constituted and will continue to be a premise for drawing adults towards the practice of physical exercises;
- d. the intense circulation and transformation of the values specific to this phenomenon, supported by the contemporary conditions of our civilization, have changed and developed the role of physical education, structured as sport, adapting it to man's needs, in the sense of understanding it in relation to the work process, turning it into a means of training the individual for work and at the same time into an alternative to a brutalizing work.

The combative and pacifist character of the Greek culture, its symmetry, harmony and measure in everything, its thirst for knowledge and its power of synthesis – elements that played an important role in the protection of the Greek people's interests – have gradually been embraced by the whole mankind, by its entire culture and civilization. These gifts of the Mediterranean world, diminished for a while during the Middle Ages, have attained the actual period as values included in one phenomenon: *Olympism*.

The evolution, from national to global, of at least four financing sources of the Olympic Movement, namely TV broadcasts, sponsorships, ticket sales, the commercialization of certain symbols related to the Olympic competition (coins, stamps) is closely connected to the four directions of the global spatial and quantitative changes presented above. In brief, the effects of globalization as a process on the above-mentioned sources are:

- a. The globalization of the media and of the consumers' behavior has led to a worldwide interest for the Olympic sports and for the Games. The revenues come from selling broadcasting rights to TV networks from all over the world. So far, the revenues of the US, which is still the most important market for broadcasting rights, after the 1984 edition, have remained vast, yet the revenues won by other continents have been growing as well. Atlanta realized 3000 hours of broadcasting for a number of worldwide spectators that went over the one of the previous edition by 3 billion people. The substantial increase of the revenues for the 2000 Olympic competition was caused by an unbalanced distribution by the international Olympic forum, which finally managed a \$2.35 billion total, which was paid to the organization committees for broadcasts until 2008. At present, it is clear that the cities of Athens and Beijing, hosts of the 2004 and 2008 contests, have considered a constant or even a slight decrease of the revenues coming from the sale of the broadcasting rights to the US, according to the inflation. The rights for broadcasting the event represent the most important source of revenue for Athens; its value was \$1.5 billion, and the IOC benefited of a part of it.
- b. The globalization of the market turns today's multinational corporations into virtual networks with strong connections in the worldwide advertizing. The top revenues come especially from the USA, where there are numerous specialized international corporations. In contrast, the revenues from the "partners" of the respective Olympic Games come especially from the host country. The Sydney edition generated up to 6.1 billion dollars revenues from advertizing, and over 6 billion dollars were spent by its 1.6 billion visitors during the year 2001. The Sydney Convention and Visitors Bureau

recorded between 1993 and the year of the Games, a number of 210 events, attracting over 250,000 delegates and investing over a billion dollars of the city's economy. The coming of over 110.000 international visitors during the Games led to a substantial improvement of the perception on Australia as far as its services, quality, value and trust are concerned.

Partners' origin	1985-1988 program	1988 partner	1989-1992 program	1992 partner	1993-1996 program	1996 partner	1997-2000 program	2000 partner
	9	15	12	9	10	10	11	13
USA	78%	27%	75%	22%	90%	90%	82%	8%
From outside the SUA	22%	73%	25%	78%	10%	10%	18%	92%
From the host country	0%	60%	0%	56%	90%	90%	0%	84%
From outside the host country	100%	40%	100%	44%	10%	10%	100%	16%

Table 4. Sponsors of the Seoul to Sidney Olympics, according to the country of origin - sources: Seoul OCOG (1988, p.233) / Barcelona OCOG (1992, p. 376) / Patterson (1994) / Hill (1996) / N.N. (Nov. 6, 1996, p. 21) / IOC (1996b, p. 7) / IOC (1996a, p. 15) / Landiy / Yerless (1996, p. 179) / IOC (1997b, p. S-10)

The analysis of the data presented in the table above gives us the possibility to state that most of the corporations supporting the marketing programs meant to promote the Olympic Games come from the US (81%), an aspect that could explain why the Los Angeles 1984 and Atlanta 1996 editions did not benefit of a substantial international financing compared to other countries that hosted such events. In exchange, the marketing activities of the corporations from the host country of the Olympic Games are limited to the respective area, their involvement in the Organization of the Games being substantial (73%). Although the 1952 Helsinki edition occasioned the first international marketing program (IOC, July 5, 1996, p. 22/ Landry / Yerles 1996, p. 370), sponsoring has not evolved in the direction of becoming a global financing source until the IOC assumed the role of leader, and the market and the technology have not attained globalization. So, instead of individually buying the rights of the Olympic circles from the national committees, the global corporations can now obtain exclusive rights from the International Olympic Committee in exchange for just one contribution.

In the future, the intensive market globalization, as well as the increase of the number of global corporations will determine the appearance of an increasingly strong competition for exclusive marketing rights with a view to using the Olympic symbols. It can be noticed that the majority of the corporations taking part in the TOP marketing program come from the

USA (81%). For this reason, and because of the very significant revenues earned from selling the broadcasting rights, the 1984 Los Angeles and 1996 Atlanta Games did not enjoy a similarly large financing as the Olympic Games hosted in other countries. For the “partners” and the “sponsors” of the Games, the situation is the other way round. Since their marketing activities are limited to the host country, many corporations from the respective country got involved (73%).

Although at Helsinki in 1952 took place the first international marketing program (IOC, July 5, 1996, p. 22/ Landry / Yerles 1996, p. 370), sponsoring did not develop into a global financing source until the IOC assumed its role of leader, and the market and the technology reached globalization, instead of individually buying the Olympic circles’ rights from the National Olympic Committees. The global corporations can now obtain exclusive rights from the IOC with just one contribution.

In the future, the increasing market globalization and the growth of the number of global corporations will lead to a fierce competition for exclusive marketing rights to use the Olympic circles’ symbol. On the one hand, this situation will assure an increase of the Olympic circles’ value, which will improve the chance of sports financing. On the other hand, an essential problem will appear due to the fact that, generally, the large global corporations provide a large array of products. Since TOP relies on granting exclusiveness for product categories, there is a possibility of occurrence of a conflict of interests. For instance, a corporation expects exclusiveness for Olympic advertising, but the consumer will not be able to acknowledge its “exclusive” category if one of the TOP sponsors offer products from a category guaranteed by another TOP sponsor.

- c. The globalization of the technology reduces the previous barriers that used to exist between the host city and the spectators. The number of tickets sold abroad is dictated more and more by the accommodation thresholds of the host city and by the stadiums’ extent, rather than by the transport problems, which are becoming realities. For instance, the centennial edition of Atlanta (1996), generated the increase of the number of drivers and cars that had to be borrowed from other cities and the critical number of hotels necessary for different organizational locations and press and communication stations, which were concentrated in a very compact area of the commercial city. Unfortunately, most of the Americans’ transport problems were substantiated rather in the difficulties encountered by the media representatives. Because of the unprecedented number of spectators and visitors who came to assist to the Games, the organizers focused their attention too much on the planning of the enormous mass of people and did not give enough attention to the specific needs of the media representatives.

Moreover, initially it was believed that it would be efficient to concentrate the 21 locations hosting the contests, the Olympic Village, the International Radio Broadcast Center and the main Press Center in the commercial area of the city. Trying to satisfy the unprecedented demands, the organizers were not always able to manage as they would have wanted. At the same time, they learnt that transport, especially the transport of the press representatives, can be solved more operatively if they are accommodated in a more

compact area than if they are scattered throughout the city. These are lessons that have already been kept in mind by the future organizational committees and candidate cities.

- d. The globalization of the technology favors the collecting of coins, stamps and commemorative adornments. Despite the general decline of the money domain, the sale of commemorative coins got to become a financing source for the Olympic contests. From the perspective of the gathering of Olympic coins and stamps, we are witnessing a growth of their popularity among those interested, beginning with 1952; it became more intense after 1992. If for the 1984 Los Angeles edition we can notice a decrease of the quantity of commemorative coins, on the one hand due to the small series produced by the US, on a world scale we can notice the increase of the issuing countries in the 1970s, when even the smallest nations began to forge their own Olympic coins. As far as the Olympic stamps are concerned, the number of the issuing countries continued to grow as well. Anyway, after Munich 1972, the total number of marked stamps decreased worldwide. The small number of countries that issued Olympic stamps in 1980 can be explained by the fact that many western nations boycotted the Games from Moscow. As non-participating countries, they did not have any reason to issue commemorative stamps. Anyway, one cannot say the same thing about the following counter-boycott of the Los Angeles Olympics by countries from the Eastern Block. For 1984, the number of the countries that nevertheless issued Olympic stamps reached 152. Another possible explanation for this large number of stamps for Los Angeles can be explained by the leadership role of the US in the sports world, especially in the developing countries. The global relations can be at the same time connected to three phenomena concerning stamp emission and pattern collection. The first phenomenon refers to the fact that the stamps' drawings frequently contain images of the athletes of the nation with the largest collection market. The second phenomenon is brought to light by the issuing of the dates for the stamps, since they are launched during the pre-Olympic years, the patterns reflecting a growing intensification of the world relations. Third, one can notice that if initially only the host countries used to issue stamps, later on, the participant countries began to issue Olympic stamps as well. Moreover, even countries that are not represented at these contests issue this type of documents, which defines both a strong spatial globalization (the number of issuing countries) and a quantitative globalization (intensification of the exchanges among different object collectors).

However, if the organization committees and the authorities do not know how to fully take advantage of such events, there can be unpleasant outcomes, as in the case of the city of Montreal, which, after the organization of the 1976 edition recorded a deficit of a billion dollars. A careful management of these events can bring profit to its organizers, as it happened in the case of the Games hosted by Los Angeles, in 1984, when the plus was of 250 billion dollars, although the American government did not get involved, not even with a penny, and in the case of the Games from Seoul in 1988, when the South Koreans recorded a \$300 billion dollar gain. Four years later, in 1992, Barcelona obtained a profit of just five million dollars; and, in 1996, at Atlanta, the organizers announced a plus of just

10 millions. All this approach seems to show that the most profitable situation was that of the Australians, who won the most after Sydney, 2000, as the organizers announced a record gain of \$1.756 billion. An entirely different situation occurred in the case of the Greeks, who organized the most expensive edition until then, the Greek budget deficit being estimated at 5.3% in 2005, the year that followed the Games, because of a 7 billion euro fiscal burden.

8. Olympism - A universal social philosophy

For most people, we suppose, the word “Olympic” will evoke images of the Olympic Games, be they antique or modern. The philosophy of the French baron Pierre de Coubertin, an aristocrat strongly influenced by the British School sports-related traditions in education, concerns directly not just the elite athletes, but everybody, and not just for a short while, but for their whole life, not just for competition and winning, but also for the values of participation and cooperation, not just for the sport as an activity, but also in order to influence the training and development of the individual personality in agreement to the demands of the social life. So, this will accentuate the role of sports in: world development, peaceful coexistence, moral and civic education, promotion of justice, respect for people, understanding and reason, autonomy and perfection. These are the values of the Olympic history, although some people may interpret things differently at different moments. They are, basically, the main values of the liberal humanism.

We would like to draw the readers’ attention to the relations between the Olympic movement, UN and UNESCO, three global organizations facing similar problems in point of universality and particularity. The general problem is how we should act on a global level seeing that apparently there are so many insoluble differences on a particular level. Some try to solve such differences talking about sport as a universal language, but we think that the problem seems to be underestimated. Not just sport, but also Olympism endeavors to be universal by means of its values: mutual recognition and respect, tolerance, solidarity, equity, antidiscrimination, peace, multiculturalism etc. This is a set of specific values that are at a certain moment a set of general universal principles, but which also need a different interpretation across different cultures - defined in general terms, but interpreted in particular.

This search for a universal representation on the interpersonal and political level of our common mankind seems to be the essence of the optimism and of the hope of Olympism and of other forms of humanism and internationalism. In front of the recent events from Europe and from other parts of the world, it seems a dear hope and naïve optimism, yet we will continue to find arguments for working on a promising future and we still see a strong plea for sports as a way of attaining these ideals. We think that sport has been an enormous contribution to the modern society for over 100 years and that is why the philosophy of Olympism has been the most coherent systematization of the ethic and political values, supporting the sport practice up to where it is today.

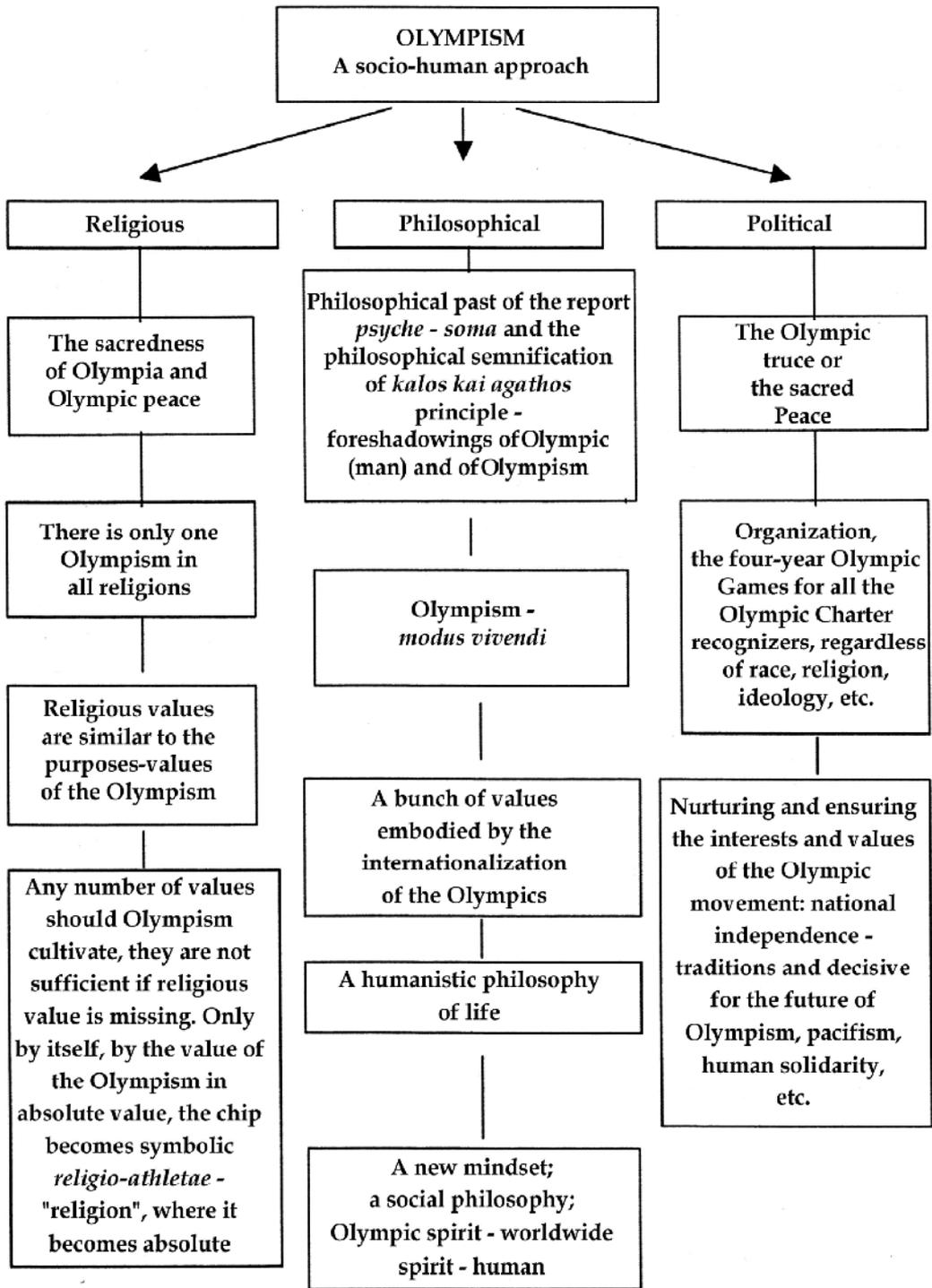


Figure 3. Olympism: a socio-human approach (adaptation after N. Postolache, 2004, p. 170)

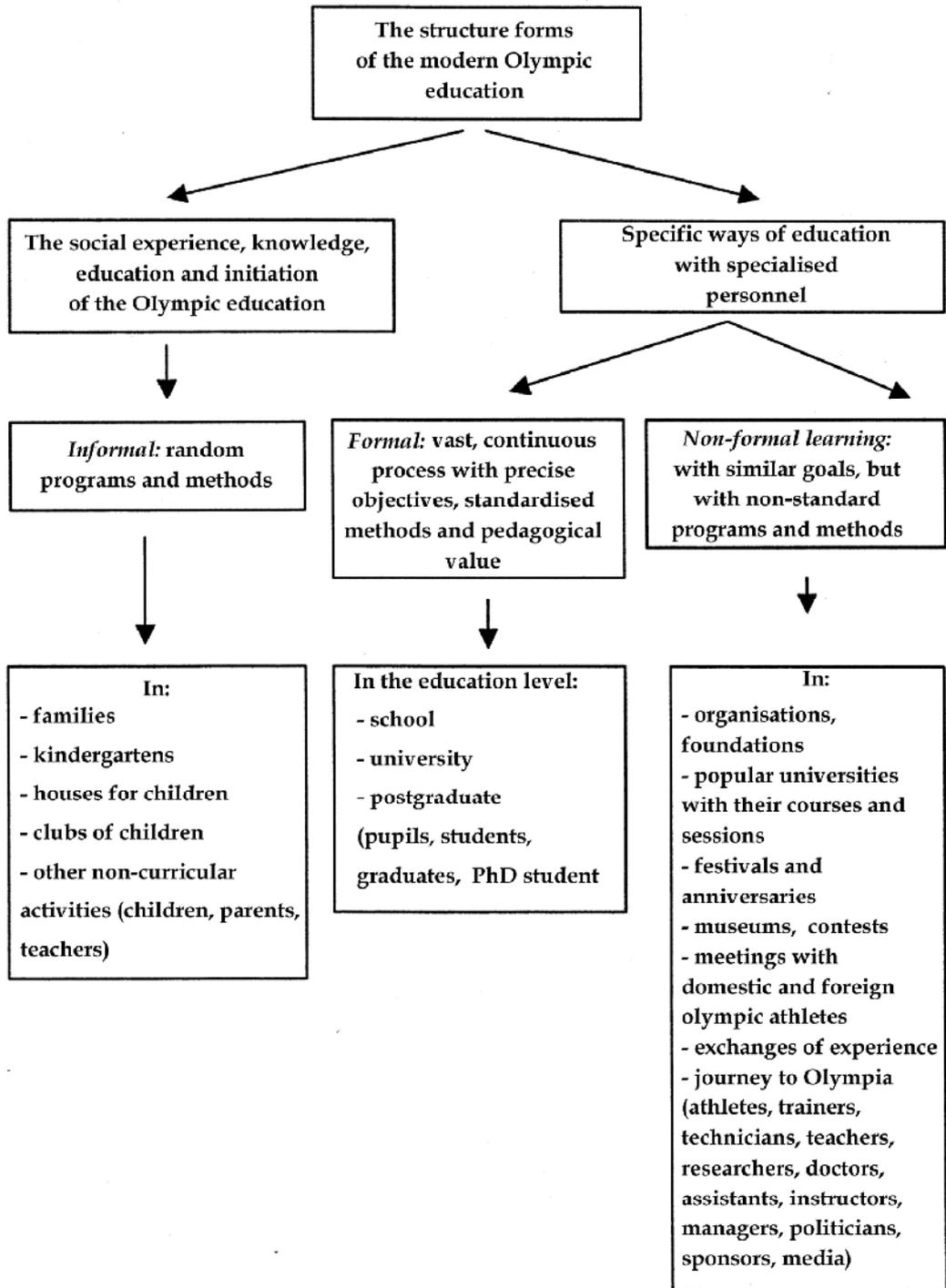


Figure 4. Structure of the Olympic education forms (adaptation after N. Postolache, 2004, p. 191)

9. Multiculturalism and Olympic education

In the specialized literature, it is suggested that we have reached “the end of history”, that the liberal democracy has won the battle for global political hegemony. Whether this is true or not, it is argued that the attention given to such multicultural ideas – as for instance respect, recognition and equal status for all cultures – has become increasingly important. Multiculturalism, according to certain authors, “needs a political society able to admit the equal status of all the stable and viable communities existing in the society”. An example of multiculturalism is the recognition of both English and French as official languages of the International Olympic Committee. In terms of promotion of its target of international understanding and multiculturalism, it is very important for the Olympic phenomenon to continue its existence for a coherent universal representation of itself – a concept of Olympism to which each nation should be able to dedicate itself sincerely, finding at the same time the general idea of the form of expression (a conception) that is unique, generated by its own culture, localization, history, tradition and future pursued.

We think that assuring a multicultural education in and for the modern democracies is a new and urgent task and it has to be made to function if we want to assure a functional political heritage for the future generations. In the global political context, this means promoting international understanding and mutual respect and a determination in favor of a peaceful solution to all the conflicts, which are all goals that Olympism and sport have been promoting. All the “fine” values for which the regulatory structures in sports have been longing, their acceptance by all the participants constitute premises for the continuation of the existence of the sports competitions, which supports such political efforts on an educational and cultural level. The Olympic education perpetuates the fundamental social values based on which one can realize the essence and the image of Olympism as a worldwide phenomenon. For the young people’s education, and not only, mankind has always been in need of this complex civilizing factor, continually opposed to the degenerative effects of the actual civilization.

The Olympic education harmonizes the values of the general education with the ideals of Olympism, in order to create both a type of man, a psychological-physical Olympic greatness, and a balanced modern lifestyle, based on the joy of effort and of the prolonged perseverance, able to produce and to convey - at any moment - a message, a positive example of behavior, enduring, and carrying universal ethic principles.

The projection of these paradigms with their demands on our world makes it appear that Olympism seems to remain a problematization, a possible yet not a real world, which has set itself as a goal a new world order based on new economic relations, explosion of information, knowledge, a new educational approach, a challenge for the thought, in order to find out the meanings and the future ways of a society full of older or newer manners.

10. The Olympic movement and sports – Their role in promoting globalization

With the political, economic, social, military organization of the human communities, the variety and the significance of the undertaken activities – influenced by the geographic and historical factors – have acquired new meanings. Politics turns sports into a more organized, more interesting and more attractive activity, pursuing certain specific interests, but also the development and progress of this domain. The advantages related to sports are intuited by and represent an attraction for politics: investments, projects, plans, which come to satisfy the potential interest of politics and politicians. Sports and politics interact increasingly often on different levels: local, European, global. On a global scale, the interaction between these domains is represented by legislations, provisions, laws or regulations concerning sports. On a regional or local level, politics tends to organize or to influence sports in order to meet its own interests.

In this context, as we have mentioned before, the domain of physical education and sports has a well determined place. Today we are talking about Pan-American Games, Pan-Arabic Games, Mediterranean Games, Balkan Games, Commonwealth Games, World and European Championships. Looking at today's map of the Olympic cities, at the number of the participant countries, which has grown during the last 110 years from 13 (Athens 1896) to 197 (Atlanta, 1996) respectively 204 at Beijing in the year 2004, we cannot help noticing the universal character of this social institution, but also the dangers overshadowing it: gigantism, professionalism, commercialization, naturalization etc.

All these are meant to accelerate the identification and continuation of certain cultural and spiritual traditions specific for each regional, continental or global unit. Their promotion determines other hierarchies than those promoted by the chanceries of the modern world, hierarchies accepted through peoples' mutual harmony with the sports arenas.

This thing has to take into account the fact that the world is not a laboratory, and a context will never be identical to another, such as for instance the future London Olympics (2012), declared ecological and which makes us think about man's return towards his own energies, and about their promotion in the context of a healthy natural environment.

At the same time, we must recall the fact that the involvement of some great powers in the conflicts that may occur on a local level or in regional and continental ones may lead to the deterioration of the Olympic ideals. Edifying in this sense is the harmful content of the theories related to vital space, racism and neo-Malthusianism, which were at the basis of the absence of three editions of the Olympic Games during the period between the Two World Wars (the editions of 1916, 1940 and 1944), the assault during the Munich edition in 1972, the boycott of the competitions of Moscow, in 1980, and Los Angeles, in 1984, and the recent – we could say – assault from the American edition of Atlanta, in 1996.

As the war lasted for four years, the First World War did not allow the sportsmen to prepare for the Olympic Games of 1920, except after it ended, in the autumn of 1918. On the occasion

of the 7th edition of the Games, namely that from Anvers, the Belgian Olympic forum decided not to invite, on the one hand, Germany, Austria, Hungary, Bulgaria and Turkey, which had fought against the Entente and, on the other hand, Russia, a country in which the communists were creating a new kind of state, a federal state which, beginning with 1922, received the name of the Union of Soviet Socialist Republics (U.S.S.R.). After 1918, pacifism was to become an important political trend, assuring a durable universal peace and the mutual understanding of the nations was supported by the entire interwar Olympic Movement.

The territorial changes occurred following the Versailles system and especially the reorganization of Central Europe and of the Balkans and the appearance either of unitary states (Poland, Austria, Hungary, Romania) or of federative states (Czechoslovakia, Yugoslavia) brought those tensioned topics to the Olympic stadium as well.

The International Olympic Committee, just like the whole Olympic Movement, felt all these tensions, increased by Germany's idea of revenge, by the less developed level of the East European countries, where Finland and the Baltic States became independent in 1920, by the Anglo-French interests in the Middle East², by the unhealthy activity of the Communist International (Komintern), created by Moscow in 1919, by the closeness of Germany and the Soviet Union - both isolated and faced with the alliance of the winning peoples which later on became part of the League of Nations. These problems, and first of all those of an ideological nature, the fascist and communist extremism, not only did not protect but they also disturbed, intensely and for many years, the activity of the interwar Olympic Movement, which activity was challenged as well by the Great Economic Crisis of 1929-1933 and by the frontier revision policy, which became more aggressive after Hitler's arrival to power in Germany (January 1933).

The participants to the IOC Congress, which took place in Barcelona in 1931, decided that the Olympic Games of 1936 should be organized in the capital of Germany. They were not able to foresee that the Olympic peace and the Games would be shadowed by the annexation of Ethiopia by the fascist Italy, by the reoccupation of the demilitarized Renan area by Hitler's Germany and by the Japanese expansion in the Extreme Orient (1932-1939). Back then, at the time of the Congress, the flag with a swastika was not fluttering above Germany; this happened two years later, when Hitler came to power. Unfortunately, it was impossible to move the Olympic Games to another country. The representatives of those times saw in their completion an opportunity to show the world the power of the Third Reich. That is why they gave them an ostentatious support³.

² In this area, France created the Lebanon and Syria, and England the Iraq, Jordan and Palestine.

³ Television made its Olympic debut on the occasion of the Berlin Games in 1936. Those who state that the Olympic Games have become only recently a political platform probably forget that Hitler used this event exactly in this sense, despite the menaces of boycott from the USA and Great Britain.

The photographs with the Fuehrer's image disgusted by the athletic successes of Josse Owens were caught on the films of the foreign television news teams. But the event was broadcasted live on

The revisionism and the degradation of the international relations interrupted the interwar Olympic peace a quarter of a century since the resuming of the Games; they were suspended again in the years 1940 and 1944.

After the conclusion of the peace of May 9, 1945, the new historical epoch came with its specifics, with its right to its own culture and civilization, and also with its duty to preserve and to increase these goods. On the background of the deterioration of the US-USSR relations, which marked the beginning of the world's bipolarization and almost immediately of the Cold War, the Olympic Games were about to disappear from history.

In 1965, after several years of negotiations, the IOC decided to allow the German Democratic Republic to participate to the Games of Mexico City with its own team. To avoid any subsequent conflict, the GDR (German Democratic Republic) and the FRG (Federal Republic of Germany) wore the same colors, had the same national hymn (a fragment from Beethoven's 9th Symphony), and their flags had for an emblem the five Olympic rings. This problem was solved for good after the reunification of the two German countries, at the Olympic Games from Barcelona, where a common team came, without any mediation from the IOC.

In December 1966, 32 African countries created the "Supreme Council for Sport". Their representatives were determined to use all the possible means to exclude South Africa from among the sports associations, international federations and the Olympic Movement, unless the country agreed to comply with the principles of the International Olympic Committee, putting an end to its apartheid policy. The common demand of the African countries, addressed to the IOC was not to allow the South-African regime to send sportsmen to the Olympic Games of Mexico, as long as it did not respect the principle of equality for all its citizens.

After the negotiations, the IOC first accepted the participation of South Africa, yet on condition that the Olympic team should be made up of black and white sportsmen selected in agreement to their performances, and not by means of eliminatory tests with a joined participation of the black and white competitors.

After the IOC decision of February 1968, 32 countries of the African Union announced that they would not take part in the Olympic Games of Mexico, being supported by the Islamic and communist countries as well. This situation determined the IOC to revoke, in April 1968, the invitation made to the South African National Olympic Committee to take part in the Games.

The students' revolts and the social turmoil in Mexico City, as well as the Soviet intervention in Czechoslovakia represent two more political events the IOC had to take into account just before the Olympic Games of Mexico. The exclusion of Emil Zatopek from the National

television, to the Berliners gathered around the TV sets situated in the public markets of the city, as Barry Fox wrote in the "New Scientist" (London, vol. 103, no. 1415) of August 2, 1984, p. 19.

Olympic Committee of Czechoslovakia caused tensions on the level of the relations between the IOC and the communist government of this country.

In 1972, in order to wipe away the memory of the Olympic Games from Berlin (1936), the Committees for the Organization of the Olympic Games prepared the Games of Munich with a particular care and sensitivity. The Olympic bases, especially the extremely modern stadium and the Olympic village were the best proof of the realizations of modern Germany. Although the Cold War between the East and the West was in full development, it was convened, however, that the GDR would participate for the first time to the Games with its own equipment, flag and national hymn. Yet, these games were not spared from political problems either. The terrorist attack and the assassination of 11 Israeli athletes stigmatized for good the Olympic Games of Munich.

During the Olympic Games of Montreal, on a political level, the participation of the People's Republic of China and of Taiwan was not possible, despite the IOC efforts. On the other hand, a rugby match between New Zealand and South Africa, shortly before the beginning of the Games, caused the departure of 28 African NOCs. The issue of South Africa was solved in 1991, when the government put an end to the apartheid regime, by a series of radical reforms, and the IOC allowed the South-African Olympic Committee to send a mission to the future Olympic Games.

The mingling of politics in sports and in the Olympic Games continued during the following decennium. The Winter Games from Lake Placid (1980) took place in the shadow of the political events that followed the penetration of the Soviet troops in Afghanistan and the call of the US president to the sportsmen not to participate in the Summer Olympic Games from Moscow. The Winter Games from Lake Placid, where China participated for the first time after the Second World War, took place without major problems. Yet, not the same thing happened with the Summer Olympic Games of 1980. Despite the opposition of numerous sportsmen, who considered that the Olympic Games and their participation was a decision that belonged only to themselves, and not to their countries' governments, 62 National Olympic Committees, submitting themselves to the order of their government, did not show up to the Olympic Games of Moscow. Among the 81 countries that *took part* in the Games, there was Great Britain, whose NOC, despite the objections of the British Government, decided to send sportsmen to Moscow.

At the Olympic Games from Seoul (1988), after a quite long period, the threat of non-participation finally ceased, and the Games took place with the participation of sportsmen from both blocks - West and East. The Games from Seoul marked the beginning of a new era for the Olympic Movement. The Universality of the Olympic Games became even more obvious at the following Olympic Games.

Certainly, the explosion of a bomb in the Centennial Central Park during the Games was a meaningless act of terrorism, which shocked us all and left a whole world in awe. While we are still mourning the two dead and the wounded who were victims of this awful event, we

keep in mind the undeletable memory of the Olympic spirit which came to light following this cowardly gesture. Out of this tragedy, there appeared a feeling of community and an engagement that cannot be threatened, intimidated or defeated.

11. Conclusions

The rapid changes in technology and logistics combined with the developing globalization, certainly affects the sports and Olympic activity. These shifts have generated, on the one hand, transformations in the sense of assuring the necessary financing sources for the organization and development of the great competitions, and, on the other hand, as far as the costs of the Olympic contests' elements were concerned, through the delineation of obvious actions of improvement and increased efficiency in the funds management, assured by a much more professional approach. During the Antiquity, the Olympic competitions were hosted in the same location every four years, while, during the last 116 years, they were hosted in different countries of the world, each time assisting to a new projection for the future of their organization and development, based on a mix of Modernity and Antiquity. Despite the globalization of the sportive movement and the promotion of the Olympic ideal, there is a growing gap between the areas belonging to the technologically developed world and those of the marginalized and closed, poor and underdeveloped world. Even the intensifying global inter-relations do not always trigger globalization. The regional centers with the structural capacity of organizing Olympic contests or world championships are still developing distinctly. Sports glorify democracy, equal chances, and the autonomy of the social domains. Politics is a public domain, just as sports. In politics, just as in sports, there are preferences, candidates, leaders and led people. But the essence of the two domains is: competition, democracy, fair-play, liberty and prominence of the best; all these things will truly become reality when cities will develop on all the continents, which will bring with it the possibility to organize the great sports events on all the continents of the world.

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The Role of the International Organisms in the Globalization Process

Dorina Tănăsescu, Felicia Dumitru and Georgiana Dincă

Additional information is available at the end of the chapter

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1. Introduction

The tendency of economic globalization has its roots in the trauma of the the depression before World War II. American political elites (Council on Foreign Relations) became very careful to ensure that nothing similar will be repeated (Korten 1995).

Globalization can be seen as a means or system of acceptance and adherence to global problems of mankind (Dobrotici 1999). The following global issues are considered pressing for mankind:

- The food crisis and underdevelopment,
- Huge military expenses,
- Inflation and financial - monetary crises
- Energy and raw materials,
- Rapid Population Growth and Environmental degradation.

In the vision the United Nations, the globalization of these issues over mankind is based on the uniqueness of the world economy and it is linked to the fact that they occur in almost all countries containing technical, social economical, political and ecological mutual elements that cause propagation in the chain of the effects that need combined efforts to be solved.

Globalization does not work by itself, but through economical - financial policies. These policies, as any subjective factors, can accurately reflect reality or may deviate from it (Korten 1995).

Those who develop and apply these policies can only be major economical and financial power centers of the world created by these organizations to serve their interests (FMI, BM, OMC, etc.)

United Nations (UN) with specialized international institutions responsible for different segments of the globalization process must act democratically, with transparency, accountability, impartiality and respect for the law.

In this paper we present some critical points of view regarding the measures and actions of these institutions and also proposals to reform them.

Effectiveness of actions taken by the UN is not at the level expected by the member countries. Many developing countries consider that the UN can aspire to become global legislator (Arbitrator of globalization), which can impose a new world order. Many economic problems necessary for the world wait to be solved after various global problems.

World Trade Organization did not solve the problem of agricultural protectionism. Nordic countries in their policies block access to their markets to products originating in Southern countries. Also, the problem is aggravated by the agricultural excess of developed countries. Coping with the globalization will not be possible by increasing national protectionism.

Reforming the IMF requires modernizing and adoption of financial assistance and must be correlated with a new vision of the conditions imposed on debtor countries, because a misguided policy will deepen the national economic problems. Differences between U.S. and EU should not be ignored.

1.1. Contemporary globalization – Conceptual determinations

In the current context, the contemporary economy is approached as a block. States cannot exist in isolation, cannot live outside the network of relationships which are established at all levels. Therefore the world economy must be viewed as a system, as a whole composed of smaller or larger parts, more or less developed.

Economic globalization that characterizes today's economy, results mainly from transnational corporations and the large enthusiasm of resurgence regionalism obvious in Europe and in other parts of the world.

The term "globalization" has been developed to outline the realities of our world, namely: the internationalization of markets for goods and services and the emergence and proliferation of multinational companies concerned with the development of comprehensive financial, manufacturing, marketing and management.

Globalization is the second largest component of the contemporary world economy, after establishing the new economic order. From the perspective of the first dimension, the new paradigm of economic order, involves shaping the two trends: business's globalization and revolutionizing the information technology.

The term "new economy" is often met, nowadays in economical studies. One of the most popular definition is: "the new economy is a broad concept that describes an economy where both the final product and its intermediate phases consists in information and where digital information, offers a worldwide access to all information available at one time. These

new technologies are designed to potentiate the efficiency of conventional and traditional business practices and to facilitate the emergence of new processes and products.¹

The main characteristics of the new economy are about cooperation and competition, the need for focusing on the customer needs, but also increasing consumption of human intelligence and creativity that results in a higher added value, new jobs, the reduction of resource consumption, growth of labor productivity.

Analyzing the new world order we cannot overlook the occult side of this reality that brings in the spotlight the military and economic actions of the main power centers (the "Group Bilderberg", "Illuminati", "Masonry") that use the instruments of the global financial institutions, imposing their own rules in order to dominate humanity.

In other news, new world order is the intersection of three contemporary phenomena: globalization, information revolution and the economic war.

"Globalization" is a term first introduced in a (Webster) dictionary in the year 1961; 30 years later it became part of the daily language as an obsessive word.

Professor Dinu Marin defines the concept of globalization as "the process of functioning of the global economy, which, in the global society, has become able to create global decision structures meant to solve global problems" (Dinu, 2003).

10 myths have appeared in relation to this process, which the critics have transformed into reality. Richard D. Mc. Carmich formulated the following globalization myths (McCormick & Richard, 2000):

1. It is a conspiracy of the transnational corporations against the small countries;
2. It concentrates the power over the market in the hands of those who direct a small number of huge corporations;
3. The evil genius of globalization is the information technology;
4. Globalization means "companies escaping the control of the law";
5. Globalization determines the decrease in the number of jobs;
6. Globalization undermines cultural diversity;
7. Through globalization, the work conditions standards decrease, resulting in the workers being turned into a sort of slaves;
8. Globalization destroys the environment;
9. Globalization involves the prosperity of the multinational companies at the expense of the consumers and of the small companies.

The American Initiative on behalf of the economic globalization has been built on two premises:

- Preservation of the existing capitalist system in the U.S., allowing the access to a lot of resources and global markets.
- The spread of the American economic model (consumer-oriented market economy) worldwide.

¹ Bari I., "Globalizarea Economiei", Editura Economica, Bucuresti, 2003, p.53

A fundamental problem of the contemporary society is the report national - international in the economic field. Globalization is seen as a moment (stage) in the process of globalization in which the main actor is the multinational company, so as an expansion in the international market of production factors, greater mobility of the capital, a considerable increase in international investment and financial flows (see fig. 1.)

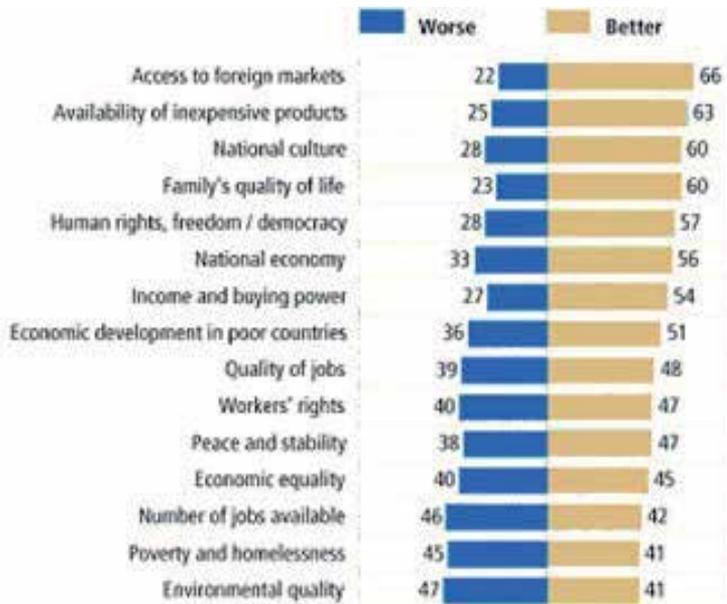


Figure 1. Effect on globalization

Globalization is profitable for multinational corporations who integrate in their own networks international production systems. Ensuring the economic development moves to a new level "the global market economy" while the insurance of the well-being of nations remains the same within the national area.

Globalization of world economy seems to carry on without rules in the last 20 years. The global unilateralism affirmed in the U.S. in its foreign policy immediately after the collapse of the Berlin wall worried the elites in the former socialist countries, now members of the European Union.

It is necessary that developing countries emerge in order to implement measures to mitigate the negative effects of a harsh globalization without rules that can generate planetary crisis, social anarchy (see fig. 2.)

Large multinational corporations see the State as a barrier to globalization as an anachronic economic actor and not as a regulatory authority and organisms of social cohesion.

State must remain the main actor on the world stage, as globalization is not only an alibi for the various forms of imperialism. The State must remain the place where democracy is exercised, the pillar of social cohesion and solidarity.

Also, globalization is not compatible with sustainable development. Globalization deepens the gap between the rich and the poor (see fig. 3.).

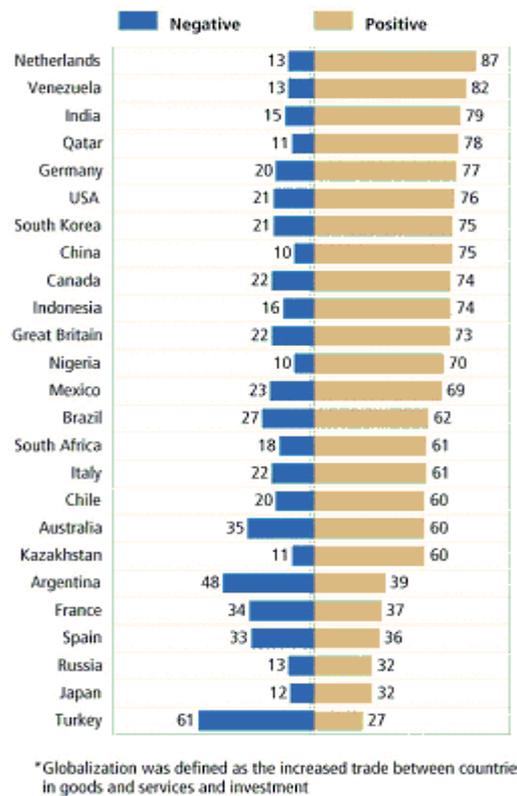


Figure 2. Effects of globalizations on Respondent and family

Globalization is a complex phenomenon, raising a large number of problems as soon as we try to find and give it a unanimously accepted definition. So, in time, the scientists and the public's opinion did not reach a common definition.

This is why we will continue by presenting a few definitions given to this term:

- "A process of surmounting limitations created by history. For this reason, it is synonymous with erosion (but not with disappearance) of the sovereignty of nation states and depicts a "detachment" of the market economy from moral norms and institutionalized connections between the societies (Elmar Altwater);
- The "quantitative and qualitative intensification of the transactions that go over the limit imposed by frontiers, concomitantly to their spatial expansion" (Ulrich Menzel);
- "An increased interdependence and integration of the different world economies". (Johannes Varwick);
- The "intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa". (Anthony Giddens);

- “The largest economic and social shift since the Industrial Revolution”(Dirk Messner/ Frany Huscheler);
- “A process of increase in the number of connections between societies and problem domains” (Johannes Varwick);
- “The unchaining of the world market powers and the weakening of the state’s economic power” (Schumann Martin);
- “The dynamics of globalization is driven by economic forces, but its most important consequences can be seen in politics” (Klaus Muller).

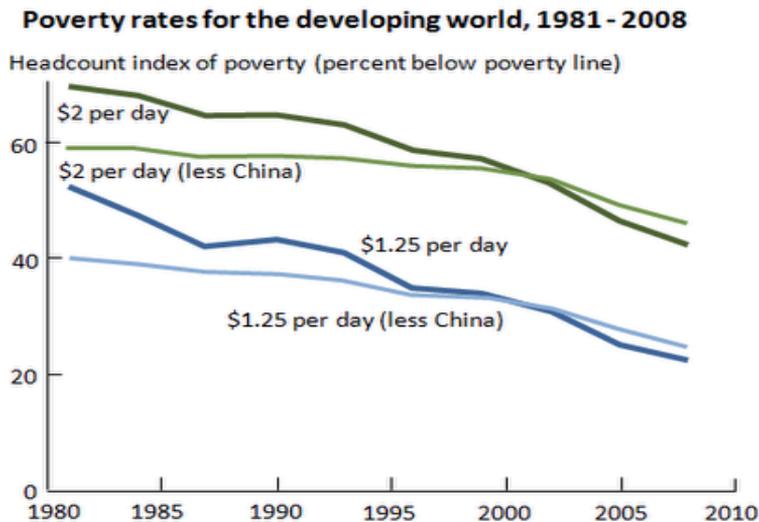


Figure 3. Poverty rates for the developing world, 1981 – 2008

1.2. The evolution of globalization

In our opinion, the globalization can be defined as a process of increasing interdependence of nation states by the growth of transnational ties in various spheres of economical, political, social and cultural life. So, the basic criterion of defining globalization is the increasing interdependence in the various sectors of the socio-political and economical life.

The concept of interdependence takes a variety of meanings depending on the motivations of those who employ it.

For us, interdependence is a mutually advantageous relationship between companies in different countries and / or national economies in a well defined legal framework.

Robert Gilpin defines this term as "a mutual dependence, though not equal", not accepting many of the so-called political and economical consequences. So, the benefits of interdependence are sometimes expressed by zero-sum or nonzero sum.

When we talk about the evolution of globalization we think about the presentation of the most significant moments in the history of this phenomenon. What could the evolution of globalization refer to?

In general economic terms, we could say that its purpose is the analysis of the history of the interstate commerce growth, based on stable institutions authorizing certain organisms to exchange goods more easily.

The first globalization era is often considered to be the period when gold defined the economic standard. Relying on the post-1815 British expansion and the goods exchange for cash, this first stage developed along with the industrialization.

David Ricardo and J.B. Say are among those who, through their works, provided the theoretical framework needed for the expansion of this incipient period of globalization. In their works on comparative advantage and the general law of the markets, the two authors uphold the idea that countries will trade efficiently and that the imbalances between demand and offer on the market will only be transitory and will adjust themselves.

About 150 years ago, David Ricardo considered that the comparative advantage is an application of the principle of specialization and exchange between firms, regions, nations. In his opinion each individual, firm, region or nation will have to win if they specialize in the production of those goods and services costing little and if they exchange them for products costing more.

From a chronological perspective, the globalization process appears as follows:

- Stage 1 – it is comprised between 1400 and 1750, being called “the primary stage”, and witnesses geographic discoveries, colonization and the appearance of transcontinental trading exchanges.
- Stage 2 – the interval 1750-1880, also known as the “incipient stage”; it is characterized by the formation of unitary states and the development of trading relations and the signing of the first agreements in the domain of international trading relations.
- Stage 3 – comprised between 1880 and 1925, it is also called “the stage of development” when the manufactured production developed, the means of transport evolved, the international trading as well as the population migration intensified and the multinational organizations took shape.
- Stage 4 - 1920 – 1927 when the great state powers crystallize and the worldwide organizations and institutions develop.
- Stage 5 started at the end of the 20th century, being characterized by the intensification of regionalization and integration, but also by the strong development of multinational corporations.

“The first globalization era” is divided into two distinct stages:

1. The first stage lasts until the end of the 1920s and the beginning of the 1930s.
2. The second stage begins after 1930, lasting until the Second World War.

After the Second World War, a second globalization age has been outlined. During this period, globalization was guided by negotiations, during a first stage under the stipulations of the GATT (The General Agreement on Tariffs and Trade) (Kegley, 2006).



Figure 4. What is Globalization & What Are Its Benefits?

This stage is much more “aggressive” than the first, if we analyze the world organisms appeared immediately after 1949, when three great international economic organizations took shape: FMI, BIRD and GATT (see fig. 4.)

During the present period, globalization is developing under the influence of three categories of factors:

- The increase of the international exchange area through the integration of new states from South America, Central and Eastern Europe and Eastern Asia.
- The development of exchanges, especially in the domain of services.
- The globalization of the organizations able to integrate their activities, especially their research-development, supply and trading, on a world scale.

Globalization is a complex process, which, as one can see from what has been previously outlined, has manifested its symptoms beginning a very long time ago (Pattern, 2009).

In his work “Lexus and the Olive Tree”, Friedman approaches globalization as that form of war that replaced the Cold War (Friedman, 2008).

Both the Cold War and globalization are systems characterized by a unifying feature, actually diametrically opposite for each of them, and by a symbol: the wall in the case of the Cold War and the web for globalization. In the case of the Cold War, the unifying feature was the division in time, while for globalization this feature is unification. In 1975, the Cold War reached its climax: only 8 % of the world countries had liberal, democratic regimes, characterized by freedom of the market, and the direct foreign investments were, according to the World Bank, of \$23 billion.

In 2009, the countries with a full democracy represented 18 %, those with a degraded democracy - 29 %, hybrid regimes - 21 % and the rest were authoritarian regimes. In

contradiction with the Cold War, globalization has its own dominant culture, concretized in the ample extension of Americanization. Some economists divide the history of mondialisation into three stages:

1. The internationalization related to the development of the goods and services exports flows;
2. The transnationalization of the direct investment flows and the implantation of the large organizations abroad;
3. The implementation of the world production and information networks, leading to a better combination and rationalization of the corporate activity in the worldwide economic area.

So, by the beginning of the 20th century, globalization became chronic, engulfing more and more states of the contemporary world. In the year 2000, the classification of the most globalized economies, established according to the A.T. Kearney index, situates the following states on the first ten places (see Table 1.):

No.	Country
1	Singapore
2	Ireland
3	USA
4	Great Britain
5	New Zealand
6	Italy
7	Portugal
8	Israel
9	France
10	Australia

Table 1. Top 10 most globalized economies in 2000, according to the A. T. Kearney index

According to the Globalization Index elaborated by Ernst & Yang (Ernst & Yang, 2010), in collaboration with the Economist Intelligence Unit (EIU) in the year 2010, Hong-Kong is the economy with the highest globalization level from a number of 60 states under analysis.

Singapore, the holder of the First Prize in 2009, is on the third place, while Ireland moved from the third position to the second, during just one year. The place of Spain is unchanged, by comparison to the previous year, while Romania occupies the 30th position, being defeated by Bulgaria but in front of Italy, which holds the 31st rank, and in front of Greece, which is situated on the 35th position.

This index measures and tracks down the performance of the 60 largest world economies in relation to diverse indexes from the following categories: openness to the exterior, movement of capital, technology and idea exchange, labor force mobility and cultural integration.

In the modern globalization era, beside the classification of the most globalized countries, there is also a hierarchy of the most globalized cities. In order to establish the positions in this top, five criteria are analyzed for each city in turn, namely: economical activity, human capital, information exchange, cultural experience and juridical cooperation.

On the level of the year 2010, the first positions were occupied, in order, by: New York, London and Tokyo. Except for these, on the first ten positions, there were: Paris, Hong-Kong, Chicago, Los Angeles, Singapore, Seoul and Sydney. We can notice that four out of the ten most globalized cities are situated in Asia. As far as the cities of Europe are concerned, Moscow was situated on the 25th place, being preceded by London, Paris, Brussels, Berlin, Madrid, Vienna, Stockholm, Frankfurt and Zurich.

The outline of the contemporary globalization is largely shaped by the economical-financial crisis that has affected the entire world, with few exceptions. In this situation, globalization no longer appears as a phenomenon either so implacable or so irreversible or so American. In 2008, Thomas Friedman said, of course talking about the USA, that “we no longer need a financial salvation package, we need moral salvation”.

We need to reestablish the basic balance between our markets, morals and regulations. I do not want to kill the wild spirit required to move capitalism forward, but I do not want to be torn apart by it either. Sure, there are some globalization aspects that are irreversible, such as the transnationality of technologies or communications (see fig. 5.)

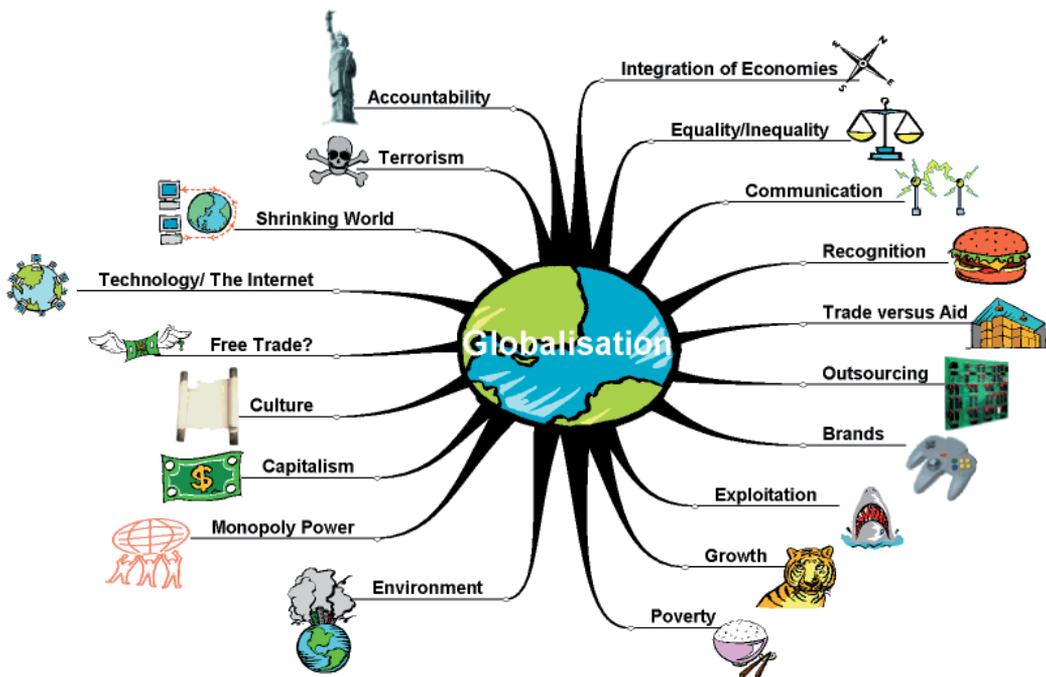


Figure 5. Globalization map

Yet, there are also reversible aspects, of an economic and cultural nature. What Asia brings now to the forefront in these realities are models containing different rules, confirming once again the syntagm “cash is king”. China is more stable than the USA, and the jobs, the production and the revenues are here now.

1.3. The IMF and the WB policies in the context of the globalization of the contemporary economy

As shown in the last 20 years, globalization has brought to the countries of the world more disadvantages than advantages. For example:

- unfair distribution of benefits of globalization, the number of losers being greater than the number of winners;
- undermining the national sovereignty by passing the control of national economies of the countries from the hands of governments in the hands of powerful states, global corporations and international organizations;
- deepening regional and global instability as a result of economic crisis transmission from one country to another.

The main connections of the global economy with the international monetary-financial system result from the operational credit-financing operations, discount operations and liquidities regulation operations. The IMF and the WB group are notorious international financial-monetary authorities, built on the basis of global-scale concession, called to govern the dynamics and balance of the international financial monetary system.

The lack of cohesion in the political decisions worldwide and the difficulty of the global cooperation approach given by the heterogeneity of the actors involved led the two organisms to go further and further from the reason of their creation, arriving by the end of the 20th century not just outside the dialogue with the system of the United Nations, but also outside the dialogue with parallel organisms and even with its own members (Ekins & Tancredi, 2009).

The institution of the International Monetary Fund was created in 1945 through the provisions of the Bretton Woods agreement, as a specialized financial-monetary organism of the United Nations System, responsible at first for the good functioning of the Gold Exchange Standard.

The main responsibilities assumed by its status refer to:

1. The promotion of an international monetary cooperation and the goal of assuring a harmonious evolution in the international trade;
2. The promotion of a stable exchange rate system, while respecting the engagements assumed by its members;
3. Permanent assistance concerning the establishment and the coherent functioning of the multilateral payment system established among its members;

4. Maintaining the climate of trust in the policies of the institution, by permanently availing temporary resources to the members in order to balance the current balances of payments;
5. Preventing and diminishing the negative effects determined by the unbalances able to affect the fund members' international balances of payments.

The central pillar of the World Bank Group, namely BIRD (the International Bank for Reconstruction and Development) was created in 1945 simultaneously with the IMF and became functional in 1947. The initial goal of BIRD was to support the post-war reconstruction and later on to promote the development of its member states.

The World Bank is oriented towards economic assistance programs, development programs, and structural adjustment programs meant to fight poverty. In relation to the World Bank, the IMF represents the primordial institution as specialization and responsibility sphere in connection to the international financial monetary system – by its configuration and the arbitration of its functional architecture.

The IMF's main functions concern the specific processes of cooperation, assistance, information, supervision and intervention concerning the institutions of the international monetary-financial system.

Gradually, as both of these institutions got involved increasingly and steadily in finding solutions to reduce the debts of the developing countries, their activities partially overlapped.

So, in time, the World Bank shifted its attention from financing projects to the program for economic reform; the IMF gave more attention to the structural reform along with its traditional activity concerning the adjustment of the balance of payments.

So, the main directions of action of the two institutions refer to the mechanisms of macroeconomic stabilization and to their direct involvement in international economic problems.

The confusions related to the delimitation of responsibilities between IMF and the World Bank until 1999 are notorious. Following the IMF's repeated failures to stabilize the crisis in SE Asia (1997) and the crisis in Russia (1998), the specialized political economic forums have drawn an alarm signal about the mismanagement of their responsibilities, considering at a certain moment even the choice of their dissolution.

The insufficient or even defective involvement of these two international organisms into the global problems has drawn criticism and reform recommendations. The IMF is called to support - from the position of analyst and consultant - the macroeconomic condition in relation to the quality of the monetary regime and the structure of the balance of national payments from the perspective of the monetary and budgetary policy of its member states.

The IMF is criticized for its market fundamentalism and the absolutization of its monetary network, the administrative recipe for all the countries with different problems that have

appealed to the financial aid instruments. The IMF has given more attention to the aspects related to inflation, balance of payments, exchange rate policies, neglecting the aspects related to the real political, economical and social indicators.

The low interest concerning the negative economic and social effects of the application of the principle of conditionalities worsened the effects felt by the member states in the process of globalization of the capital flows. Today, the developing countries no longer trust the policies and the strategies of the international institutions.

Beyond the specific functional laws of the market economy, in the approach of the IMF or WB policies there are multiple variables encompassing all the five essential dimensions of the national regional or international balance, namely: the economic plan, the monetary-financial plan, the social plan, the political plan and the cultural one.

It has been noticed that the countries that assumed eventual sanctions by acting against the measures required by the IMF managed to rehabilitate their economy much faster (e.g.: Malaysia), compared to other countries that were technically subordinated to the monetarist networks of the IMF.

The financial crisis of Asia (1997-1998) began with the crisis of Thailand and then it generalized to all the countries in the region (South Korea, Malaysia, Indonesia, Philippines, Hong-Kong) (see fig. 6.)

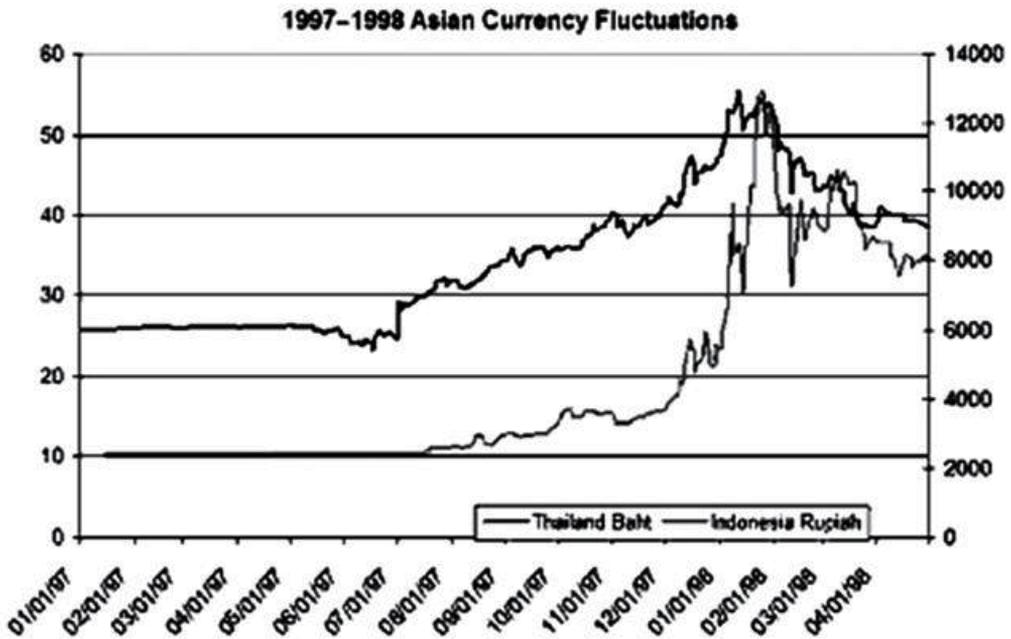


Figure 6. Asian Crisis Price Action

The basic cause of this crisis is also the crediting expansion, which led to the development of certain entrepreneurship programs. The effects were some of the most difficult for these

countries, for instance: Korea's GDP in 1998 decrease to 33% of the GDP of the year 1997 and in Indonesia the GDP / inhabitant went down by 44% in 1998 compared to the previous year. Some specialists analyzed the losses appeared following the financial crises, beginning with the year 1980 and until 2002 (the crisis in Japan). The losses were quantified as ratio of the respective country's GDP (see Table 2).

Country	Year	Cost (% GDP)
Argentina	1980 -1982	55%
Argentina	1995	2%
Mexico	1995 – 1997	14%
Brazil	1995 – 2000	5 – 10%
Chile	1981 – 1983	41%
Cote d'Ivoire	1988 – 1991	25%
China	1990	47%
Indonesia	1997 – 1999	50 – 60%
Korea	1997 – 1999	15%
Thailand	1997 – 1999	24%
Malaysia	1997 – 1999	10%
Philippines	1998 – 2000	7%
Russia	1998	5 - 7%
Spain	1971 – 1985	17%
Finland	1991 – 1993	8 - 10%
Norway	1998 – 1992	4%
Sweden	1991 – 1993	4 - 5%
USA	1984 – 1991	5 - 7%
Japan	1990 – 2002	17 - 20%
Israel	1971 – 1983	30%

Table 2. Cost of the financial crises

The years 2000 culminate with the greatest financial crisis in the economic history, more serious by far than the well-known 1929 crisis. The actual crisis, which began in 2007, in the USA, is a subject of controversy as far as the causes of its appearance are concerned: this topic was debated quite a lot, and the different potential causes highlighted by the specialists of the economic, political and social environment, theorists and practitioners, were submitted to a detailed analysis.

Starting from the idea according to which the losses non-recorded by a nation will be found on the level of a third winning country, the world economy needs a promoter of equitable

productive grounds and specific legislations concerning the output and the comparative advantage.

At present, the financial market has the following features:

- The capital market acquires the most important role in the general picture of the international financial market, and it is closely connected to the international currency market;
- The international financial economy has detached itself from the real economy. Money as a symbol of fortune and as an instrument for payments has value in itself and is traded as such. The positive consequences of this evolution is the birth of new financial assets, the creation of new jobs, while the negative consequences consist in the fact that the symbolical economy may evolve aberrantly, its crises triggering the occurrence of crises in the real economy as well;
- The domination of the market by the great institutional investors (mutual funds, retirement and insurance companies);
- The increasingly volatile interest and exchange rates often lead to the increase of the financing cost;
- There has been a shift from an economy of endebtmnt to a speculative economy, dominated by the primacy of the financing of speculative operations. The volume of the speculative operations represents about 90% of the total volume of the financial operations;
- The financial markets of different financial products are intricately interconnected, the specialists being faced with serious difficulties when it comes to understanding the multitude of connections presented among them and to evaluate the effects triggered;
- In the international financial system, there is a high aggregated risk.
- The IMF and the World Bank have contributed to deepening the dependency of the underdeveloped states of the world economy, and then to opening their economies to the corporatist colonization.

“There are, normally, two ways of making money without producing value; one is creating debts and the other is overbidding the assets’ value. The world financial system uses both of these ways to make money without producing any value” (Korten, 1995).

Joseph Stiglitz, an Economics Nobel laureate, has criticized the IMF programs. The IMF country networks have failed. In the East, Poland has respected its contract, and now it is doing bad. The same has happened to the Romanians, mentioning that they were not consistent in respecting the stand-by agreements. The IMF prescription condemns the patients to crisis. The IMF along with the World Bank and the WTO are poor globalization managers (Stiglitz, 2003).

It is the poor countries that have to bear the troubles (see fig. 7.). Governments need the IMF for a good image on the international capital markets, but also in order to balance their budgetary deficit. The program claimed by the IMF pursues: privatization, liberalization of the capital markets, price liberalization and trade liberalization. Using the conditions

imposed by the World Bank to grant credits, governments rush to privatize the companies to the national disadvantage, but with personal advantages.

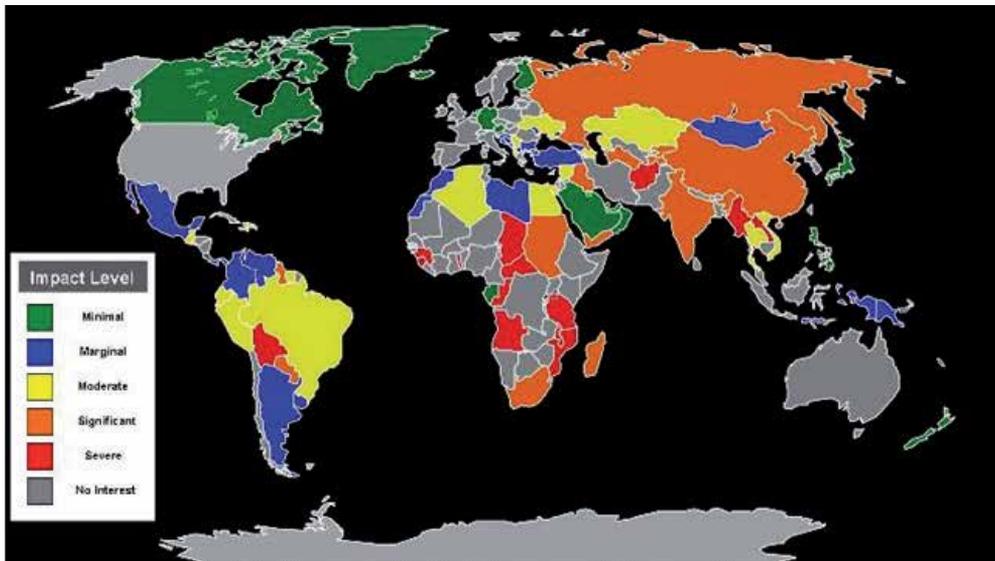


Figure 7. Disease impact on engage in opportunities & confront challenge of globalization

Multinational corporations can buy local industries cheaply, benefiting of: fiscal facilities, free areas, small salaries, and end up by totally controlling certain economic branches. As far as the foreign capital is concerned, it is oriented towards estate and currency speculations, and at the appearance of the slightest sign of economic crisis it withdraws, affecting the global economy (for example, the crisis in Mexico).

Price liberalization means blowing up the prices for foods and public utilities. In the case of trade liberalization, local producers are forced to compete, to their disadvantage, with international producers. In some countries, trade liberalization has triggered bankruptcy and unemployment.

“Huge world corporations control and manage the world’s money, technology and markets, acting only based on profit, without taking into account any human, national and local considerations” (Korten, 1995).

During the last more than two years, the world has gone through the most significant economic and financial crisis in its history. The globalization process has not been stopped; on the contrary, it has taken forms and features induced by today’s world phenomena, especially as most developed countries are in a more difficult situation compared to the emerging countries, which have continued to go through a period of economic growth.

So, in the year 2012, globalization can be regarded as an “orphan” cause, to a certain extent, as the governments have set as a priority the national interests over the international ones. We will witness the developed countries’ repeated attempts to recuperate their losses of economic and political power.

The emerging countries will desire stronger positions in a new economic and political world order, positions able to correlate their wish to reality, increased access to global decisions with their economic and financial power accumulated during the last few years.

Recent opinions have asked for an “improved multilateralism”, as IMF and a World Bank acquired “renewed” statuses. Walking out from the crisis will require extremely high financial resources, and the solutions of the IMF or of other international financial institutions could become more efficient only if these organisms avail themselves of enough resources in the long run.

If the world were to realize a transition from the crumbling institutions of the Bretton Woods system towards a more stable international order, then the problems discussed as fundamental themes in the international political economy should obligatorily be solved (Gilpin, 1999).

“In the future the key issue for the IMF and the World Bank needs to be the acceptance of the fact that they play an inevitable political role.” Neither is a technocracy without engagements. They both need to improve their openness and transparency, and they both have to become more responsible towards the poor countries, which represent their main clients.

Although countries are obviously unequal in what concerns power, globalization has to bring benefits both to the poor countries and to the rich ones, and the international financial institutions will be despised and irrelevant if they do not become responsible in front of all their members (Coyle, 2000).

1.4. The role of the World Trade Organization in the globalization process

The WTO has gone too far encouraging the trade liberalization, which triggered the incapacity to get the labor and environmental norms to be respected, determining the countries to lift their protectionist barriers.

The Generalized System of Preferences (GSP) mechanism for developing countries and the changes proposed by the EU in this respect have not functioned. Through their agricultural policies, the rich countries block the access on their markets for the products coming from the poor countries. This represents a hindrance for the latter.

For many poor countries, agriculture represents one of the few domains in which their enterprises are competitive (Fellous, 2006). Over 50 developing countries realize $\frac{1}{4}$ of their GDP out of their exports of agricultural products. Lacking the possibility to export agricultural products on the European, American, Japanese markets, these poor countries have few chances of having recourse to the technology imports that are so necessary for their development.

The issue of agricultural protectionism has been aggravated by the agricultural excedents of the rich countries. The artificial European excedents put pressure on the international markets, contribute to the decrease of the prices of the agricultural products and consequently reduce the earnings of these developing countries.

In these countries, where hundreds of millions of people have an income under 1 Euro/day, the consequences of a cut in the exports' prices can make the difference between life and death (see fig. 8.)

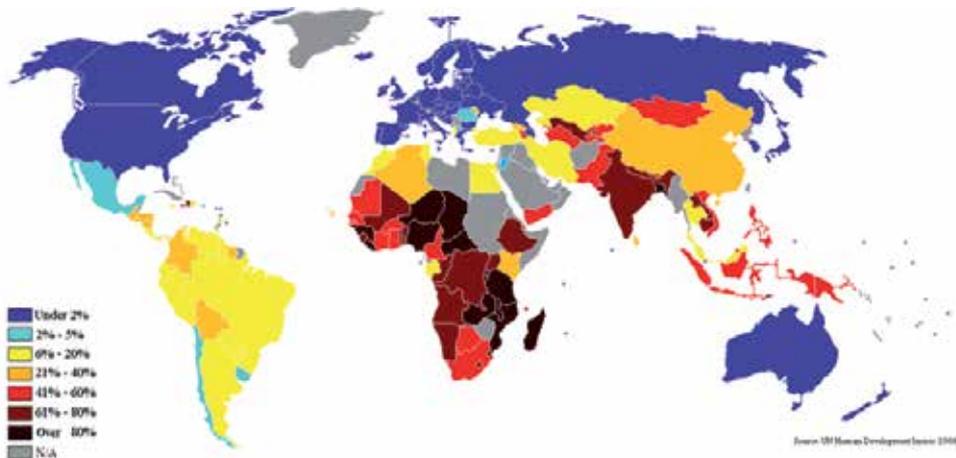


Figure 8. Percentage population living on less than \$2 per day

There is a flagrant contradiction between the official declarations putting at the forefront the need to help the poor countries and these countries' agricultural policies. For the developing economies, the WTO has triggered nothing else but negative consequences. So far, the WTO has not attained the fundamental goals put down in its status, namely to increase prosperity for all its members and to realize full employment.

On the contrary, in the North-South relations, WTO has favored the neocolonialist tendencies of its rich members, allowing for an unprecedented richness transfer from the poorest countries to the richest countries (Negroponti-Delivanis Maria, 2007).

The USA conceived and promoted the trade liberalization system, yet they had recourse to protectionism when their own interests were at stake. While strong economies have recourse to protectionism for one product or the other depending on their specific interests, the developing economies are forced to open without conditions, bearing the consequences.

The developing countries realize that they need to react together and are able to resist the decisions that are detrimental to their interests. Some countries that have reacted within the WTO are: Brazil, Mexico, India, Egypt, South Africa.

Many of the provisions of the WTO agreements are presented as necessary to assure the efficient functioning of the competitive markets.

However, the WTO did nothing to limit the capacity of the transnational corporations to use their economic power to eliminate their competitors using unjust means, forming strategic alliances with their rivals to share production facilities, technology and markets. The WTO has requested the government's intervention for the protection of the corporate monopoly rights on information and technology.

Extremely dangerous is the extension by means of the WTO of the right to international protection for patents, genetic materials, including seeds and natural medicines. The corporatist colonialism is by no means a consequence of some inescapable historical forces. It is the consequence of conscious options based on the pursuit of an elitist interest.

This elitist interest has been closely allied to the corporatist one in the promotion of the economic deregulation and globalization (Korten, 2007). Trade globalization has become possible due to the liberalization of the circulation of goods worldwide and to the rapid development in communications and informatics.

The development of the trading capacity needs to be supported by the rich countries using debt reduction and technology transfer policies. The trading rules should allow the developing and poor countries to protect certain sectors of their national economy. The developing countries need concrete national policies, giving them the opportunity to participate to the development of the external trade, access to credits and a favorable taxation system.

After the Second World War, the successive rounds of certain economic negotiations from the General Agreement on Tariffs and Trade (GATT) led to an important decrease of the tariff-related barriers and to the development of the world trade. Later on, the balance between the forces of liberalization and those of the economic nationalism began to deteriorate; towards the middle of the 1970s, the economic nationalism managed to lean the balance in the direction contrary to the trade liberalization and the growth slowed down (Gilpin, 1999).

In the 1980s, the extension of protectionism affected more and more the nature of the trading system and the international location of the production worldwide.

The WTO replaced the GATT on 01.01.1995. Its main goal is the liberalization of the international trade, by abolishing the tariff and non-tariff obstacles to trading. The WTO is the only organization establishing the rules of operation in international trading and has adopted the GATT's fundamental principles. These principles are:

- Non-discriminating commerce:
 - a. The most favored nation; treating the others equally;
 - b. National treaty; equal treatment for nations and foreigners
- A freer trade by means of negotiations and of "progressive liberalization".
- The possibility to consolidate the bonds when the countries decide to open their markets for goods and services.
- Developing a fair competition based on a system of norms meant to acquire a free, fair competition, free of distorts (misrepresentations).
- Economic growth and development by supporting economic reforms.

The power of negotiation of each of the 135 WTO member states finally depends on their importance, and that is why the three biggest economic powers, USA, EU and Japan can impose their goals and their will.

The WTO agreements, which were negotiated and signed by most of the countries taking part in the world trade, constitute the WTO core. These documents establish fundamental juridical norms that have to be "transparent" and "predictable".

The WTO agreements are intense and complex because they refer to juridical texts that approach a large array of activities, such as:

- agriculture;
- textiles;
- banking services;
- telecommunications;
- public contracts;
- industrial norms;
- rules concerning food health;
- intellectual property.

Disagreements are solved in the WTO by means of an impartial procedure, based on a convened juridical ground. When a contestation concerning a local or national law is brought before the WTO, the parties to the dispute present the case during a secret hearing in front of a commission made up of three experts in the domain of trading (generally jurists).

The burden of proof is placed upon the defendant. He has to show that the respective law does not constitute a trading restriction, according to the General Agreement on Tariffs and Trade (WTO).

If a commission decides that an internal law is a violation of the WTO rules, it can recommend that the accused country change its law or face financial penalties, trading sanctions or both.

The states trying to provide a preferential treatment to local investors at the expense of the foreign ones or which do not protect the rights of intellectual property of the foreign companies can face charges. National interests are no longer valid grounds for the national laws under the WTO regime. The interests of the international trade, which are first of all the interests of the transnational corporations, go to the forefront.

The world standards concerning health and food security in the WTO are elaborated by a group known as Codex Alimentarius Commission, or CODEX. The critics of CODEX have noticed that it is profoundly influenced by the industry and it tends to balance the standards by lowering them (Korten, 1997).

1.5. The United Nations' directions of action

The eradication of the world poverty and the reduction of the great gaps between the world's rich and the world's poor have become the crucial problems of this century, representing the source of the most dangerous political, economic and social conflicts possible, which can endanger the international stability. The solution to these problems does not have to do only with the allotment of more material and financial resources.

The world economy has grown at unprecedented paces during the last 50 years, the global world product increasing seven times over, yet global poverty has not decreased and the gaps continue to grow even deeper.

The main cause are the rules governing the market functioning, which have always generated and permanently generate social polarization – the accumulation of the richness in the hands of a minority and the perpetuation of the poverty for the largest part of the masses. This rule has functioned nationally even since the incipient stage of the primitive capital accumulation and has now extended on a planetary level, in the context of the globalization of the world economy.

Remedies are necessary therefore to limit these effects of the market. Nationally, it is the states' role to promote such remedies. An example of efficient measures has been given by the West European states, which have promoted, after the Second World War, the concept of social market economy and have realized the social European model.

The problem is the following: who should promote such remedies on the level of the world economy?! The UN and its specialized institutions have not availed themselves of such tools. These issues have also been debated during several world summits because they have become present preoccupations of the world community.

In the spring of 2002 at the Monterey summit dedicated to the financing of the programs meant to fight against poverty, the French president Jacques Chirac launched the proposition of the creation of a UN Economic and Social Security Council to deal with such problems.

Supporting the essence of this proposal, but taking into account the difficulties related to its promotion, which would suppose the modification of the UN Charter, we have proposed the use of the existing institutions, namely the transformation of the ECOSOC (Economic and social council), which is a consultative UN organ, into a coordinating organism, which together with the IMF, the World Bank, the World Trade Organization and the International Labor Organization, should constitute a Forum entrusted with the mission to elaborate a strategy promoting certain remedies for the functioning of the world market, introducing commercial and fiscal rules in favor of the developing countries and pursuing the goal of reducing in time the worldwide economic and social development gaps.

In the activity of the United Nations Organization, the economic issues have acquired a special importance, attaining proportions never foreseen by the Charter.

The economic function of the UN concomitantly comprises debates, studies, the conceptualization and the determination of the main directions in the domain of the world economy. At the same time, the institutional framework meant for international economic collaboration has amplified and the decision-making methods have improved.

At the UN, as well, there is a tendency to promote the concept of globalism, which designates the need to approach the world economy problems using an overall vision, in a world of continued increase of the economic independence in which the realization of a collective economic security is becoming a must.

The national sovereignty and the non-interference in the internal affairs of States are consecrated in the international law and in the international organization. The international

law and the international organization constitute an important part of the political reality because they influence the way in which States behave. States are interested in the international law for two reasons: anticipation and legitimacy (Nye, 2005).

2. Conclusions

Can globalization be implemented without the creation of supranational coordinating organisms? Some analysts, among which John Kenneth Galbraith, answer affirmatively to this question; they form the sovereignists' camp, while others answer negatively to this question, forming the supranationalists' trend.

What mankind needs today is not just any globalization, but a globalization with a human face, namely one in which the benefits of globalization should be divided equitably among nations internationally and among people nationally.

In order to set globalization on the values of equity and social justice, what is needed is reforms and new rules of conduct in the global governance organizations, IMF, WB and WTO.

The world economy is faced with the first recession of the globalization era. "Today, there is no similar system supervising the world globalization process. We have global governance, without having a global government. In exchange, for the last 50 years, we have had a system of institutions such as WB, IMF and WTO, which are responsible for different segments of the process, development, trade, financial stability. The way in which these economic organizations are led comes from the way in which they developed throughout the years: non-democratically, non-transparently, depending on the great interests, at the expense of the poor countries" (Stiglitz, 2003).

The governments accuse globalization for the loss of the national sovereignty triggered by the unrestrained growth of the force of the financial markets and of the multinational companies.

The problem raised at present is related to the reform of the international organizations, so as to serve not only the rich and the developed industrialized countries, but also the poor and the less developed countries.

The IMF and the World Bank were at the center of the major economic problems of the last two decennia, which also include the financial crises and the transition of the former communist states to the market economy. In its relations to a particular country, the IMF was conceived so as to limit itself to the macroeconomic issues: state budget deficit, monetary policy, inflation, trade deficit, contract-related policy for credits coming from external sources.

The World Bank was meant to deal with structural problems – what the government of the respective country spent money on, the country's financial institutions, the labor force market, trading policies.

We can certainly affirm that not only did the IMF not fulfill its initial mission of promoting global stability, but it also did not have any more success either in the new missions it undertook, such as the coordination of the former communist countries' transition to the market economy.

The WTO needs to adopt decisions having for a goal the facilitation of the penetration on the international market of certain firms from the developing countries which have potential and prove that they have the capacity to align themselves to certain standards imposed by the international organizations for a determined period of time.

In order for this goal to become reality, it is necessary that the WTO along with the other international organizations should plead for the adoption and implementation of decisions in favor of the Southern countries, such as the allotment of non-reimbursable funds and loans under more advantageous conditions, giving specialized technical assistance in order to instruct managers for an efficient resource allotment and for the adoption of policies and strategies allowing the attainment of the proposed goals.

In this sense, the developed countries should provide the developing countries with effective technologies and equipments under advantageous conditions, should assure the necessary specialized technical and financial assistance so that the countries of the South may be capable of exploiting the raw materials that they have and of using the abundant and relatively cheap labor force available.

The economic policies elaborated in Washington by the international economic institutions and their application in the developed countries were not adequate for the countries going through the first stages of their development or through their transition. Most of the advanced industrialized countries have created solid economies for themselves by selectively protecting some of their activity branches until they were strong enough to face the competition of the foreign companies.

The worldwide practice has demonstrated that obliging a developing country to open its market to import products that would compete with those realized by certain branches of its national economy triggered disastrous social and economic consequences. Jobs systematically went missing, the poor farmers of the developing countries simply could not face the competition of the products supported by strong subventions coming from Europe or the USA, before the industry and agriculture of these countries were able to develop and create new jobs.

Because of the IMF's insistence that the developing countries should continue to apply restrictive monetary policies, the interest rates reached levels that made it impossible to create new jobs, even under the most favorable conditions. Because trade liberalization was realized before taking the necessary social protection measures, those who lost their jobs became poor, while those who did not lose their jobs had a strong feeling of insecurity.

So, much too often, liberalization was followed not by the promised economic growth but by the increase of poverty. The decisions of a certain institution normally reflect the conceptions and the interests of those who make them.

The disappointment related to actions undertaken under the guidance of the IMF has grown as the poor of Indonesia, Morocco or Papua-New Guinea benefit of increasingly lower subventions for fuel and food, those of Thailand see the AIDS spreading because of the health expense cuts imposed by the IMF, and the families of many developing countries, having to pay the schooling of their children as part of the so-called “cost recovery” programs, choose not to send them to school anymore.

One might wonder if the IMF is really needed today. It is the UN that should be conceived so as to help the countries develop their interactions, should facilitate these interactions and should make them function efficiently in a multilateral system.

A constantly divergent dimension in the discussions on the notion of system reform refers to the centralization-decentralization dilemma. The realization of the international cooperation tasks on the scale and magnitude demanded by the Charter, in such diverse domains would not have been possible on a centralized level. The international action in the economic and social domains depends on the active participation and complementary action of the national authorities in each domain.

They can operate by means of a direct association with the international partners, so decentralization is an objective need. The role of the international organizations in the occurrence of financial stability consists in:

- Operating prudently in promoting the liberalization of capital;
- Describing conditions for its acceptance by individual countries;
- Avoiding too restrictive macroeconomic policies and structural adjustment policies that have not proved their efficiency;
- Ending the global monopoly of the International Monetary Fund.

The UN has an indispensable role in preventing and mitigating the consequences of the conflicts, not just by its actions in the strict sphere of the peace-keeping operations or other military and security actions but also by all its others preoccupations, such as the promotion of sustainable development, the respect for human rights and the development of the international law.

The UN does not only have to pursue the increase of its own role in this direction, but it also needs to stimulate the mobilization of the resources of the international financial institutions in common projects.

Unfortunately, at present one cannot speak about the existence of a world organization able to significantly reduce the inequalities between the countries of the North and the countries of the South, governing according to its own rules, without being influenced by the governments of the most industrialized countries.

We need important reforms of the existing world organizations or even the disappearance of the existing ones and the creation of new institutions able to apply the laws objectively, to adopt decisions, strategies and plans, serving the interests of the whole world and not just the interests of the main industrialized countries, able to “listen” to the problems of each

country in turn, to adopt specific measures for each of them, to find solutions as adequate and as close to reality as possible. The pressures exerted by globalization on the economy and on the lives of the people of our planet are felt more and more intensely.

At the same time, we should “transform the terrible economic crisis into an opportunity of launching a new era of sustainability”. Development and sustainability are the goals of the “model of capitalism of the 21st century”.

The United Nations Environment Program has developed a new concept: A Green New Deal (UNEP, 2008), representing a program of public investments in infrastructure and technology, by means of which the countries can assure the rehabilitation of their economy, can keep the unemployment rate under control and, in the long run, can obtain competitive advantages.

In other words, everything that was considered true until now has become outdated. The state’s strong intervention is not the only way to overcome the financial crisis, yet with a new practice of the concept of sustainable development, it should become reality.

The sustainable development concept was created more 22 years ago and it has been accepted and adopted in almost all the international institutions.

A fact that should not be forgotten is that the European Union, the main promoter of the environmental protection measures, renewed its sustainable development strategy in 2006, its main instruments being: the institution for regulation and modernization, a new fiscal philosophy and an improved subvention structure. Moreover, the end of 2008 brought forth the adoption of the European economic restoration plan, aiming to “create jobs in the EU in the short run and in the long run, providing the first engine that creates advantage and brings benefits in terms of economic growth, energy security and environment” (European Commission, 2009).

The increasing unemployment, social polarization, corruption and violence, even in the context of economic growth and maximization of the great companies’ profits, trigger deregulations on a world scale, which maintain a condition of insecurity and distrust concerning tomorrow.

More and more of the countries that sold their public enterprises to the private sector and deregulated their market have become the property of the great multinational groups. They dominate entire countries in the South, and they use these countries in order to exert their pressure in the international forums and to obtain the political decisions that are the most favorable to their interests.

These economic globalization phenomena and this concentration of capitals both in the South and in the North, destroy social cohesion. In the context of globalization, the national economies have to survive by avoiding the destruction of their balances. Resources should be used in an economical and non-polluting way, primarily valorizing the local ones.

Each state should harmoniously integrate its local cultural and artisanal traditions in projects of zonal and regional development and should affirm its identity according to its

natural resources potential, to its productive capacity, and its cultural matrix, valorizing the trumps available to it.

Another aspect would be the acute need to regulate the interstate economic relations, to organize an institutional cooperation tool able to contribute to a balanced evolution of the world economy.

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Globalization Policies

Economy of Globalization and Market Crisis: What Solution for the Agricultural Sector

Maurizio Lanfranchi

Additional information is available at the end of the chapter

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1. Introduction

Economic globalization has triggered a process of market innovation and communication, through direct and indirect effects, in the primary sector and particularly in the agribusiness sector.

Supply and demand of agricultural products and especially food is centred not only at national or local level but also at a global level.

Within these contexts, the individual farms are being increasingly squeezed out and they are unable to compete and to influence the market or have an effect on markets.

For this reason, farms can't only operate in their local area, but in a more complex and organized context with an ever increasing larger scale, accordingly they must give up individual policies and instead create alliances, collaborations between companies, for example through consortia, cooperatives, food and rural districts.

In this chapter we want to highlight the opportunities in the light of the district may help to re-launch both the agriculture and rural areas.

This growing interest in the district comes from a pondered reflection, aimed at any hypothesis intended for local development theory which might have its foundation in the endogenous development strategy. Through the creation of the district it is therefore intended to promote the integration between the enterprise system and the reference area.

2. On the concept of globalization

The term globalization means a set of phenomena of high intensity in quick succession throughout the global of, economical, social, cultural and ideological aspects. These events

gradually lead to the elimination of the tangible and intangible barriers to free movement of goods and people, to the dissemination of knowledge. The tangible effects of globalization are those that lead to the standardization of economic conditions and lifestyles of people in accordance with the Western model.

This is a fairly recent trend, which is realized mainly through a process of integration of the global economy to generate a network of activities that transcend the economic, social and geographical boundaries (Pinstруп-Anderson & Babinard (2001)).

The Nobel prize winning economist Amartya Sen argues that globalization has always existed, including in it also the geographical discoveries of the sixteenth century and the discovery of America in 1492, events that resulted in a similar form of globalization that has contributed to the progress of humanity.

Phenomena similar to the process of globalization in importance and extent of involvement in different countries of the world, have been seen throughout the history of this planet even in ages long gone by. If we think of mathematics: the decimal system appeared in India between the second and sixth century AD and quickly spread among Arab mathematicians. After the knowledge of mathematics reached Europe around the second half of the tenth century (Sen, 2002), again resulting in a process of globalization.

Although some scholars, economists and sociologists argue that the roots of globalization date back to centuries past, the term was apparently coined by Theodore Levitt (Levitt, 1983), American economist, and since then this term has almost radically replaced the expression often used i.e. "global village".

The beginning of this change can be traced back to the summit of the G6 meeting in Rambouillet (France) in 1975, when the general liberalization of the market process was created, governed by the GATT and later by the WTO, IMF and World Bank Investment. Since then, other definitions of globalization have been proposed, for example, the ODCE has interpreted this phenomenon as "a process through which markets and production in different countries are becoming increasingly interdependent due to the dynamic exchange of goods and services and through movements of capital and technology."

The globalization that currently affects our planet and which we can define "post modern" to distinguish it from all other forms of globalization that have arisen in the course of time, can certainly be considered a fairly recent phenomenon, whose birth, even if it has its roots in the 70s, can be traced back as the start of the process of change of the late '80s.

Today this in reality translates into a phenomenon of progressive enlargement of the sphere of social relations, which potentially should involve the entire planet and coincide with its boundaries.

In particular the benefits generated by the phenomenon of globalization, consist in giving a higher performance than ever before, due to the free movement of goods and services, which brings to obtaining better quality products at lower prices. This has resulted in clear benefits for consumers, which in terms of purchasing power have obtained better products

and have been able to save a larger share of their income; as for companies, which in the long term have set aside increasing funds which have been able to be invested in innovating the production processes. The exchanges have increased, since the process of globalization, to the extent of 1200%.

This has favoured the dominance of multinational companies in the world economy, whose mission is to respond to the logic of increases in profit, this has led to the relocation of production processes in less developed countries as a result of lower labour costs, with obvious repercussions for the economic and social integration of individual countries. The consequence has been the decline in industrial employment in Western countries and the exploitation of child labour in the third world countries, where wages are very low. In this international scenario, poorer countries have been forced to sell off their natural resources because of inflation and to buy consumer goods at prices always higher.

From the globalization of commercial markets we have gone to financial globalization. The economic and financial globalization has resulted in the elimination of all legal barriers, and has fostered economic and cultural leveling of prices and production costs to the most affordable on an international scale. This has led to the birth of "tax havens", places where to off load and clean the huge profits of the multinationals.

If we analyze only the positive aspects of the process of globalization, we note that the economic growth, favoured by trade and finance, has involved in little more than a decade and a half a billion people worldwide, who in that same time have doubled their income. Emerging countries that have experienced their greatest growth in the last two decades are those that have demonstrated a greater trade and financial integration in the global economy; emblematic examples are the countries of Southeast Asia and the new EU partners. The economic growth of these countries has promoted a more rapid diffusion of new technologies and the formation and the improvement of human resources.

Certainly the phenomenon of globalization does not produce unique effects. Besides the positive effects, although extremely important, in fact, there are also negative ones.

On the world scale the creation of increasing interdependence between countries is in itself a positive effect, as it has promoted the spreading of technologies and disseminated knowledge, but at the same time represents an element of weakness, because all the phenomena, action, problem, even though born at the local level, it is no longer confined to the territory of origin, but it creates turmoil in the global balance.

The attempt to examine the negative effects of globalization, related especially to disturbances in turn related to the liberalization of markets, emphasizes how this phenomenon has made financial markets particularly unstable, making distribution of resources and the spread of development in the world inequitable, further exacerbating social inequalities. In fact, uncontrolled deregulation of markets has had disastrous effects and the current international crisis bears witness to this.

In fact seeing that the processes in place are not perfect and linear, often more or less consistent areas suffer from a social division that is constantly increasing, due to the worsening of the dichotomy of the systems of the socio-economic world.

The causes that have triggered this gap is attributable to a number of key factors: the action of market forces, facilitated by specific policy choices, which have substantially increased the free movement of goods and capital, the crisis of the socialist systems of Eastern Europe, the most important of which is the one that occurred in the Soviet Union, the key role played by technology and, in particular, the rapid spread of new technologies applied to telecommunications (ICT), to the development of transport systems, which have reduced incredibly the time and cost of long distance communication, making possible transactions in markets geographically and logistically far apart. In the last thirty years, the reduction of time and costs is equivalent to 65%.

We can therefore say that the benefits of globalization fall almost exclusively on the model of Western life, generating different levels of economic welfare. This requires the implementation of alternative development models to those already in place, which destroy local ways of life and human, cultural and environmental resources. The biggest risk that is likely to emerge as a result of a mature process of globalization is in fact the progressive loss of local identity.

3. Economy of globalization and market crisis

Historical events, new geopolitical balance and socio-economic and technological changes that affected the world in the last three decades certainly represent a moment of epochal change that will characterize the "modus vivendi" of future generations.

Among the most significant changes, clearly the process of globalization is the most important, although some scholars prefer to speak of an internalization economy process.

The internationalization of the world economy has outlined the characteristics of international trade, geared to promote a complete liberalization of trade and total elimination of any constraint both regulatory and tariff which could hinder free trade.

The ideological motivation of the process of globalization can be traced back to the Ricardian theory of production specialization, according to which each economic agent has to focus and specialize in the field where it is more capable and which requires a lower production cost, while the policy of free exchange would have allowed everyone access to goods produced in optimum conditions.

In other words, the free market of products provides the optimal allocation of productive resources.

However, the analysis of the current situation allows us to see how the impact determined by these phenomena has dramatically affected the weak economies in the developing world.

Despite the undoubted positive aspects, in fact, we should also consider the weaknesses that this economic system brings, the among these worsening of one of the physiological defects of the economic society, defined by Keynes as "unfair and arbitrary distribution of wealth and income"; this is the limiting factor in achieving sustainable development, which, as we

know, is marked by inter-and intra-generational equity principle, known as “equal opportunity” to access resources for the entire population of the planet.

The economy of globalization, now has greatly exacerbated inequalities between industrialized countries and developing ones.

We note, in fact, the existence of areas, such as Latin America, Sub-Saharan Africa and central South Asia, hosting almost 90% of world population, but with only one third of the wealth produced on the planet.

An examination of the effects of international trade on development can not ignore an analysis of market liberalization, which in the last two decades has been a priority of adjustment policies, implemented by international organizations, aimed at the developing countries, an objective taken up by China and the socialist countries of Central and Eastern Europe.

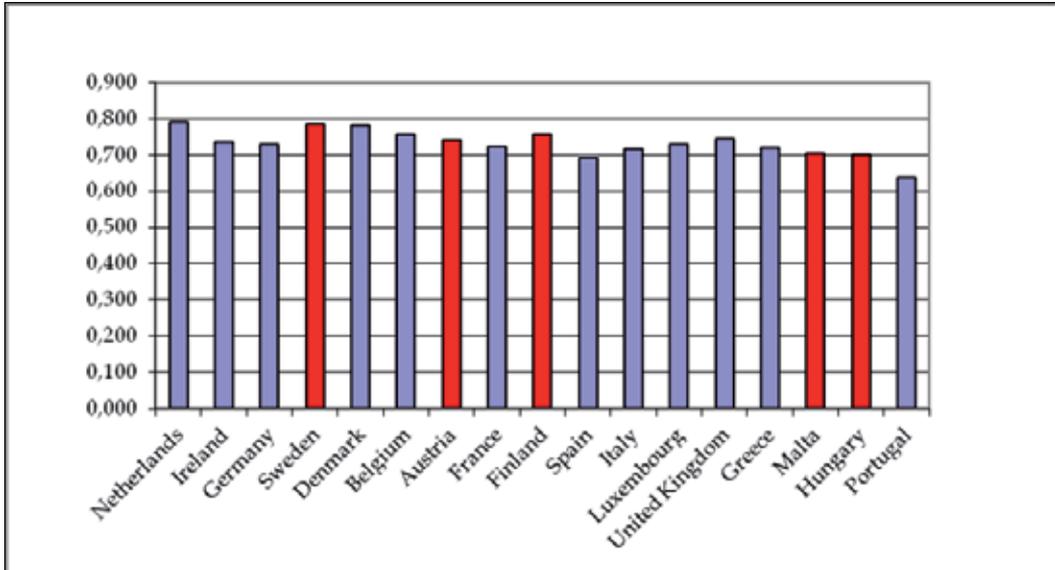
The phenomenon of liberalization has benefited the economies of countries that have certain characteristics, such as a consolidated and diversified manufacturing base, an important human capital, entrepreneurial capacity, a system of government, solid public institutions and a strong social cohesion. In countries where some of these features are missing, globalization is producing anything but positive effects, it has in fact encouraged the process of deindustrialization and loss of gross national product, it has exacerbated inequalities and increased the range of poverty. Emblematic examples are Russia and Africa, all this shows that the transition from a closed economy to an one to produce positive effects the transition must be gradual (Stiglitz, 2002).

If we take the Human Development Index (HDI) as the benchmark to measure the level of growth and wealth of a country, we note that the most important factors considered for evaluation, are three: life expectancy at birth per capita income and educational level. The latter is determined by the literacy rate and the average enrolment at educational institutions; of these two variables the weighted average is then calculated , for 2/3 related to literacy and 1/3 on the average enrolments (Volpi, 2007).

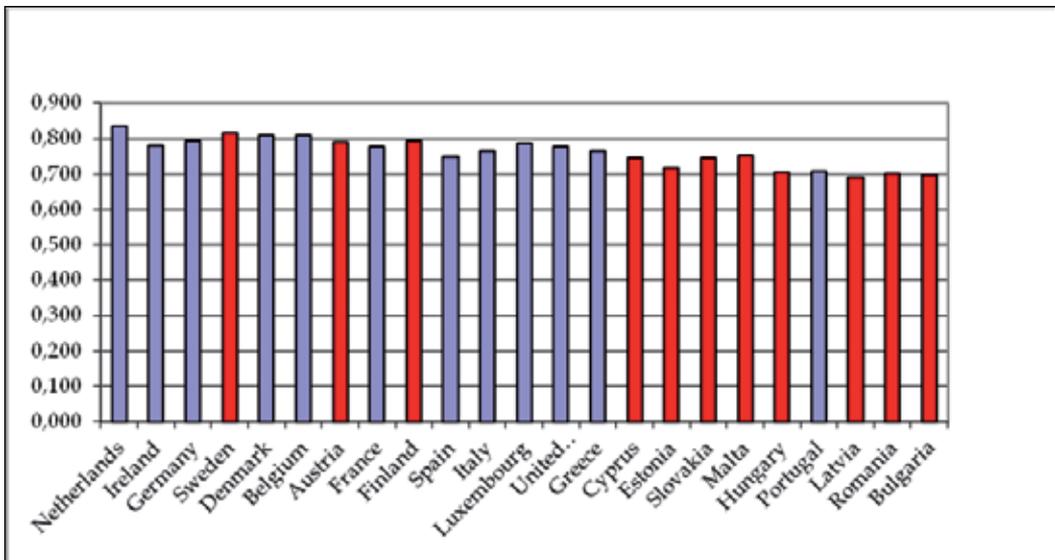
The ratio of HDI for the year 2011 says that the recent progress in human development for most of the poor of the world consisted only in the support received, and most of the benefit is for future generations. The reports of previous years have shown that living standards in most countries have been growing for several decades, yet the 2011 Report projects a disturbing turn around of this trend. If environmental degradation and social inequality continue to intensify, the less developed countries will be further alienated from the global models of progress.

It seems clear that there is a profound dualism between developed and developing countries. While in the West schooling is obligatory, illiteracy in many African countries is about 4 out of 5 people. In a ranking based on HDI, near the bottom lie several African countries, including Guinea, which registers 27% literacy, life expectancy at birth of 43.9 years and a per capita annual income of \$ 500.

The following charts show the trend of HDI for the period 1980 to 2011, relative to European countries. In red are indicated those countries that at that time had not yet entered the EU. As can be seen, the trend has increased for all the countries surveyed.



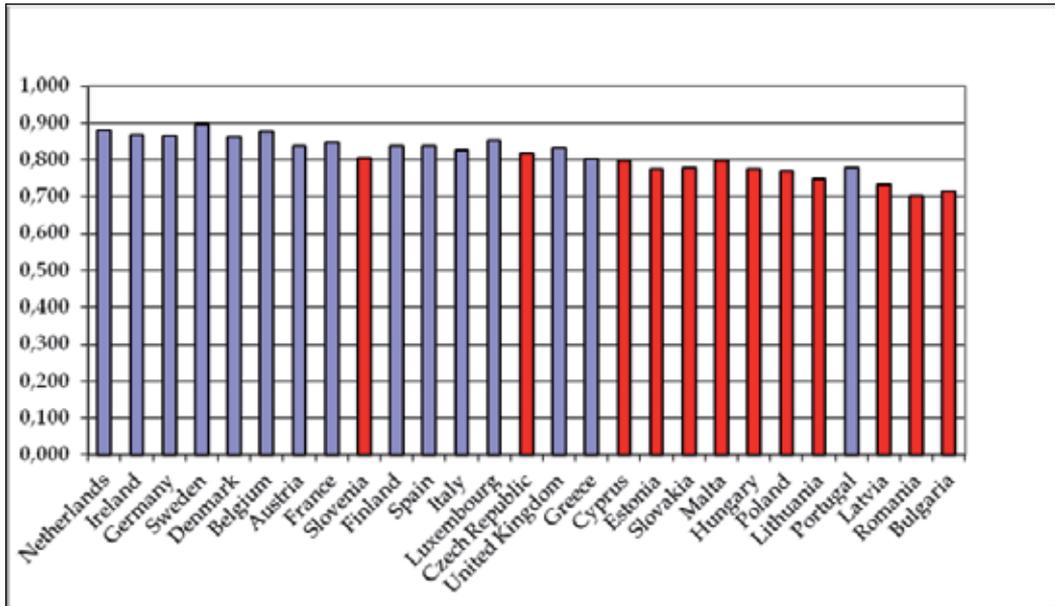
Graph 1. HDI 1980 EU (red non-EU countries)



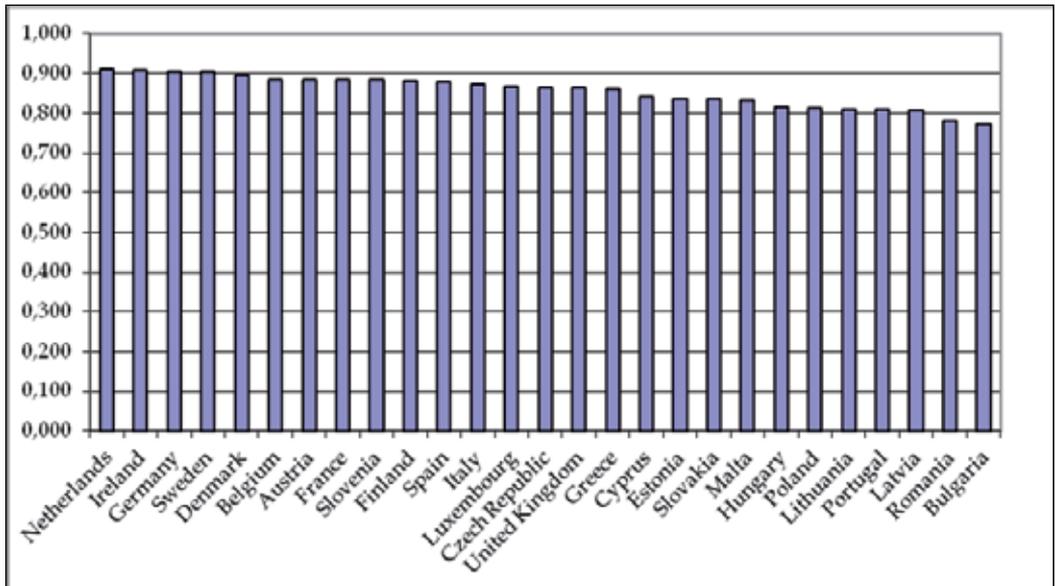
Graph 2. HDI 1990 EU (red non-EU countries)

Graph No.5 highlights the trend of HDI in different areas of the planet. We can see that in thirty years the living conditions of developing countries has not changed significantly, because the trend expressed by the indicator HDI, although rising in relative terms, has

increased less than in other areas of the world ; it should be noted, however ,that a positive trend occurred in East Asia and in the Pacific.



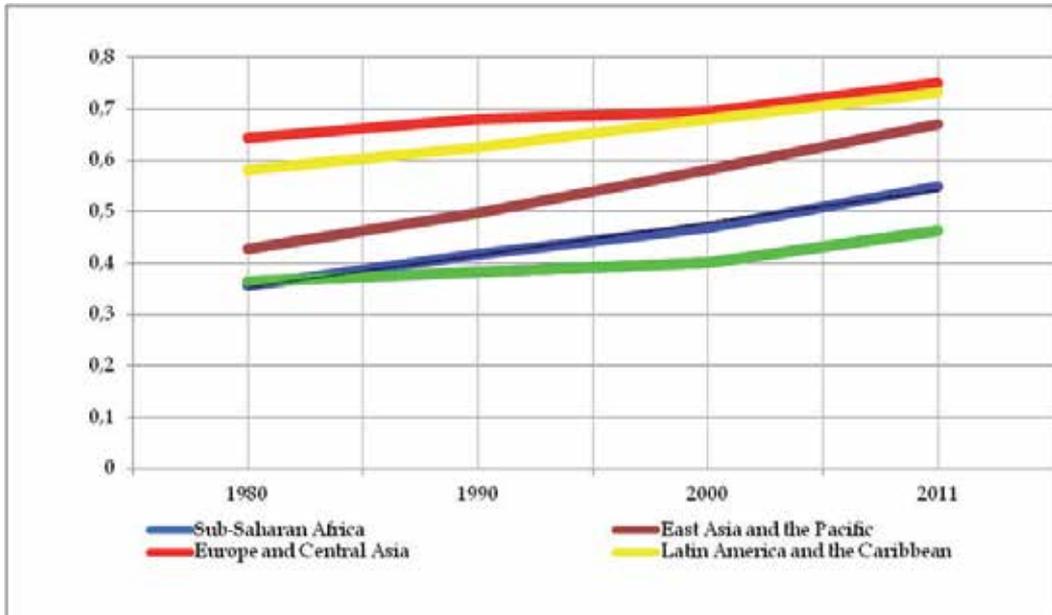
Graph 3. HDI 2000 EU (red non-EU countries)



Graph 4. HDI 2011 EU

With regards to the population growth of the world, it has in just over half a century passed the six billion barrier, with an average growth rate of approximately 100 million individuals

annually. Demographic estimates say that in 2050 the inhabitants of this planet will be about 9 billion.



Graph 5. Human development Index Regions compared

Consequently, the trend for the number of people suffering from hunger is increasingly growing, partly because of rising prices of agricultural raw materials: today, in fact, individuals who suffer from hunger are about 963 million, against 840 million in 2003.

If the poverty in the world increases, this means that the gap between rich and poor, instead of diminishing, increases. Currently the process of globalization has not been so globalizing in the sense that the developing countries that have been positively affected by this phenomenon are few: in Central and South America only Brazil, Argentina, Mexico and Chile, in Asia China, Hong Kong, Indonesia, Thailand, Taiwan and Singapore. Often the survival of these populations is anchored to agricultural activity, which is also characterized by a weak and pulverized manufacturing base.

4. The dark side of globalization and its negative effects on the international food system

From the first half of the nineties to the mid-twenty-first century, the effects of globalization had its full impact of (modernization of financial markets, expansion of investment opportunities for families), the GDP of various countries, which had already begun to slow down from the early nineties, is now stagnant in real terms.

The current economic crisis is not just a financial crisis, but a deep recession in which different causes (housing market, stock markets, credit, commodity markets, etc..) influence

each other, causing a vicious circle between money economy and real economy. It is a global crisis, as all advanced economies and many emerging or developing countries are simultaneously experiencing a recession, which, from a historical point of view, is the longest since World War II. Because of the interdependencies associated with globalization, it has spread rapidly throughout the world, in fact the collapse of financial markets in the West also cause disturbances in financial markets in the east and vice versa, so the economy crack has now spread out of control.

The process of globalization, which has increased trade to an extent more than proportional during the ascending phase of the economic cycle, now amplifies the negative effects. In the last half century, for example, the average growth of trade was about three times greater than that of income, then in 2009 there was a real collapse of international trade.

The most obvious phenomenon of the recession, as previously mentioned, is significant and worrying fall of 5.9% over the previous year in GDP, in 2009, when the global crisis became consolidated, and this dragged down the other socio-economic variables.

The evolution that has accompanied the economic systems of Western countries in the last three decades has inevitably involved agriculture, which has undergone major changes in production systems and within the social body of rural areas.

Agricultural trade was not certainly the most affected by the crisis, although all major countries have registered significant reductions in the agri-food trade.

In recent years, the turbulence of the market for food products brought to the fore the debate on the relationship between population, food supplies and resources. Many have wondered if the growth and price fluctuations that could be observed were interpreted as harbingers of a perspective of resource depletion. The agricultural sector at global level is under serious pressure, such as the growing demand for food and energy, the globalization of markets to climate changes. Global and local interact, generating a market expansion. In the widening market, however, risks are higher.

The evolutionary scenario in which the international food system is in at present has a food chain forced to face the consequences arising from the incessant development of the internationalization of markets - in a difficult situation in which the agricultural sector already is within the Community market- and reveals glaring weaknesses in terms of competitiveness.

What we see is a highly globalized food system, with the presence of large transnational corporations that dominate the market. The concentration of food is another of the negative effects stemming from globalization. In fact, if we analyze the entire system of agribusiness, we note that the top 10 companies in the world of seed production control more than 50% of the global seed market.

In the initial stage this changed reality was greeted with emphasis as a possible opportunity to increase competitiveness, today said evolutionary picture is seen with prudence, which in some ways seems to portend even an afterthought on the actual opportunities that liberalization of markets can offer to the food system.

The process of globalization in agriculture should enable each country free access to markets, however, the products of poor quality would always be destined to the LDCs.

Limiting the negative effects of globalization and the wide sharing of its benefits do not depend exclusively on the internal dynamics of individual countries, but on the activation of new international rules and institutions, and currently, as this system of rules and balances is significantly unbalanced in favour of the developed countries, it prevents the passing of other countries, from underdeveloped phase to the development phase.

According to surveys of FAO for 2009, the poor have grown by 105 million in respect to the previous year. For the first time in human history, people in state of malnutrition have exceeded one billion (FAO, 2009). The paradox of globalization is therefore that on one hand the increase of the poor and on the other hand the increase in the amount of food wasted along the chain. The negative consequences related to poor allocation and distribution of resources among the world's population, are not a unique problem to the least developed countries, but also of those who have attained a high level of development. In the U.S., for example, the Americans without the certainty of having enough food are approximately 50 million (North et al., 2009).

The issues related to agriculture in the south are substantially related to the fact that globalization has generated a shift from labour-intensive agriculture to one characterized by a high level of capital intensity, almost completely absent in these depressed areas. In other words, improved agricultural productivity doesn't improve the levels of wealth of these populations. In addition, the innovations that followed, such as the Green Revolution, have affected a limited number of crops, wheat, corn and rice. The emergence over the years of industrialized agriculture has also determined the gradual build up of surplus production and consequently the decrease in prices of agricultural products on international markets, thus reducing not only profits but also the propensity of farmers to invest.

The globalization of agriculture has produced negative effects in terms of environmental compatibility. In fact, mechanization, heavy use of fertilizers, the increasing use of fossil fuels, the use of genetic engineering and GM products, have generated new sources of air pollution. The pursuit of productive specialization, leading to the abandoning of multi-cultural agricultural techniques has fostered land degradation and desertification. This has caused social consequences, with the rural exodus and the subsequent abandonment of the territory.

Finally, globalization has exacerbated the bargaining weakness of farmers in developing countries, due to growing pressure from international corporations and industry groups, that, becoming increasingly strong, impose their own conditions of purchase, regardless of the actual production costs incurred by producers.

The entry of multinationals in less developed countries with the main objective of achieving new and greater profits and the diversification of activities, and not, as lead to believe, the development of these depressed areas. In such circumstances, the small farmers are unable to compete in the global free market.

This asymmetric bargaining power strengthens a market system identified as atomistic monopoly, that is, a market which on one hand has the demand, almost concentrated in a small number of buying groups that dictate the conditions of sale, on the other hand an offer too weak consisting in a large number of small producers, who can not do anything but passively accept this unbearable situation of the market. Therefore, to cope with the enormous costs of management, entrepreneurs are often forced to borrow and to repay the loans, are forced to sell their land. The economic power of multinational corporations is apparent from the analysis of some data: they control 2/3 of international trade, and the most important have an annual turnover greater than that generated by medium size countries. The international scene sees the top 100 most important multinational companies, 53 are European, 23 American and the remaining 24 located between China, Japan and India.

The international situation is therefore characterized by multinational companies which strive for the removal of economic borders, but these natural boundaries are essential to ensure the ecological integrity and social responsibility. The risk associated with the removing of such boundaries takes our planet to the entropy, that is, towards a world without form, without structure and order, and lifeless.

The global food market, however, is also experiencing a process of profound restructuring, with a redefinition of the concept of productive specialization. The demands for change, sometimes in order to counter the relocation of production and unifying of tastes are different and range from the role in the international scene of traders and finance of Asian countries towards technological innovation.

Globalization has in fact led to changes in Agricultural Enterprises in Western countries, which effectively place increasing attention to customer satisfaction, based on the principle of achieving total quality.

Indeed, the success or failure of a company depends on the ability to learn to interpret the needs and desires of the postmodern consumer.

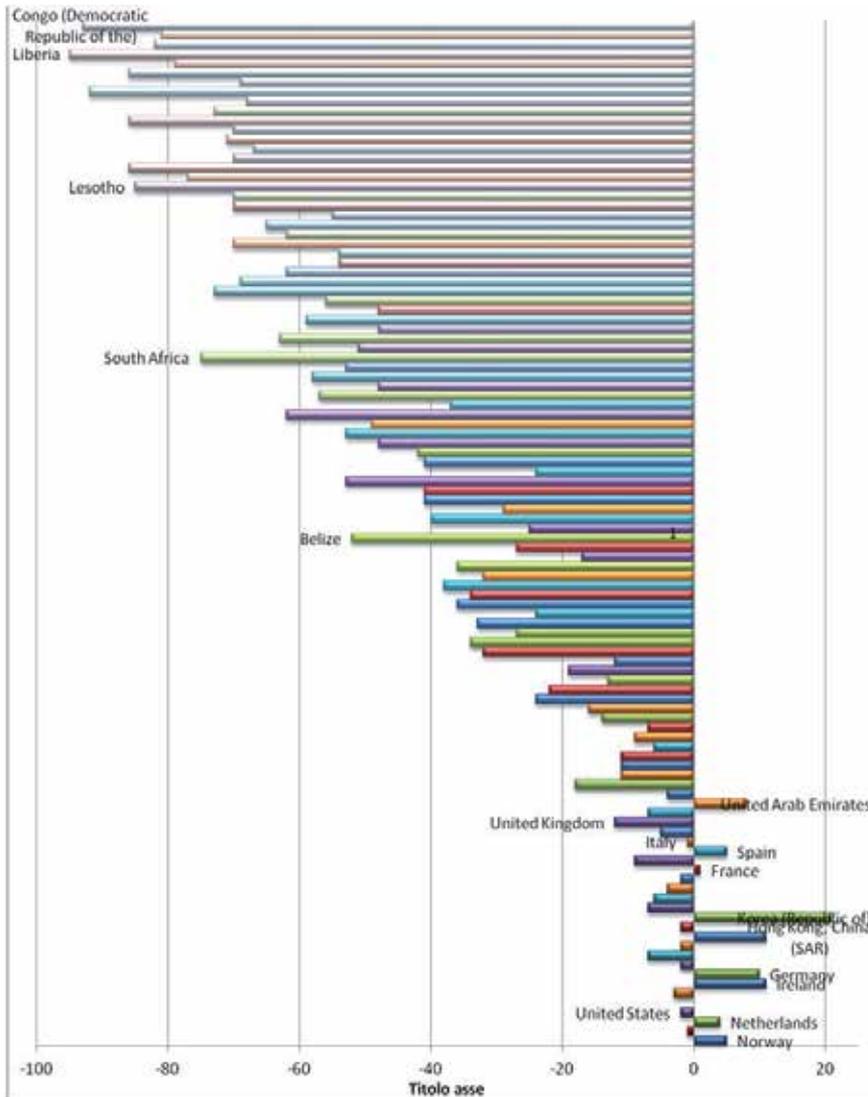
At this stage it is therefore necessary to stop and wonder what could be the real opportunities and real risks that lie ahead for the international food system.

5. Globalization, global agribusiness and improving the quality of life

In this section we want to correlate the impact of TNCs in developing countries and improving the living conditions of the population, taking as a benchmark, the Human Development Index, an index which, as we saw in previous pages, is taking into account the expressed Life expectancy at birth, education and the level of GNI per capita.

An interesting fact is that , of the 25 multinational companies operating in agriculture, 12 are located in developing countries. If we analyze the development of the Human Index for the period from 1980, when the constraints of globalization had not occurred, and 2011, we note that the loss of positions in the ranking of Human Development Office

report, commissioned by the United Nations Development Programme (UNDP), is widespread. Indeed, as evident in the figure n. 6 only eight countries (Norway, Netherlands, Ireland, Germany, Hong Kong, China (SAR), Korea (Republic of), France, Spain and United Arab Emirates) have improved their position over time compared to the HDI, while the rest of the countries of the world, while having improved the index, the ranking has worsened.



Graph 6. Changes in the position of the country according to the HDI 1980-2011

A closer examination shows that countries that were in the top ten ranking in 1980, despite having lost or gained a few positions remain substantially and firmly in this *top list*, even the last ten ranking countries remained at the time considered.

Moreover, only a very few cases have been recorded of countries moving from a *high human development* category to the *very high human development*, and the same goes for the improvement of other categories from *low human development* to *medium human development*.

All this shows that the positive effects of globalization have been confined to a few areas and economic development has not always coincided with an equally satisfactory improvement in the quality of life.

In this section we also wanted to compare the performance of HDI with that of another indicator, the *Basic Capabilities Index* (BCI), developed by Social Watch to see if the values expressed by this other index recorded positive differences in favour of developing countries.

The BCI is an index that is used to monitor the evolution of social indicators and compare them between countries and within the same country, without using statistics based on income; it also provides a general picture on health status and level of education of a country. It is obtained from the average of three indicators: the percentage of children reaching the fifth grade, survival beyond the fifth year of life and the percentage of births attended by medical personnel. The range of the index goes from 0 to 100, a BCI close to 100 indicates the presence of a country whose entire population enjoys basic levels of health and education. The analysis of the BCI indicates that unfortunately, since 2000, as many as 77 countries remained at the same level and only 21 have improved their position.

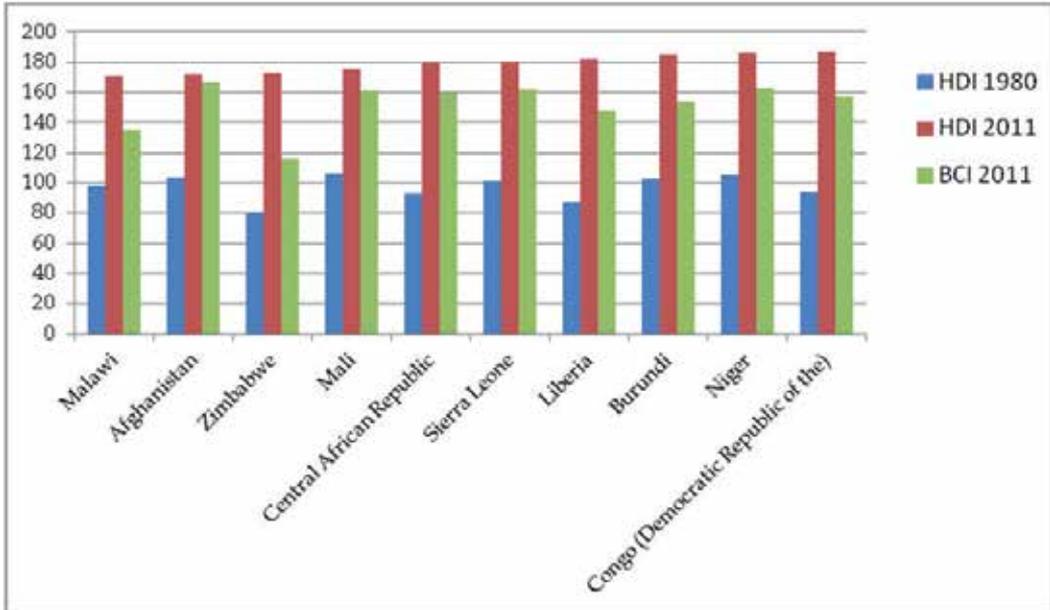
In order to confirm that the process of globalization has not improved the position of the poorest countries, a comparison has been made of the top ten countries in the HDI ranking of 1980 and 2011 with the first ten countries in the BCI ranking relative to the ' year 2011, the same was done for the last ten countries of both charts. We excluded those countries for which there was no indexes available for the observed periods. In particular for the *top list* Liechtenstein excluded, whose index in 1980 was not available and that in 2011 occupied the eighth position, inserted in its place was Switzerland, which occupied the fourth position in 1980 and in 2011 the eleventh.

The graph. No. 7 shows the evolution of the positions in the respective indicators examined for the last countries in the *HDI ranking report of 2011*. As can be seen from the chart, although there is some change in position between the two different indexes, however, states remain in the category of countries with high crisis and critical poverty.

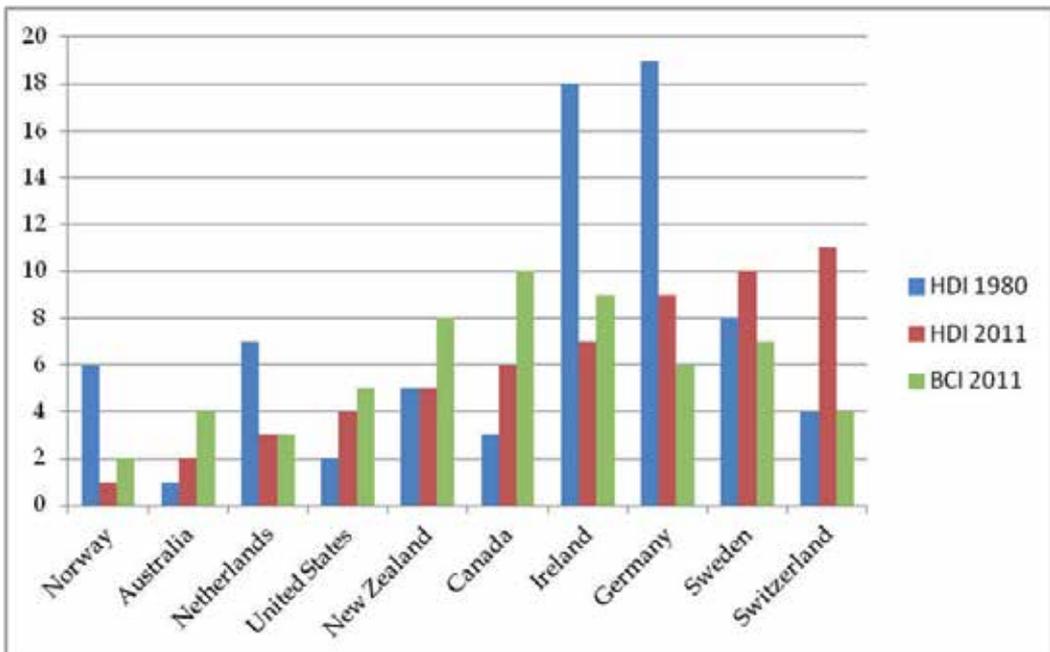
From the above chart it can be seen that, compared to 1980, these countries have worsened their position, remaining in the lower part of the league.

Similarly, countries with relatively high human development, the chart shows (graph. No.8) in this case there were no substantial changes, except for Japan, which ranked in the HDI, reports of 1980 and 2011, respectively, occupying the tenth and twelfth place, while in the ranking of the BCI it is in first place with an index of 99 +.

The graph clearly shows how the ranking has improved for four countries: Norway, Netherland, Ireland and Germany, while the others, while remaining in the *top ten*, have lost some positions.



Graph 7. The Last 10 Countries in the HDI classification 1980-2011

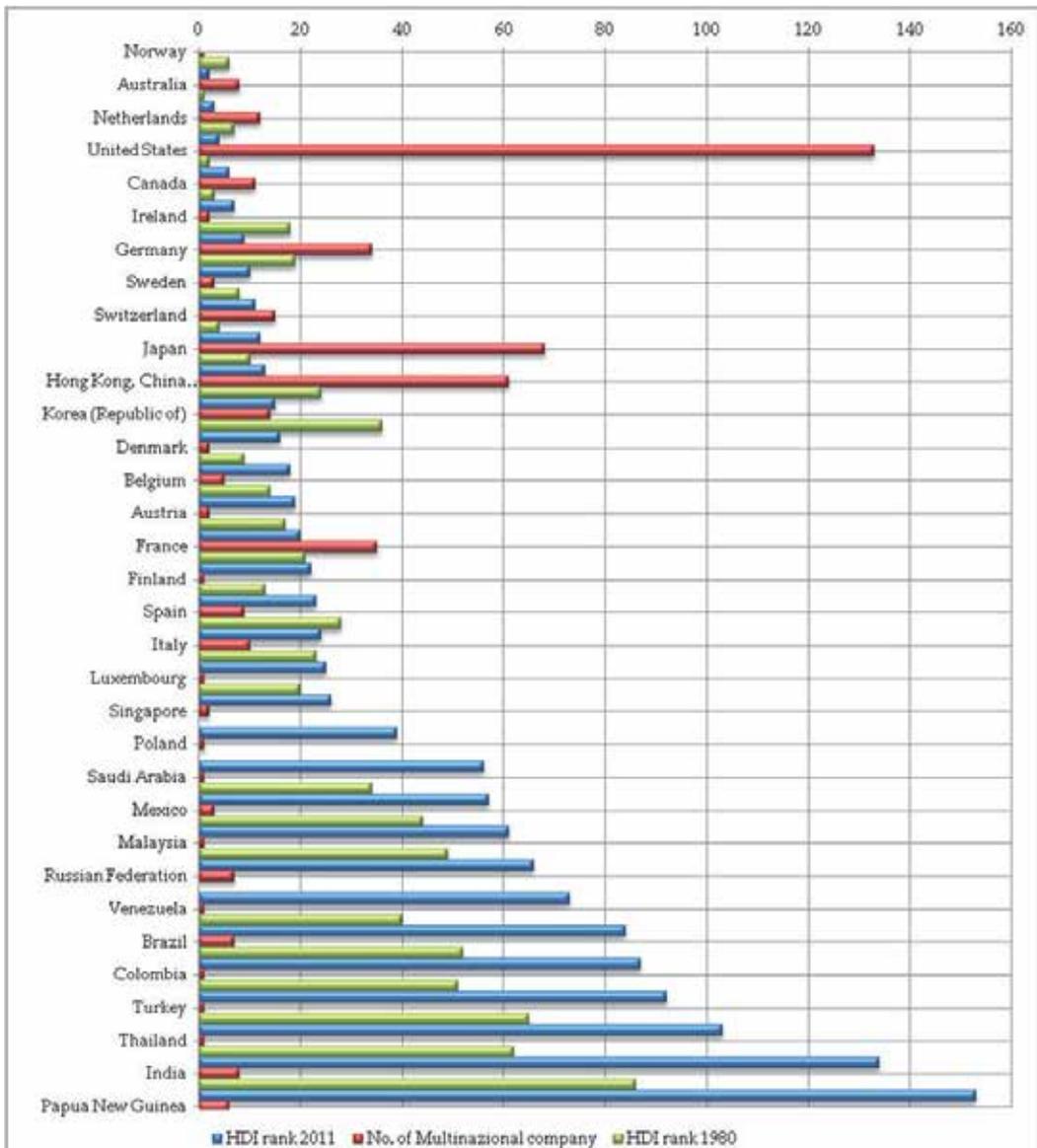


Graph 8. The First 10 Countries in the HDI classification 1980-2011

At this point we wanted to investigate further the relationship between the indicators of the quality of life and presence of multinational firms, in the countries under analysis, considered the symbol of this global social-economic revolution. To be considered a

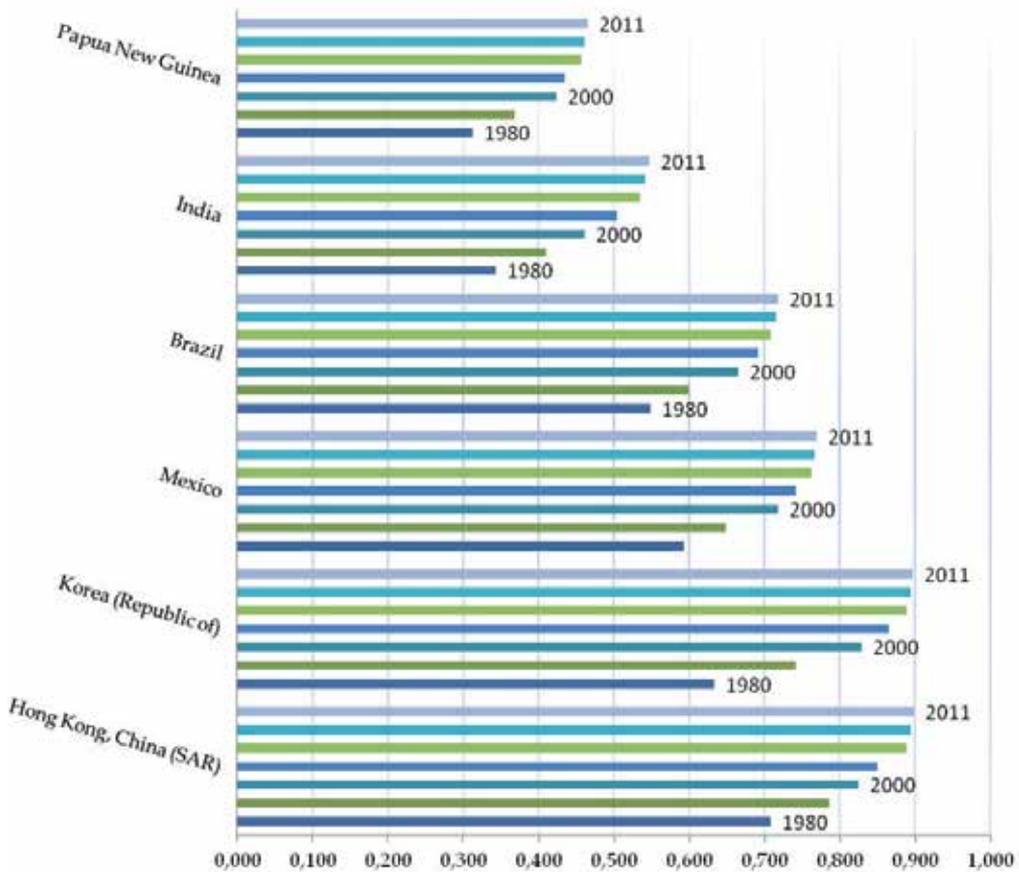
significant impact on the economy of a country, were considered the top 467 corporations considering their turnover relative to 2011.

As you can see from the graph No.9, there is no significant correlation between the values of the best indicators of well-being and the presence of multinationals, because the presence of multinationals in developing countries has not prevented the worsening of their position in the level of welfare.



Graph 9. HDI rating in proportion to the presence of multinationals

Finally, graphic No.10 relates the HDI of less developed countries within which multinationals operate. The period under observation is that for the years 1980, 1990, 2000, 2005, 2009, 2010 and 2011.



Graph 10. HDI rating in developing countries and presence of multinationals

Again we note, in the countries in which multinationals operate, a poor correlation between the increase of wealth and the presence of the multinationals. In particular, if we examine the situation of China-Hong Kong, we note that, despite the economic growth and the presence of 61 multinational companies, the growth trend of the indicator HDI was equal to 1, 10% per year in the range of time between 1980 and 2011; vice versa, at the same time other countries have registered major increases in levels of wealth in the absence of the giants of globalization, for example, Qatar has had an improvement rate of well-being equal to 1.20 %, even though it hasn't multinationals in its territory.

6. Globalization and European agri-food system

We now turn to a discussion of the characteristics of European agriculture.

The analysis of the Agricultural economic systems of the new EU members highlights a production structure characterized by micro enterprises that lack the necessary capital to modernize production technologies.

The European agricultural production system therefore has little ability to negotiate and entrepreneurs are forced to accept the conditions imposed by the intermediary distribution, both local and international. A major obstacle to economic and social growth of these countries is the large international debt.

The agricultural sector has shown in Europe, in the last thirty years, a declining trend both in terms of GDP - which on average does not exceed 3% of the total - and in terms of employment capacity, and on average now absorbs no more than 5% of the entire employed labour force.

The present scenario of European agriculture is characterized by the pressing technological evolution, in an attempt on one hand to compensate for the lack of territory, subtracted from the field due to the phenomenon of urbanization, and on the other hand to replace the productive factor of work with the capital, the latter being more convenient in terms of cost.

Such a situation, which ratified the industrialization of agriculture, has resulted in the long run with a considerable increase in energy demand, which to be satisfied has created a heavy reliance on fossil fuels. The constant external energy input, which stands at roughly around 3% compared to the overall requirements, causing a worrying impact on the environment; it is estimated that the contribution of the emission of greenhouse gases is equivalent to about 15% of total emissions, resulting mainly from the use of fossil fuels for transport and for heating.

Nevertheless, agriculture is once again called to play a key role in economic development, since it affects 80% of EU territory, and still provides employment to just under 20 million European citizens.

The concern related to the effects of globalization on the agricultural system in fact has prompted the EU to provide in future guidelines of CAP 2014-2020, aid for structural adjustment of firms adversely affected by globalization. In the event that the EU further reduces its barriers at the border (for example, as a result of entering into international agreements of trade preference), it will be possible to intervene to help companies in the sectors most directly affected to realize structural investments able to help them return to being competitive.

Undoubtedly the expansion of markets has represented for the European Union an opportunity for new markets, but also a threat due to the entry of competitive products for the European ones.

The obvious difficulties that characterize much of European agriculture (low income pro capita, over-pulverizing of business and high land fragmentation) have prompted farmers to seek solutions that are able to withstand the competitive edge without being swallowed up by the international rules of world markets.

Food consumption in the last decade, however, followed the same downward trend that has characterized the GDP of many other countries. The crisis and reducing the share of food consumption, far from having little impact, affected greatly the least developed countries and areas with lower incomes, i.e. those in the south, characterized by an imbalanced population structure.

To analyze the evolution of markets means above all to study the changes in demand, supply and global food security and investigate what might be the impact of phenomena such as the liberalization of trade and the approval of consumption, which do not have an immediate effect.

In an attempt to identify possible solutions to the problem the supply chain of local products has made progressive headway, through a policy of territorial development linked to the exaltation of the territory. The belief that through the rediscovery of local products, and this could be successful to address the agricultural crisis of our country, has begun to take root even in rural development policies ever since the end of the last century. The spread of the typical food, in addition to the influence exercised by the media, has been aided by the tastes and consumer behaviour, which, by changing their eating habits, have changed the demand for food products on the market. In fact, the third millennium is characterized in particular by increased consumer attention to "postmodern" food quality, safety and territorial links of local productions.

The current international crisis has in fact led to notable changes in consolidated consumer behaviour, in relation both to the composition of shopping baskets of different types of households and to the details and places of purchase.

In recent years the investigation and analysis aimed at studying the evolutionary process of consumer behaviour has shown that in making choices of the "price" factor has

dropped to around 20% in the scale of values, while an opposite trend was recorded in services, which increased at a rate that fluctuates around 50%; the quality requirement remained basically stable at around 30%. In this new model of the consumer the typical products, therefore, find a typical large space of demand and value, with a positive impact on production.

The increase of the range and interest for local products, however, resulted in an asymmetry of information negative for the consumers, because the labels on the packaging are unclear or misleading, production systems that violate the regulations on food safety and advertisements that are often misleading.

Gradually this has prompted companies to introduce codes of ethical behaviour.

The introduction of "codes of business ethics" is particularly widespread in the food sector, this marketing operation aims to promote a positive image of the company to consumers who increasingly base their decisions on principles.

From a supply perspective, it should be noted that the big food companies do not show particular interest in local products, or at least this choice is not a business priority, they seem rather more interested in process and product innovations. Only the channels of distribution show a growing interest in the rich agricultural characteristic, and this is justified by the particular attention to consumer behaviour, which, as mentioned above, the choice was in favour of local products that convey more food safety and wholesomeness.

In light of the new international reality, the European farming sector will inevitably have to adapt to changes in the orientation towards precise strategies.

7. Strategic actions of farmer to address the globalization era

In strictly economic terms, the last three decades were marked by the decline of industrial growth, model based on big enterprises dedicated to the production of standardized mass production configurations that are more flexible and responsive to turbulent markets, in the form of clusters and industrial clusters, local production systems, business networks and network enterprises.

The figure of the farmer during these years has had to adapt to such disruptions linked to the global financial and economic scenario has undergone significant developments, relating to the change of the complex relationship between company, territory, processes and socio-economic system, which in time has led to the expulsion of certain phases of the production process, once the prerogative of the farm.

This outsourcing has seen the gradual emergence over time of food processing industries, this has led to a decreasing importance of the small farm, which has become marginal in an increasingly globalized world, ending up being expelled from it.

The gradual down winding of farmer activity has called for an adjustment of that figure, both allowing the possibility of product diversification and by providing the opportunity to supplement farm income alongside other complementary activities of agriculture.

Therefore, if once the function of the farm was to supply the urban environment with products designed primarily to meet the basic need of food, now a farmer, in addition to this function, must ensure product quality, environmental sustainability and regional development.

To end this crisis companies must reduce agricultural production costs, facilitate the placement of products on the market by improving the prices rise, and increasing domestic demand (and encouraging diversification of consumption) and external demand (with a proper internationalization policy).

To achieve these objectives, farms, the last decade characterized by an opening of international markets, to maintain their profits have to make a "policy of alliances". The sharing of goals and projects including more companies creates added value in relation to individual actions and enables the scheduling of activities in a development perspective.

It is now known that the agricultural market is tied to some variables such as the rigidity of production cycles, the perish ability of agricultural products, the lack of attention to market needs, and especially the limited bargaining power of operators.

The low bargaining power is determined by the fact that market consists primarily of small and medium enterprise and the farmer is a price taker, that means that he hasn't the possibility to determine or to influence the price of goods or services that he produces or acquires.

In the primary sector it is becoming essential to unify economic synergies between companies in order to achieve common goals.

The need for synergies due to the fact that the internationalization of markets and the consequential growth of competitiveness have accelerated the process of technology development, total quality development, professionalism and the study of new products to put on the export market.

The access to the successful use of these variables is possible, for economic and financial reasons, only for large companies,. those who occupy a significant role in the market not only at a national level but also at Community level.

Agricultural SMEs across Europe, have, for this reason felt the need to set up cooperatives, considering the adoption of this particular formula as an essential starting point to occupy foremost positions in product markets and agricultural services. The cooperation may thus become a means of access to technology, which in turn allows far more easily, the emergence of more efficient models of cooperation. The cooperative not only allows easy

access to technology, but also the develop product innovations, economies of scale and wide-ranging marketing policies.

It is common opinion that joining an alliance does not mean giving legal and economic identity and distinctive features and submit to a project totally different to the original objectives of their business, but really facilitate the realization of their ideas and larger operational projects. Deciding to cooperate, however, means to be available to achieve a common task, to change, to innovate and anticipate the demands of the market.

8. The district as a tool for small farms to address the crisis of international markets

The Italian agricultural system has lived, since the postwar period, profound changes associated with increased labor productivity, increasing food demand, technological developments and actions undertaken in National and European agricultural policy over time. These elements have over the years contributed to assign a characterization of agricultural heavy to rural areas, in which the primary sector is often the only productive activity.

Therefore, as agriculture has contributed to the country's economic growth, promoting transmigration of the labor force first from primary to industrial sector, and then to tertiary, so rural areas having to accommodate these changes have had to acknowledge the negative effects related to the rural exodus and depopulation of mountain areas, thus the low population density in these areas.

With the process of the relocation of production, so too the food industry has increased in parallel with the use of means of transport, with consequent negative effects on the environment, so as a result of these changes the path made along the food chain "from the field to the table" has increased considerably in recent years.

The international economic crisis that began in 2009 is affecting all sectors of production, for the agricultural sector in particular it has been a crisis of business income that according to Eurostat data registered a decline of around 25%. Such a decrease in the income of farmers is unprecedented and was the worst in Europe. This negative result is mainly due to on one hand from the gradual decline in sales prices and on the other hand by the continuous increase in production costs. To worsen the economic situation of enterprises in addition to the volatility of the price system a significant decline in consumer demand to the situation has also contributed, a phenomenon due to the recession that has brought down prices below the threshold of company viability. This situation of crisis has seen a considerable decrease in the added value (VA) of the agricultural sector by 3.1% in 2009 in respect to the previous year, representing 6.4% loss when compared to the added value of the last five years. This decrease translates into a loss of EUR 900 million for 2009 and EUR 2 billion over the last five years. This recession has slowed the capacity to invest and innovate in business and stopped the production processes aimed at economic growth

To overcome the current crisis, it has become necessary to devise strategies similar to those which were mentioned in the previous paragraph, in particular, one of the solutions that could be particularly effective is the creation of a group of firms located within the same territory.

Starting from a re-conceptualization of multifunctional agriculture (where the company must have the requirement of multi-functional and synergies with other businesses, and the company has projected the territory beyond the corporate boundaries), characteristics of territoriality and District, awarded by Iacoponi respectively from company to enterprise, foreshadowed the discovery of the rural district, considered both as a territorial system, as enterprises operating mainly in the area that have a responsibility to preserve it as a vital resource for their survival, as a district system, since the population of firms in the primary sector and others connected to it working together, through the logic of the district, with the aim of implementing endogenous development (Iacoponi, 2002).

The challenge of global agricultural enterprises can be met through the implementation of the quality in farming or in the rural district, which are governed by Italian law.

The profound changes that occurred in the relationships between the agricultural and rural world have brought us today to welcome the extension of the original concept of the district, refined to the industrial sector to transfer it, in view of the production chain, in other productive sectors, and among these, the food industry.

In certain respects it should be borne in mind that the concept of the district, based on the location production, is in conflict with the principle of globalization, which is based instead on the relocation of production.

The identification of a district can define a framework of action within which to pool projects, supported not only by individual enterprises but also by the public sector or by forms of access of priority funding and incentives.

Districts in general, and particularly the rural one, are inspired by the principle of multinational agriculture, deals with environmental service, the promotion of local tourism resources, the cultural heritage of rural areas, this obviously not change the production function but also enhances the products that apparently are intended for a local market.

From the etymological point of view, the term district comes from the Latin, "dstrictus", which means narrow tight, within and content.

Just the last two definitions are particularly pertinent to the concept of a typical district of a local economy, because we intend to include in this term all the economic and productive forces of a given segment present of a territory and thus contained in it.

It is an aggregation of local, medium and small enterprises interested in the same production process.

This unity of production units enables us to separate the production process in to several steps, each of which is attributed to each single company, although it retains its autonomy it, is set in a system of enterprises operating in a given territory that weave interrelations amongst themselves and also outside their district.

The importance of the district instrument is easy to see and know how it allows significant flexibility in the management and organization of the production process by helping to achieve economies of proportion that are able to give a finished product even more competitive to large enterprises. Therefore it is easy to see how the district represents a principle instrument in promoting the economic and territorial development of rural areas at risk of abandonment, as it allows to overcome the fragmentation and pulverization of production, passing the limits of individualism and accepting the concepts of system and production synergy.

Only the district can therefore overcome the significant limitation that characterizes the local economy which is mainly in the south, i.e. a business tissue characterized mainly by micro business, which remains outside of any regulated market logic of globalization.

The presence of clusters enhances the potential in our opinion that the area offers in terms of both natural and economic resources, smaller companies, if they are located in a district, they have a greater chance of survival, and even more micro-enterprises, as defined by the EU with the recommendation 2003/36112, if outside the logic district they are in danger of disappearing.

We can look favorably on the district because, economically, it does not weigh down the local situation asking to acquire new resources, but is anxious to efficiently allocate those already available and can qualify as a new instrument of governance. In accordance with the concept of district within a local institutional reality that can give answers to local needs and allow the enterprises to deal with the crisis that arose following the globalization process

The food quality districts are: local production systems, including inter-regional nature, characterized by significant economic presence and interrelation and interdependence of production enterprises agricultural and of food, and of one or more certified products and protected, or by traditional or typical production¹.

From this definition it is apparent that Food District for its own identification, must have certain requirements, including the significant economic presence, the interdependence of production and typical or traditional production. The first requirement can be identified through the indices expressed by variables that represent the phenomenon, they may relate to employment, the number of businesses that relate to the sector of agriculture and food processing, to the machinery and equipment used in the manufacturing processes (Lanfranchi & Giannetto, 2010).

¹ Their recognition is attributed to regions, and are there are few region that have adopted specific legislation.

The second requirement, namely the interrelationship and interdependence of production highlights the correlation between agriculture and the food processing industry².

In this regard we can consider the sub-vertical manufacturing segments that make finished products for the construction of indices with the local units and operators working in related segments.

Finally the third condition, the presence of a traditional or typical production, is a sign that requires the presence of foods that have a quality mark such as PDO, PGI, DOC, DOCG, IGT, etc.

Based on this logic, the relations between different economic actors within the District shall be guided by a close collaboration between public and private.³ In light of these considerations we are led to believe that the food district can have different functions, such as creating an efficient integration between businesses, create an action of food marketing, identify priorities for investment aid, identify training needs, identify the needs and demands of research, create support structures, providing expertise to identify future operating ability. The food district, therefore, must present the relevant characteristics of dynamic economic-agriculture and non-agriculture, drawing, from complementary activities of the rural sector⁴ (Lanfranchi, 2008).

There are different types of district, all having a common matrix the "Marshall district" and the "industrial one".

The "Marshall industry district" are those in which small size enterprises operating in the same industry come together to create a territorial production systems.

The "industrial district" can be defined as "*socio-economic entity characterized by the active presence, in a limited area, of a community of people and a population of industrial enterprises*"[1]. Its essential components are:

- same territory-cultural-history (industrial atmosphere);
- reduction of information costs (for the same coordination costs);
- entry barrier (for outside competitors);
- exit barrier (for the district system).

We can speak therefore of agricultural district at the regional level when speaking only of vertically integrated stages of farming and farm supplies and when the agro-processing concerns mainly agricultural products produced locally (Cecchi,2002).

Conversely we are in the presence of an agro-industrial district where in a given area there is the integration of the three phases of agribusiness (farm supplies, farming, processing and distribution).

² In economics we talk about vertical integration between production processes of the production chain.

³ Subjects which form a relationship between the open nature, in a logic of management of a complementary nature.

⁴ An example is the environmental management, from recipes from the culinary culture, ethnic traditions and folklore.

Districts quality food
Farms / total farms
Employment in agriculture to total employment
Companies in the food industry / manufacturing companies
Employed in food processing / manufacturing companies
Employed in the food industry / employment in manufacturing
Mechanical / farms
Heads of livestock / farm
Farms / employed in agriculture
Rural districts
Companies with crops, woody crops, agricultural and pasture / total farms
Utilized agricultural area / total area
UAA with arable crops permanent crops and pasture / AA
Heads of livestock / AA with arable land, permanent crops and pasture crops
Employment in Agriculture / Farms
Employment in agriculture / UAA with arable crops permanent crops and pasture
Companies with mechanical / farms
Farms / other businesses
Employment in agriculture and other occupied
Urban land use / total surface
Population density

Table 1. Indicators used to identify food and rural districts

Instead, the identification of district food occurs when the downstream phase of processing and distribution prevails over the upstream supply. To be able to talk about food, however, the district must use the same organizational conditions of industrial districts:

- construction of a typical product;
- modularity of the production process into stages;
- divisibility in primary production unit (business) of the manufacturing process;
- concentration of enterprises in a limited area and their specialization in the production phase;
- inter-industry relations that take place in conditions of transaction cost reductions.

9. Conclusions

Faced with the prospects of increasing trade liberalization, European agriculture and the Italian in particular have two alternatives: either they become competitive with the cost of production for a global market, or they enhance the production and situations for which even now they have a clear advantage and which can point to seize the opportunities provided by new market horizons. In any case, to better understand the real possibilities of

adaptation of our agriculture, it is essential to be aware not only of what the prospects of development will be, but also those that are structural constraints that, traditionally, (Vieri, 2005) influence it.

In light of the events taking place in international markets and in particular the crisis gripping the economies of all countries, it is necessary to contribute to the development of more sustainable alternatives on the local scene, which can reduce dependence on multinationals. Among these are to be included the attempt to develop local food systems through the creation of districts and local markets. The development of local niche markets and use of alternative instruments, such as districts, may contribute to the economic sustainability of small family farming enterprises, which have an immeasurable social and environmental value (Lanfranchi, 2002).

The district can be an important tool for the revitalization of rural areas.

It is structured by physical capital represented by the territory in which the companies are, belonging to a supply chain, human capital, consisting of the resident population, and the share capital represented by all the relationships and interactions carried out by all those involved.

It allows to grasp and enhance social diversity that characterizes the different rural areas and because the district through the instrument can examine the interrelationships between the various stakeholders. Indeed, as seen in the previous pages the analysis of the role that the district can play in the revival of business and production, socio-economic recovery in rural areas must consider the district as a well-defined and characterized by a set of infrastructures and physical capital, but also of the so-called human capital, represented by all falling within the aforesaid area and its ability, knowledge and attitudes. The District is structured by a capital represented by the physical territory, within which there are the entities of a supply chain, human capital, constituted by the resident population, and the capital, represented by all of relationships and interactions carried out by all those involved. It is important to understand how this system of relations through exchange of knowledge and skills in relation to production processes and technological developments, which also allows those companies so small size of power to participate in technological growth benefiting from economies of scale that allow them to reduce production costs and make businesses less vulnerable on the market. But we can certainly state that the instrument district, regardless of its particular connotation of rural food quality and agro-production, proved suitable to trigger a more comprehensive development process, starting from the territory in harmony with the principle of bottom up and come to have effects on local business[8].

Indeed, with the ability to build collaborative atmosphere it can enhance the socio-economic boundaries falling in the district, and this translates into added value for firms participating in the district compared to those working in surrounding areas with the same issues of development but are not part of the district. The competitive advantage of these production units resulting in the possibility to count on increased availability of inputs, in some cases

available at lower costs, and to leverage economies of scale reduce costs aimed at transactional and information.

In an international scenario marked by uncertainty and in anticipation of the post-2013 EU gives particular attention to the applying of a territory of efficient policies in response to increasing competition in the markets, and represents a district in this connection an interesting tool for intervention governance in rural development within a defined area with product quality of local material. In this direction for some years now the EU has authorized state aid for the implementation of supply chain contracts and district in order to promote agricultural modernization and technological development of enterprises.

Supporting local food systems will not result in the abandoning of agricultural products that are not local, but will ensure food security for every country, in terms of both quantity and quality, and at the same time lessen the negative effects of a liberalization of markets, namely the standardization of production and approval of tastes, which, among other things, has the indirect consequence of the loss of biodiversity.

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The Marshall Plan – Global Strategy and Foreign Humanitarian Aid

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Additional information is available at the end of the chapter

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1. Introduction

Most political actors have recognized the Marshall Plan, officially named the European Recovery Program (ERP), as the most prolific foreign humanitarian aid program from the United States to Western Europe in history. As the United States Congress began to construct the proposal, it requested that the *Brookings Institute* conduct a comprehensive study and provide recommendations. On January 22, 1948, Brookings produced its findings for structure, focus, and operating procedures of the Marshall Plan, setting the course for the ERP. Brookings' recommendations confirmed the conditions in Europe and affirmed the necessity of relief. The report offered consideration for the construction of a new and separate American agency. Even more, Brookings offered recommendations that an American be appointed to manage the recovery program in each nation-state receiving aid.¹

As the United States Congress concentrated on identifying nation-states to participate in the recovery program, it was apprehensive on helping Germany, Japan, Italy, and its allies. From 1936 through 1945, Germany, Japan, Italy, and its allies were primarily responsible for establishing an alliance known as the Axis Powers. The Axis Powers consisted of nation-states that had the ability to use their power on a global scale (i.e., Germany, Italy, Japan, Hungary, Romania, Bulgaria) versus Allies (United States, Britain, France, USSR, Australia, Belgium, Brazil, Canada, China, Denmark, Greece, Netherlands, New Zealand, Norway, Poland, South Africa, and Yugoslavia).^{2 3 4} The United Nations was hesitant to help the Axis alliance as a result of previous war activities. Figure 1 is a synopsis of the Axis Powers and war campaigns.

¹ *Brookings Institution*, The Marshall Plan Retrieved on February 2, 2012 from <http://www.brookings.edu/about/History/marshallplan.aspx>

² Pre and Post-War (1939-1945). Axis Powers. Info please, Retrieved on February 16, 2012 from <http://www.infoplease.com/ipa/A0001288.html>

³ Loudon, R. (2007). *Great -Power: The World We Want*. United States of America: *Oxford University Press US*. 187-190 ISBN 0195321375

- 1939 (September 1) Germany attacks Poland and annexes Danzig; Britain and France give Hitler an ultimatum, declare war (September 3); German battleship *Admiral Graf Spee* is destroyed (December 17)
- 1940 Nazis attack the Netherlands Belgium, and Luxembourg (May 10); (June 10) Italy declares war on France and Britain; attacks France (November 10); Nazis attack England
- 1941 Germans launch attack in Balkans; Yugoslavia surrenders to General Mihajilovic, continues guerrilla warfare; Tito leads left-wing guerrillas (April 17); Nazi attacks Athens; remnants of British Army quit Greece (April 27); Soviet Union attacks Russia (June 22); Atlantic Charter: Prime Minister Winston Churchill and President Franklin D. Roosevelt agree on war aims (August 14). Japan attacks Pearl Harbor, Philippines, Guam, forces the United States into war, the United States Pacific fleet crippled (December 7); The United States and Britain declare war on Japan. Germany and Italy declare war on the United States Congress declares war on those nations (December 11)
- 1942 Britain surrenders Singapore to Japan (February 15); the United States forces Bataan Peninsula in Philippines surrender (April 9); the United Nations and Filipino troops on Corregidor Island in Manila Bay unconditionally surrender to Japan (May 6). Village of Lidice in Czechoslovakia razed the Nazis (June 10); The United States and Britain land in French North Africa (November 8)
- 1943 Prime Minister Winston Churchill and President Franklin D. Roosevelt agree on an unconditional surrender objective during the Casablanca Conference (January 14 - 24); German sixth Army surrenders to Stalin in Russia (February 1-2); Nazis trapped on Cape Bon, ending war in Africa (May 12); Mussolini overthrown; Badoglio named premier (July 25); Allied troops land on Italy inland after conquest of Sicily (September 3); Italy surrenders (September 8); Nazis seize Rome (September 10); Cairo Conference: Franklin D. Roosevelt, Winston Churchill, and Chiang Kai-shek pledge to defeat Japan to free Korea November 22-26); Tehran Conference: Franklin D. Roosevelt, Winston Churchill, Stalin agree on invasion plans (November 28-December 1)
- 1944 The United States and British troops land at Anzio on west Italian coastline and hold strategic position (January 22), United States troops enter Rome (June 4); D-Day: Allies launch Normandy invasion (June 6); Paris, France is liberated (August 25); Athens freed by Allies (October 20); America attacks Philippines (October 20); Germans launch counter-offensive in Belgium in the Battle of the Bulge (December 16)
- 1945 Yalta Agreement signed by Franklin D. Roosevelt, Winston Churchill and Stalin to establish plans for occupation of Germany, to return Soviet Union lands taken by Germany and Japan; USSR (Russia) agrees to develop treaty with China (February 11); Mussolini killed at Lake Como (April 28); Admiral Doenitz takes command in Germany; suicide of Hitler is announced (May 1); Berlin is conquered (May 2); Germany signs unconditional surrender terms at Rheims (May 7); Allies declare V-E

Figure 1. Shows a Synopsis of the Axis Powers and War Campaigns.⁵

⁴Harrison, M. (2000). *The Economics of World War II: Six Great Powers in International Comparison*. Paperback edition. Cambridge, England, UK: *Cambridge University Press*, 10.

⁵ *Ibid* 2

Moreover, nearly two years following World War II, the proposed Marshall Plan became law in the United States Congress under the Economic Cooperation Act of April 1948. The most conspicuous missed opportunity in constructing the Marshall Plan, by its originators beyond governmental divisions, was the absence of an established budget. At this time, there were no monetary funds allocated for financial budgetary committees' approval, yet, according to the *Brookings Institute*, a few years into Congress' enacting of the ERP, Europe's trade and industry production rose "25 percent exceeding pre-war levels." Further reports indicated their economic market increased by 200 percent within three years.

By the end of 1952, the United States had transferred aid to Europe in excess of \$13 billion in economic and technical assistance grants and loans to stimulate economic growth, political proficiency, and revitalize free trade while avoiding the utopian promises or military menace of communism. European nation-states, which benefitted from ERP, were the Axis Powers and allies (i.e., Austria, Belgium, Denmark, France, West Germany, Great Britain, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, and Turkey). Subsequently, these nation-states formed the Organization for European Economic Cooperation (OEEC). The aim of OEEC was defined as, nation-states needs consistent with the United Nation's objectives on trade and economic cooperation between allies (Alvarez-Cuadrado, 2008).

According to historical archives, the aim of the Marshall Plan was to increase productivity, improve economic growth and economic policies (Cowen, 1985, p. 65). Conceivably, it was the most expensive foreign policy initiative ever attempted in peacetime (Machado, 2008). Still, the perception of the Marshall Plan, post-warfare, varies by most Americans and Europeans from social colonization to unadulterated philanthropy. Conversely, this chapter will not address every historical consistency or inconsistency surrounding the Marshall Plan, it will respond to literature that has defined missed opportunities to obliterate European nation-states from foreign humanitarian assistance dependency.

1.1. Origins

In an arduous battle to recover from an imploding financial system, Europe's export/import market was at the brink of collapse. During this weakened state, the Soviet Union, an irrepressible communist nation-state declared its intent to seize Europe. The United States recognized that it had too much to gamble on the outcome of this hostile takeover. If the Soviet Union were to seize Europe, the United Nations' export and import market would implode as well. The susceptibility of misdirected revenue and impending surrender to the Soviet Union's communist regime compelled the United States to action. Subsequently, the United States Congress produced the most quintessential piece of legislation in history to impact global strategy and the modernization of Europe.

The United States Congress advanced the direction and construction of the greatest global strategy project in history. This global strategy aimed "to preserve America's vital tactical interests" in Europe. Congress introduced the strategy as a tactic to "mobilize public and political support" from both Republicans and Democrats, to take immediate action, and re-

establish Europe's sovereignty, and sway bipartisan support. The conventional defense of Marshall Aid was presented as a stratagem to save Europe and to ensure the future of American Civilization.

As stratagems were evolving, on June 5, 1947, at Harvard University, Senator Marshall spoke to graduates at their commencement ceremony. He proclaimed, "The people of this country are distant from the troubled areas of the Earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connections with our efforts to promote peace in the world." The purpose of the plan was to rebuild Europe's war-torn nation-states, to diminish famine and pandemonium in the streets, to promote free trade, and to create democracy for its nation and their allies.

Following months of debate in France, through collaboration of the United States bipartite and European partisanship, the ERP, Public Law 472, was accepted with 395 votes for acceptance and 75 votes against it (Bossuat, 2008).⁶ Thus were born provisions for the European Recovery Program (ERP) and European Cooperation Administration in June 1947, directed by Paul G. Hoffman from Washington, D.C., the groups established the ERP and ECA. After which, the United States implored the Soviet Union and its allies to participate in the Marshall Plan. The Soviet ambassador in Washington assumed that the ERP was a great initiative and persuaded Stalin to consider the plan. At the outset, Stalin too assumed the ERP would benefit all nations of Europe; it seemed a viable resolution for Europeans, until he discerned that credits would be extended only on willingness to accept economic cooperation and that Germany would also be extended aid, which he thought would hamper the Soviets' ability to exercise influence in Western Germany (Wettig, 2008). Further, Stalin surmised that the Eastern Bloc nation-states might defy Soviet directives not to accept the aid, potentially causing a loss of control in the Eastern Bloc. In addition, the most important prerequisite was that every nation-state to join the plan would need to have its economic profile accessed, which the Soviets would not accept (p. 66).

The United States' built-in limited conditional terms on economic collaboration and disclosure of information guaranteed that Stalin and the Soviet Union would never accept the conditions stated in the proposal (Alvarez-Cuadrado, 2008). Stalin struggled to negotiate with the United States. Still, the United States repudiated any notion to either modify or negotiate language (p. 138). Stalin inferred that the plan's stipulations were much too perilous to subscribe. Thereafter calling the United States fascist, pusillanimous, and authoritarian, and then declared its allies as enemies in the plan (p. 139). The Soviet Union refused to accept humanitarian aid (Robert, 2000), thereby prescribing punishment onto "its people to years of depravation under socialist economic schemes and totalitarian régimes." This tumultuous history leads to the central question: Was there a missed opportunity for the United States to cultivate relations to reunify and neutralize all nation-states in Europe?

⁶ Bossuat, G. (2008) *The Marshall Plan: History and Legacy, Chapter 1, Organization for Economic Co-Operation and Development (OECD), Publications*, at www.oecd.org/publishing/corrigenda, 13 -23.

1.1.1. *March notes of 1952*

Preceding the “Battle of the Notes,” Stalin drafted a *note* urging the allies of the United States and Europe (United Kingdom, France) to reconsider their objectives to including Germany in NATO. In lieu of the American proposal, in a *second note*, Stalin protested nation states’ alliance with Germany. He urged occupying powers to administer elections and proceedings instead of the United States, and broader delineation be conscripted by the Potsdam Conference. Moreover, prior to the adoption of the European Defense Community (EDC) treaty, Stalin sent a *third note*, citing the Germany Treaty, condemning the purpose of the EDC and its intent to “delay negotiations for a peace treaty.” In addition, he insisted that Eastern Bloc diplomats surrender to occupy powers at the treaty negotiations. In the *last note* sent, Stalin emphasized the Soviet Union’s stance to nullify election proceedings, and treaties that included German powers (Steininger, 1990; Walko, 2002).

These circumstances led to the “Battle of the Notes” between all U.S. aligned nation-states, the Soviet Union, and its allies. Because of language adopted in the EDC, which repudiates the Soviet’s proposal to prevent Eastern Germany from joining NATO, in succession Germany in the Great Patriotic War demolished the Soviet Union (Smyser, 1999). The central question remains: was there a missed opportunity for the United States and its allies to cultivate relations to reunify and neutralize all nation-states in Europe?

1.1.2. *Missed opportunity or not?*

The question surrounding whether the United States could have cultivated relations with Stalin and the Soviet Union to reunify and neutralize all nation-states under a NATO agreement is truly debatable for several reasons. (1) Logically, it is impossible to discern the intentions of the Soviet Union; the world will never know whether the Soviet Union would have permitted a neutral, democratic, or unified pact with Germany. (2) For certain, the German Democratic Republic (GDR) produced greater benefits than conceding to Germany as a sovereign state. For example, several of the occupying powers of the Second World War reveled in the prestige of such maneuvers as controlling the Eastern German borders, Czechoslovakia, and Poland. The GDR governance was a vassal of East Germany. Moreover, the Soviet Union easily exploited economic resources from allies and military, with the exclusion of the Austrian government. With its unyielding economic growth and lack of military strategies, the Soviet Union virtually controlled Austria. Finally, scholars have tried to discern whether Germany would have worked collaboratively with the Soviet Union. There is a greater probability that (3) the Soviet Union could have subjugated Germany through reunification efforts; and (4) Stalin could have hostilely seized Western Europe and its allies; however, without integration with all U.S. aligned nation-states, subsequently, West Germany might have been far worse economically (Smyser, 1999).

The argument can be made that the relevance of the March notes in 1952, reflected Stalin’s candor and eagerness to reunify and neutralize all nation-states in Europe, while simultaneously cultivating relations with the United States under the United Nations settlement; creating the possibility of a missed opportunity. Steininger (1990) argued these three points: (1) Stalin’s offer was meant seriously, (2) the Western powers intended to

sound out Stalin's' proposal, and (3) the Adenauer (named after Konrad Adenauer, Chancellor of West Germany from 1949 to 1963) policies [*to secure West Germany sovereignty*] were used to intensify Stalin's momentum to disenfranchise Germany. In opposition, Grami (1977) averred the profusion of notes served no purpose to Western Europe; the Soviet Union's intent was clear. Their intent was to create a diversion so that the integration of the GDR into the Eastern Bloc became more of a reality. The point being there is no conceivable system to discern if either the United States or Western Europe and its allies missed opportunities to cultivate relations during the reunification and neutrality proceedings.

2. Appropriations between 1948 and 1952

In France, at the *Hotél Talleyrand*, the ERP Conference ensued excluding the presence of the Soviet Union and its allies. Supportive of the European Recovery Plan, sixteen Western European nation-states and allies along with the United States gathered to construct a plan to rebuild and synthesize atrophied nation-states. After much debate, an agreement was reached and the Europeans sent a reconstruction plan to Washington. At the outset, the Europeans requested \$22 billion in aid. President Truman countered the proposal with \$17 billion for Congressional approval. Stemming from much opposition, the finance appropriations committee initially passed \$5 billion, in succession, with influential bipartisan support to send \$12.5 billion over a span of four years, passed (Grogin, 2001).

As a result of the ERP Conference, and preceding World War II, President Truman signed in to law the Economic Cooperation Act of 1948 (ECA). Austria, Belgium, Denmark, France, West Germany, the United Kingdom, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Sweden Switzerland, Turkey, and the United States, accordingly, signed a bilateral agreement. The bilateral agreement made certain that all nation-states received aid within an egalitarian system. As the threat of the Cold War materialized with the Soviet Union, in conjunction with below par constructs of the bilateral agreement, the United States Congress through the ECA attained power to question new annual fund allocations. As time elapsed, The Marshall Plan (ERP), no longer operable, dissolved about 11 months before its scheduled end date.

In the aftermath of the Post-War and remnants of the Marshall Plan (ERP), the redeployment of military and economic power left two dominant nations, the United States and the Soviet Union. The Axis alliance (i.e., Europe, Asia, Africa, and South America) was ravaged from the war. The dominant nations, with competing objectives, each toiled for world governance. The United States either wanted to concede to the threat of communism, or to an imploding free world. In response to probable security vulnerability, the United States enacted the Mutual Security Act of 1951. The purpose of the act was averting communism. Through the act, the United States could authorize military, economic, and technical assistance to nation-states with the aim of developing their welfare and liberation provisionally in the national interest of the United States.⁷ It created a new, independent, agency -the Mutual Security Administration. -Its purpose, to supervise all foreign aid programs including military

⁷ Zusman, L., & Helfand, N. Mutual Security Act (1951). Major Acts of Congress. 2004.

assistance and economic programs that bolstered the defense capability of United States allies (Hogan, 1987). By the end of 1952, the Mutual Security Act (MSA) replaced the ECA. After 1953, there is no more mention of the ERP.⁸ One after the other, bilateral, multilateral, and unilateral aid organizations emerged. Figure 2A shows *bilateral development assistance programs*.⁹ Bilateral aid programs fostered viable economic progress and social stability in developing nation-states. Figure 2B shows *multilateral aid programs*. Multilateral aid programs were combination resources, the majority of the programs financed with private donations instead of direct government contributions. Unilateral aid funds are direct contributions from one nation to other nation-states experiencing natural disasters. Table 1 shows the top beneficiary scale of aid between 1948 and 1952.

(A) U.S. Agency for International Development (USAID)	Peace Corps (PC)	Inter-American Development Foundation (IADF)
African Development Foundation (ADF)	Trade and Development Agency World Health Organization (TDAWHO)	Millennium Challenge Corporation (MCC)
Official Development Assistance (ODA)	European Union (EU)	Food Assistance (FA)
Development Assistance Committee (DAC)	Foreign Military Financing (FMF)	Organization for Economic Co-operation Development (OECD)
Food for Peace (FFP)	Private Voluntary Organizations (PVOs)	Office of Foreign Disaster Assistance (OFDA)
(B) Non-government organizations	Religious ministries	Foundations
World Bank (WB)	United Nations Development Programs: (UNDP) & United Nations Children’s Fund (UNICEF)	Business Donations (BD)
Multilateral Development Banks (MDB)	United Nation High Commission for Refugees and the International Committee of the Red Cross (UNHCRICRC)	

Figure 2. (A) Shows the Level of Development Assistance Programs; (B) shows the Multilateral Aid Program Contributors

⁸ *Encyclopedia of American Foreign Policy*, The United States Congress approved about US \$5 Billion for European military security, and US \$1 Billion of defense aid, (2002), 2, 2 - 95

⁹ CRS Report for Congress, Foreign Aid: Introductory Overview of U.S. Programs and Policy, April 15, 2004 order code: 98-916 at www.crs.gov.

U.S. Economic Assistance Under the European Recovery Program
April 3, 1948 and June 30, 1952

Country	(in millions of dollars)		
	Total	Grants	Loans
Total for all countries	\$13,325.80	\$11,820.70	\$1,505.10
Austria	67.8	677.8	00
Belgium-Luxembourg	559.3	419.3	68 ^a
Denmark	273	239.7	33.3
France	2,713.60	2,488.00	225.6
Germany, Federal Republic of	1,390.60	1,173.70	216.9 ^b
Greece	706.7	706.7	00
Iceland	29.3	24.3	5.3
Ireland	147.5	19.3	128.2
Italy (including Trieste)	4,508.80	1,413.20	95.6
Netherlands (East Indies) ^c	1,083.50	916.8	166.7
Norway	255.3	216.1	39.2
Portugal	51.2	15.1	36.1
Sweden	107.3	86.9	20.4
Turkey	225.1	140.1	85
United Kingdom	3,189.80	2,805.00	384.8
Regional	407 ^d	407	

Table 1. U. S. Economic Assistance under the European Recovery Program between April 3, 1948 and June 30, 1953 (in millions dollars)

The Marshall Plan is touted as the original course that aggrandized European integration. It formed an integral part of the concept of the Euro-Atlantic Alliance Partnership Council (EAPC): A NATO organization and multilateral entity which maintained relations between non-NATO and NATO nation-states. The Export-Import was an official credit agency established in 1934 to provide monetary relief and ease export and imports relations. The United Nation Relief and Rehabilitation Administration (UNRRA) established in 1943 administered the level of relief to victims of war. North Atlantic Treaty Organization's (NATO), post- World War II, major function was to maintain a level of peace and stability in Europe as UNRRA.¹⁰ The World Bank's purpose has been, since 1944, to provide fiscal and technical provision to developing nation-states. The Government and Relief in Occupied Areas' (GARIOA) established around 1946, sole resolve, under directives of the United

¹⁰ Geremek, B.(2008).*The Marshall Plan and European Integration* Chapter 2, Organization for Economic Co-Operation and Development (OECD), Publications, at www.oecd.org/publishing/corrigenda, 43 – 49.

States, was to allocate and supply goods and services to civilians. Interim Aid was used to sustain sovereignty in 1947. Followed by the Treaty of Brussels of 1948, stronger coalitions emerged between Belgium, France Luxembourg, the Netherlands, and the United Kingdom to preserve economic, social, and cultural cooperation.¹¹ Western European Union's (WEU), established in 1954, purpose was to defend alliances throughout Europe. In spite of everything, these organizations have an unswerving common view: to ease nation-states from circumstances of extreme poverty. The central question being, were there missed opportunities to streamline organizations aiding Europe?

2.1. Missed opportunity or not?

For years, since the passage of the Foreign Assistance Act (FAA) of 1961, the United States Congress has been publicly humiliated for overindulgence based on the perception among people who presumably appreciate government trends and practices. Yet for others the question remains, were there missed opportunities for the United States to streamline organizations aiding Europe? Yes, missed opportunities were ubiquitous. In 2009, the Congressional Research Service (CRS) conducted a study to understand the extent of misappropriations of aid. Sequentially, a CRS report documented multiple substructures of foreign assistance programs and government agencies attributable to the overlapping of foreign aid throughout government agencies. The CRS also, proposed immediate streamlining of governmental agencies that handle foreign aid distributions. Unfortunately, events of September 11, 2001, and the "War on Terror" erupted in flux within departments that were cited for the infractions. Moreover, expenditures increased from \$15 billion in FY2001 to more than \$45 billion in FY2007, including supplemental appropriations from the State Department (State) and, the U.S. Agency for International Development (USAID). The Department of Defense (DOD), the Peace Corps, the Energy and Treasury Departments, the Department of Agriculture, Millennium Challenge Corporation (MMCC) formed in 1951, and finally the Department of Health and Human Services (HHS) and Centers for Disease Control and Prevention (CDC) also had increased expenditures.

In 2007, following a stream of inquiries on how foreign aid disbursements are made, the CRS revealed a number of U.S. government agencies (aforementioned) attested to expending foreign aid to nation-states with parallel objectives. State financial aid officers, conceded that agencies either worked by "cross-purposes" or with intent to duplicate constructs reported as different aid objectives. Equally astonishing, in the twenty-first century, there were no "overarching mechanisms" in place to access the range of output. Consequently, State officers eventually used compendious systems in place among various departments and agencies, such as the U.S. National Security Council policy coordination committee, to generate new information-sharing technology, and inter-agency staff exchanges systems (CRS, 2009). Unfortunately, there remains no innovative processes in place that best improve systems of operations among State departments. Figure 3 shows overlapping agency foreign assistance activities.

¹¹ CVCE. The Brussels Treaty of 1948 (n.d.). Retrieved on February 2, 2012 from http://www.cvce.eu/obj/european_navigator-en-3467de5e-9802-4b65-8076-778bc7d164d3

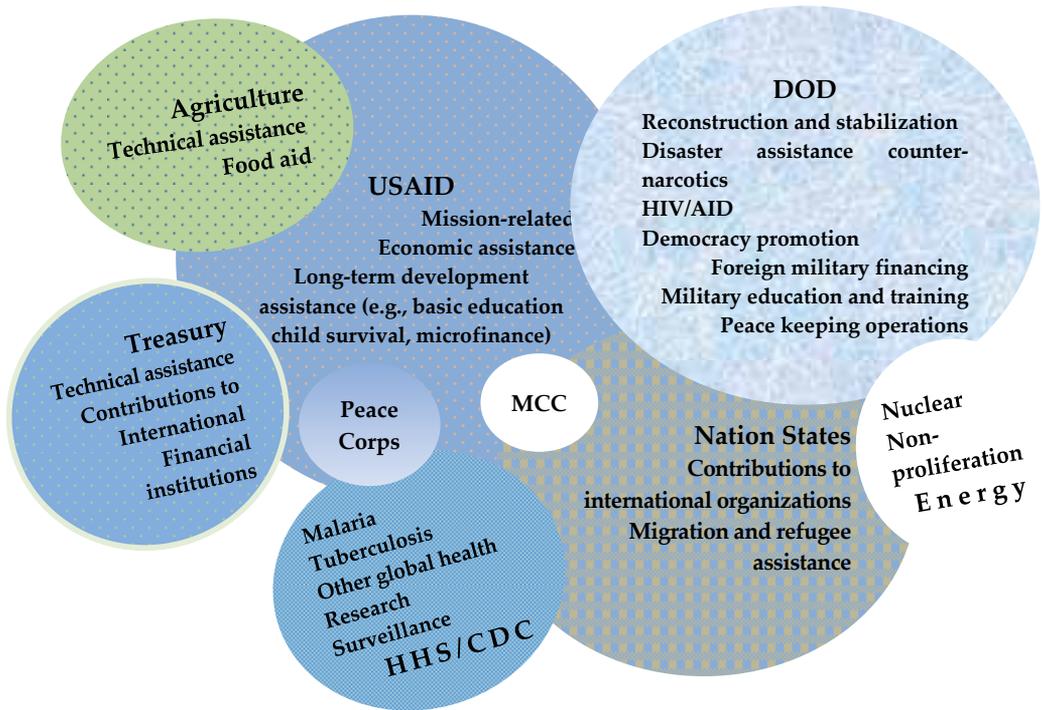


Figure 3. Overlapping Agency Foreign Assistance Activities¹²

3. Aid implementation between 1948 and 1949

The United States appropriated aid to Western Europe nation-states annually in the form of grants, food, supplies, and cash transfers. By the end of World War II, the main commodities purchased from ECA were food and fuel. As a condition in the Western Hemisphere, the Economic Cooperation Agency (ECA) only arranged transference of aid and purchases. What the ECA administrators spent in three years, translated into a contemporary dollar equivalence of \$1 billion, an enticement to unlawful activity and speculation (Machado, 2008).

The United States’ suppliers were paid in local currency and, sequential dollar amounts were credited against each respective ERP account. These processes generated income called

¹² CRS: The size of circles is not proportional to each agency’s share of foreign assistance disbursements, which changes significantly from year to year. An attempt was made to roughly show the average relative size of agencies’ foreign aid activities over the last decade. Areas of overlapping agency jurisdiction in the chart can mean two things. They can indicate a joint effort in a particular sector, and/or unrelated agency activities within the same sector. An example of the former is food aid, which is funded through the Department of Agriculture but implemented by USAID. The HIV/AIDS overlap is an example of the latter, with multiple agencies disbursing PEPFAR funds through their own programs. Sometimes both types of overlap occur simultaneously, as with MCC and USAID. MCC implements compact agreements independent of USAID, but compacts generally fund long-term development projects similar to those carried out by USAID, and the MCC threshold program is implemented by USAID. Retrieved on January 31, 2011 from www.crs.gov ., 24.

counterpart funds. The European government used counterpart funds to reconcile outstanding accounts by crediting counterpart coffers; further, the ECA routed proceeds from local purchases, equivalent to a tax transfer, into local banks which were subsequently, used for debt reduction or domestic investments on behalf of nation-states (p. 43). The United States, for its services received 5% of all counterpart funds to insure ERP administrative expenses were satisfied.

Moreover, aid appropriation was in the context of a USD GDP of \$258 billion in 1948, in excess of \$12 billion in U.S. aid to Europe and counted separately from the Marshall Plan (Milward, 1984). Successive plans, such as the Mutual Security Plan replaced the Marshall Plan mid-1951 (Nicholaus, 2008). The threat of the Korean War compromised security for nation-states, in accordance creating a greater urgency for aid. Inasmuch “Western Europe received \$13 billion to rebuild its military infrastructure.” \$3.4 billion went towards the import of raw materials and semi-manufactured products; \$3.2 billion allocated for food, feed, and fertilizer; \$1.9 billion for machines, vehicles, and equipment; and \$1.6 billion for fuel (Hogan, 1987).

One after the other, multilateral organizations entered the arena (i.e., the United Nations Relief and Rehabilitation (UNRRA), Interim Aid; Government and Relief in Occupied Areas (GARIOA), The Export-Import Bank, and the World Bank (p. 33)) to assist in the Korean War. Figure 4 shows the projected and actual increase in output of selected commodities between 1948 and 1949. Somewhere between FY1946 and FY1953, tabulation for counterpart funds for commodity purchases developed erratically. Noticeably, ambiguous time and information varies from researchers pertaining to constructs surrounding the Marshall Plan. The United States had the latitude to question the amount of commodities: food, and fertilizer, energy, cotton, unprocessed goods, tobacco, machines, and vehicles. Table 2 shows the distribution of aid by commodities purchased from ERP funds delivered to Europe FY1948 and FY1951. The central question: for how many more missed opportunities can the United States the take credit?

3.1. Missed opportunity or not?

In spite of the Marshall Plan, “rhetoric of aid” to nation-states between 1948 and 1951 there is no methodical evidence to corroborate findings of increased productivity, economic growth, or the proliferation of trade (De Long & Eichengreen, 1993). The point is, because of the lack of time and inadequate statistics, the implementation of aid appropriation is unnoticeable. In opposition, US \$1.7 billion program of grants and loans to European nation-states to purchase U.S. products was an essential factor during West European postwar recovery (Tammen, 1990). The largest portion of Marshall Plan money covered imports of agricultural products, raw materials and semi-finished products (Kostrzewa, 1990).

As aforementioned in *section 3, aid implementation* was at the discretion of Economic Council of Advisors (ECA) with nation-states; whereby, acquisitions and grants for support credits were deposited on counterpart coffers and accounts, subsequently used for debt reduction or domestic investments on behalf of nation-states. Consequently, these reserves enhanced

nation-states capacity to direct profits into local political campaigns, hence reinforcing state control over Western Europe's economies,¹³ while at the same time grossly undermining the effect of aid implementation. Simultaneously, the ECA Marshall Plan intensified internal policies of pacification. Further, it became the impelling cause of economic centralism in Germany, Italy, France, Austria, and Greece (Cowen, 1985, p. 66) which affected a propensity for corruption in Greece (p. 69).

Commodity	Projected Increase	Actual increase
Bread grains	46	42.1
Coarse grains	12	16.9
Sugar beets	26	40.1
Coal	14	12.7
Pig iron	68	62.8
Steel	50	46.7
Lead (metal)	78	61
Zinc (metal)	45	25
Tin (ores)	38	52
Aluminum	37	27
Cooper	16	0.9
Electric Power	0.9	0.8

Figure 4. Projected and Actual Increase in Output of Selected Commodities 1948 and 1949¹⁴

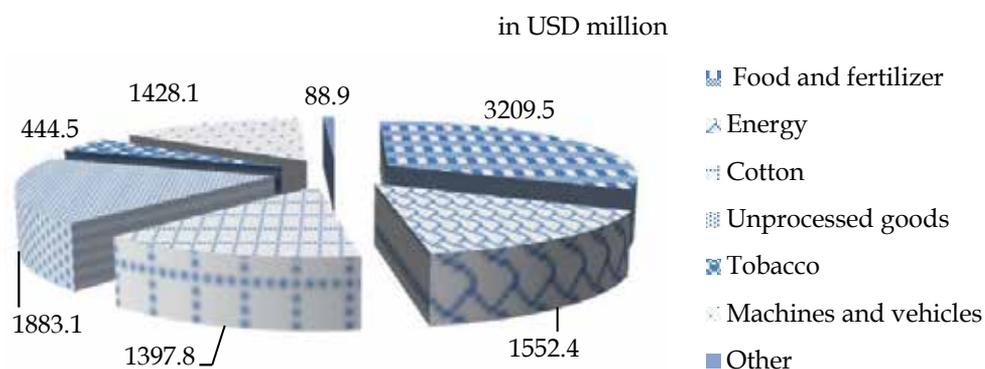


Table 2. Distribution of Aid by Commodities Purchased from ERP delivery to Europe FY1948 and FY1951

¹³ Op. cit.

¹⁴ Wexler, I. (1983). *The Marshall Plan Revisited: The European Recovery Program*. In: *Economic Perspective*. Westport/Comm.: Greenwood Press, 33-75.

Figure 2 illustrates aid-subjugated processes for commodities based on “projected -to - actual” objectives. Originating from the project-to-actual total distributions as coarse grains, sugar beets, and tin (ores), relief volumes shown exceed the anticipated volumes, still the valuations do not support constructs for economic stability. Table 1 neither shows any relationship between nation-state acquisitions, nor grants for fiscal support. Yet, these illustrations point to probable cause of corruptibility from unmanaged policies. For instance, the British Isles, spanning four years, received the utmost subsidy by another nation-state in Europe, perhaps an undermining plan to extend their lifespan of colonialism. Similarly, Greece and Austria, the largest monetary recipients per capita, were inundated with inconsistent trade policies proxy by the United States, thus impeding economic recovery. Even more, Greece experienced an extraneous tobacco export from the United States, in succession losing millions to America’s volatile commercial market (p. 65). At the outset, the tobacco export volumes funded through the Marshall Plan and distributed to Greece dropped from 40 thousand tons to 2500 tons never to recover (p. 68). Unlike Greece, Belgium began to recover economically before the influx of Marshall Plan relief. Belgium actually achieved economic stabilization in the mid-40s; subsequently, it became a contributor to the rest of Europe (p. 66). Table 3 shows the USD balance of payment FY1949 - FY2005.

	1949	1960	1970	1980	1990	2000	2005
Balance on Global Sourcing International (GSI)	38	27	15	20	-63	-391	-650
Exports G+ S+I	96	138	233	649	872	1419	1612
Imports G+S+I	-59	-111	-218	-629	-935	-1809	-2261
Unilateral Transfers	-35	-38	-11	-16	-33	-54	-79
US gov't grants and Pensions	-32	-34	-7	-14	-17	-22	-35
Private gifts	-3	-3	-4	-2	-16	-33	-45
US Assets Abroad	-8	-24	-30	-162	-100	-581	-393
Gov't Assets			-7	-23		-1	16
Foreign Securities			-15	-36	-46	-152	-6
US Bank & other lending			-4	-96	-19	-302	-237
Foreign Asset in US	0	12	22	109	152	1024	1116
Foreign official assets net				29	42	38	164
Foreign private Asset net			22	80	110	987	933
Direct investment				32	60	288	101
US Treasuries				5	-3	-53	184
Other US securities			15	10	2	486	437
US Bank & other Liabilities			7	33	51	266	211

	1949	1960	1970	1980	1990	2000	2005
Residual	-5	-22	-4	-48	-45	-1	-6
GDP at 2000 prices	1634	2471	3747	5133	7061	9708	11091
Price indexes. 2000=1.00	0.17	0.21	0.27	0.53	0.81	1.00	1.09

Table 3. Shows the United States Balance of Payments between FY1949 and FY2005¹⁵ ¹⁶

By the mid-1950s, relief aimed to upturn European economic growth was destabilized. President Dwight Eisenhower's administration marginalized humanitarian aid, concentrating on security assistance to strategic allies changing the landscape of foreign aid.¹⁷ The Economic Council of Advisors (ECA) instructed Marshall Plan recipients to contribute aid appropriations to a rearmament defense account and further requested a considerable alteration of their own economic resources from civilian to military production to gain reapportionment (Wexler, 1983, p. 69). Finally, the problems attributable to the United States Marshall Plan throughout the implementation process are a result of unmanaged policies and limited capital. Consequently, the idea of the Marshall Plan was to transfer wealth from a technologically advanced nation to unindustrialized nation-states (Bandow, 1994). Table 4 shows the discretionary budget appropriation and trends in Foreign Aid Funding Trends between FY1946 and FY1953; FY 1954 and FY1963; FY 1964 and FY1973; FY1974 and FY1985; FY 1986 and FY1996; FY 1997 and FY2006; FY 2007 and FY2010. The central question here is: were there missed opportunities by ECA to ensure investment egalitarianism between nation-states?

Fiscal Year	Billions of current US\$	Billions of constant 2010\$	As % of GDP	As % of Discretionary Budget Authority	As % of Total Budget Authority
1946	3.08	32.04	1.4	.00	.00
1947	6.54	68.67	2.8	.00	.00
1948	2.87	26.65	1.1	.00	.00
1949	8.00	77.32	2.9	.00	.00
1950	5.92	53.86	2.2	.00	.00

¹⁵ *United States Bureau of the Census, Statistical Abstracts of the United States, Washington, D.C. successive editions 1950-2006.* The table has been indexed against prices to more accurately present the relative size of the flows between 1949 and 2005. Financial flows and foreign trade have grown far faster than GDP or government transfers have in 1950. Section 1: Balance on goods, services, and investments income; Section 2: Unilateral transfers in relationship to gifts including Marshall Aid in 1949; Section 3: Change in US holdings of foreign assets; Section 4: Change in foreign holdings of US assets; Residual: are not included or unexplained, for example gold movement in 1949.

¹⁶ Killick, J. (2008). *The relevance of the Marshall Plan for the 21st Century, Chapter 6*, Organization for Economic Co-Operation and Development (OECD), Publications, at www.oecd.org/publishing/corrigenda, 77 -89.

¹⁷ Bovard, J. (1986). *The Continuing Failure of Foreign Aid*, CATO Policy Analysis, 65, at www.cato.org/pubs/pas065.html, 1 -10

Fiscal Year	Billions of current US\$	Billions of constant 2010\$	As % of GDP	As % of Discretionary Budget Authority	As % of Total Budget Authority
1951	7.34	62.36	2.3	.00	.00
1952	6.64	52.16	1.9	.00	.00
1953	4.47	36.59	1.3	.00	.00
1954	4.59	32.45	1.2	.00	.00
1955	3.72	27.89	0.9	.00	.00
1956	4.25	32.00	1.0	.00	.00
1957	3.99	28.83	0.9	.00	.00
1958	3.38	22.89	0.7	.00	.00
1959	4.23	28.97	0.9	.00	.00
1960	4.21	27.66	0.8	.00	.00
1961	4.52	29.13	0.9	.00	.00
1962	5.09	33.21	0.9	.00	.00
1963	5.13	32.24	0.9	.00	.00
1964	4.22	26.16	0.7	.00	.00
1965	4.24	25.82	0.6	.00	.00
1966	5.03	30.29	0.7	.00	.00
1967	4.56	26.79	0.6	.00	.00
1968	4.03	22.98	0.5	.00	.00
1969	3.54	18.90	0.4	.00	.00
1970	3.47	17.93	0.3	.00	.00
1971	4.19	20.04	0.4	.00	.00
1972	4.32	19.89	0.4	.00	.00
1973	4.53	20.11	0.3	.00	.00
1974	6.97	28.46	0.5	.00	.00
1975	5.43	20.31	0.3	.00	.00
1976 ^a	7.94	27.20	0.4	3.3	1.5
1977	7.50	24.23	0.4	3.0	1.6
1978	8.76	26.69	0.4	3.4	1.7
1979	10.86	30.42	0.4	3.9	1.9
1980	10.33	26.21	0.4	3.3	1.5
1981	9.49	21.73	0.3	2.8	1.3
1982	11.34	24.26	0.4	3.2	1.4
1983	12.85	26.20	0.4	3.3	1.5
1984	14.01	27.39	0.4	3.3	1.5

Fiscal Year	Billions of current US\$	Billions of constant 2010\$	As % of GDP	As % of Discretionary Budget Authority	As % of Total Budget Authority
1985	20.23	38.41	0.5	4.4	2.0
1986	14.30	26.36	0.3	3.3	1.4
1987	13.12	23.32	0.3	2.9	1.3
1988	13.62	23.34	0.3	3.0	1.2
1989	12.96	21.39	0.2	2.8	1.1
1990	14.09	22.61	0.2	2.8	1.1
1991	15.84	24.39	0.3	2.9	1.1
1992	13.34	19.65	0.2	2.5	0.9
1993	12.48	17.84	0.2	2.4	0.8
1994	12.23	17.17	0.2	2.4	0.8
1995	12.29	16.78	0.2	2.5	0.8
1996	11.12	14.88	0.1	2.2	0.7
1997	11.11	14.55	0.1	2.2	0.7
1998	12.55	16.32	0.1	2.4	0.7
1999	14.84	19.06	0.2	2.6	0.8
2000	14.50	18.19	0.1	2.5	0.8
2001	14.78	18.10	0.1	2.2	0.8
2002	14.64	17.69	0.1	2.0	0.7
2003	25.17	29.76	0.2	3.0	1.1
2004	38.18	44.02	0.3	4.2	1.6
2005	21.95	24.50	0.2	2.2	0.8
2006	23.60	25.50	0.2	2.4	0.8
2007	26.85	28.30	0.2	2.5	0.9
2008	28.20	28.68	0.2	2.4	0.8
2009	26.42	37.09	0.3	2.4	0.9
2010	39.39	39.39	0.3	3.2	1.1

Table 4. The Discretionary Budget Appropriation and Trends between FY 1946 and FY2010¹⁸

¹⁸ The United States oversees Loans and Grants (Green Book), Office of Management and Budget Historic Budget Tables, FY2011 and FY2012 and beyond annual appropriations legislation and CRS calculations Notes: The data in this table for FY1946-1976 represent obligated funds reported in the USAID Green Book (the most reliable source for pre-1970s data), while FY1977 –FY2010 are budget authority figures from the OMB Historic Budget Tables, reflecting the 151 and 152 budget sub functions. The Green Book accounts included in the total have been selected by CRS to correlate with the function 151 and 152 budget accounts, allowing for accurate comparison over time: (a) FY1976 includes both regular FY1976 and transition quarter (TQ) funding, and the GDP calculation is based on the average FY1976 TQ GDP.

3.2. Missed opportunity or not?

The absence of financial independence is not the cause of poverty, it is poverty; therefore, to have financial independence is synonymous with achieving economic wealth, not its precondition (Bauer, 1987). Nevertheless, scholars question whether there were missed opportunities by ECA to ensure investment egalitarianism. Anecdotally, post-World War II investment opportunities were scarce; consequently, the Marshall Plan might be credited for stimulating economic prosperity in Europe. Despite the efforts of the plan, proceeding Europe was destitute with infrequent resources. The level of sustainability lessened, making necessary repair to the railroads, buildings, and equipment utterly impossible. Further, they wanted fiscal reform in France and Italy, moderated by ECA austerity, predicated on the volume of counterpart investments that generated revenue for recipients' nation-states. Conversely, ECA's officials criticized counterpart apportionments to national and public companies (Bossuat, 2008). Nevertheless, propaganda forced ECA's position; within two year's monetary resources were relinquished to French, German, and Italian governments to gather important funds for the primary economic sectors (p. 20). Consequently, these conditions changed Marshall Funds to appropriation according to the Monnet Plan: a sociopolitical plan officially named, the theory of *l'engrenage* provisionally legalized the facilitation of, and redirection of coal-production from Germany's existing coalmines in Ruhr and the Saar area to France.¹⁹

In summary, ECA ensured investment egalitarianism. Evolution brought with it innovation. Following the implementation of a sociopolitical plan, propaganda further changed bilateral relations between the United States, France, and Germany and its allies. Because of evolution, ECA earmarked \$6 billion grant to fund a revolutionary mechanism (e.g., Intra-European trade), as a means to remove traditional barriers to multilateral trade, constructing all European currencies convertible. Fund allocations aid France, Italy, the U. K., and Belgium's modernization efforts; inevitably, waiving some American rights and weakening its trade proposition. Further, ECA authorized \$4 billion of the grant appropriations to European Payments Union (EPU) to balance payments to nation-states marking the era of a stabilized Europe (Machado, 2008, p. 45).

4. Strength

Arguably, the Marshall Plan has had various effects on nation-states; some European officials believe that, "it sped their recovery" in concurrence with its "initial recovery program." Similarly, Americans suggest that the Marshall Plan eradicated famine, poverty, dogmatic anarchy, subverted communist terrorizations, and stabilized European nation-states (Eichengreen, 2008). Literature reviews indicate that the acceptance of "Communist activities gradually decreased" in the years following the Marshall Plan (DeConde & Burns, 2002). The Plan circumvented export- import trade barriers and created inroads that shaped the "North Atlantic Alliance that would persist throughout the Cold War." Further helping

¹⁹ Mr. Jean Monnet, *The Time*, November 16, 1979

Europeans reclaim confidence in social equipoise (Machado, 2008) and simultaneously reposing the minds of formidable critics. The Marshall Planners were mythical; they collaborated with European governments of the center and far right in Greece, of the center-right in Italy and West Germany, and the left in Norway and the United Kingdom, concurrently cultivating propitious relations with the Royalists, Christian Democrats, Socialists, and Laborites (p. 55).

The George Marshall Plan is ascribed to nationalized modernization in France, as defined in the Monnet Plan, whereby, 90% of funds went to revive the substructures of France, Germany, Britain, and Italy and to stimulate economic growth (Wall, 1993; Behrman, 2007). In addition, the United States contributed in excess of \$12.5 billion in aid, and more than \$500 billion as an equivalent to America's gross national product (GNP) and \$100 billion in grants. The United States worked purposelessly to evade actions contrary to their foremost interests (Marjolin, 1989, p. 180). The Marshall Plan allowed for provisions of military support: tanks, planes, and guns to Britain and the Soviet Union to protect interest in modernization; as well, George Marshall was a principal architect of the D-Day attack of 1944 (Burns, 2008).²⁰

In response, the United States ECA ability fostered equalitarianism. The Marshall Plan aided European nation-states into forming the Organization for European Economic Cooperation (OECD) to improve inter-European Trade and multi-lateralizing payments concatenate with the European Payment Union (EPU). The unique function of EPU would expedite the conversion of European currencies to reach convertibility, trade liberation, and extracted trade bilateral practices. Perhaps a missed opportunity in the OECD and the Marshall Plan was the level of difficulty to differentiate between followers and their leaders, as described by Varaschin (2002). Nonetheless, modernization and the most recent American technology produced a model of international relations that produced an exchange of technology instead of one-way imports (Varaschin)

In the wake of the Marshall Plan (ERP), the U.S. has maintained the same philosophy on foreign humanitarian aid: to prevent obdurate nation-states from tumultuous political, economic, and social conditions. In the twenty-first century, however, foreign humanitarian aid has become synonymous with national security, commercial interests, cataclysms, and social conflict. The scope of U.S. foreign humanitarian aid prohibits economic poverty, governance deficiency, incivility, and narcotic manufacturing and trafficking (Tarnoff & Lawson 2009). The question remains: has the Marshall Plan become a metaphor for earmarks, and eccentric government spending in the name of foreign humanitarian aid to persevere American society? To a point, foreign humanitarian aid has become a metaphor for earmarks. Earmarking is the redistribution of revenue used to invest in an explicit domestic or foreign commercial enterprise. Annually, by approval of the Department of State International Affairs, USAID, and other foreign affairs agencies earmark provisions (e.g., social infrastructure and economic substructure) are built-in financial plans as investment allowances from both bilateral and multilateral coffers.

²⁰ Burns, N. (2008). Commemorating the 60th Anniversary of the Marshall Plan, Chapter 9. The Marshall Plan: Lessons Learned for the 21st Century.

Case in point, in 2008, agencies’ financial plans totaled \$36.2 billion. President Bush’s financial plan entreated \$6 billion in extra subsidies for FY2007 to reserve earmarks not funded in the fiscal budget cycle: \$1.18 billion for extra operating costs for the Department of State and other agencies, mainly linked to the wars in Iraq and Afghanistan. Correspondingly, FY2007 subsidies included \$4.81 billion to satisfy foreign aid requirements in Afghanistan, Iraq, and Lebanon, as well as peacekeeping and humanitarian aid in Sudan, Somalia and other indigenous nation-states. Moreover, in FY2008, the government requested \$3.3 billion in war incremental funding for intervention in Iraq and Afghanistan, of which \$1.37 billion was used to satisfy foreign aid and \$1.93 billion for State Department operations. Between FY2001 and FY2008, foreign aid earmarks were contingent upon American society.²¹ Table 5 shows foreign humanitarian aid appropriations to the top nation state recipients between FY2001 and FY2010. The summary of U.S. foreign humanitarian aid further illustrates conditions for endowment appropriations to nation-states. Endowments are appropriated to nation-states in the form of cash transfers, equipment, commodities, infrastructure, or technical assistance, and in recent decades, are provided almost exclusively in the form of grants rather than loans (Tarnoff & Lawson 2011). Table 6 shows the top recipients of U.S. foreign humanitarian aid FY 2010.

The Summary of U.S. Foreign Humanitarian Aid											
Top Recipient Unite States											
(US\$ in millions)											
FY	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Notes
Israel											
Economic Aid (ESF)	400	781	398	120	240	1,537	477	600	1,080	838	One-third of all US Aid goes to Israel and Egypt - the majority of which pays for armaments, yet neither are developing nation-states
Military Aid (FMF)	2,775	2,550	2,381	2,340	2,280	1,448	2,147	2,100	2,040	1,975	
Total	3,175	3,331	2,779	2,460	2,520	2,985	2,624	2,700	3,120	2,813	
Egypt											
Economic Aid (ESF)	250	200	412	455	495	530	571	615	775	693	One-third of all US Aid goes to Israel and Egypt - the majority of which pays for armaments, yet neither are developing nation-states
Military Aid (FMF)	1,300	1,300	1,289	1,300	1,300	1,289	1,292	1,300	1,300	1,297	
Total	1,550	1,500	1,701	1,755	1,795	1,819	1,863	1,915	2,075	1,990	

²¹ Congressional Budget Justification Foreign Operations FY2008 Retrieved on February 21 2012 at http://pdf.usaid.gov/pdf_docs/PCAAB546.pdf

	FY	2007	2006	2005	2004	2003	2002	2001	Notes
	Colombia	561	558	567	574	538	381	49	Drug abatement
	Jordan	458	461	457	559	452	230	228	to leave Israel alone
Data no longer available	Pakistan	734	698	537	387	305	893	3	War on terrorism
Economic Support Fund (ESF) - Millennium Challenge Corporation (MCC)	Peru	136	133	152	156	189	197	89	Drug abatement
International Military Education and Training (IMET) - Foreign Military Financing (FMF) - International Narcotics Control and Law Enforcement (INCLE) - Global Health and Child Survival (GHCS) - Development Assistance (DA)	Indonesia	159	158	135	122	131	124	120	Oil reserves
	Kenya	437	213	159	101	52	44	38	Christian Donations
	Bolivia	122	122	132	133	137	126	89	Drug abatement
	Ukraine	96	115	93	113	166	163	182	
	India	117	94	92	87	152	79	59	
	Haiti	225	163	125	101	26	31	48	
	Russia	67	52	91	101	157	165	169	
	Ethiopia	474	145	114	74	52	47	40	
	West Bank/Gaza	69	150	74	74	75	72	70	Aim to balance Israel aid
	Liberia	102	89	44	202	7	5	5	
	Bangladesh	84	49	55	61	65	66	59	
	Bosnia	43	51	45	64	53	68	86	Reparations
Source PDF Report	request 122513.pdf	estimate 122513.pdf		2010 122513.pdf			Page 852, 2009 101368.pdf		

Table 5. Shows Foreign Humanitarian Aid to the Top United States between FY 2001 and FY 2010.

United States Foreign Operations 2010-2012 (\$US millions)					
	Total enacted 2010	Total enacted 2011	Obama's request for 2012	House Proposal for 2012	Senate Proposal for 2012
USAID Administration	1658.2	1526.9	1744.1	1124	1545
Bilateral Economic Assistance	25028.3	21208.9	23743.5	18899.2	21059.9
Military/Security Assistance	8267.2	8116.7	11322.8	9969.7	10714.8
Multilateral Assistance	2649.7	2302.6	3667.5	1573.9	3218.6

Table 6. Shows the Top Recipients of U.S. Foreign Humanitarian Aid FY 2010.²²

²² U.S. Department of State, Report of Foreign Operations CBJ FY2002, FY 2011. *Foreign Aid: Introduction to U. S. Programs and Policy*; Congressional Research Service (CRS)-included supplemental and Millennium Challenge

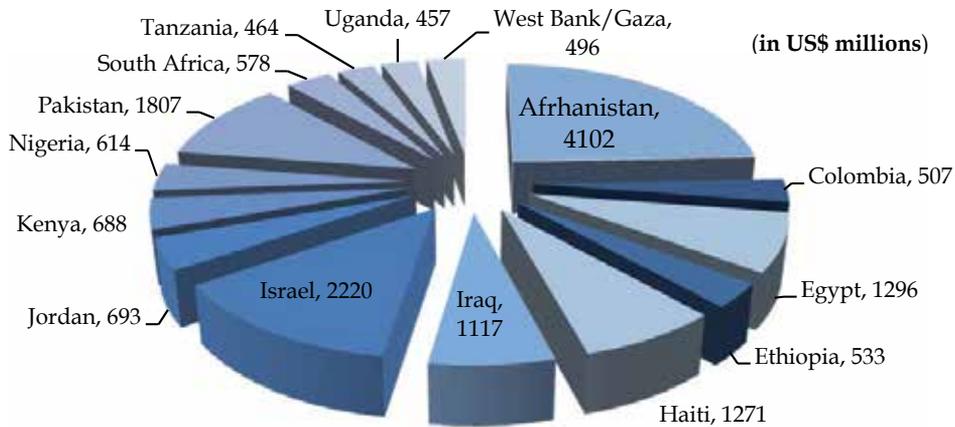


Figure 5. Shows the United States Foreign Operations 2010-2012 (\$US millions).

The Marshall Plan European Recovery Program's aim to modernize the European economy and to revitalize free enterprise post-war, found itself in stark contrast, to its intent. By 1952, as funding gradually depleted given the inconclusive economics of recipient nation-states, economists could not differentiate through direct nor indirect appropriation how prosperous Europe might have become without it (Eichengreen, 2008). Particularly in lieu of "the shift to remilitarization after the Korean War," results were even less conclusive (Marchado, 2008). The Marshall Plan was not an isolated strategy of assistance, but rather an exclusive act beginning a sequence of postwar aid that included United Nations Relief and Rehabilitation.

This chapter session presents a critical assessment of the concept of foreign humanitarian assistance programs as defined in "the Marshall Plan," and administrated during the post-War to address the following questions:

1. Has the United States missed opportunities to rebuild nation-states through foreign humanitarian aid programs without the presupposition of hopelessness?
2. Has the United States missed opportunities for "workfare rather than welfare systems" to avoid supposition of social imperialism?
3. Has the Marshall Plan's (ERP) reputation outlined its grandeur?
4. Is it possible for the United States to structure modernized programs that will not exceed its resources; whereat stability in education and employment can exist and

wherefore social resilience is enough to obliterate nation-states' dependency on humanitarian assistance programs?

Key International Aid and Humanitarian Aid Accounts for 2011 (US \$ in millions)				
	Total enacted 2011	Obama vs. 2011 spending	House vs. 2011 spending	Senate vs. 2011 spending
Global health and child survival	7829.3	11%	-9%	1%
Development assistance	2520	16%	-18%	1%
International disaster & famine assistance	863.3	0%	-12%	16%
Migration & refugee assistance	1686.6	-4%	-11%	7%
Emergency migration & refugee assistance	49.9	-36%	-36%	-100%
Millennium Challenge Corporation	898	25%	0%	0%
International Narcotics control & law enforcement	1593.8	58%	55%	39%
Nonproliferation, anti-terrorism, demining	738.5	-4%	-4%	-3%
Foreign military financing	5374.2	22%	19%	18%
Peacekeeping operations	304.4	-4%	0%	-4%
World Bank global environmental facility	89.8	60%	-22%	34%
International clean technology fund	184.6	117%	-100%	90%
Strategic climate fund	49.9	281%	-100%	100%
World Bank international development association	1232.5	10%	-24%	10%
Global food security fund	99.8	209%	-100%	100%
International fund for agricultural development	29.5	2%	-33%	2%
International organizations & programs	354.3	-2%	-13%	0%

Figure 6. Shows the key International and Humanitarian Aid Accounts for 2011 (US \$ in millions).^{23 24}

5. The marshall plan criticism

The United States has pontificated on the inevitability of bombastic aid to rebuild nation-states without the presupposition of hopelessness. Virtually sixty-five years later the sequence of deficiency is uninterrupted. According to German political analyst, Werner Abelshausen, the United States was the primary economic imperialist orchestrating

²³ Congressional Research Service, 2011: figures include funds flagged for "overseas contingency operations" (OCO).

²⁴ Ibid.

humanitarian aid distributions to control Europe. He contends foreign aid was neither Europe's indicator of recovery or sustainability.

For example, the economic recoveries in France, Italy, and Belgium existed before the stream of U.S. aid (Cowen, 1985). Belgium, a nation that depended the most on unrestricted exchanges of economic policies after its liberation in 1944, experienced the fastest recovery, eluded a collapse in its housing market and food scarcities seen in other European nations.²⁵ Alan Greenspan explicated in his memoir, *The Age of Turbulence*, that Ludwig Erhard's trade and industry strategies accelerated Western European growth. Erhard's modification to trade and industry *modus operandi* legitimized Germany's recovery, and those strategies jumped-started Western Europe and its allies to rebuild institutions and a nation.²⁶ Conversely, there is an inherent bias of government-to-government aid towards state control and politicization (Bauer, 1981). This session argues the legitimacy of nation-states' foreign humanitarian aid and aid distribution.

The United States' foreign humanitarian aid has become the "opiate" for nation-states. Independent of how inattentive, unscrupulous, or autocratic a nation-state may be, there is always some administration or global agency motivated to supply aid (i.e., bilateral, multilateral, and unilateral benefactors) with a few more million dollars. By subsidizing political and pernicious policies, foreign aid ill serves the worlds' impoverished.²⁷ For instance, in Indonesia, the government-usurped sharecroppers 'produced for aid-financed irrigation canals. In Mali, sharecroppers were coerced to auction their harvests at bargain prices to joint aid projects and to further Mali government initiatives. In Egypt, Haiti, and elsewhere, the values for sharecroppers harvest plummeted as the United States intervened with aid (p. 2).

Alesina and Weder (1999) said global programs to alleviate poverty (e.g., bilateral aid from richer to poorer nation-states, multilateral aid from international organizations, grants at below market rates, technical assistance, and debt forgiveness) in fact increase the chance of parliamentary exploitation.²⁸ The Marshall Plan initially perpetuated unscrupulous propagandized schemes.²⁹ In retort, critics of these programs argue instead that, contrary to the more or less sincere intentions of the donors, corrupt governments received just as much aid as less corrupt ones (p. 3). These issues are perpetual; often-financial assistance does not reach the needy in the developing nations, but instead is wasted on inefficient public consumption.³⁰ For instance, appropriations given to France and the Netherlands totaled resources used to finance their military forces in Southeast Asia inaugurating the context for the largest sums of private U. S. investments in Europe, creating the groundwork for modern transnational corporations (Chomsky & Ruggiero, 2002, p. 9). Modern transnational

²⁵ A Marshall Plan for Iraq? (<http://www.cato.org/research/articles/vasquez-030509.html>). CATO Institute, May 9, 2003, by Ian Vasquez. Retrieved February 23, 2012.

²⁶ Greenspan, A. (2007). *The Age of Turbulence Adventures in a New World*. The Penguin Press New York, ISBN 1-7-4295-4652-2

²⁷ Ibid 16.

²⁸ Alesina, A. & Weder, B. (May 1999). Do Corrupt Governments Receive Less foreign Aid? at http://www.nber.org/papers/w7108.pdf?new_window=1

²⁹ Tucker, J. (1997). The Marshall Plan Myth, *The Free Market*, 15:9.

³⁰ World Bank 1998 at <http://monthlyreview.org/1998/10/01/the-state-in-a-changing-world>

corporations are estimated as twenty-nine to fifty-one of the world's 100 largest economic entities; the remainders are nations-states excluding the gross domestic production of sub-Saharan Africa whereby its revenues do not equal that of General Motors and Ford collectively.³¹ Because corporations and states are commonly represented as having an oppositional relationship, scholars have observed the effects of a new phenomenon of globalization on the process of colonization (McLean, 2004, p. 363). The effect of globalization relative to colonization is not discussed in this chapter.

Accordingly, Kahin (2003) wrote that the Netherlands used a significant portion of the aid it received to re-conquer Indonesia during the Indonesian National Revolution, and then forced them to join the Korean War in 1950 after pressuring them to surrender or lose aid if they did not comply.³² These examples emphasize an unequivocal contradiction of egalitarianism.

The myriad of foreign aid was created on the premise that foreign government is dedicated to its naturalized citizens' welfare. The premise has proven to be a meager supposition of social imperialism. Suppositions of social imperialism are the remnants of rancorous philosophies on the part of nation-states and foreign aid systems of government that describe the impalpable interest of naturalized citizen.³³ For example, aid projects in Guatemala failed partly because some Guatemalan government officials opposed improving the plight of the rural impoverished.³⁴ A million people starved in the Sudan in 1985 because the government-owned railroad refused to transport American-donated food.³⁵ In Africa, where tribal rivalries often still prevail, aid money was used to prop up the reigning factions in the same way that local American political machines use federal grants as slush funds; an increase in the accolades of political conflict in contemporary Africa and less urbanized environments, as described by Bauer (1984). Therefore, there is an outlining presumption that the United States has consciously continued to finance an exorbitant quantity of coffers to entice foreign government to not commit economic suicide.³⁶

Generally, foreign investments were interchangeable when outside entities (i.e., multilateral organizations) made cash accessible to recipient governments, consecutively releasing their revenue for other purposes. For instance, Ghana, Brazil, Kenya, and the Ivory Coast spent billions building new capital cities. In addition to alluring industrialized corporations to their nation-states, for example, Mercedes-Benz automobiles were very popular among African government officials; whereby the etymology of Swahili has been changed labeling officials as wabenzi (men of the Mercedes-Benz). The point being, foreign aid has made life more pleasurable for government bureaucrats in impoverished nation-states. At the same

³¹ Dine, J. (2000). *The Governance of Corporation Groups* 151.

³² Kahin, G. (2003). *Nationalism and Revolution in Indonesia*, Cornell Southeast Asia Program Publications, ISBN 0-87727-734-6, 37-65

³³ Schumpeter, J. (November 2011). *Imperialism and Social Classes: Two Essays (LVMI)* [Kindle Edition], Ludwig von Mises Institute, ASIN B006CR7QC0

³⁴ Agency for International development, *Local conditions Beyond AIDs Control and Repeated design, Planning and Monitoring Deficiencies Have Seriously Delayed the Implementation of Projects by USAID/Guatemala* (Washington, May 23, 1984), 5.

³⁵ *Washington Post*, June 24, 1985.

³⁶ *Ibid*, 17

time, it has done little to promote the proliferation of “workfare rather than welfare systems,” to breed political responsibility, or to encourage nation-states to help themselves.³⁷ Why has the United States requested taxes from its citizens to fund churlish foreign nations?

The United States is unwavering to the United Nations and to multilateral international relations to safeguard global solidarity. In 2011, the United States earmarked for United Nations Educational, Scientific, and Cultural Organization (UNESCO), to increase most multilateral coffers and accounts, the sum of US \$130 million for Global Environment Facility (GEF). A different earmarked designation for the 2013 proposed budget of US \$1.65 billion to support Global Fund fight on AIDS, TB, and Malaria. In addition, the United States Congress aims to spend US \$250 million for debt relief for the world’s most insolvent nation-states.

In 2012, American taxpayers, for the purpose of the UNESCO, GEF, and Middle East Funding Initiative, provided in excess of US \$1 billion to USAID in response to the “Arab Awakening”³⁸ in Iraq, Afghanistan, Pakistan, Tunisia, Egypt, Libya, Syria, and Bahrain. The United States assumes the position of securing the sovereignty for Americans, and to support nation-states where tumult has evolved. Both the US House and Senate earmarked \$7 billion dollars from their proposed 2013 budget to create a contingency fund for global war on terror and for administrative support in the Middle East.³⁹ The question: What is the purpose of the United States overtaxing Americans? Are taxable incomes used to build nation-states? Why are foreign governments given incentives to operate ethically?

As cited previously, the Marshall Plan had been a multilateral approach to problem solving. It was conceived as institution building and nation building, but within the constructs of regional economic integration, appropriations increased from 17 to 149 nation-states, with an expectation of self-governance to eliminate xenophobia. Perhaps this plan was too optimistic rather than pragmatic on the part of the United States. Conversely, in the implementation stage of the Marshall Plan, economists have since observed that not all 16 Arab states in the Middle East were included in planned initiatives. The absence of a single democratic government among them poses a threat to the United States; as a result, the rhetorical question of international reverence and legitimacy has been posed.⁴⁰

6. Threats

Arguably, it is difficult to oppose fundamental aid to relieve societies who are currently underprivileged under an authoritarian regime, or struggling to gain the sense of tolerance and prosperity that Americans value. In theory, military means will not suffice when it comes to ending the terrorism that threatens the United States and its allies, or halting the insurgencies that destabilize the Middle East (Etzioni, n.d.). It is fitting in this session to concisely discuss the Middle East’s (i.e., Iraq, Iran, and Afghanistan) social position on foreign aid, and egalitarianism. Moreover, this does not mean that terrorism and insurgency

³⁷ Op. cit.

³⁸ Anitwar.com Retrieved on February 20, 2012 at <http://original.antiwar.com>

³⁹ Op. cit.

⁴⁰ Op. cit.

can end by military means. Instead, it means that nonmilitary means will have to be the primary recourse to ending terrorism rather than methods used following World War II (p. 76) or tactics seen in the twenty-first century.

It is further noteworthy to mention that the Middle East does not oppose financial aid or economic resources from the United States; however, the Middle East does oppose conditions associated with relief from the United States. Including, but not limited to, radical public and political reform and security interference, which has placed these former allies on a very different historical trajectory.⁴¹ For instance, the Pakistani government resented the conditions for building a civil society that were a part of the 2009 Kerry-Lugar Bill. The 2009 Kerry-Lugar Bill mandated \$7.5 billion in aid through 2014. The Egyptian government opposed the United States interference when USAID solicited help for job creation, economic development, and poverty alleviation including civic activism and human rights on behalf of the Middle East.⁴² As a result, the Middle East government continued to oppose the United States developmental models as inappropriate for their nation and recommended germane models similar to the Chinese or other relevant models.⁴³

As a result, Iranian relations with Afghanistan have been compromised, due to Iran's relationship with the United States. The irony is, every one-share concerns about Iraq's oil politics and Afghanistan's role in the Islamic realm. Accordingly, Iran has repudiated Afghanistan as a peer of the realm. Therefore, although Iran supported the United States' conquest of the Taliban in 2001 and the dethroning Saddam Hussein in Iraq in 2003, the Iranian government has opposed the United States troops left over in both Afghanistan and Iraq, dreading permanent residency and retaliation.⁴⁴ To underscore the problems, the Afghan and United States governments remain at odds over strategic intentions of Afghanistan's neighbors and the policies needed to engage them. For Afghanistan, Iran is an ally and Pakistan is an enemy; whereas, for the United States, Iran is an enemy and Pakistan an ally.⁴⁵

7. Recommendation

The United States legislative bodies continue to be divided over the legitimacy of foreign humanitarian aid programs and the proportions of the federal investments used to fund them. The divide is between those who want to eliminate foreign aid versus those who want to increase reserve delineation, to improve program proficiency, and to lessen taxpayers' liability. This session of the chapter describes methods to achieve objectives. This process has the proclivity to procure billions in taxable revenue, if desired, to eliminate unnecessary regulations that foster inefficient expenditures. Emmy Simmons, in her manuscript, *Monetization of Food Aid: Reconsidering U.S. Policy and Practice*, describes the following solutions to improve global foreign aid relations:

⁴¹ Ibid.

⁴² Trofimov, Y. Egypt Opposes U. S. 's Democracy Funding, The Wall Street Journal, June 14, 2011, Retrieve on February 11, 2012 from <http://online.wsj.com/article/SB10001424052702304665904576383123301579668.html>

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

Global Humanitarian Foreign Aid

Recommendation 1

- Decrease the usage of monetization, thereby developing direct processes that control food aid distribution to the more than one billion hungry people worldwide.⁴⁶
- Modify monetization to the congressionally mandated minimum of 15 percent for Public Law 480 Title II; Section 416(b)⁴⁷ nonemergency food aid and Public Law 83-664⁴⁸; reduce earmark from 30 percent to 15 percent to procure food in local markets.
- Eliminate monetization for Food for Progress and McGovern-Dale in International Food for Education and Child Nutrition programs.⁴⁹

Recommendation 2

- Keep the budget used to procure U.S food at its current levels for a net increase in direct distribution to assist those in emergencies.
- Appropriate \$280 million in different coffers to the International Affairs 150 account for development assistance.
- Allocate coffers to private volunteer organizations (PVOs) to support food security programs and complementary development activities.^{50 51}

Monetization of the United States' in-kind food aid is the sale of food commodities purchased, shipped from the United States, and sold into foreign markets. These processes include assistance from U.S. based non-governmental organizations (NGOs). In accordance, these practices generate revenues on local currencies introduced in the Food Security Act of 1985 as a method to support PVOs in order to recuperate administration, transportation, distribution, and storage costs linked to food aid dissemination.⁵² Monetization is a type of food aid, in accordance to World Vision and international NGO, defined as "all food-supported processes aimed at improving the food security of people living in poverty over a time, whether funded by means of international, national, public, or private resources."⁵³

Conversely, the process of monetizing can be useful for promoting low-cost, viable food markets by boosting investment in transportation, infrastructure, and human capital (traders, entrepreneurs). Essentially, food aid monetization can improve long-term food security by

⁴⁶ 2012 World Hunger and Poverty Facts and Statistics at

<http://www.worldhunger.org/articles/Learn/world%20hunger%20facts%202002.htm>

⁴⁷ US Food Aid Programs Description: Public Law 480, Food for Progress and Section 416(b) at

<http://www.fas.usda.gov/excredits/foodaid/title%201/pl480ofst.html>

⁴⁸ The Cargo Preference Act of 1954: Public Law 83-664 at

http://www.marad.dot.gov/ships_shipping_landing_page/cargo_preference/cargo_humanitarian_assistance/Humanitarian_Assistance_Cargoes.htm

⁴⁹ McGovern-Dale in International Food for Education and Child Nutrition Programs at

<http://www.fas.usda.gov/excredits/foodaid/ffe/ffe.asp>

⁵⁰ Global Agricultural Development Initiative Policy Development Study Series December 2009 at

http://dyson.cornell.edu/faculty_sites/cbb2/Papers/Chicago%20Council%20-%20Policy%20Development%20Study%20on%20Monetization%20-%20December%202009.pdf

⁵¹ Afghanistan's Other Neighbors: Iran, Central Asia, and China, Conference Report July 24-26, 2008, Report released February 2009 at www.bu.edu/aias/reports/aun_conference.pdf.

⁵² Simmons, E. (June 2009). Monetization of Food Aid: Reconsidering U.S. Policy and Practice <http://www.partnership-africa.org/sites/default/files/Monetization%20Report%20Final%20June%202009.pdf>

⁵³ World Vision, Food Aid: FAQ at http://www.worldvision.org/content.nsf/about/press-food-aid-FAQ?Open&lpos=left_txt_Food-Aid-FAQs

reassuring competitive food marketing systems that have built-in incentives to provide the poor with affordable food.⁵⁴ Today the United States reinforced its commitment to food aid and monetization for nonemergency development through the 2008 Farm Bill. As a result, the Farm Bill provides concurrent earmarks for nonemergency Title II programs: \$375 million in FY2009, \$400 million in FY2010, \$425 million in FY2011, \$450 million FY2012 (Section 3021).⁵⁵

Theoretically, expansive subsidy systems foster American sovereignty. In reality, the United States could not be more in control, or secured following the threat of 9/11. Globally, the United States yields the most expensive food of any other multilateral organization without question: It has the capability to eliminate agricultural subsidies. The United States could lessen the impact of subsidies maneuvering for a better position and expurgate appropriations without jeopardizing its market position if it chooses to do so. The adverse effect of Congress' inability to relinquish control impedes aid agencies ability to seize different opportunities to modernize programs or ripostes to global emergencies. Therefore, it stand to reason that neither Europe, nor its allies are incapable of jettisoning humanitarian assistance programs. The central question: is there a need to modernize the Marshall Plan?

8. Conclusion

No one can rebut the gist of economic growth, institutional reconstruction, cultivation of external and internal affiliations, or ethicality, of indoctrinating indigenous military and police forces to keep us safe; they are indispensable. Yet, is there a need to modernize the Marshall Plan? Let take a brief look at the Marshall Plan and its impact:

1. It did not provide an economic package that gave nation-states sanguinity beyond current processes.
2. It did not provide long-term centralized processes for implementation.
3. It did not provide political stability or a comprehensive legitimate milieu.
4. It did not provide aid equitably, reconcile global affiliations, or eradicate global deficiency collectively.
5. It has not rectified didactic organizations, yet, it has multiplied in aid agencies (i.e., bilateral, multilateral, unilateral).
6. It has provided prominence of dominating nation-states' socioeconomics and sociolinguistics.
7. It has served as a cushion for reform bills.

Because the United States is the greatest beneficiary of the Marshall Plan, the best ever foreign assistance throughout the developing world proves that aid may be best served, as a cushion for reform; but, it can never substitute the soundness of domestic economic policies.⁵⁶ However, one should realize that such resources aim to alleviate immediate suffering; the reconstruction that follows should begin and end at home (Narozhna, 2001, p.7).

⁵⁴ Monetization Field Manual, Office of Food for Peace, P.L. 480 Title II Programs October 1998 Retrieved on February 15, 2012 at http://www.usaid.gov/our_work/humanitarian_assistance/ffp/monetiz.htm

⁵⁵ Food, Conservation, and Energy Act of 2008 (Pub. L. 110-234, H.R. 2419, 122 Stat. 923 enacted May 22, 2008, also known as the 2008 U.S. Farm Bill)

⁵⁶ Ibid.

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Money Laundering Among Globalized World

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Additional information is available at the end of the chapter

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1. Introduction

In 21st century, economy is largely governed by advances made in information and communication technologies (ICT). Such technological advances make it easier to invest into developing countries. Developing countries' economies are growing at faster pace. Developed economies as well as developing economies continue to face challenges that come with economical advancements such as regulation of money flow, financial crimes, and abuse of financial systems. Among these challenges include crimes related to the information economy which is seen as an increasing source of concern within the international financial community. The proceeds from these crimes are bundled to give it a legal appearance and this process is known as "Money Laundering". Whenever a criminal activity generates substantial profits, individuals must find ways to hide, control, and legalize the funds without grabbing any attention from legal authorities. Failing to do so, their criminal activity will be transparent. During the process of legalizing the funds, they must ensure that their criminal activity is untraceable and all connections of funds to criminal activity must be removed. Money laundering is a sort of criminal activity trying to conceal the illegality of proceeds of crime by disguising them as lawful earning. In practice, criminals are trying to disguise the origins of money obtained through illegal activities so it looks like it was obtained from legal source. This would further make the same money usable, transferable, and negotiable. This is a common activity happening in almost all developing and developed countries where money that looks like usable can be re-used easily.

As crimes are occurring in each and every part of the world, money laundering initiates from each and every part of the world. Each scheme involving money laundering involves transferring money through various channels, using number of ways, and via multiple financial transactions to satisfy the primary goal of obscuring the origin of money and thereby making criminal activity hidden. Otherwise, money is unusable because it would connect criminal to criminal activity and it would be easy for law-enforcement to seize. The

origin of money is always some sort of illegal activity and that activity is subject to criminal action, hence it is important to hide the money. While hidden money is useless, attempts are made to unhide the money by attempt to make the money untraceable.

Money launders have only one goal in mind: to transform illegally obtained money into legitimate funds without exposing underlying criminal activity and make money usable towards further criminal activity. In today's world, majority of laundered money account for money coming from sale of illegal narcotics. Those who commit the underlying criminal activity may attempt to launder the money themselves, but increasingly a new class of criminals provides laundering services to organized crime. This new class consists of lawyers, bankers, and accountants. Criminals want their illegal funds laundered because they can then move their money through society freely, without fear that the funds will be traced to their criminal deeds. In addition, successful attempt of laundering prevents the funds from being confiscated by the authorities and in result criminal hides crime.

Most frequently used instrument by money launderers is banking institution as these institutions can provide multiple services such as deposit, cashier check, deposit box, loan, acceptance, discount, foreign exchange, settlement, and like. These institutions also provide easy means of transferring money or assets into another institutions or different branch of same institution in different geographical region with different regulations. With global economy and integrated financial markets, transferring funds across international borders is convenient and fast. Many countries have rigid bank secrecy laws allowing anonymous fund transfers. This creates an easy way for criminals to transfer money into other countries, and eventually cover up or conceal the nature or source of illegally obtained funds. Many organized international crimes lead to money laundering, such as Drugs, Property, Financial, Violence, Nightlife, Trafficking, Weapons, Fraud, Political Corruption, Financing of Terrorism . The connection between money laundering and terrorism is complex and very well known. But it plays very important role in survival of terrorist organization. Terrorism financing involves the raising and processing of funds to supply terrorists with resources to carry out their attacks or further training of individuals involved. Successful attempt of money laundering by a terrorist can have significant impact on national or regional security and can create significant damage to nation, culture, and economy. Whereas, the connection between money laundering and narcotics financing is simple clear as drug traffickers have one simple goal of bringing more drug on the streets.

The International Monetary Fund (IMF) estimates that the aggregate size of ML in the world could be somewhere between 2 and 5 percent of global gross domestic product (GDP) . The amount of illicit funds traveling through money laundering channels is estimated to grow at an annual rate of 2.7 percent. However, the full magnitude of the problem is still not known with any certainty. Using 1996 statistics, these percentages would indicate that money laundering ranged between US Dollar (USD) 590 billion and USD 1.5 trillion. This figure is almost equivalent to total output of economy of size of country Spain. However it must be said that overall it is absolutely impossible to produce a reliable estimate of the amount of money. A wide range of national and international agencies have attempted to quantify organized crime and components of money laundering in their particular sphere of interest,

and their assessments are frequently made available in public statements. There are reports published and researchers have tried to summarize and quantify amounts involved in money laundering activities. The author's model suggests a global money laundering total of \$2.85 trillion per year, heavily concentrated in Europe and North America. Numbers published by Walker or FATF may not be accurate and it is impossible to find actual number. Though, these numbers overall tell us the magnitude of money laundering activities performed across the world. Walker's report summarized origin and destination of laundered money as described in this table.

Rank	Origin	Destination	Amount (\$Usmill/yr)	% of Total
1	United States	United States	528,091	18.50%
2	United States	Cayman Islands	129,755	4.60%
3	Russia	Russia	118,927	4.20%
4	Italy	Italy	94,834	3.30%
5	China	China	94,579	3.30%
6	Romania	Romania	87,845	3.10%
7	United States	Canada	63,087	2.20%
8	United States	Bahamas	61,378	2.20%
9	France	France	57,883	2.00%
10	Italy	Vatican City	55,056	1.90%
11	Germany	Germany	47,202	1.70%
12	United States	Bermuda	46,745	1.60%
13	Spain	Spain	28,819	1.00%
14	Thailand	Thailand	24,953	0.90%
15	Hong Kong	Hong Kong	23,634	0.80%
16	Canada	Canada	21,747	0.80%
17	United Kingdom	United Kingdom	20,897	0.70%
18	United States	Luxembourg	19,514	0.70%
19	Germany	Luxembourg	18,804	0.70%
20	Hong Kong	Taiwan	18,796	0.70%

Table 1. Flows of Laundered Money source Walker 2003 & 2009

As this table describes, United States is most preferred country for money laundering due to strength of its currency. Tax havens such as Cayman Islands are becoming prominent offshore financial centers.

2. Money laundering process

The money laundering process usually involves several steps that make it difficult to trace the original source of money. Some of these steps include transferring the money between bank accounts, breaking up large amounts of money into small deposits, or buying acceptable forms of money such as money orders or cashier's checks. Time of deposit and amount of time money sits in particular place can also play a role in money laundering. The process is usually planned and organized to avoid being caught and facing punishment.

Typical money laundering process involves three steps: Placement, Layering and Integration. A typical money flow from origin to destination is described in chart below. As chart describes, the main intent is to convert dirty money into what looks like clean money. Money flows across various financial institutions, across borders, in different forms of assets or investments, and ultimately reaches intended destination.

2.1. Placement

This is the initial stage of money laundering where launderer inserts money resulting from illegal proceedings into some financial account, sometimes multiple accounts owned by multiple foreign individuals. The aim for launderer is to remove the cash from location of acquisition (also referred as source) to avoid detection from authorities and to then transform into other asset forms or instruments offered by various banking institutions in financial market. Launderer may purchase a series of monetary instruments (checks, money orders, etc.) that are then collected and deposited into accounts at another location. Financial institution is usually located and operated in different geographical location from intended destination. Majority of nations require that all large amount deposits be filed with regulatory agency. United States require that any cash deposits over \$10,000 be reported to Internal Revenue Service (IRS) and any suspicious deposits be reported to Financial Crime Enforcement Network (FinCEN). Launderers often initiate this process with multiple accounts across multiple financial institutions to avoid suspicious activity with one large amount.

2.2. Layering

Layer is important step of money laundering. This is where money transfers multiple financial institutions across different nations and can also change its form. Money can be converted to tangible or intangible assets or money can be transferred using various forms of transportation mechanisms. Layering may consist of multiple wire transfers between different accounts of different individuals, usually in chunks of amounts for each transfer. As part of these transfers, money can also change its form of currency or asset values. Assets can be in form of bonds, gold, cars, houses, diamonds, or even loan payments.

Launderers also use various forms of banking and investment in fake companies. Launderers use method known as smurfing where large amount of money transfers are broken into small less-suspicious amounts. In United States, this amount has to less than \$10,000. Different countries have different amount limits to be flagged as suspicious.

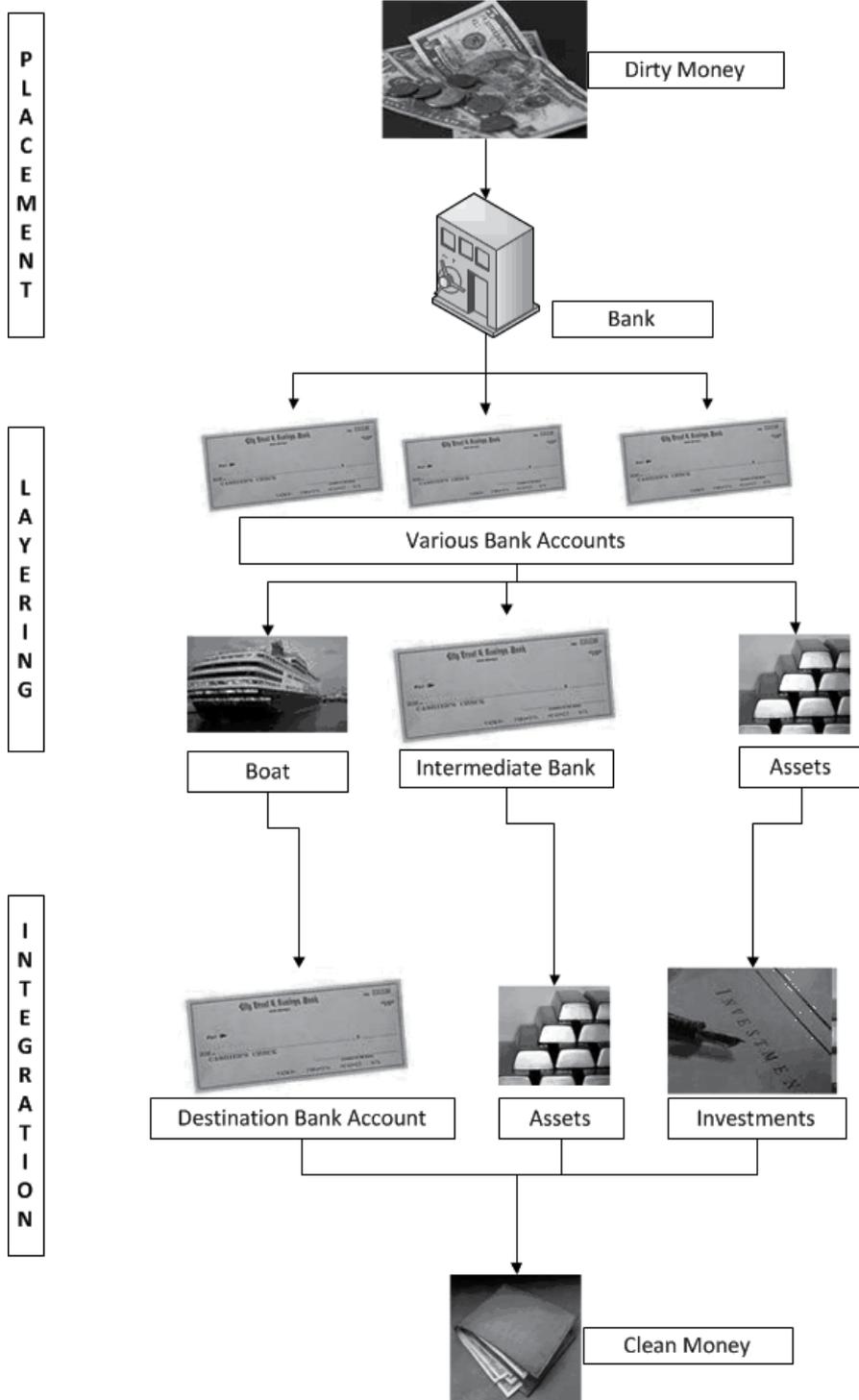


Figure 1. Money Laundering Process

Overseas banks: Money launderers often use various “offshore accounts” in countries that have bank secrecy laws allowing anonymous banking. These accounts allow easy means of making multiple transactions without being caught.

Underground/Alternative Banking: Mainly prevalent in Asia, countries often have alternate banking systems allowing undocumented money transfers across regions. These are trust based systems involving humans working as agents on both sides and these transfers have no paper trail. These systems operate outside of government control. Some of these underground banking systems are called hawala in India and Pakistan and fie chen system in China. Money launderers use these systems aggressively to accommodate intermediate transfers and can be crucial step in entire money laundering process.

Shell companies: These are fake corporations built to serve a single purpose of money laundering. These corporations play important role in process of selling goods across or services across border when actually they don't provide any goods or services but they simply create appearance of legitimate transactions through fake invoices and balance sheets. There have been reports of shell companies selling single screwdriver for thousands of dollars.

Smuggling: Cash smuggling is a method of money laundering in which proceeds of crime are stealthily moved across border, and then deposited in banking institution. Smuggling can be in form of large sum of money in luggage or hidden parts of body in multiple attempts.

Insurance Agencies: These agencies allow purchasing insurance policy. Money launders often purchase insurance policy with illegal source of money and later on try to alter the policy or file insurance claim to avert tracing of origin.

Money laundering scheme usually involves combination of these methods. Layering ultimately makes the origin of money untraceable and is the most complex step in illegal money laundering scheme.

2.3. Integration

This is the final stage in Money Laundering ‘Washing’ cycle. At this stage, money usually enters into destination location or main-stream economy in legitimate looking form i.e. appears to have come from legal transaction. This is the stage when money is integrated into the legitimate economic and financial system and is assimilated with all other similar assets. It would be very hard to trace the origin of money due to various layering methods involved. Hence, criminals have high confidence of not being suspect about origin of money. If criminal is not caught during placement or layering stage, it becomes very difficult to catch a launderer at integration stage. A successful integration in money laundering attempt means a successful money laundering attempt which results in money that shouldn't have become usable and results in successful hiding of criminal activity that should have been caught.

Almost all profit making criminal activity is linked to money laundering in one way or another throughout the world. As the main motive of individual is to make the money look like legal and to put the money in hands of criminal, launderers use variety of ways and number of geographical locations during layering and integration phases. During placement stage, money is very close to underlying activity but moves away farther during layering phase, ultimately untraceable at the end of integration. It is very important that such activity be stopped or caught during layering phase but layering phase can be very complex as money can flow through multiple financial institutions across various geographical regions providing adequate financial infrastructure. As an example, individual involved in criminal activity south Asia can use hawala system to transfer money to five individuals residing in north Asia. Each of five individual, then, can use different methods such as money orders, financial instruments, loans, to transfer money to offshore where yet another individual can collect and accumulate the money which now looks like legal income.

3. Politically Exposed Personnel & money laundering

Politically Exposed Persons (PEPs) are considered high risk in today's regulatory environment. PEPs present a higher risk of money laundering because their political power or access to those with political power places control of their countries' funds within their reach. If they choose to abuse this power they can embezzle money, accept bribes and kickbacks or benefit from insiders knowledge. Many corrupt officials accumulate fortunes within their own countries and use money laundering methods to move that wealth into the broader financial system. Financial institutions who take on PEPs as customer assume a higher risk and are required to apply enhanced due diligence to these accounts and their associated transactions. Heavy fines have been imposed on financial institutions failing to maintain proper risk based approaches while working with PEPs.

While there is no global definition of PEP, the European Union (EU) Third Money Laundering Directive defines PEPs as

Natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons

The USA Patriot Act and European Union Directive use following five layers as identifying an individual as PEP:

1. Current or former senior official in the executive, legislative, administrative, military, or judicial branch of a foreign government (elected or not)
2. A senior official of a major foreign political party
3. A senior executive of a foreign government owned commercial enterprise, and/or being a corporation, business or other entity formed by or for the benefit of any such individual
4. An immediate family member of such individual; meaning spouse, parents, siblings, children, and spouse's parents or siblings
5. Any individual publicly known (or actually known by the relevant financial institution) to be a close personal or professional associate.

As per this definition, PEP is not necessarily the only person who holds political recognition but also their relatives, correspondents, and anybody financially affiliated with them. Regulations require enhanced due diligence and risk assessment when conducting business with Politically Exposed Persons, particularly when they become part of private banking transactions. Corrupt PEPs, like all skilled money launderers, use middle men and legal identities such as companies and trusts as vehicles in the process of moving value derived from their corrupt actions. Only the inept or brazen PEP moves value in her or his own name, or the name of a family member. Movement of value by PEPs and money launderers alike is also likely to involve transactions across country borders whether by movement of funds or the acquisition and disposition of assets. This includes an acknowledgment that business relationships with family members or close associates of PEPs involve "reputational" risks similar to those with PEPs.

Financial institutions are faced with challenges in regards to maintaining proper risk based procedures while working with PEPs. First of all, different countries may have different regulation requirements and different definitions of PEP. Maintaining enhanced due diligence requires screening entire customer base and all financial transactions against commercially available PEP database which is huge, over 1.5 million listing of individuals. Financial institutions are required to initiate, process, and conclude the payment within a day while ensuring risk based approach to each individual involved in payment transfer. This is not only time consuming but also costly resulting in less efficient operations on financial institution's behalf. Many times, lack of full information availability of individual involved make it difficult to identify individual as PEP or not.

4. Effects of money laundering

A successful money laundering attempt can provide enough cash value at intended destination which can be used towards further illegal activities or money appearance as a result of illegal activity can be made legal. In either case, each and every success of money laundering attempt pays for illegal activity. This type of successful activity encourages criminals to continue their illegal schemes because criminals get to contain the profit without trace of criminal activity or origin of money. These profits ultimately come from citizens' and tax-payers' pockets knowingly or unknowingly. These activities also create more fraud in financial systems, bring more drugs on the streets, bring more drug-related crimes, bring more illegal activities in society, provide solid base for terrorist activity and training. These advancements in criminal activity ultimately results in need for more resources with law-enforcement agencies.

In this globalized world, financial economy is heavily dependent on well-functioning of financial institutions. Financial institutions must be operating with legal, professional, and ethical standards. Reputation of integrity of financial institutions is utmost valuable. In such integral environment, if funds from illegal activities and money laundering activities are allowed flow through financial institution, it causes adverse effects on reputation and will be on national newspapers the next day. Though, when employees or directors are bribed,

funds arising from money laundering activities can flow through which puts financial institution into criminal network. Evidence of such complicity will damage integrity of financial institution. When multiple financial institutions are involved in such activities, economy can be under risk, and there will be changes in money demand, exchange rates. Eventually, corruptions and crimes are rewarded. The successful money laundering damages the integrity of the entire society and undermines democracy and the rule of the law.

Money laundering is a threat to the good functioning of financial system where it can acquire control of large sectors of the economy through investment, or increase bribes to public officials and government. Money laundering requires an underlying, primary, profit-making crime (such as corruption, drug trafficking, market manipulation, fraud, tax evasion), along with the intent to conceal the proceeds of the crime or to further enhance the criminal activity. These activities generate financial flows that involve the diversion of resources away from economically- and socially-productive uses—and these diversions can have negative impacts on the financial sector and external stability of member states. They also have a corrosive, corrupting effect on society and the economic system as a whole. In countries transitioning to democratic systems, this criminal influence can undermine the transition. Most fundamentally, money laundering is inextricably linked to the underlying criminal activity that generated it. Laundering enables criminal activity to continue. Money laundering distorts the economic data and complicate government's efforts to manage economic policy. It will have adverse consequences for interest and exchange rate volatility, mainly in dollarized economies. This affects income distribution, contaminates legal transactions, and increases potential for reduced GDP, increases the risk of macroeconomic instability.

Many times, laundered money is usually untaxed at its destination. Though any attempt to invest into small business will create stiff competition against other small business investors who are actively investing already taxed money. Ultimately, money laundering is linked to underlying criminal activity that generated it, and hence, laundering enables criminal activity to continue.

Corruption and money laundering often take place together, with the presence of one reinforcing the other. Corruption results in funds of billions of dollars which will result into an attempt to legalize. Money laundering is often an easy way to legalize the funds acquired through corruption and bribes. Besides financial institutions, many other highly reputable professions are vulnerable to money laundering. Lawyers, accountants, and trust and company service providers are also known to be involved in money laundering processes especially layering and integration. These professional have specific knowledge and tools to create complex maze of corporations in offshore havens and know how to destroy financial records to hide originality of funds. A key element of these money laundering services is anonymity in the ownership or management of private sector entities.

A report from International Monetary Funds stated that Money laundering and terrorist financing activities can undermine the integrity and stability of financial institutions and

systems, discourage foreign investment, and distort international capital flows. They may have negative consequences for a country's financial stability and macroeconomic performance, resulting in welfare losses, draining resources from more productive economic activities, and even having spillover destabilizing effects on the economies of other countries. In an increasingly interconnected world, the problems presented by these activities are global, as are the links between financial stability and financial integrity. Money launderers exploit both the complexity inherent in the global financial system as well as differences between national anti-money laundering laws and systems, and they are especially attracted to jurisdictions with weak or ineffective controls where they can move their funds more easily without detection. Moreover, problems in one country can quickly spread to other countries in the region or in other parts of the world. Strong AML/CFT regimes enhance financial sector integrity and stability, which in turn facilitate countries' integration into the global financial system. They also strengthen governance and fiscal administration. The integrity of national financial systems is essential to financial sector and macroeconomic stability both on a national and international level.

5. Combating money laundering

Money laundering is known to be a crucial step in success of drug trafficking, terrorist financing, white collar crimes, and other illegal activities.

There are many national and global organizations which are actively trying to combat money laundering. Efforts are in place to aim increase awareness of phenomenon and to provide necessary legal or regulatory tools to the authorities. In United States, Department of Justice, State Departments, Federal Bureau of Investigation, International Revenue Service, Drug Enforcement Agencies and other regulatory agencies have divisions investigating money laundering and underlying structures that make money laundering work. Most nations have declared money laundering as crime. The global community is combating money laundering through various organizations such as Financial Action Task Force (FATF). The United Nations, the World Bank, and the International Monetary Fund also have anti-money-laundering divisions.

These organizations actively monitor and enforce laws and regulations on any institution or corporation involved in money transfer. These institutions include Banks, Insurance companies, Money Serving Businesses, Asset trading businesses, etc. Besides enforcing these regulations, regulatory organizations also publish criminals publicly to avoid further future crimes.

After money laundering has become a global concern and that the governments worldwide have started to create agencies to fight it, their efficiency is still being challenged. Combating money laundering has become an international priority. Fighting money laundering requires help and compliance from many entities and resources involved on the prevention and detection of money launders. Prevention, detection, and reporting should be performed by private partners such as banking institutions. Public partners such as law enforcements should be responsible for analytics and repression.

“Illicit finance, in its many forms, is a threat to the integrity of our financial system, both domestically and internationally. Combating illicit finance not only protects our financial system from abuse by money launderers, terrorist financiers, weapons proliferators and others engaged in financial crime, but it helps to advance our most critical foreign policy and national security objectives. The many tools that the Treasury Department can deploy – ranging from anti-money laundering regulatory oversight, to outreach to counterparts overseas, to deploying targeted financial measures focused on particular individuals and entities – play an integral role in responding to many of the challenges we face. Treasury’s unique capacity to understand financial flows and the operation of the financial system, analyze financial intelligence, map financial and material support networks, and take targeted, powerful actions are key to meeting these challenges.” - David Cohen -- Under Secretary for Terrorism and Financial Intelligence, Department of the Treasury

Prepared remarks at his confirmation hearing before the Senate Committee on Banking, Housing, and Urban Affairs May 3, 2011

5.1. Anti-money laundering regulations

The combat against money laundering was started as early as 1986 with lawful criminalization of money laundering. The United States government was concerned over the increasing threat of organized crime and infiltration in legal economy. Large sum of money were said to be in control of criminal elements, it was believed that underground economy was expanding. This resulted in the “Drugs Trafficking Offenses Act” and the “Money Laundering Control Act of 1986” which declared money laundering as criminal offense.

Financial Crime Enforcement Network (aka FinCEN) was established in 1990 to provide the United States government with intelligence, knowledge, and data from multiple sources. FinCEN would also provide guidelines and capabilities to analyze data to help regulatory agencies and prosecutors detect, investigate, and prosecute financial crimes. FinCEN’s mission is “to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems”. FinCEN carries out its mission by receiving and maintaining financial transactional data; analyzing and disseminating that data for law enforcement purposes; and building global cooperation with counterpart organizations in other countries and with international bodies. Today, FinCEN’s duty also includes promulgating regulations under Bank Secrecy Act (BSA), evaluating BSA violations, and providing assistance in leading the Treasury’s efforts in fighting money laundering both inside the country and internationally. All public and private financial organizations are obliged to report any suspicious activity to FinCEN. Suspicious Activity Reports (aka SAR) are filed in connection with transactions that financial institutions know, suspect, or have reason to suspect may be related to illicit activity. These reports are especially valuable to law enforcement because they reflect activity considered problematic or unusual by depository institutions, casinos, MSBs, securities broker-dealers, mutual funds, futures commission merchants, introducing brokers in commodities, and insurance companies.

About 1.4 million SARs were filed in fiscal year 2011 and 1.3 million SARs were files in fiscal year 2010

Under the Bank Secrecy Act financial institutions are required to report daily aggregated cash deposits of \$10,000 or more, and multiple deposits from the same depositor that added up to \$10,000. Such transactions are reported to the Treasury and the U.S. Secret Service. All citizens who have any financial accounts in foreign country must file FBARI (Report of Foreign and Financial Accounts) if the aggregate value of the financial account exceeds \$10,000. In 2011, FinCEN received over 14.8 million currency transaction reports. In 2010, FinCEN received approximately 14 million reports.

After an incident of September 11, 2001, The Congress of United States renewed the focus on detection, prevention, and prosecution of money laundering with terrorist financing in mind. The Title III of the USA PATRIOT Act, entitled “International Money Laundering Abatement and Anti-Terrorist Financing Act (IMLAFA)” aims to combat terrorism by stifling terrorist financial networks. IMLAFA expands the scope of money laundering laws to cover a broader range of financial institutions than those covered by traditional money laundering laws and required all financial institutions to implement programs designed to deter and detect instances of money laundering.

Financial institutions are obligated to undertake enhanced customer due-diligence on customers in the higher risk category. Recommendations provide specific measures for addressing risk associated with PEPs and correspondent banking relationships. This type of due-diligence requires having appropriate risk-based procedures to decide whether a customer is considered politically exposed personnel (PEP), senior management approval for establishing business relationships with PEPs, and ongoing monitoring of the business relationship relating to the source of funds. Financial firms which have PEP exposure are required to have compliance specialist, commercially available PEP database, and enough controls in place to monitor PEP activities.

Recent statistical data published by Internal Revenue Service on Money Laundering related investigations suggest uptick in number of investigations and Incarceration.

Money Laundering Investigations	FY 2011	FY 2010	FY 2009
Investigations Initiated	1726	1597	1341
Prosecution Recommendations	1383	1240	1048
Indictments/Information	1228	1066	936
Sentenced	678	751	753
Incarceration Rate	86.10%	83.80%	85.90%
Average Months to Serve	70	69	72

Table 2. Investigations by IRS related to money laundering (Year 2009-2011)

An international forum named Financial Action Task Force on Money Laundering (FATF) was established in July 1989 in Paris during fifth annual Economic Summit of G7, bringing together United States, Japan, Germany, France, United Kingdom, Italy, and Canada. The FATF was created to help enhance international cooperation and assess the results of anti-money laundering policies globally. The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. The Task Force is therefore a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. The FATF monitors members' progress in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In performing these activities, the FATF collaborates with other international bodies involved in combating money laundering and the financing of terrorism. The Asia/Pacific Group on Money Laundering (APG) is an international organization (regionally focused) consisting of 41 members and a number of international and regional observers including the United Nations, IMF, FATF, Asian Development Bank and World Bank (see Members and Observers links for the list). The APG is closely affiliated with the Financial Action Task Force (FATF), whose Secretariat is located in the OECD headquarters in Paris, France. All APG members commit to effectively implement the FATF's international standards for anti-money laundering, combating the financing of terrorism and anti-proliferation financing, referred to as the 40 Recommendations. The 40 Recommendations were revised and adopted by the FATF membership after world-wide consultation (including the private sector) in February 2012. Part of this commitment includes implementing measures against terrorists listed by the United Nations in the "UNSC 1267 Consolidated List": The UN Security Council 1267 Committee Consolidated List - Al-Qaida, Usama bin Laden, & the Taliban etc.

5.2. Published penalties

National government and other regulatory agencies have started publishing penalties imposed on individual or organization entities involved in any form of money laundering attempt. It is very common to see published news about somebody being investigated or held on money laundering related criminal activities. Courts and the United States Sentencing Commission ("Commission" or "U.S.S.C.") have recognized that charging a defendant with money laundering will result in sentences greater than those of most other white collar crimes. There are known cases of USCC publishing fines to various Financial Institutions when audits found that there were not enough anti-money laundering procedures implemented or found guilty of working around anti-money laundering procedures to enable certain payment transactions pass through.

Leading news publisher CNN reported on January 11, 2011:

During October 2005, United States congressman Tom DeLay was indicted on money laundering charges forcing him to step down as House Majority Leader. It was a felony conspiracy charge to move \$190,000 in corporate donations to Republican candidates in Texas State Legislature. In 2010, DeLay was found guilty of money laundering and conspiracy to commit money laundering. He was further sentenced to three years in prison and 10 years' probation.

The case of Franklin Jurado was published by UN general assembly:

Franklin Jurado, a Harvard-educated Colombian economist, pleaded guilty to a single count of money laundering in a New York federal court in April 1996 and was sentenced to seven and a half years in prison. Using the tools he learned at America's top university, he moved \$36 million in profits, from US cocaine sales for the late Colombian drug lord Jose Santacruz-Londono, in and out of banks and companies in an effort to make the assets appear to be of legitimate origin. Jurado laundered the \$36 million by wiring it out of Panama, through the offices of Merrill Lynch and other financial institutions, to Europe. In three years, he opened more than 100 accounts in 68 banks in nine countries: Austria, Denmark, the United Kingdom, France, Germany, Hungary, Italy, Luxembourg, and Monaco. Some of the accounts were opened in the names of Santacruz's mistresses and relatives, others under assumed European-sounding names. Keeping balances below \$10,000 to avoid investigation, Jurado shifted the funds between the various accounts. He established European front companies with the eventual aim of transferring the "clean" money back to Colombia, to be invested in Santacruz's restaurants, construction companies, pharmacies and real estate holdings. The Jurado case is an example of the increasingly sophisticated means drug cartels employ to secure assets. But it also indicates that the very profits that motivate drug organizations are an Achilles heel and those national legislators, law enforcement agencies and international bodies are stepping up efforts against money laundering.

IRS and Department of Justice published case of Steve Ham:

On January 6, 2012, in Plano, Texas, Steve Ham was sentenced to 16 months in prison and three years of supervised release for money laundering. According to court documents, Ham was part of a scheme with Richard Arledge, owner and operator of Richard Arledge Suzuki and the director and president of Expressway Financial, Inc. Arledge and Ham intentionally sold high-end luxury cars to individuals who derived their income from the illegal distribution of controlled substances, the promotion of prostitution, and mail and wire fraud. These criminal customers usually paid for their luxury cars in cash and provided tens of thousands of dollars in cash to the dealership in pillowcases, shrink-wrapped plastic packages, backpacks, and even fast food paper bags. During these financial transactions, Arledge, Ham and other dealership employees promised the criminal customers that the dealership would not report the financial transactions to federal authorities, despite federal reporting regulations requiring that all cash received in excess of \$10,000 be reported to the Internal Revenue Service. Ham and others also concealed the fact that the criminal customers were purchasing the cars by titling the transactions in the names of third parties and labeling the car purchases as "leases" to permit the dealership to re-acquire the luxury cars if ever seized by law enforcement during the course of a federal investigation. Arledge was sentenced to 188 months. Fourteen others were convicted or pleaded guilty in connection with the money laundering scheme.



Figure 2. Published crack-downs, Source: US Drug Enforcement Administration

Department of Justice and IRS sentenced two men in alleged money laundering scheme:

On January 4, 2012, in Trenton, N.J., Rabbi Eliahu Ben Haim and Akiva Aryeh Weiss were sentenced for their roles in a money laundering scheme in which Weiss operated an illegal money transmitting business. Ben Haim, of the Elberon section of Long Branch, N.J., was sentenced to 60 months in prison and three years of supervised release. Akiva Aryeh Weiss, aka Arye Weiss, of Brooklyn, N.Y., was sentenced to five years probation with the special condition that he reside in a mental health facility. Weiss previously plead guilty to an Information charging him with operating an unlicensed money transmitting business, or "cash house". According to court documents and statements made in court, Haim admitted that beginning in October 2006, he met with a cooperating witness, Solomon Dwek, and for a fee of approximately 10 percent, agreed to launder and conceal Dwek's funds through an already-existing underground money transfer network. Haim admitted that prior to laundering Dwek's funds, Dwek repeatedly told him the funds were the proceeds of Dwek's illegal businesses and schemes, including bank fraud, trafficking in counterfeit goods, and bankruptcy fraud. To conceal and disguise the nature and source of the funds, Haim directed Dwek to make the checks payable to several organizations that Haim operated. Once he received the checks from Dwek, Haim deposited them into bank accounts held in the names of the organizations and then wired the proceeds of those checks to a co-conspirator in Israel, or to bank accounts held by other individuals and corporations in various foreign countries, including Israel, Turkey, China, Switzerland and Argentina. The co-conspirator in Israel would then make cash available through an underground money transfer

network, including at the cash houses operated by Schmuel Cohen, aka Schmulik Cohen; Yeshaye Ehrental, aka Yeshayahu Ehrental and Yishay Ehrental, and Weiss. Weiss admitted that from June 2007 to July 2009 he operated an unlicensed money transmitting business with individuals residing in Israel. In conducting his business from a location in Brooklyn, Weiss admitted he transferred between \$200,000 and \$400,000 in cash to Haim and Dwek. Ehrental and Cohen, both of Brooklyn, pleaded guilty to operating an illegal money transmitting businesses and were each sentenced to 18 months in prison on September 9, 2011, and August 24, 2011, respectively.

World's leading newspapers published on-going investigations on HSBC for money laundering:

HSBC Holdings PLC is under investigation by a U.S. Senate panel in a money-laundering inquiry, the latest step in a long-running U.S. effort to halt shadowy money flows through global banks, according to people familiar with the situation and a company securities filing.. The inquiry is being conducted by the Senate Permanent Subcommittee of United States on Investigations could yield a report and congressional hearing later this spring. The subcommittee has a history of conducting high-profile hearings that have proved embarrassing for the world's biggest banks. The intensifying scrutiny of HSBC is the latest in a series of investigations by U.S. officials into how global banks have processed -- and in some cases, intentionally hidden -- financial transactions on behalf of countries which allegedly support terrorism, corrupt foreign officials, drug gangs and criminals. Since 2008, European and U.S. banks have signed deferred prosecution agreements and paid more than \$1.2 billion in penalties for alleged violations of anti-money laundering regulations.

During March 2012, Maribel Lopez was found guilty of money laundering:

On March 22, 2012, in New York, N.Y., Maribel Lopez was sentenced to 18 months in prison and three years of supervised release for her role in a cocaine distribution conspiracy. In September 2011, Lopez pleaded guilty to one count of structuring. According to court documents, Lopez assisted a narcotics distribution organization by transporting and concealing narcotics proceeds. From October 2006 through June 2009, she made over 80 cash deposits in amounts under \$10,000, totaling \$155,120.

Indiana Investor Sentenced for Wire Fraud, Money Laundering

On March 14, 2012, in Indianapolis, Ind., Brian Eads was sentenced to 30 months in prison, three years of supervised release and ordered to pay \$863,095 in restitution for wire fraud and money laundering. According to court documents, Eads and a related defendant, John Richards, worked together in 2005 and 2006 to sell houses to real estate investors. Richards, a mortgage broker, falsified numbers on loan applications, and Eads enticed investors by assuring them there would be no risk to invest in properties he had for sale. Eads paid down payments and paid money outside of closing, asking investors to falsify invoices for work that was never done. As a result, Wells Fargo loaned money on the 26 properties, suffering an approximate \$380,104 loss. Additionally, the investors' credit histories were negatively impacted. In a separate scheme in 2009, Eads suggested that a longtime acquaintance join with him in purchasing investment properties with funds provided by the acquaintance. The first several transactions were positive,

with the acquaintance and Eads both receiving small profits upon the sales. Then, Eads sold numerous properties to his acquaintance and provided titles of properties that he did not own. This acquaintance lost approximately \$295,791. In yet another scheme, Eads partnered with an investor from Utah in 2010. This investor and Eads discussed purchasing 38 properties in Indianapolis, Muncie, and Anderson. Eads provided details of the properties like pictures and the sales prices. The Utah investor wired money to Eads to purchase the properties. However, the investor never received deeds, and an inspection of records revealed that Eads did not own several of the properties in question. Although Eads eventually substituted some of the titles, the Utah investor lost approximately \$187,200.

There are thousands of other cases published by authorities or leading newspapers. Authorities hope to warn criminals against further money laundering attempts by making these cases publicly available and generate awareness among citizens.

5.3. Challenges in combating money laundering

For many financial institutions, compliance with anti-money laundering programs is seen as a problem to be solved at business unit or geography level. Money laundering itself is a cross-geography, cross-branch and cross-business challenge. Financial institutions are challenged with regulatory laws across geography and markets. Araujo says that even though money laundering is accepted as global challenge and national governments worldwide have started to create agencies, regulations, and laws to fight it, advancements of national anti-money laundering regulations and their efficiencies are being challenged. Proper application and implementations of regulations face challenges that range from unwillingness of financial institution to being cost effective. Countries are required to constantly changing their anti-money regulations. It becomes a challenge for financial institutions to determine which regulations to obey. And face greater challenge to ensure that they are complying with the regulations that govern their worldwide activities. Some countries have specific laws which are deemed as prescriptive enforcing activities whereas financial institutions in other countries have to comply by adopting specific practices such as risk-based approach. There are other international standards which are not mandatory, such as Paris-based Financial Action Task Force's 40 recommendations. Therefore, multinational financial institutions are challenged with single global standard governing their client acceptance and on-boarding policies and conducting payment transactions. International standards are not always mandatory in some countries. Financial institutions often find themselves alone in determining what their needs are, what regulations they must obey to, what recommendations they should follow upon, and how to implement systems with their technical environment.

Complying with laws of various countries requires extra activities to be performed while ensuring efficiency in daily business operations. These can become quite costly for financial institutions and require extra efforts from financial institutions. These efforts include maintaining special compliance department, monitoring payment messages, implementing 'know your customers' policy, identifying and implementing appropriate

risk based approach, and housing appropriate technical solution to meet compliance requirements.

Most anti-money laundering schemes depend on the creation of mechanisms that make banks and their employees to cope against money laundering since a great deal of corruption combat depends on their reports on suspicious activities. One of the reasons for these struggles is the lack of effectively involving stakeholders and financial institutions to combat money laundering. The central aim of the anti-money laundering regulation is to design a system of procedures and incentives that induces financial institutions to act effectively with regard to the production of the necessary information towards suspicious activities. There are a number of papers in the literature that intend to give more precise reasons for the lack of efficiency of the anti-money laundering regulation. The point raised by various researchers is that the burden of an efficient report system cannot fall entirely on financial institutions since they may face legal schemes that create incentives to not report suspicious activities.

6. Technological advancements

Technology has advanced rapidly in last couple of decades. Due to these advancements, wire transfers have become faster even across borders. It is very common to transfer chunk of money from one bank in one country to another bank in another country within a day. Sell of goods or assets and money reimbursements can happen within minutes. Technology has made it easier to connect people across world. Online banking has made easier to manage bank accounts even if financial institutions are located overseas. These advancements make it difficult to identify, monitor, and freeze financial transactions involved in money laundering. The challenge is that anti-money laundering is a complex process involving many entities and should be able to detect precisely. Many times, financial institutions are not equipped with technical systems to acquire and maintain all customer identification attributes required to file proper suspicious activity reports.

On the other side, advancements in technology are helping financial organizations to help combat money laundering. Computerized payment processing systems help find patterns of money movements across accounts which can be flagged as suspicious activity. Technological advancements have been made to screen all cross-border payments data against so called watch lists published by various regulatory authorities such as OFAC (Office of Foreign Asset Control), Financial Action Task Force, European Union, FBI, etc before initiation of payment and hold the payment until further investigation completes. Technologies can be a big help in detecting suspicious activities. There are many AML vendors providing cutting-edge technical solutions in market that financial institutions can benefit from. Technology can help maintaining risk based profile for each and every customer based on transactional activities, relationships with PEPs, and real-time payment screening against PEP database, Interdiction database, and other private lists such as fraud list, black list, white list, frozen list, etc.

7. Global citizens

It is important that global citizens understand the concept of money laundering and play active role in combating it. For example, if someone offers \$1000 cash and asks for legal check worth less than cash value, it is likely that individual is trying to legalize cash holdings. Global citizens should not only stay away from such activities but also report to authorities. Bank secrecy act allows filing suspicious activity reports by any individual; the filer doesn't have to be financial institution. It is recommended that in any occasion citizens see any suspicious activities being offered or performed, even without citizen's involvement, suspicious activity report should be filed.

8. Concluding remarks

Money laundering can be committed through variety of ways using cash smugglings, gambles, insurance policies, business investments, underground banks, shell companies, etc. Money launderers use variety of ways, multiple channels, multiple transactions, and various parties to accomplish the simple goal of making illicit money to what looks like legal money. Money laundering usually involves large sum of assets. There are people who are more likely to have access to or have influence over those amounts. These people can be suspect or being targeted by money launders into some sort of money laundering schemes. Often, money launderers use accomplices - like lawyers or real estate agents. So, tracking the habits of these third parties can also lead to the persons with the criminal intent.

In order to mitigate the adverse effects of criminal economic activities and to promote integrity and stability in financial markets, anti-money laundering (AML) controls must be implemented effectively.

“Effective anti-money laundering and combating the financing of terrorism regimes are essential to protect the integrity of markets and of the global financial framework as they help mitigate the factors that facilitate financial abuse.” - Min Zhu, Deputy Managing Director of the IMF

Money laundering exists almost everywhere in globe. Almost all profit generating crime results in some form of money laundering. If money laundering can be eliminated, lots of the evils in the world can be dispelled. Combating money laundering is a global challenge. Combating money laundering is not the job of government alone; it is everyone's job to fight against money laundering. An efficient combat to money laundering depends on the joint efforts of competent authorities, banks and employees.

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Globalization Experiences

Globalization and Re-Commodification in Mexico

Hector Cuadra-Montiel

Additional information is available at the end of the chapter

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1. Introduction

Rather than a singular condition, each and all processes associated with globalization are presented in complex webs and networks evolving in a structuration fashion. That is, product of both individual actions of, and cumulative interactions among a myriad of agencies and institutions. For its spatio-temporal interconnectedness of flows, the economic agenda is socially constructed and organizationally evident in institutions, stratification and interactions (Held et al., 1999).

Clearly for a term that lacks precise definition, there is a need to restore agency to a process without a subject and politics to a logic of economic compulsion, where the persistence of national variations contributes to demystify a fuzzy idea and a vague cliché of our times (Hay, 2000 and 2002a; Hay and Marsh, 2000). Such is the starting line of the endeavour attempted in the present essay.

Globalization economic imperatives are never independent or isolated from the context within which they become operative. Socially embedded, they interact with economic and social agencies and structures, continuously reshaping the features of social processes. Polanyi's fictitious commodities, namely land, labour and money form part of the socially embedded economic system. It is only by performing their commodity function, that all become key to the operation of the allegedly 'self-adjusting' and 'self-regulating' markets. Hence, fictitious commodities undergo a process of commodification. Nevertheless, such commodification practices, processes and experiences are never free of concern for the conservation of man, nature and the productive organization (Polanyi, 1944).

It is to that goal that multiple and diverse efforts of social protection have been implemented by governments exercising their regulatory capacities throughout the world, particularly after the II World War. Yet, most of them feature incomplete, segmented and fractured practices of formal social security at best. Often, national and sub-national populations are targeted by social protection programs that are far distant of what a Welfare State ought to

be. Decommmodification aims granting protection from the market to the fictitious commodities, particularly labour and land. Welfare policies and programs in advanced economies have worked relatively better, albeit never exempt of controversies and problems, whereas, for the rest of the world, provision of social security ranges from inexistent to poor, incomplete, segmented and unsatisfactory.

Whenever a person is capable of maintaining a livelihood without reliance on the market, s/he has been decommmodified (Esping-Andersen, 1990). However there is no guarantee that such status will permanently hold. In case of reversal, that is re-entering the market, making use of her/his personal freedom to offer her/his labour power, relying on the market for making a living, such a person has voluntarily or not, returned to the fictitious commodity status. Thus, a re-commodification process has taken place (Cuadra-Montiel, 2011).

It is the argument of this chapter that the governmental emphasis on the re-commodification experience of economic restructuring has left an imprint on the processes of social change in contemporary Mexico. The narrow concern for globalization economic imperatives and 'fundamentals' has contributed towards rising levels of inequality and has also worsened income distribution. According to a study of the World Bank on well-being and poverty in the country, despite some progress in dimensions such as access to basic services, other dimensions such as the income of the poorest remains widespread and has not improved (2004).¹

Herein, I stress causal relations, and identify tendencies and countertendencies. The argument presented here opens with a discussion of the influence of neoclassical economic orthodoxy in the process of economic restructuring. Next, I highlight important characteristics of the re-designed Mexican economic agenda, such as the lowering regulatory frameworks for land tenure and foreign investment, fiscal reform, the privatization of public firms and trade liberalization. Even though the outward oriented model is relatively consistent in its own terms, it falls far short of taking into account the socially embedded character of economic activities, as it has an uneven social impact. Growing patterns of inequality have been a very high price to pay for the economic transformation of Mexico. For the study of this phenomenon, special attention is devoted to the weak institutional links which characterize the leading manufacturing activities and sectors in the Mexican economy. The neglect of the domestic market has not helped endogenous growth conditions, at a time when economic linkages between outwardly oriented firms and domestic enterprises are further weakening. Creative and innovative pushes have lacked strength and consistency to deliver equitable growth. On top of this, the destructive momentum seems to be much stronger than the creative one, delivering a social legacy of uneven income distribution and polarization.

¹ There is growing recognition that poverty is also associated with inequality. Furthermore, acknowledgement that poverty does not only refer to low incomes, but that it has some other dimensions including human capacities, where education and health are particularly relevant. In addition, access to infrastructure, vulnerability and social status are also important. Following Amartya Sen's *Inequality Reexamined* and *Development as Freedom*, the World Bank argues that if these factors give a person the freedom and capability to choose a life of his/her choosing, this person can enjoy and develop his/her well being (World Bank, 2004).

Estimates of income distribution in Mexico during the last three decades vary due to different methodologies, but nevertheless, they show evident patterns of inequality. For instance, the Economic Commission for Latin America and the Caribbean reports that the poorest two quintiles of Mexicans in 1984 shared 7.9 % of income in urban households, while the richest two quintiles owned 41.2 %. By the year 2000 the situation had worsened as the poorest two quintiles reduced their share to 6.7 %, while the richest two quintiles increased theirs to 49 % (Economic Commission for Latin America and the Caribbean, 2002 Statistical Yearbook for Latin America and the Caribbean). Some authors make use of adjustment factors for their own estimates in order to correct underreporting of data. One researcher argues that in 1984 42.5 % of the population were considered to live in poverty. Twelve years later the poverty had reached 52.8 % of Mexicans (Calva, 2000). Another author found that the lowest two deciles of the population in 1984 shared 4.8 % of total income in Mexico, but 4.7 % in 1996, whereas the highest two deciles increased their share from 49.5 % to 53.7 % during the same years (Dussel Peters, 2000). The Gini coefficient is an inequality index which increases if the income distribution becomes more skewed. A third researcher reports a Gini coefficient of 58.2 in 1984, and 58.9 in 1992 (Lustig, 1998). According to the World Bank's report *Poverty in Mexico*, the Gini coefficient was 53 in 1992, 52 in 1996, 54 in 2000 and 51 in 2002. This financial organization also reports that during 2000 the share of the top decile in total income was 43.1%, whereas the share of the bottom two deciles in total income was only 3.1% (World Bank, 2004).

The praised process of economic transformation undertaken by the Mexican government, even though it was consistently presented in its own terms, failed to address its own social impact, as insufficient attention was given to redistributive policies. The agenda, however, was not purely economically driven and aimed for increased efficiency. Political concerns and the targeting of specific constituencies were presented in a technocratic discourse of inevitability, de-politicizing the processes, and insulating them from public participation and scrutiny. Moreover, it was implemented vertically from the top of the government's hierarchies, down to the different sectors of society.

Contrary to the conventional wisdom, which argues that financial liberalization in emerging economies was a consequence of international trends, Mexico's experience does not match that pattern. Nevertheless, this is not the same thing as saying that agents such as the International Monetary Fund, the World Bank, or the US government dictated the whole economic script to the Mexican government. Even during the late 1980s, after following orthodox adjustment programmes which proved insufficient for the recovery of the Mexican economy, the government opted for a heterodox plan in which orthodox recommendations and schedules were not followed (Minushkin, 2001, and 2002). Moreover, since the goals were not altered, and were even enhanced, the use of alternative means did not oppose the consensual view of what the economic restructuring programme for this particular case should be.

The improvement in aggregate macroeconomic indicators was presented as evidence of stabilization and a proper investment environment. Yet, the 1994 crisis made evident the weaknesses of the instrumentation and political management of the economic strategy. The heavy reliance on short term financial instruments proved catastrophic because it increased

the vulnerability of the economy to the attraction of financial capital inflows; which, combined with financial mismanagement, ended up in the worst economic crisis in Mexican history (Lustig, 1998; Edwards, 1998; Weintraub, 2000). What follows is an informed critique, of the process of economic restructuring in this country since the late 1970s and early 1980s.

2. Re-commodification, or the redesign of the Mexican economic agenda

Even though the theoretical emphasis of this chapter is placed on economic actors such as firms, this does not exclude other agents, because economic activities are socially embedded. The strategically selective globalization context is, therefore, fundamental to analyze processes of change such as that undertaken here. I do not offer, however, a deterministic account, since I also acknowledge the agencies' capacity to influence the conditions which surround them.

The role ideas play is of immense importance here (Hay, 2002a, 2002b, and 2000b; Watson, 2003, and 2000). Ideas such as the liberalization of trade and investment flows, privatization of public enterprises, lowering regulatory frameworks and fiscal reforms have had real material impact in several different latitudes. I consider that neoclassical economic ideas were crucial in the re-designing of the Mexican economic agenda, as they provided the guidelines on which the restructuring of the economy was based. Nevertheless, the agenda of economic reforms and their modest consistency, has also brought into the spotlight some, arguably, unintended consequences. The widening gap in income distribution and rising levels of polarization must neither be overlooked, nor considered only as 'externalities' of the new orientation of economic policies. Hereafter, I aim to identify causal relations and features of what have been perceived as globalization economic imperatives and their polarized results. The analysis is qualitative. It gives a theoretically informed account of the Mexican re-commodification experience and the ongoing processes of social change.

The concern for growth was quite clear in the economic restructuring agenda which has been put into practice from the early 1980s. During these years, the core globalization concerns were stabilization and the pursuit of structural change in the Mexican economy. This process of reforming the public finances and reaching macro-economic stability was considered the key. Heading the agenda were financial and trade liberalization, the re-design of fiscal institutions and instruments, the renegotiation of the external debt, and the privatization of public sector enterprises (Aspe Armella, 1993). I analyse these in the following sections. The efforts to reform the role of the State were oriented towards this agenda in a manner which was intended not to disrupt macroeconomic stability. However, the strategy fell short of expectations in other respects, such as employment expansion, the eradication of poverty and provision of justice and public safety, because they were not considered priorities. Aiming for growth without considering equity has been one of the main deficiencies of the outward oriented economic strategy in Mexico, as it will be discussed after an account of the features of its economic restructuring.

An important concern for officials in charge of the external debt renegotiations was to secure packages as extensive and flexible as possible. Pursuing the objective of reaching a solution

to the external debt problem was a pragmatic criterion which considered it a better option to reach a timely satisfactory agreement, rather than a good, but extemporaneous deal (Aspe Armella, 1993). During the 1980s, -- an epoch dubbed the 'lost decade' of growth and development for most Latin American countries -- neither the Baker, nor the Brady plans provided Mexico with the conditions to reactivate its economy and stimulate growth as was needed. The plans were relatively timely agreements, albeit insufficient and far from optimal from the debtor's perspective, since there was a negative transfer of private and public capital flows during most of the 1980s (Villarreal, 1990; Ramos de Villarreal and Villarreal, 2000). The strategy of using revenues from the sales of government-owned enterprises was a key complementary strategy for the reduction of the problem of public debt. On the one hand, the divestiture of public and semi-public firms was seen as a step towards a more effective and efficient government which would provide the conditions for long-term macroeconomic stability. At the same time, criteria such as the sale of government-owned enterprises on a cash basis, and the use of creative financing, were operated as complementary guidelines towards the use of privatization proceeds to repay public debt (Aspe Armella, 1993). In order to make the outward orientation of the economic globalization model compatible with domestic legislation, and to provide a legal framework for such changes, important legislative modifications and adjustments were undertaken. This is the focus of the next section.

2.1. Lowering regulatory frameworks for land tenure and foreign investment

Either used for setting a ceiling or a lower common denominator, deregulation must not be confused with the absence of any framework, rule, regime or institution at all. There is no such thing. The term has been associated with government efforts to provide a globalization market oriented regulatory framework, in most cases tend to be sector specific, compatible with certain general guidelines. For instance, efforts to relax regulations by the Mexican government have focused on the financial sector, the elimination of licensing schemes and other restrictions for such sectors as road transport, petrochemicals, fishing, mining, commodities and telecommunications. Price liberalization has also been among the options (Lustig, 1998).

One of the modifications often overlooked of the Mexican economic restructuring regards the land tenure constitutional reform of 1992. Article 27 of the 1917 Constitution granted special treatment for land property rights. Originally, the 'ejido' (or communal land unit in which the right to exploit the land was given, and which allowed its exploitation), denied the right to sell, rent or borrow against it. This constituted one of the social conquests of the early 20th century revolution -- when Mexico used to be an agrarian economy and a rural country. At this time, the agrarian economy favoured by government intervention had a political engagement rationale where the peasant sector was one of the pillars of Mexican corporatism. As the demography of the country changed from rural villages to urban cities, while the economic focus moved from the agricultural sectors to industries and services, the peasantry lost political ranking and the transfer of economic resources was prioritized towards the industry and service sectors. The 1992 reform of article 27 of the Constitution

legalized the rental and private ownership of the 'ejido' land, even allowing commercial companies to own rural land within certain limits. Furthermore, the reform made possible the division of the productive portion of the land unit, even allowing beneficiaries to associate with each other or outsiders to exploit, sell or rent their holdings, which had not been permitted under the former regulatory framework (Lustig, 1998). In short, this was clearly a re-commodification initiative, aiming to withdraw provisions and protection from the land and from social groups for whom it represented the main source of income. These were the demands for which the zapatista indigenous uprising in one of the poorest states of Mexico, made a symbolic outcry the day when NAFTA entered into force.

Regarding foreign investment regulations, the modifications in the legal framework aimed to allow unrestricted foreign ownership, in all but the strategic areas reserved for the State. This meant a crucial step towards institutionalization not only for foreign direct investment flows but also for banking and finance, though there had been some prior minor modifications in the late 1980s. They paved the way for the financial services and investment reductions of barriers addressed in the North America Free Trade Agreement and also for the creation of the National Banking and Securities Commission in 1995.²

Originally, the 1973 Foreign Investment Law restricted foreign ownership in the following way. Four sorts of economic activities were distinguished. First, the priority sectors were reserved exclusively for the Mexican State. Second, there were activities reserved exclusively for Mexican citizens. Third came economic activities in which foreign investment could not exceed a certain percentage. Finally, there were activities in which foreign investment was not allowed to be greater than 49 %.³ In practice the restrictions were often circumvented, except for the strategic activities (Lustig, 1998; Adams, 1997). Twenty years later a new set of rules repealed all prior regulations governing foreign investment.

² The latter's main aim was to streamline and resolve differences in accounting and regulatory standards when it merged the National Securities and National Banking Commissions (Adams, 1997).

³ Article 2 of the 1973 Law to Promote Mexican Investment and Regulate Foreign Investment defined foreign investment in the following terms: "...investments made by (1) foreign corporations; (2) foreign individuals who are not bona fide permanent residents of Mexico, or those who, because of their other activities, are tied in with or bound to entities or groups making their economic decisions abroad; (3) foreign legal entities without legal personality; and (4) Mexican enterprises in which a majority of their capital is owned by foreigners, or in which foreigners control management..." (Lustig, 1998).

The strategic activities reserved to the Mexican State included the extraction of petroleum and natural gas; production of basic petrochemicals; exploitation of radioactive minerals and generation of nuclear energy; certain mining activities; generation of electricity; railroads; telegraphic and radio communications; and all other activities determined by specific laws or regulations.

The activities reserved exclusively for Mexicans or for corporations with an 'exclusion of foreigners' clause in their articles of incorporation listed radio and television; urban and interurban automotive transportation and federal highways transport; domestic air and maritime transportation; exploitation of forestry resources; gas distribution; and other activities determined by specific laws or regulations.

The activities in which foreign investment was subject to specific percentage limitations were mining under ordinary concessions (49 %); mining under special concessions for the exploitation of natural mining reserves (34 %); production of secondary petrochemicals (40 %); manufacture of automotive parts (40 %); and any other activities for which percentages were indicated in specific laws.

All the remaining activities restricted foreign investment to a limit of 49 % (Lustig, 1998; Adams, 1997).

The 1993 Foreign Investment Law modifications allowed 100 % foreign ownership in most industrial sectors, granting foreign investors the same status as national investors. It was subsequently modified in 2001. The 1993 Foreign Investment Law's opening title lists the exclusively reserved activities for the State on the one hand, and the ones reserved for Mexicans with a foreigners' exclusion clause on the other.⁴ They are followed by a list of those economic activities and acquisitions which are specifically regulated.

Moreover, the National Commission on Foreign Investment (Spanish acronym CNIE) had its role, composition and powers for developing policy guidelines and reviewing all new foreign investment applications revised in 1993 (Adams, 1997). The Foreign Investment Time Schedule went through up to January 2004 and considered three different stages to reach up to 100 % capital stock without the need to obtain a favourable decision from the commission.⁵ After the 1993 Foreign Investment Law modifications there have been some subsequent amendments in order to make Mexican law compatible with the North America Free Trade Agreement framework, as for instance seen in the 2001 modifications. These amendments allow foreign direct investment in most of Mexico's economic activities, though Canada and the United States are given preferential treatment (Dussel Peters, 2000).⁶

2.2. Fiscal reform: 'De-concentration' and 'decentralization' efforts

In addition to a more relaxed regulatory framework for foreign investment and land tenure within globalization context as analyzed above, fiscal reform has been a core issue on the agenda. The Mexican tax reform has been viewed not only as a problem of economic efficiency, but it has also been presented as a commitment to social justice. The universal organizational membership of the State and its powers of compulsion can be used for redistributive purposes. Still, they do not necessarily point to a minimal role, but only to a more efficient one. Consequently, the pending task in Mexico represents an important challenge. Even though it may seem paradoxical at first glance, based on the fallacy of governments' inefficiency everywhere and at all time that liberalization, deregulation and privatization projects might all point to a diminished role for the State in economic activities, the picture in reality is a much more complex one.⁷ Indeed, reaching those objectives might

⁴ Articles 5 and 6 of the 1993 Foreign Investment Law, respectively.

⁵ The first two stages were up to 49 % in capital stock ownership in a Mexican corporation by December 1995; and up to 51 % of capital stock of a domestic company by January 2001 (Adams, 1997).

⁶ Regarding the energy sector, there are two public enterprises considered strategic for the Mexican government: the exploration, extraction and refinement of crude oil and basic petrochemicals under *Petróleos Mexicanos*, better known as PEMEX, on the one hand; and the electricity sector under the CFE (Federal Electricity Commission Spanish acronym) on the other. These have been core actors in their respective subsectors. Since the sectors those enterprises are in have been classified as priority ones, constitutional reforms would be explicitly required if they are to change ownership status.

⁷ Stiglitz identified four different public and private sector fallacies. The first one supposes that nationalized industries act in the public interest. The second one is that government is inefficient everywhere and at all times. The third one pays attention to control and planning, where limitations of information pose a constraint for controlling, monitoring and planning. The fourth one is the Coase fallacy which asserts that the government can do no better than the market; this is simply false. Hence, efficient market allocation cannot be obtained without government intervention (Stiglitz, 1989).

be better achieved by implementing industrial policies, retaining control over some strategic sectors and broadening the tax income base, to mention only a few economic policy instruments. Given that neither the public nor the private sectors are failure-free, the features of universal membership with powers of compulsion characteristic of the State cannot be assumed by any other agency. No other collective agent, either public or private, has the capacity, representation and authority to become responsible for the collection of taxes and the implementation of redistributive policies, among other things. Monitoring production and consumption of economic activities, along with the fiduciary responsibility for raising revenues compulsorily, are tasks which weak or insufficiently funded governments cannot perform satisfactorily (Stiglitz, 1989, 1994 and 1998). The latter option is not an alternative for the State to perform its economic, especially its redistributive role, either in a developed market, or in an emerging economy.

Regarding redistribution, the State is situated at a strategic crossroads where social, political and economic factors and agencies meet. The State powers of compulsion provide the capability to decide the amount and origin of resources, and also the beneficiaries of its redistributive policies. As the State is the main organization permitted to take away resources from individuals, it has the responsibility of making an adequate and transparent use of those resources. Governments' fiduciary responsibilities are, therefore, second to none, due to consequences for employment and expenditure which cannot be separated from taxation and redistribution policies (Stiglitz, 1989). The distributive consequences of public decisions would optimally be economically efficient and politically accountable. This criterion is also valid for the private sector as well, as it might help towards the provision of more accurate and reliable information, a public good and key input, which organizations and individuals alike need for efficient and effective decision-making in the globalization era.

On the one hand, the reforms of the tax system in Mexico aiming to increase efficiency and to modernise tax collection are oriented towards 'decentralization' and 'de-concentration'. A federal system in principle, however, is quite different in reality, where heavy centralization and the management of direct and indirect taxation are to be tackled on two fronts. According to the government, the first one aims at establishing a real fiscal federalism with homogenised taxes across the country. A de facto heavily centralized system in a big country such as Mexico meant that an important number of local and State taxes were cancelled, increasing the dependence on central government tax shares. Associated problems of the reduction of tax rates and the reduction of the tax base, translated into a weakening of the capacity to collect tax, aggravated by a lack of incentives for local and State authorities to collect their own revenues. Modernization of the agency in charge of tax collection has been justified, for these reasons. Therefore, the Mexican challenges ahead on the revenue side are to match and foster the public capacity to satisfy the needs and demands of their constituencies (Moreno, 2001).⁸ Furthermore, the 'de-concentration' and

⁸ In this sense, the devolution of tax faculties which would enhance fiscal responsibilities and institutional development, and the empowerment of local constituencies to demand the use of revenue according to local and State needs have been identified as important priorities (Moreno, 2001).

'decentralization' of public expenditure are considered also as key components of the economic policies.

The achievement of goals such as a larger local financial autonomy, a larger institutional development, broader economic efficiency and the improvement of democratic governance represent the challenges ahead for public expenditure. The achievement of those goals faces grave risks that Mexican government officials need to avoid. The disruption or alteration of a relative state of macro-economic equilibrium is a major concern, as it would exacerbate regional differences. According to the government, avoidance of such scenarios and the reinforcement of institutional frameworks would help to deliver better and more efficient public goods and services (Moreno, 2001). Although a similar efficiency concern is supposed to guide the provision of services; the emphasis has been mainly to rely on the private sector, as shown below.

2.3. Divestment of government owned enterprises

Most of the privatization initiatives undertaken since the 1980s rest on the intellectual positivist foundation of Friedman, and the US and the British antecedents of the 1980s, whose ideational traces continue to influence some other experiences nowadays.⁹ It is important to recall that the generalizations of positivist closed systems and their predictive capacity allows them to claim universality. It comes as no surprise that, based on the US experience, judgments about privatization are presented as applicable to all cultures and socio-economic systems, regardless of the institutional means by which goods and services are supplied. The objective of each time relying gradually more on private delivery and less on government delivery for the satisfaction of the population's needs goes beyond justification in terms of purely economic efficiency. There is no doubt that the different methods of delegation, divestment and displacement for public and private partnership are emphatic political acts themselves.¹⁰ The role of government agencies throughout the privatization process is fundamental for establishing the objectives, selecting the appropriate forms, enacting legal reforms, developing clear and transparent procedures and providing a suitable policy environment. Not only do they aim to strive for efficiency in the face of unresponsive bureaucracies, but also to apply market models for political and administrative relationships and for governing and managing public services as well (Savas, 2000).

⁹ For an important analysis of that period in Great Britain see Hay (1996), among others.

¹⁰ There are several different arrangements for providing public services in which government agencies, private actors, consumers and voluntary associations could participate as arrangers, producers and cost bearers (Savas, 2000). For instance, delegation from the government acts as the main arranger, while the private sector produces. Forms of delegation mainly include contracts, franchises, grants, vouchers and mandates. Regarding the divestment of public assets and enterprises, it could be done through sale, free transfer and liquidation. Sale is one of the main ways in which government transfers assets to the private sector and gets some revenue at the same time. It is therefore, a preferred method when the activity is economically profitable and the sector is a non-strategic one. The sale of public enterprises could be targeted to joint ventures, private buyers, the public, managers and employees, and even to a users' or customers' cooperative. The scope of the sale may be partial or full, and the buyer could be domestic, foreign or even mixed. Finally, the main forms of displacement of public enterprises comprise default, withdrawal and deregulation (Savas, 2000).

It is important to make clear that the public sector in Mexico grew disproportionately during the 1970s and early 1980s. During the late 1970s alone, more than six hundred firms engrossed the public sector (Rogozinski, 1998). It is not the aim of this chapter, nor possible in the limited space to engage in a detailed account of the public sector history in Mexico.¹¹ However, it must be highlighted that it was during the 1970s and up until the early 1980s that the number of government owned enterprises showed a fivefold increase to more than 1100 (Rogozinski, 1998). However, not all of them contributed in a decisive way towards the economic performance of the public sector. According to Rogozinski, the biggest share, especially of those which were incorporated into the Mexican public sector from the 1970s on, were unnecessary because some represented fiscal losses, and were therefore, eligible for being re-privatized after the 1980s.¹² A point to note, however, is the fact that up to 1982 the criterion for an increasingly direct engagement of the government in the economic activity of rescuing firms with financial problems was a decommodification concern for preserving employment and thus preventing deterioration in income distribution.

Up to this point, the high priority of strategic sectors, such as oil, had not been seriously considered for sale or transfer to the private sector. Significantly, the resources obtained from privatization proceeds were to be deposited in a special fund for paying off public debt. The whole process was supervised by the Mexican Ministry of Finance.¹³ Since

¹¹ Suffice it to say that since the first half of the 20th century five broad stages in the Mexican public sector can be identified. First, the setting and institutionalization of the legal and regulatory framework for economic activity after the revolutionary period saw a minimal number of government owned enterprises during the 1920s and 1930s. It is during those years that, consistent with the 1917 Constitutional mandate articles 27 and 28 acknowledge regulator and promoter roles for the State. It was also in this period that the Mexican central bank supplied its initial capital and a few national development banks were created. The next period, known as the import substitution industrialization of the 1940s and mid 1950s, featured stable rates of growth. A similar situation characterized the stabilizing development epoch which followed. Even though during those two periods there was an increase in the number of public enterprises, the performance of the economy and the socio-political context were not hostile to it. (Rogozinski, 1998).

¹² Sometimes although theoretical and analytical distinctions can be drawn on paper, when something is put into practice differences blur and the task becomes more complex than originally expected. The privatization of government-owned enterprises is a good example of this. While the fundamental goals of a programme of divestiture of public firms pursues are economic efficiency, equity and rent extraction, as viewed from a purely economic perspective, the socially embedded character of economic activities evidence that their social and political time and space context need also to be taken into account.

¹³ The sale and transfer of firms to the private sector observed compliance with the legal and regulatory framework, dominated by the 1917 Constitution and federal public administration and semi-official entities federal laws. Limits to the private sector participation are detailed in its article 25. Additionally, article 28 lists the public sector strategic areas exclusive to the State, whereas article 134 points out the satisfaction of the minimum criteria which the divestiture process must follow, whereas, the Federal Law of the Federal Public Administration refers to the bankruptcy and liquidation of semi-official entities; while the legal conditions for mergers and transfers are in the Federal Law of Paraestatal Entities (Aspe Armella, 1993).

The privatization initiatives took macro-economic stability as a pre-requisite. Once a divestiture proposal was evaluated and the sales process were agreed to start, a sales agent needed to be appointed. Having selected a commercial bank for the financial valuation, the announcement and sale of the public enterprise in question proceeded; the sale mechanism could adopt different strategies depending on the characteristics and importance of the government owned firm. Smaller enterprises were first considered, following a legally coherent and consistent procedure, which was standardised afterwards. A profile and prospectus of the firms were first required. Once presented, the technical and financial valuation of the enterprises which had an objective of maximizing social welfare was followed by a pre-selection of buyers who considered their financial solvency and offered a price, experience in

privatization revenues are a one-off, the main objective was public debt repayment, which would contribute towards the elimination of a major source of public deficit by liberating the public sector from excessive burden. At this stage a resolution and legal authorization were needed for the closing of the sale. If positive, the signing of the sales, contract, divestiture and preparation of the 'white book' followed. The savings from decreased interest rates were used to increase non-inflationary social spending. Along with parallel strategies of trade and financial liberalization and deregulation, they were meant to make a positive impact on public finances, the balance of payments, financial system and public welfare overall, while enhancing a competitive economic environment boosting employment and productivity (Aspe Armella, 1993; Rogozinski, 1998).

Since the late 1980s the Mexican privatization programme has been aggressive in almost all economic sectors except the ones regarded as strategic in the 1917 Constitution, attracting local and foreign investors either for total or partial shares.¹⁴ For instance, the privatization of the main telephone carrier attracted particular interest at home and abroad, similar to that of the banking sector.¹⁵ Nevertheless, there have also been some significant difficulties with some of the privatization initiatives. Highways and the banks are among those which have aroused controversy. For the former, errors in the concession programme aggravated by the mid 1990s financial crisis led the government to rescue the investors. Much more seriously, the cost of the bailout of the banking sector, a moral hazard seriously exceeded the revenues of its sale a few years before, converting into public debt non-performing loans, but also controversially rescuing solvent firms and individuals (Huerta González, 1998; Székely, 1999).

Mexican government proposals to reform its oil industry have not been uncritically accepted and smoothly approved. Originally presented mainly as technical initiatives, though in a light form; opposition political parties encountered plenty of controversy regarding legal framework overhauls of *Petróleos Mexicanos*. Likewise, the case for service contracts with the private sector aiming to attract foreign investment from foreign oil companies in areas where PEMEX lacks technical capacity such as deep water exploration must be carefully studied and debated. Refinery construction through build-operate-transfer contracts, along with risk and profit sharing contracts are controversial issues as well. Chronically underinvested and short of cash, the state oil company funds 40% of the federal fiscal budget, the proposals were perceived as a step forward and setting the path for further

the sector and investment commitments. The coordination with complementary processes and the costs of implementation which included the bank's commercial commission and expenses were considered as well. Finally, the sale proceeds were to be deposited in a special fund -- Fondo de Contingencia Económica --, to repay public debt (Rogozinski, 1998).

¹⁴ Privatization of former Mexican government owned enterprises has been transacted in various sectors such as airlines, hotel, mining, chemicals, commerce, financial services, insurance, manufacturing, ship building, steel, sugar, textiles, agribusiness, fishing, forestry; shipping, telecommunications, transportation, banking, beverage production, bottling, energy, fertilizers, media, television, construction, building material, food processing, gas stations, tourism, services, warehouses, cargo and containers, ports, storage, railway, gas distribution, satellite systems, airports, etc (Investment Promotion Network, 2001).

¹⁵ *Teléfonos de México* is also well known by its Spanish acronym TELMEX.

reforms sometime in the future, engaging lawmakers and different sectors of society debate what otherwise would have been an unaccountable technical decision.

2.4. Trade liberalization: The banner of economic restructuring

Having discussed the globalization characteristics and context within which the divestiture of government owned enterprises in Mexico has taken place, I should now move to another significant aspect of the country's process of re-commodification. Trade liberalization has been a core component of Mexico's economic restructuring and stabilization strategy since the very beginning. The originally inward-looking economy was pushed towards a qualitative transformation aiming at more open conditions. A comprehensive elimination of non-tariff barriers preceded further reductions in the level and dispersion of tariffs. Becoming a member of the General Agreement of Tariffs and Trade (GATT), back in the mid 1980s, signalled the new outward orientation of the economy. It was also a step towards institutionalizing the initial unilateral moves favouring a shift from oil exports and agricultural commodities to the promotion of exportable manufactured goods. In order to reinforce the institutional character of the trade liberalization process, one strategy favoured by the Mexican government since the 1990s has been to seek membership and active participation in multilateral forums. They include the Free Trade Latin American Association (Spanish acronym ALADI), the Organization of Economic Cooperation and Development (OECD), the World Trade Organization (WTO), and the Asia Pacific Economic Cooperation (APEC), among others. Additionally, another strategy running parallel to the multilateral membership has been to sign free trade agreements with the United States and Canada, various Latin American countries, the European Union, and the European Free Trade Association, among others.¹⁶

The increasing volume and value of trade and investment flows, especially those from the United States, have permitted an expansion in the volume and value of exchanged goods and services among the North America Free Trade Agreement (NAFTA) members. Tendencies and economic patterns have strengthened economic practices in which manufacturing sectors of the Mexican economy are presented as beneficiaries of trade liberalization, for they have become second to none in production standards for some specific sectors. Aggregate figures of trade in goods and services since the liberalization

¹⁶ Since the late 1990s free trade agreements have been reached with Bolivia starting from 1995, Chile since 1999, Costa Rica since 1995, the European Union since 2000, Nicaragua since 1998, the Northern Triangle of El Salvador, Honduras and Guatemala since 2001, the Group of Three comprising Colombia and Venezuela as well since 1995 (nowadays no longer in force), the North America Free Trade Agreement with the United States and Canada since 1994, the European Free Trade Association since 2001, Israel since 2000, and Uruguay since 2004. Ratification by the Parliaments of Japan and Mexico meant green light for their bilateral free trade agreement recently. Prospective agreements include among others an associate membership for MERCOSUR (Market of the South which comprises Argentina, Brazil, Uruguay, and Paraguay); whereas China and South Korea may also be considered in the future. The current negotiations for a Free Trade Area of the Americas (FTAA), which claims to bring free mobility of capital and goods, but limits that of labour was conceived as an initiative from the United States back in the 1994 Summit of the Americas. The negotiations have encountered difficulties to be surmounted as the FTAA was originally intended to be agreed by 2005 (Cuadra-Montiel, 2008).

strategy started to show a steady rise in the volume of exports, as the emphasis on an outward orientation of economic activities would favour. Nonetheless, the pursuance of trade liberalization and manufacturing integration has not delivered a balanced distribution of economic gains. On the contrary, it is discussed below that the export orientation and the strategies privileging inbound industries have contributed towards income concentration and rising polarization, weakening linkages between the domestic market and the export one, and making evident the importance of those features which institutions should have for equitable economic activities.

Traditionally, free trade agreements provide the framework for the free movement of capital and goods among members. Free labour mobility is normally excluded. Consistent with those theoretical considerations, NAFTA goes slightly beyond the traditional scope of a traditional free trade agreement because it also considers investment rules.¹⁷ Moreover, trade in financial services is granted National Treatment and Most Favoured Nation status, which aims for fair, equitable and non-discriminatory treatment.¹⁸ Parallel to those considerations, transfers, standards for expropriation and for compensation, and dispute settlement provisions are also taken into account. Nevertheless, NAFTA does not go far enough to allow for the free mobility of people. Even though there are two parallel accords on environmental and labour cooperation within the NAFTA text, there is no authorization for the free movement of labour between Canada, the US and Mexico. In practice, migratory restrictions aim to prevent a flow of unskilled migration into US territory, where a blind eye is, however, turned to the benefits that they deliver to its economy.

Even though the emphasis on institutions is quite evident in the negotiation of several trade agreements by the Mexican government, the main weight of Mexico's trade relations with the world is heavily concentrated within the North America Free Trade Agreement, and especially with the United States. Consider for instance that 69 % of Mexican exports went to the US in 1990, rose by 85 % in 1994 the year NAFTA entered into force, and went up to 89 % in 2000, manifesting a very heavy concentration. Similarly, the biggest share of imported goods comes from the US. They were 62 % of the total in 1990, reached 72 % in 1994, and increased to 74 % in 2000. Paralleling those trends during the last decade, imports from Asian countries and the European Union have steadily grown (INEGI, 2002).

Since the reach and scope of those institutional moves go beyond national boundaries, I ought to pay particular attention to the international, multilateral and global contexts in

¹⁷ NAFTA's Chapter Eleven considers investment provisions and Chapter Fourteen focuses on financial services.

¹⁸ Financial integration as a privately driven phenomenon has been considered a step towards the financial and monetary integration of the Americas, where the dominance of the US markets acts as a magnet for financial flows. However, there is an important differentiation between monetary and financial affairs which should not be overlooked. The decentralized nature of the financial sector and activities allows a range of different private actors to create and maintain them, albeit with a government regulatory and supervisory role. But the government is the principal actor and sole decision maker for monetary issues. For monetary integration government support is needed in order to move towards an integration stage. Those considerations are important since financial and monetary integration are expected to become central part of the economic agenda in the American continent in the future. Negotiations for a Free Trade Area of the Americas are currently halted, following the NAFTA narrow framework model (Cuadra-Montiel, 2008).

which Mexico, as a collective agent, is situated. Suffice it to say that the Mexican trade liberalization experience, along with its financial liberalization, privatization and deregulation could be considered different facets of the re-commodification process, as its emphasis is placed on economic motives, rather than welfare concerns. This is what I show in the remaining sections below.

3. Weak endogenous institutional links: destructive rather than creative

At this point it is important to recall that the institutional links are important reference frameworks for the situated agents in globalization context. Economic actors such as firms are no exception because they work within formal and informal institutions. The variety of institutions and the different ways in which they can be coordinated have been used to suggest that the economic performance of the economies and the prosperity of nations is built based on institutional differences, since one of the aspects which affects firms' efficiency is the institutional coordination to which they are subject (Hall and Soskice, 2001).¹⁹ Important as those considerations are, however, they leave something crucial. The profiles of the firms are as important as the character of the institutional framework. For, if we are restoring agency to the processes that appear to be irresistible, we cannot afford to leave features of the actors unexamined. The role and characteristics of the agents, economic firms in this case, do not contradict, or are opposed in any sense, to the features of the structures, and the institutional framework. I argue that agents have the power and capability to influence and contribute towards shaping the processes in which they take part. Therefore, the orientation and profile of the firms also influence the characteristics of the structures they are in contact with (Cuadra-Montiel, 2011).

It is highlighted that the importance of institutions for making explicit what 'the rules of the game' are, functions as one of the crucial elements which contribute towards shaping the context for agents. Hall and Soskice even suggest that the institutional framework provides economies with comparative advantages which may become a determinant of their prosperity (2001). It is also discussed that emphasis should be on the institutional link between the immaterial character of projects, goals and ideas, on the one hand, and the stability of the economic, political and social conditions, on the other, as the formal and informal rules in society which shape human interaction (North, 1990).

Institutions per se do not guarantee any success or automatically trigger any particular achievement. Weak institutional links, or a poor orientation of the efforts and strategies, may cause harm, which is not necessarily limited to economic losses or externalities. The impact of such poor orientation, and of weak links in spheres other than economic, is often unacknowledged (Cuadra-Montiel, 2011).

¹⁹ Hall and Soskice made a broad differentiation between liberal (Anglo-Saxon) economies and coordinated ones. According to their perspective, the former are more conducive for firms to engage in radical innovations because firms are situated and respond to a competitive market arrangement, whereas firms in the coordinated economies, referring to European and Japanese models, tend to rely more on non-market mechanisms, and their patterns of innovation tend to be more incremental (2001).

I contend here that it is not enough to stress the institutionalization of economic restructuring, but that a careful evaluation is needed. The re-commodification process under way in Mexico does not follow an economic trend alone; it is also, in its own right, a strong political process, and as such, open ended, contested and contingent. Moreover, it is not by any means a terminal stage, but a phase in the historical transition of that country.

Since all economic activities are socially embedded (cf. Schumpeter, 1934, and 1954; Polanyi, 1944, 1992, 1996; Granovetter, 1996a, 1996b, and 1994), I go beyond regularities to illustrate a different picture which comprises not only economic gains and costs, but also some of the causal elements and interactions otherwise invisible. This section explores the weak institutional links; the lack of cluster connections among economic activities oriented towards both the domestic market and the external market; the polarization and widening income distribution gap in Mexico; the poor features of innovation which tend to relegate the Mexican economy's insertion into niches in the world market; the costly social legacy of the economy which is intertwined and interwoven with the import-prone export-oriented industrialization; and liberalization and deregulation processes. At this point it is important to stress the fact that there is no necessary trade-off between economic performance and inequality. Though there can be one in some circumstances, the point is that there need not be one. Equitable growth is possible if attention is given to a proper balance of economic and social policies.

One of the major problems of the Mexican industrialization experience which is also found in some other Latin American economies has been the aiming at and maintaining positive rates of economic growth at the expense of redistribution and equity. It is not the argument that the export oriented industrial model is the only factor responsible for unevenness and polarization, but that it certainly has not made any contribution towards the improvement of those pressing issues, as palliative programmes do not address the causes of inequality. It is true that the origins of the poor income distribution in that country in particular, and the region in general, have historical antecedents. However, the current implementation of economic strategies which accounts for the re-commodification experience has pushed further the accentuation of the patterns of decreased protection from the market. The emphasis has been placed on a socially disembedded expansion of markets and exchange transactions.

The search for economic efficiency, based on a platform of sound economic fundamentals, from which growth and economic benefits would trickle down has not delivered as expected. It never does. Patterns of unemployment, the precarious financial situation, indebtedness, the low rate of non-speculative investment, technical obsolescence and weak support for technological research and development have contributed towards further weakening of the industrial sectors (Fajnzylber, 1990). Given that the industrial sectors are crucial for the outward orientation of economic activities, it is striking that so little attention has been paid to the quality of the industrial insertion and its linkages. A broad picture of the industrial activities portrays poor innovation features in most of the sectors; although there are some that perform above average, even using state of the art innovation. However, they tend to be more the exception than the rule. It is not a secret that innovation in

economic activities is vital for keeping the economic processes in being. Along with crisis, innovation forms part of a dynamic pattern of renovation which not only adapts, but is capable of influencing the depth and pace of ongoing changes, as it contributes towards revolutionizing the socially embedded economic structures from within, destroying the old and creating new ones (Schumpeter, 1954).

The Mexican experience during the last three decades has put heavy emphasis on stability as a precondition for reactivating economic growth. It is undeniable that the whole economic restructuring experience of the country has taken as a guideline the globalization goal of growth and the promotion of stability. Even though there have been some results, they are by no means impressive, especially at the micro and disaggregate level. A big share of the population has found its living standards to have deteriorated overall during the last thirty years, especially if compared to the conditions prevalent up to the late 1970s and early 1980s (Székely, 1998; Kelly, 1999; Damián, 2000). Clearly, both domestic and international conditions have changed much since then, as compared to what they were at the dawn of the 21st century, and it is not my purpose to review them. The reactivation of the business level and the reorientation of the productive activity followed an orthodox neoclassical rationale which ignored more inclusive social and political considerations.

It can be suggested that the same importance has not been granted to innovative inputs and combinations in economic activities and the promotion of cyclical fluctuations. These fluctuations, in turn, if properly conducted, could promote a more equitable distribution of benefits and welfare. The focus on manufacturing has been on relatively mature industries, such as automobiles and electronics; while the insertion has not been where most of the added value of the processes is, but on non key stages such as assembling (Dussel Peters, 1997 and 2000). Sadly, innovation is not one of the main features of the Mexican manufacturing sector, as a big share of it is low in added value. Similarly, the articulation between industry with a base in natural resources and service industry cannot be characterized as optimal, either. It also appears that the designing of strategies and policies, and the strengthening of institutions face important challenges ahead. What I find disquieting is that the reproduction of institutions and features of the model which have been weak in delivering growth, and much worse for the promotion of equity, are inclined to engage in a path-dependent pattern which present no alternatives beyond further re-commodification (Cuadra-Montiel, 2011).

Clearly, this is far from an optimal stage, as it would make the cyclical fluctuation increasingly critical. Decisive steps towards promotion of equity are necessary, as they would bring about decommodification. In so doing, political will and a clear identification of the economic sectors and activities which can be targeted as beneficiaries of specific government programmes are vital components if a qualitative change is to be achieved. A qualitative transformation aiming for greater equity needs leadership in the design and implementation of public policies which touch upon and affect consumption and investment patterns. Enhancing the international competitiveness of the industrial system cannot be left to the invisible, or more precisely, the inexistent hand of the economy, as attention needs to be paid to the natural resources endowments, agriculture, the demographic trends, the domestic entrepreneurial capacity,

portfolios and foreign direct investment, to mention only the most obvious areas (Fajnzylber, 1990). The restructuring of the economy, if equity is to be delivered, gives the State important functions to play in complementing market mechanisms. It is not my argument that the State does need to be the main economic actor; however, I contend that, due to its centrality, the State is best placed to attenuate and correct market failures. Furthermore, markets similarly compensate for and address public failures via increased economic efficiency.

The State can promote innovation not only by allocating resources to research and development, which are undeniably important, but also by promoting stronger and more integrated forward and backward links in the economic chains. The more coherently planned and implemented these are, the better (Cuadra-Montiel, 2011). This is of crucial importance in a country where the outward orientation of the economic activities has been inattentive to the socially embedded features of the model. As part of the process of 'creative destruction', innovation in economic activities has been acknowledged as key for reaching a more evenly developed condition. Innovation in economic activities is associated with the degree of technological knowledge in the productive activities. Therefore, the attention paid to technological issues is a core factor for the economic performance and progress of an economy (Fajnzylber, 1990).²⁰ Technological knowledge not only helps productivity to surge, but also could favour growth, improve living conditions and infrastructure, and enhance an equitable distribution of benefits. Thus, the absorption, development, incorporation and innovation of technology is one of the core variables that the industrial policy of a State needs to pay attention to. The absorption, incorporation and spread of technological innovations in economic activities helps to push economic processes and activities a few steps forward from the mining and exploitation of natural resources, either perishable or non-perishable, which lead to non-renewable income, especially in the medium and long term. The difficulty lies in the fact that to absorb, innovate, incorporate and innovate in technology are not easy tasks at all. Although the technological frontiers move quite fast, and increase the difficulty of catching up with the latest developments, let alone leading the dynamics, the incentives to innovate lie in the fact that income from more technologically advanced sectors and progress tends to be better rewarded (Cimoli, 2000). The gains however, must not be concentrated in a few hands, because that would take us back to a vicious circle of polarization and pauperism. Thus, there is a task and a rationale for the State to design and put into practice industrial policies which compensate for the heavy reliance on foreign markets. The challenge of industrial restructuring is to reinvigorate the domestic markets at the same time as gaining a better position abroad.

True, this is easier said than done, but sketching a very detailed strategy goes beyond the scope of this chapter. However, Fajnzylber has pointed to the identification of specific subsectors which have more reach, spread and impact in the productive sector as a whole. Those which are more integrated into the whole economy and which feature more

²⁰ Even though there is an agreement on the importance of technological progress, it is striking how little, if any, attention neoclassical economic orthodoxy has paid to it. Economists trained under positivism frameworks tend to be more concerned with short-term equilibriums at an aggregate level where the specificities of the sectors housing technological progress is ignored, than with the reach and spread of their benefits (Fajnzylber, 1990).

backward and forward linkages for incorporating and disseminating technological progress must be considered as candidates (1990). One of the shifts in priorities which cannot be postponed in Mexico is to move away from a 'maquiladora' assembly enclave to a more dynamic and better integrated economy. The importance of this lies in the facilitation for promoting the insertion of those sectors which have enhanced productive and competitive specific features into the international economy. Nevertheless, the institutional framework plays a very important part in providing an adequate environment conducive to strategic cooperation between the public and the private sector, without leaving aside interests of labour (Fajnzylber, 1990). In other words, for the Mexican case it would mean abandoning the low cost labour strategy and re-orientating efforts towards enhancing the quality of educational, medical and welfare resources provided throughout the country.

Important as all these considerations are, they would make no sense if the emphasis is merely concentrated on a narrow economic globalization agenda. For the historical, social, political and cultural processes all interact with each other. It is crucial to recognise that the open nature of social systems and the identification of contingent causal relations, rather than formal associations, permits interpretations that broaden the analytical scope and also formulate informed critiques of the phenomena under scrutiny. The re-commodification emphasis of the current process in Mexico has many different facets, but it does not by any means lack a political character. If the concern for equity is to be convincingly approached and tackled, granting protection from the market to the labour sector is an additional step towards abandoning the re-commodification process. The promotion and delivery of equity needs adequate welfare levels, and it is again the State, via public policies and instruments, which is the best situated agent to attend this issue (Cuadra-Montiel, 2009).

However, this capacity of the State to transform the function of industrial and trade policies is a resource which can be used in several different ways. For instance, due to the heavy concentration of power on the executive, it was used by the Mexican government during the 1980s and early 1990s to present vertical economic pacts which allowed unilateral and fast liberalization aiming to benefit the private export oriented sectors. Since there was no effective counterweight in the Congress legal reforms, they posed no obstacle. Furthermore, the implementation of specific programmes targeting outwardly oriented enterprises was put into practice without paying adequate attention to the economic linkages and broader social context within which the economic actors were situated.²¹ Special manufacturing enclaves on the one hand, and the agricultural sector, on the other, have faced such situations as are studied below.

3.1. Crudest re-commodification for agriculture and inbound industries

In Mexico there is a deep need to reverse the unsustainable use and deterioration of natural resources including water, land, forests and air. The challenge of first halting and then

²¹ Examples of these include programmes openly tending to favour temporal imports over the production of export goods (Programa de importación temporal para producir artículos de exportación, Spanish acronym PITEX); maquila exports; and highly exporting firms (Programa de empresas altamente exportadoras, Spanish acronym ALTEX). (Dussel Peters, 2000).

reverting deforestation, soil erosion, urban air pollution and surface and underground water contamination trends are enormous, as they all betray the pernicious effects of globalization and re-commodification.²² On top of those environmental concerns, and situated within the contemporary socially embedded processes, in historical terms not only has the agricultural sector of Mexico been neglected, but also its political importance has been downgraded. At the same time that the economy changed from a main producer of raw materials and commodities, to manufacturing goods and services, the process was accompanied by a demographic transition from a rural to an urban country (Reynolds, 1970). Needless to say, the political importance of the peasant sector varied as well. Mexican corporatism worked as a strategy of political engagement and control of social groups, where the peasantry over the years received less attention while economic resources from agriculture contributed to finance the import substitution industrialization model (Reynolds, 1970; Hansen, 1971).

As has been argued above, the reforms entailed in article 27 of the 1917 Constitution became drastically carried out in the rural economy, eliminating the 'ejido' or communal land. It meant that the special treatment which had been given to land was changed to allow for ownership and not mere exploitation as had been the case. Additionally, the trade in agricultural commodities was liberalized, and price interventions were eliminated. In 1995 a programme of land titling complemented the constitutional reforms of three years before (Giugale, Lafourcade and Nguyen, 2001). The organizations and institutions which had previously supported the agricultural sector were privatized, reduced or eliminated, leaving agriculture in an institutional vacuum without any protection from the market. This is of utmost importance since the Mexican government has historically provided support to the agricultural sector; the withdrawal of its protecting mechanism, notably particular subsidies and public investment, severely affected small farmers and peasants, who relied on them for their survival.²³ Therefore, it is the rural areas where poverty is not only most acute, but also has intensified parallel to the process of economic restructuring, as one fifth of the population belongs to the worst-off deciles (Kelly, 1999).

The World Bank reports that during the 1990s a contrasting phenomenon with indexes of inequality was observed. The national Gini coefficient for income was 53 in 1992, 54 in 2000 and 51 in 2002. The indicators for expenditure were 51 in 1992, 52 in 2000, and 50 in 2002.

²² Mexican environmental priorities include, amongst others: a) reversion of deforestation; b) stopping practices which erode the soils; c) sustainability in water use, reduction of water contamination and an increase in the supply of potable water; d) adequate management of solid waste; e) extension of wastewater collection and treatment systems; f) improving the capacity to manage and dispose of hazardous waste; and g) to slowing down the loss of biodiversity (Gilbreath, 2003).

These broad objectives have historically been approached with different strategies and, therefore, the results obtained so far vary. Consider for instance that the Mexican government aims to achieve a sustainable use of water resources. This goal, in turn, is translated into the design of strategies seeking to make a more efficient use of agricultural irrigation and urban supply (Comisión Nacional del Agua, 2001). For such case, a policy of multiple and successive uses of water implies, amongst other factors, the agricultural and industrial reuse of waste water. In doing so, it liberates underground water supplied by a complex of pumping stations to the main cities and areas where the population is concentrated; while at the same time, it addresses the problem of tapping hydrological underground sources to satisfy the demand of a growing population (Cuadra Moreno, 1981).

²³ The World Bank's view portrays the unsustainable subsidies which led to dependency in the ejido sector (Giugale, Lafourcade, and Nguyen, 2001).

However, this was not by any means a uniform trend. The pattern described by urban areas was similar to the national tendency, whereas in the countryside, where an important share of the indigenous population lives, inequality has increased. Specifically, in the rural areas, Gini coefficients for income rose from 47 in 1992 to 53 in 2000, and went down to 49 in 2002. Regarding rural expenditure, Gini coefficients rose from 41 to 56 and decreased to 48 during the same years (World Bank, 2004).

Nevertheless, following the broad pattern of the government's dismantling the protection from the markets, some agency initiatives have tried to build or restore regulatory frameworks, as a response to the abrupt removal of legislation, organization and institutions. Even though those subnational efforts are not centrally coordinated they provide evidence of the extreme importance which agencies play in the pushing and promotion of decommodification initiatives, on the lines originally suggested by Polanyi.²⁴

Although for some years during the import substitution industrialization period the agricultural sector contributed towards the financing of the model, by the 1980s and 1990s stagnated rates of growth and lack of competitiveness were to be blamed for the increase in rural poverty and for its small contribution to the Mexican Gross Domestic Product. According to the North America Free Trade Agreement schedule, open competition of this sector with Canada and the United States was due in 2008. However, the US shows no signs of eliminating its controversial farm subsidies in the foreseeable future.²⁵

²⁴ For a compelling argument paying particular attention to coffee, one of Mexico's most important agricultural exports, see Snyder (2001).

²⁵ Inconsistent with what it preaches to the world, the United States agricultural subsidies and policies have systematically protected their farmers from international competition at bilateral and multilateral levels. The elimination of agricultural subsidies and tariffs which the US government obliges trading partners to pursue is not matched by their own actions. The country's agriculture subsidies affect not only export oriented agribusiness but also inwardly oriented small farmers abroad. Consider for instance that the plummeting prices of some agricultural commodities such as corn have helped to increase rural misery in Mexico. Without any significant protective net in Mexico, unfair competition from their counterparts on the other side of the border puts the small, poor and worst-off out of the business; while the subsidies for farmers from the United States, allow them to sell their commodities at prices far below what they cost to produce.

Furthermore, the use of genetically modified crops critically threatens biodiversity. Such is the case of maize which has been imported from the United States without any regulation, and without any labelling requirements warning of its altered conditions. Not only is maize one of the most important crops in the world, but Mexico is the place where it originated and where its enormous diversity comes from. Genetically modified grains must not be used as seeds as they contaminate, in this particular case, the very center of origin of a crop with huge importance for world supply. The genetic contamination of Mexican maize risks environmental and health effects, neither have been seriously evaluated. Crucially, maize represents not only a food source, but it is a vital part of the Mexican cultural heritage.

Wealthier nations have been undermining agriculture in the poor and developing countries by their discretionary use of tariffs, export subsidies and direct farm subsidies. The European Union is not exempt from controversy either, as its Common Agricultural Policy seizes an important share of the common budget. Even though both actors, the European Union and the United States, have accused each other of unfair trading in multilateral negotiations such as the General Agreement on Tariffs and Trade (GATT), and the World Trade Organization (WTO), the main losers are neither the EU nor the US, but the developing economies whose agricultural commodities are systematically either denied access or given restricted access to those markets.

The United States' agricultural subsidies only benefit their farmers; whereas the Common Agricultural Policy of the European Union guarantees a level of protection to the farmers of all EU members. Ever since the very beginning both policies were conceived to guarantee a food supply for the population on one hand, and farming income on the other;

During the 1980s, in the aftermath of the debt crisis, the reactivation of economic activities proved critical, as external financing sources were no longer available. Therefore, the original orthodox structural adjustment programme was abandoned and replaced with a heterodox package during the second half of the 1980s (Minushkin, 2001, and 2002; Ramos de Villarreal and Villarreal, 2000). The manufacturing sector was selected as a viable alternative to diversify the economic profile of the country, then heavily dependent on oil exports and some raw materials. Foreign direct investment flows privileged inbound industries, also known as 'maquiladoras', as the government provided incentives such as tax exemptions, which were accompanied with the availability of low cost labour along the border with the United States.²⁶ The spread of those foreign enclaves in the Mexican territory which import parts and supplies duty free into Mexico and export their production, largely to its northern neighbour, has been the target of serious criticism (Calva, 2000; Dussel Peters, 2000; Villarreal 1990).

Although the inbound industries were allegedly conceived as an option for remedying the lack of external links with the foreign markets, associated with the import substitution industrialization the result went too far in the opposite direction. It is no secret that those assembly plants are not properly integrated into the domestic industrial structure of Mexico. They have benefited from low cost labour, fiscal special treatment, and a relaxed enforcement of environmental regulations, among other things; making use of scarce domestic inputs, representing neither a solution for the rising employment demand, nor for technological transfer. Even though the zero tariff put into place with the North America Free Trade Agreement would formally account for abolishing the inbound industries regime, in reality the model has become institutionalized as Figure 1 below shows.

Because the incentives of low wages, adequate infrastructure and political stability for a broad range of labour intensive assembly industries act as key incentives, the attraction of a comparative advantage based on cheaper costs remains.²⁷ Examples range from garments and textiles, to automotive, computer and electronic products. Therefore, the main features of the inbound industries have not become an anachronism. Instead, they have spread beyond the border export promotion zones, into other areas of Mexican territory. The problem for low skilled and labour intensive mature industrial sectors based heavily on low

while allowing the export of surpluses. It is this scheme in conjunction with the restricted access to the protected agricultural sectors for developing countries, which has remained a problem, as neither the US, nor the EU make any substantial concessions in it.

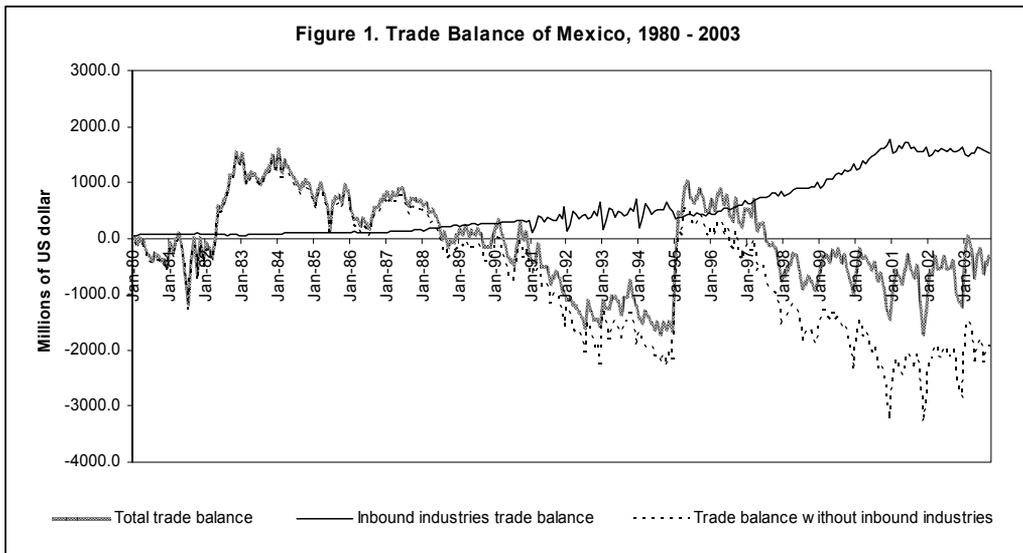
Since a free trade area coverage is not as comprehensive as an economic union, and members set their own tariffs, in some cases an individual decision may cause economic injury to another. Furthermore, dumping or countervailing duty panels might be set in specific cases.

²⁶ Such a scheme however, was not new by any means. Although it had originated in the mid 1960s, the proliferation of plants in various manufacturing categories made the inbound industries one of the most important sectors in the export oriented industrialization strategy to be promoted during the last two decades.

²⁷ From the United States position, tariff provisions 806 and 807 allowed its firms to receive duty-free inputs from the US, and by those means to cover only the Mexican value added tax share (Gereffi, 1996).

Cheaper 'maquiladora' competition from some other countries does not have the preferential access which NAFTA provides to the United States as the biggest domestic market in the world. However, there is no guarantee that this situation will continue.

cost labour is that such a comparative advantage can be easily eroded. It is no secret that many countries make use of such an economic strategy to attract foreign investment; the portrayal of a race to the bottom is apt.²⁸ Furthermore, the neglect of the domestic market, while favouring the externally oriented firms and sectors, has severely impaired the endogenous capacity to deliver growth with equity for a very important share of the population.



Source: Figure based on Mexican central bank data. November 2005.
<http://www.banxico.org.mx/siteBanxicoINGLES/eInfoFinanciera/FSinfoFinanciera.html>

Figure 1. Trade Balance of Mexico, 1980-2003

4. Mexican outward economic orientation at the expense of the domestic market

The features and profile of the manufacturing sector that has been promoted since the early 1980s in Mexico is built on the foundations of the import substitution industrialization period, and the creation of export promotion zones for inbound industries.²⁹ Since different

²⁸ Although it is only one of the criteria used by investors, consider for instance, that in low skilled and labour-intensive industries, countries such as China attract a growing share of foreign investment. It has been highlighted that due to its oversupply of workers, the labour cost is just a fraction of other economies such as Mexico.

²⁹ It is important to mention that different stages have been identified in the process of import substitution industrialization in Mexico. The first phase, or effective stage, lasted from the late 1920s until the early 1970s. Villarreal reports dropping import substitution indexes for consumer, intermediate and capital goods in the first stage. This initial phase was followed by a stagnating one during the 1970s, when especially during the second half of the decade, the initial trend no longer followed a downward pattern, but instead showed a rise in the index for all total manufactured goods. This phase is associated with oil mono-exports without deindustrialization. Finally, the last stage could be characterized as apparent or recessive, as it showed a stop-go pattern for the import substitution index during the 1980s (Villarreal, 1990).

profiles can be found in the firms working in these sectors, it is a task beyond my reach to engage in a detailed discussion of the history and characteristics of Mexico's manufacturing firms.³⁰ Even though it is not clear that the emphasis on export promotion, and liberalization of trade and investment could generate, at best, prosper and sufficient conditions for equitable growth and development, the efforts of the Mexican government have been oriented in this direction.

The main focus of the liberalization, privatization and deregulation economic strategies targeted specific variables, such as the rate of inflation, control of fiscal deficits and attraction of foreign investment. Judged with the benefit of hindsight, it can be said that the implementation of economic strategies aimed at those goals has been relatively successful in its own terms. During the last thirty years in Mexico a broad and aggregate picture of those variables has been closely monitored. Moreover, their performance has even been presented as an outstanding achievement of the government commitment to keep the orientation of the economic policies pointing in the same direction as they have been oriented so far. For a few years the levels of inflation which once reached three digits has been kept to one-digit levels, almost matching international standards, especially that of the main economic partner, which is the United States of America. Similarly, the levels of fiscal deficit have been reduced and kept, within certain margins, under control. The reduction in the levels of government expenditure has been consistent with the narrow stated objectives. Finally, the attraction of foreign investment has remained one of the top tasks ever since the process of economic restructuring started. Furthermore, the amount of flows, both portfolio and direct, which have been pouring into the economy, especially since the opening of the North America Free Trade Agreement, provide evidence of Mexico's coherence and consistency (Cuadra-Montiel, 2008). Since the early 1980s, a group of technocrats has been responsible, yet unaccountable, for keeping the main economic orientation and goals unchanged, despite major shocks, such as the financial mismanagement crisis suffered during the mid 1990s.

Unfortunately, a blind eye has been turned to the costs and omissions of the emphasis in the economic model and the selected strategies and mechanisms. The modest success of the outward orientation of the economy for promoting exports is seen as less impressive from any other perspective than a narrow and aggregate one. Moving away from positivist assumptions and claims is essential if a more balanced, realistic and critical view is, hence, a prerequisite for analyzing multifaceted phenomena. Keeping the rate of inflation low, controlling the fiscal deficit, and attracting foreign investment flows, targets reactivating

³⁰ Consider for instance, that the automobiles and autoparts branches are led by transnational companies such as Ford, Chrysler, General Motors, Volkswagen and Nissan, and a further of handful automotive firms since the late 1990s. There is a similar situation in the electronics subsector, where Philips, Daewoo, Acer, IBM, etc., dominate. Oil and petrochemicals present a very different profile since *Petróleos Mexicanos*, (PEMEX) is a State monopoly whose revenues are one of the most important income sources for the government. Domestic oligopolies such as *Femsa* and *Modelo* participate in a leading position in the beverage and brewery sectors respectively; whereas *Vitro* operates in the glass and derivatives branches. Micro, small and medium size enterprises also play a part in a range of different sectors. Capital and technology intensive goods tend to be concentrated, albeit non-exclusively, with big firms (Dussel Peters, 1997 and 2000). For non-manufacturing sectors, the profile of the companies is also mixed with a handful of conglomerates leading their respective branches.

rates of economic growth, leaving aside equity concerns and redistribution. Either the neglect or the oversight of the domestic market and of the variables directed towards social sectors, have relegated these in the economic agenda, and hardly any attention is given to them. For the latter, employment, domestic demand, wages, the labour market, and savings only fit the model when considered as variables which may impact adversely upon the inflation rates. They are, however, important and related to the reactivation of the domestic market, which has suffered as one of the crucial factors omitted in strategies to promote external resources at the expense of domestic ones. There need not necessarily be a contradiction, nor a trade-off, since the promotion of economic growth in a more equitable way will consider domestic conditions (Romer, 1986 and 1990).³¹

Since equity and redistribution cannot be left to the imperfect and incomplete market domain, because it tends to concentrate wealth, the results of such actions have been high social costs, welfare reduction and an increase in poverty. The importance of this cannot be overstated, for material conditions such as health provision and ideational ones such as education and training are key components for strengthening human capital formation. In other words, labour's skills and education could be used and oriented towards the acquisition, absorption and innovation of technological advances in a range of economic activities, such as manufacturing. In this sense, Romer, among others, has pointed out that aiming for growth requires large stocks of human capital (1990). No wonder the most important asset for an economy are the profiles and qualifications of its population. Furthermore, it is also crucial for attracting Foreign Direct Investment flows. It is precisely regarding these pressing issues that the role which must be played by State policies in facilitating the generation of endogenous growth conditions cannot be rivalled by any other agency. The problem lies in the proper articulation of the policies and strategies which will foster rates of economic growth with a more equitable face. Since focusing only on the attraction of investment, or promoting any given profile of labour, is never a necessary, nor a sufficient condition for reaching that aim, the real challenge lies in the articulation of the linkages of economic activities. The difficulty of achieving a balanced emphasis on the complete chain of products and services is something which needs to be overcome. If the domestic market is to be reinvigorated, the economic links need to be integrated so as to recreate the dynamics domestically adding value to the process (Dussel Peters, 2000). Hence, the integration of economic links encompasses the whole process from the original inputs up to the final marketing and consumption, together with the impact on production, employment, wages, technology creation, and learning processes, among others.

It is important to stress emphatically at this point, that the promotion of the domestic market and attention to endogenous conditions are by no means contradictory or opposed

³¹ Taking technological innovation as a core part of his model, Romer suggests that endogenous changes in technology provide incentives for continued capital accumulation and long-term growth (1986 and 1990). For him, the qualifications and skills of the labour force would facilitate the use of technology as a vital factor for fostering economic growth. The qualitative features of the labour force, or making use of economists' jargon, human capital are important as they cannot be replaced by simply aggregating big numbers of people. The process must not be undertaken in isolation. On the contrary, he suggests that integration with the world markets would contribute towards reaching growth goals (Romer, 1990).

to global, international and transnational links, relations, compromises, commitments and flows. I am not proposing to subject the latter to the former at all. What I argue, is the need to reassess and re-evaluate politically, socially and economically the role, participation and integration of the re-commodification experience in Mexico. This is because there is a strong need for a set of strategies which deliver better and more balanced living conditions for the society as a whole. Concern over the rising levels of inequality and concentration of wealth and income does not come out of the blue. Since the 1980s different programmes aimed to target specific sectors have worked as palliatives. Furthermore, they have been used as political instruments, leaving the roots of the problems unaltered. During the last three decades, administrations have come and gone, without any substantial and serious commitment to combating the factors that affect the growing polarization, and gap widening between the better-off and the worse-off (Székely, 1998; Kelly, 1999; Damián, 2001). Needless to say, this is a great deficiency of the economic restructuring which has even been praised beyond the country's borders. Adopting a middle to long-term perspective, the re-evaluation of the economic guidelines which have led the outwardly oriented economic model would take the form of a more inclusive socially oriented agenda (Cuadra-Montiel, 2009). For this to happen, the recognition that economic activities are socially embedded remains crucial, as is the acknowledgement of its contingent and open ended character.

Reinvigorating the domestic market, and facilitating the conditions for endogenous development is, therefore, necessary to provide an economy with a more balanced profile in Mexico. There is a need to generate economic incentives for the absorption of and innovation in technology, while strengthening the relevance of highly skilled and efficient labour within the economic activities (Dussel Peters, 1997). The links of the productive processes, on the one hand, and the formal and informal institutions, on the other, together with the domestic and international sectors and markets are crucial for articulating networks which would deliver a more equitable outcome in the long term. Additionally, paying more attention to the endogenous features of economic activities and sectors could help to provide a more diversified character to the economy. This might reduce or avoid entirely a heavy dependence on specific globalization markets or sectors. Having highlighted the low priority which the domestic market in Mexico has been given, a trap where endogenous equitable growth conditions are increasingly difficult to promote, I now need to turn to some of the countertendencies and contradictions which operate within the outward oriented economic model.

5. Globalization economic imperatives and re-commodification polarizing impact

The emphasis on manufacturing and the structural change undertaken in the Mexican economy are far from ideal as a closer examination makes evident. Leaving inbound industries aside, it is important to analyse, evaluate and challenge the conventional wisdom of the outwardly oriented globalization economic model. Note that it is somehow misleading to talk about the manufacturing sector exports in general, because in reality only

a few sectors and firms are responsible for much of the volume and value of the exports. Not all of the manufacturing sectors are high exporters. Moreover, for those who are, there is a tendency towards concentration, with polarizing effects on employment and wages. Of special concern is a pattern of weakening and losing backward productive links with the endogenous market. Not only are the high export sectors and firms having a poor level of integration with the domestic economy, but also they make no contribution or have no spillover effects on economic growth, technological innovation, employment, and know-how (Dussel Peters, 1997). It is also important to bear in mind that the increase in growth since the trade liberalization programmes started and the rise in manufacturing exports, especially to the United States, have a big intra-industry trade component in sectors such as the automobile, spare parts and petrochemicals, which are amongst the most dynamic. Since the biggest share of labour is concentrated in the micro, small and medium firms, their disarticulation with the most dynamic ones spreads very few, if any, gains to a broader social base. The lack of links with big firms shows no association between exports with rising employment and growing Gross Domestic Product (Dussel Peters, 1997 and 2000).

The increasing levels of polarization between the export oriented branches and companies on one hand, and the domestic oriented firms and sectors on the other, distance themselves from each other, as the widening gap between domestic demand and export performance indicates. For instance, Dussel Peters reports a heavy concentration of Mexican exports by a small, albeit highly exporting group of firms with a low impact on employment. Consider, for instance, that maquila exports shared 45 % of total Mexican exports in 1998, while the main foreign and national exporting firms held 44 %. Those impressive numbers contrast with their share of employment in Mexico. Inbound industries' firms account only for 2.7 %, while the main exporting firms, both foreign and national, absorbed 3.5 % of Mexican employment during the year (2000).

The most dynamic branches, in terms of exports, of the manufacturing sector include automobiles, electronic equipment, household appliances, machinery and electric equipment, textile industries, soft drinks and flavouring, apparel, cleaning and cosmetic preparations, fats and oils, corn milling, non-electrical machinery, transportation equipment, wheat milling, pesticides and fertilizers, metal furniture, and food for animals (Dussel Peters, 2000).³² Not only do those branches account for the biggest and most dynamic exporting subsectors of the Mexican economy, but they are even more important as importers as well. The current account and the trade balance have seen their deficits increase, though temporarily attenuated in the aftermath of the mid 1990s financial crisis. The export oriented model, due to its strong links with foreign markets, but also due to disincentives in the productive sector such as the rapid import liberalization, overvalued

³² Other relevant manufacturing industries, albeit less dynamic in terms of exports are steel and iron, glass and products, meat and milk products, metal products, chemicals, plastic products, basic inorganic chemical, basic petrochemicals, electrical equipment, ceramics, tobacco, leather and footwear, cotton, wool and synthetic textiles, lumber, plywood. The least dynamic manufacturing exporters include fruits and vegetables, food products, beer and malt, motors and autoparts, paper and paperboard, sugar, medicinal products, plastic resins, synthetic fiber, cement, alcoholic beverages, wood products, structural metal products, rubber products, non-ferrous metals, coffee, jute, rough textiles, petroleum refining, and printing (Dussel Peters, 2000).

exchange rates and low domestic investment, neither created, nor consolidated endogenous growth conditions. I contend that the problem with the institutionalization of the current economic model is falling into a path-dependency trap, if it is to be carried on with the strong deficiencies which I have pointed out. In other words, further disincentives for the endogenous economic activities could only deliver a vicious circle of deteriorating conditions to which the markets could only offer increasing rates of re-commodification.

Even though relatively successful in their own terms, the export orientation of the Mexican economy puts additional pressure not only on the 'social variables' by delaying the attempt to address social demands, but also on variables which are important for the viability of the outward orientation of the globalization economic model itself. The relative control over the reduction of inflation rates and fiscal deficits, along with increases in foreign investment flows, savings rates, and foreign trade, particularly the rise in manufacturing and inbound industries exports as core sources of growth and concentration on trade with the United States, contribute towards other issues, perhaps not so obvious at first glance. Contrary to official discourse, the exchange rate since the 1994 financial mismanagement crisis has not been allowed to float freely. In reality, the Mexican Central Bank has systematically and continuously intervened in the exchange rate through several mechanisms (Dussel Peters, 2000). The point is relevant, since the attraction of foreign investment and the inflation control obsession have contributed towards keeping the real exchange rate relatively overvalued (Calva, 2000). Even if an adjustment or devaluation of the exchange rate is undertaken, it will only be a matter of time for the appreciation of the currency to start afresh, as it just happened during 2008. Manufacturing and inbound industries which have benefited from a relatively strong peso since the late 1980s, have contributed to overvaluation of the real exchange currency. One of its most serious facets, the appreciation of the Mexican currency, was a factor in triggering the mid 1990s financial crisis. Paradoxically, the emphasis of the economic restructuring model generates disincentives for exports to function as the growth pillar of trade liberalization, as a result of exchange rate policies. This is especially the case when overvaluation of the exchange rate, and high real interest rates turn against the manufacturing sectors (Dussel Peters, 2000; Calva 2000).

This interpretation can be useful for illuminating specific observations such as those regarding the Mexican economic sectors and activities. Consider that, for Mexico, the high concentration of manufacturing exports in a limited set of firms has been characterised by an even higher rise in imports, which accounts for growing volumes of intra-industry and intra-firm trade. In other words, commodities not only are traded within the same industries, but in some particular cases even within the same firms. This is particularly important in capital intensive branches where transnational corporations participate, especially in automobiles, autoparts, electronics and machinery subsectors. Similarly, inbound industries are responsible for a large share of intra-industry trade. The export oriented industrialization tends to feature an even stronger import orientation as the manufacturing sectors in Mexico follow a tendency towards further specialization in products which are also increasingly imported (Dussel Peters, 2000). These patterns only weaken to a greater degree, but even worse, they deter the creation of forward and backward value added linkages, crucial for the reinvigoration of the domestic market and the facilitation of endogenous equitable growth.

Since the 1980s, the patterns of social inequality and polarization have seen the accentuation of Mexico's uneven income distribution and the rise of poverty in general. It is a pressing issue, where social exclusion and high levels of relative inequality have steadily risen in a parallel fashion, as high capital and financial concentration also make few beneficiaries. The liberalization of economic activities has even worsened the conditions of the 'lost decade' of growth and development since the early 1980s (Székely, 1998; Kelly, 1999; Damián, 2001). As the population increases, the lower share of employment for poor families and the creation of jobs with health insurance and social security lags far behind the demand, dramatically reducing the number of options for job seekers. No wonder there is a rise in the informal sector and growing numbers of immigrants, especially illegal workers to the United States; they have become irrefutable evidence of re-commodification for an increasing number of Mexicans (Calva, 2000).³³ Furthermore, remittances sent from the US to Mexico are one of the most important foreign currency and capital inflow sources for the latter country at the aggregate level. More importantly at the agency level, the money which migrants sent to their families becomes in most cases a significant income source due to the wages and salaries disparity between the sides of the Rio Bravo. Hence, another quite crude expression of the processes of re-commodification in Mexico takes place when the richer and more developed market works as an economic magnet, despite the formal and informal series of deterrents and disincentives against illegal migration to the United States. Lack of proper economic opportunities enhances the attraction of better salaries on the northern side of the border. This becomes especially acute for a smaller and more neglected Mexican domestic market with quite weak, and for the most vulnerable social sectors and virtually non-existent social security systems. However, illegal workers face additional difficulties in that their irregular migratory status makes them ineligible for welfare and social protection where they are. Thus, increasing their income level turns out to be their route to modify their unpalatable economic status and conditions; they fall into a vicious circle of increasing their degree of re-commodification to secure better conditions of living, which would otherwise be difficult to reach.

Though the liberalization of economic activities has failed to generate adequate jobs, the unsolved challenge of absorbing the growing numbers of workers into the formal labour market remains a huge challenge over the coming decades (Székely, 1998).³⁴ I argue here

³³ The North America Free Trade Agreement (NAFTA) embraces and points towards the free movement of capital and goods among the signatories. Needless to say, no free labour mobility is considered, especially for poorly qualified people. Nevertheless, migrants often seem to find holes on the otherwise most heavily patrolled border of the world, between Mexico and the United States. During 2007, Senate opposition derailed a Bush administration move towards migratory reform.

Regarding the demography of the latter, a country historically forged by immigrants, it reveals a growing share of the 'latino' population as a key tendency in its evolving demographic profile, where 'black' and 'asian' people are also on the rise, in contrast to the declining 'whites'.

³⁴ Official figures in Mexico fail to capture an accurate estimate of employment, unemployment and sub-employment. A loose definition of economically active population takes all those above twelve years old who had worked for at least an hour for a monetary income, other retribution, or even for no payment at all. Bearing in mind this definition, official figures report 52 % as the economically active population in 1990 and 57 % in 2001; whereas the open unemployment rate is said to be 2.8 % and 2.4 % respectively, for the same years. During 1995, the year after the

that the creation, development and strengthening of economic linkages between the inward looking and outward looking economic activities requires efforts to orientate policy towards meeting the employment demand both in quantitative and in qualitative terms. Overemphasizing manufacturing industries as the core sector of the economic model has failed to deliver jobs, since liberalization is neither associated with trade, nor specifically with exports (Dussel Peters, 2000). The low generation of employment, in which poor conditions are also a pressing concern, has meant that wages have fallen both in real and relative terms, making living conditions difficult for a big share of the population as households tend to rely heavily on employees' wages. Most importantly, economic activities not associated with the export orientation of the economy, such as construction, trade, restaurants and hotels, education and services have been overlooked as employment generators (Dussel Peters, 2000).

A few hundred manufacturing firms and the inbound industries account not only for the export push, but also for the deepening of net imports. Such trade deficits have been financed through foreign investment, which in turn, has been one of the factors behind portfolio inflows and the uncertain strategies of firms. Since one of the reasons for increased importance of transnational corporation intra-industry and intra-firm trade is that needed parts, components and processes from national suppliers are not available in the domestic market, these high exporters have to import their required inputs. In some cases the failure to satisfy technological, quality and organizational standards cannot be overcome easily by the micro, small and medium size enterprises. Due to their asymmetry, especially when compared with the Mexican firms, some transnational corporations have pursued different business expansion strategies. Two of them stand out: either they have merged with domestic firms, or they have bought up smaller ones (Dussel Peters, 2000).

The worsening conditions for endogenous growth are not only a result of the emphasis on the current outward economic strategy. Some historical factors have also played a role in affecting the domestic context. Consider for instance the renegotiation of the foreign external debt and the negative capital transfer during the 1980s. Additionally, the high priority given to the control of inflation, on one side, and the structural adjustment, on the other, have affected the exchange rate, adding overvaluation pressure to the macroeconomic conditions. On top of the increasing dependence on foreign investment and exports, the domestic banking sector bailout which ended up in foreign hands some years later, are not conducive to integrating and strengthening the forward and backward linkages of the commodity chains which the domestic market requires (Dussel Peters, 2000). Therefore, there is an unquestionable need for the support and creation of subcontracting mechanisms on the economic and productive activities side, whereas the small, micro and medium size firms which are mainly oriented towards the domestic market need to take full advantage of factors such as education, technological innovation and development, and financial instruments and credit. If the recovery of the domestic

Mexican financial crisis erupted, open unemployment rose to 6.2 %, while the economically active population was reported to be 55 % of the total of Mexican working people (Instituto Nacional de Estadística, Geografía e Informática, 2002. Anuario Estadístico de los Estados Unidos Mexicanos).

market, and the aim of a more equitable and sustainable economic growth is to be fulfilled, stronger governmental efforts and attention need to be directed towards the generation of adequate, proper and quality employment. Moreover, increasing the supply of qualified labour for quality jobs cannot ignore the rising cost of wages in real terms, as the low cost jobs offer no realistic and sustainable solution in the medium and long term (Székely, 1998; Kelly, 1999; Damián, 2001). Therefore, a better integration of the Mexican economy on higher value added commodities and services chains requires an urgent reassessment of the priorities of the economic model. Quality and equitable growth and development cannot take place without reinvigorating the role and context of domestic economic actors.

Crucial to the reinvigoration of the forward and backward economic commodity and service chains linkages, is the proper organization of clusters of innovation aiming to stimulate progress. Institutions play a role of extreme importance for linking the production capacity of the economic sectors with their technological capability. Attention needs to be paid not only to the formal and informal markets, on the one hand, and non-market institutional frameworks, on the other, but also to the interactions and the characteristics of the economic networks within which public and private agencies interact. Therefore, national innovation systems should be oriented to a heavy promotion of linkages among firms, both, foreign and domestic, micro and transnational alike, and universities and research centres; in short, all the public and private actors involved in the innovation processes (Cimoli, 2000). The challenge is not to be avoided if the poor organization and connection of economic activities which inhibit the process of innovation is to be overcome, as it is hindering growth with equity in Mexico. Innovation in economic processes, globalization activities, goods and services, contributes to the inventive and original side of 'creative destruction'; this is vital if the economic cycles are to be kept in motion. What is needed is a decisive articulation of policies which do not place the domestic market second to the external market. What is also needed is an industrial policy which promotes an economically stronger articulation among firms and participants in the commodities and services chains; to generate equitable endogenous growth; to orientate coordinated efforts towards innovative steps in economic processes and activities; and finally, a strong political will for a better and brighter future ahead.³⁵

³⁵ Alternatives exist, however, as the role of a long-term industrial policy, redistribution and welfare provision can be led only by the State. Important tasks ahead need not be delayed as the qualitative transformation for a more equitable future includes: a) decreasing the vulnerability of the Mexican economy to external markets, i.e., relying less on short term portfolio investment flows among others; b) adopting an exchange rate policy with reference to balanced external accounts excluding inbound industries; c) articulating consistent links between industrial policy and trade policy, where the latter is not subordinated to the former; d) promoting and facilitating endogenous conditions for financing economic development, increasing domestic savings and investment rates, and reducing financial external dependency; e) implementing a domestic industrial policy orientated towards easing productive non-speculative economic activities; f) not keeping sound public finances and inflation rates under control in isolation, while strengthening fiscal reform and tax collection; g) reassessing the importance of welfare, employment and income distribution, where investing in human capital must not be postponed; h) putting into practice sustainable regional integration policies which are environmentally sustainable, and which aim to decommodify the commodity status which nature has been given and which has so far been taken for granted; and i) increasing not only the efficiency and efficacy, but also the accountability of all government agencies (Calva, 2000).

6. Final remarks: Productive links and clusters within socially embedded markets

Ever since the late 1970s the Mexican economy has faced a range of many different facets of Schumpeterian 'destruction', which unfortunately have not been adequately balanced by equally strong 'creative' pushes. Leaving aside a short-sighted strategy based on the comparative advantages of geographical proximity to the United States and low cost labour is merely the prerequisite for aiming at and reaching a qualitative improvement in living standards. It is imperative to avoid falling into a path dependent vicious circle of neoclassical economic orthodoxy which, even though relatively successful in its own narrow terms, falls far short of delivering sustainable and equitable progress at the national, and especially at the individual level. The need to create stronger and more sustainable linkages and cluster connections among the economic actors is something which Mexico cannot afford to ignore. A more comprehensive and coherent model, attentive to the social embeddedness of economic activities is required to re-orientate both the means and the ends of the contemporary re-commodification experience. We need to think of alternatives to replace the current import-prone export-oriented strategy. Alternatives which encourage a proper articulation between domestic and external markets, and where the endogenous conditions deliver more equitable rates of growth and development for the population needs must be considered more seriously than they have been so far (Cuadra-Montiel, 2009 and 2011).

It must be clear by now that my interpretation of the process of economic transformation in Mexico has highlighted crucial causal relations, regular without being law-like, in the country's globalization and re-commodification experience. By taking a balanced account of the situated economic agents in context, and the material and ideational factors, I have highlighted the most acute problems in the socially embedded economic networks, which are otherwise considered totally isolated from their context. Regarding the industrial disintegration between a handful of highly exporting firms and most of the Mexican firms and groups, it is important to bear in mind that quite a high number of medium, small and micro enterprises are mainly oriented towards the domestic market. It is precisely to the domestic market that scant attention has been given. For a relatively large number of cases, this market has not totally recovered since the 1980s, where the companies which account for the biggest share of the economically active people face difficulties in financing their operations through the Mexican financial system (Székely, 1998).³⁶ Since international financing is beyond their reach, high domestic interest rates and credit ineligibility further disarticulate the spread and dissemination of productive non-speculative activities. Consider, for instance, that as a consequence of the formal economic constraints, the rise of the informal sector and the

³⁶ The financial liberalization in Mexico failed to open credit availability for the biggest share of the population. At the same time that the richest firms and individuals expanded their credit options and resources, the liquidity constraint has affected a vast majority of the citizens and enterprises. For the disadvantaged sectors, credit scarcity has represented further constraints to avoid the social cost of reorientation of the economic model; while the richest deciles have been provided with better opportunities to protect their income, assets and capital (Székely, 1998).

growth of the black market, particularly since the 1980s, has not been checked. As long as the incentives for remaining there outweigh what hundreds of thousands of people could get in the formal markets, the problem will not be sorted out. Immigration shares to a great extent the same origin, as the vertical implementation of liberalization and privatization strategies has thrown people out on the streets, and left peasants with no work to do. It is no secret that the open unemployment statistics fail to capture the massive increase in the informal sector and black market on the one hand, and of the high numbers of immigrants principally to the United States, on the other. This is, undoubtedly, a critical issue in a country where no unemployment insurance or reliable safety net exists to attenuate, compensate or alleviate economic displacements. There is, therefore, the need to provide welfare, grant protection from the markets and reverse the re-commodification status, either intentionally or unintentionally, so far embraced by the Mexican government.

For an important number of Mexican manufacturing industries and firms, improved management efficiency has not been accompanied by innovative techniques or procedures, leaving it to price and market signals to steer the direction of the firms. Based on the 'self-regulatory' and 'self-adjustable' market assumptions that mainly price signals should be followed to guarantee the optimal allocation of resources and technological upgrading, the critical result has been a careless lack of effort in the creation of networks between firms (Cimoli, 2000). This is of the utmost importance, as the creation, development and strengthening of linkages critically impinge on the economic performance and competitiveness of the firms. Furthermore, the links within economic actors such as firms within a sector, and between sectors, on the one hand, and within the institutions, on the other, may impact and have spillover effects which go beyond any specific economic transaction.

Weak levels of cooperation which characterize the manufacturing, and especially the inbound industries, are responsible for the poor diffusion of innovations within economic networks. The loss of articulation of the dichotomy between a handful of outward oriented firms, and a vast number of micro, small and medium size firms inwardly directed cannot be disregarded. In addition, the intense dependence on foreign technology makes 'maquiladoras' to support and to stimulate networking activities with foreign firms and institutions. Needless to say, this reinforces knowledge and technological innovation, mainly in the United States, but also in other countries. The dependence on imported capital goods and equipment has not only prevented, but also has been used to replace the learning capability which otherwise have accumulated in specialized domestic suppliers (Cimoli, 2000). Since innovative technology can be bought, used, adapted, improved and created, the challenge ahead of substantially improving the sectoral innovation clusters embedded in a framework of particular competitive relationships and institutional linkages must not be postponed.

The problem of leaving technological learning and innovation as a response to globalization price and market signals lies in the fact that it does not provide any clear incentive for articulating science and technology policies aimed at specific purposes with properly

defined goals. Therefore, in such cases the results are badly addressed programmes. Clearly, adopting such a risky selection shock-strategy condemns not only the individual firms, but also all the agencies involved in the processes, or linked to the sectors, to lag behind the international frontier. Even a simple concern to catch up increases the difficulty if the emphasis is merely on management modernization and competitiveness, following a narrow governmental policy, and an equally short sighted management vision. In order to avoid the stagnation of technological innovation and increased re-commodification, efforts and incentives need to be orientated towards the re-articulation and re-strengthening of domestic linkages, to promote endogenous equitable growth conditions. If this is to happen, local economic networking activities must be drastically improved, both in terms of quality and quantity, and the production system and technological capabilities enhanced. For instance, the present low technological opportunities and the research and development efforts have to be improved. There also need to be an improvement in the organizational and institutional response. Additionally, not only must foreign direct investment flows be orientated towards contributing more significantly to local technological activities, but also the linkages among scientific sectors and local institutions have to be reinvigorated (Cimoli, 2000).

Crucial for these steps will be the replacement of the labour-intensive low skilled strategy by one which promotes and reinvigorates ideas, knowledge, science, technology, research and development. In addition, specialization in the mature technology traditional activities, which faces increasing quantitative international competition, will have to be abandoned in favour of a more cooperative approach to diffuse technological and scientific innovations through networking. The development of human capital, where technicians, engineers and scientists play a core part, must not be abandoned or left to the imperfect and incomplete market forces. Since the governmental policies and the efforts of management to make use of modernization and competitiveness have proved inadequate for catching up at the international technological and innovation frontier, increasing the sectoral innovation within clusters could clearly be a more decisive step towards that goal. Furthermore, education, training and specialization on the side of human capital and local networking on the relational side could help to re-orientate the efforts to this direction. Most importantly, from my point of view this would not only be a market driven process, since economic activities are subsumed within a broader social context. There is a great need to put into practice long term industrial policy initiatives, with the decisive and qualitative involvement of the government. All the different stages of the process have to be reviewed, not only by those with whom exchange but all economic debate should be socially inclusive. The idea is to domestically reinvigorate and balance all the links in the productive chains, if the current economic strategy in Mexico which has shown vital shortcomings and lack of proper articulation is to be addressed and corrected (Cimoli, 2000).

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Globalization of Uncertainties: Lessons from Fukushima

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Additional information is available at the end of the chapter

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1. Introduction

The tragedy of Fukushima began as an earthquake followed by a tsunami of unexpected dimensions [2], but the worst came as a cascade of human mistakes done by agents of the Japanese government as well as by high rank officers of *Tepco* (Tokyo Electric Power Company). We are not speaking of just a natural accident, or of an unbelievable number of political mistakes, it is more than a triple disaster of earthquake, tsunami and reactor meltdown. Actually we are in front of a structural tragedy.

A year after these happenings it is evident that their consequences have been much greater than it was supposed in the first moments and that the affected people, not just Japanese citizens, are more numerous than it was expected. For example see [3]. The most damaged prefectures are Iwate, Miyagi, and Fukushima, which have a combined area about the size of Denmark or Netherlands, but the whole country has been affected by the consequences of Fukushima's accident.

My point is that all this happened because the main concerns by the location, construction and operation of the nuclear plants in Fukushima were mere economical ones. Maximization of profit for *Tepco* and not the wellbeing and safety of the Japanese population was the driving force and the main criterion. In front of these facts it becomes evident the necessary self protection of society and this issue is discussed in the first part of this article, basing on Karl Polanyi's *opus magnum*. Following the ideas of this author in the next section is briefly explained the concept of fictitious commodities, which Polanyi applies to labor, land and money, but I suggest to include nuclear power as a particular type of the fictitious commodity land, which has played a central role for Japan's economic development.

The promoters and defenders of the use of nuclear energy have constructed what I suggest to call a "Gaussian" justification. It should be remembered that the normal or Gaussian distribution of events is considered the most prominent probability distribution in statistics.

The “bell” shape of the normal distribution suggests that the events located in the tails or extremes of the bell, can be considered highly improbable. This idea is developed in the paragraph. But the other side of the coin is unexpected events of tremendous impact, what Taleb [4] calls “Black Swans”. After explaining this concept, it follows a review of the reactions to Fukushima, understanding the accident as a kind of “Black Swan”. This examination leads us to the crucial question: which society must be protected from the use of nuclear energy? In this part I try to answer this question taking into account the current globalization, a process that is putting into strong and speedy circulation not just commodities, money flows and information, but also fears and uncertainties.

All this cannot be understood without considering the cozy relations between economical and political elite in Japan, expressed clearly in the *Amakudari*-System, which is discussed in the next part of the article, which concludes with some thoughts about further lessons and consequences of Fukushima.

2. Necessary self protection of society

In *The Great Transformation* Karl Polanyi explains that the continuous expansion of the market mechanism sooner or later hurts the society and its reaction is the search for self protection. The author shows several examples from the history of Western, particularly English, capitalism since the times of the Industrial Revolution until the crisis years during the 30's. However it is easy to find more and more cases of such responses of societies when the market dictatorship pervades different realms of human life, especially in the present age of Neoliberal Globalization.

From the Polanyian point of view there are two opposite forces or tendencies along the history of capitalism. One of them is the unlimited expansion of the self regulated market and the second one is the self protection of society that appears as reaction to the former. Each of them takes different historical shapes and their confrontation is always different depending on the concrete historical moment. Also the social forces promoting each tendency vary in a great scope. These protecting forces can be local or national governments, churches, labor unions, and currently NGO's whose activities are located in several realms.

These both tendencies are fighting all the time and their fight shapes the whole dynamic of our world. It seems that during certain historical period one tendency dominates and then it is defeated, at least for a while, for the opposite force. It is important to note that this is in no way a mechanical movement, but it is the outcome of social struggles. The relevant point is that the first tendency is due to the nature of the capital accumulation and it is adequate to the unlimited search for profits that corresponds to the competition among individual enterprises, and that the second tendency must appear because the pursuit of the market logic is the transformation into commodities of three things that cannot be real commodities, because they are not produced for their sale in the market. According to Karl Polanyi, these three fictitious commodities are labor, land and money. Their commodification is essential for the continuous functioning of the capitalistic production system, but at the same time, the triumph of the unlimited expansion of self regulating market would mean the destruction of the social fabric. This is the reason for the necessary self-protection of society, whose interests can diverge from the pure economic interests of the group that is ruling the economy.

3. Fictitious commodities: labor, land and money

Labor, land and money are not real commodities because they are not things produced for be sold in a market. Labor is, according to Polanyi, just a different name for the human beings. Labor is a vital activity of men and women and cannot be separated from actions corresponding to other human realms. Land is a name for Nature and for the entire environment that allows our existence on this planet. At the same time, the land has several meanings for the societies. It is soil, space for living and recreation, source of food, symbol of traditions, home of the ancestors and many others. Money is a political institution and it is strongly linked to the existence of nation states. In spite of all these facts, the pace of capitalistic accumulation and even the reproduction of a whole system based on great scale industrialization require the treatment of labor, land and money as commodities. This means that they must be disposable all the time and offered at prices determined by supply and demand. By this way it is granted the uninterrupted process of industrial production and its supplementary operations, like trade and commerce, as well as other services.

The problem is that according to the market logic, if there is oversupply of some commodity, its price must descend or even be close to zero. On the other hand, if there is excessive demand, the prices can be extremely high, making such commodities totally inaccessible. Consequences of the application of this kind of mechanism are, for instance, unemployment, homeless people, and extreme spoliation of natural resources.

Under such circumstances it is necessary to take political and economical measures and these are taken usually by the governments on behalf of their societies. Depending on historical circumstances one of the three fictitious commodities can become relatively more relevant at a certain moment. But the truth is that the three are deeply related. This fact is obvious today when unemployment and monetary crisis are present everywhere. But, what is happening with land? Of course the current situation is quite different from that one studied by Karl Polanyi, but simultaneously new forms of the problem have arisen. Speaking of Japan, for instance, the rocketing prices of urban soils have played a central role during the “Bubble-Economy” and they are still a major problem for the development of many Japanese cities. Parallely, in many countries the commercial use of land is contributing to pollution of the environment and it is even endangering the conditions of life. However, the experience of Fukushima is showing us that we are facing a new problem that was unknown to Karl Polanyi, namely, the use of nuclear power as a simple commodity. To demonstrate that this is by no means a usual commodity is also a new task for social scientists, as well as a good opportunity to further develop the theoretical approach of the author of *The Great Transformation*.

4. Nuclear power as a particular case of the fictitious commodity land

Some months after the publication of Polanyi's *The Great Transformation* were dropped the atomic bombs over Hiroshima and Nagasaki that allegedly accelerated the end of the second World War. This event marked the beginning of the massive use of atomic energy in the “first”, as well as in the “second” and the “third” Worlds. The main outcomes have been the creation of an “atomic industry” and, coincidentally, the industrial use of atomic power. This

use has depended on economical and political circumstances and it has been strongly related to the military power of certain nations. It has depended too on profitability and the social acceptance of oil exploitation. As long as oil is cheap, there is no urgency of introducing the use of nuclear power. On the other hand, there is the idea that nuclear power is “clean” energy, compared to energy produced by oil and coal. However, the main raw materials used in the atomic industry, like uranium and plutonium, are like fossil fuels, non-renewable materials. In essence they are parts of the land, specifically of the subsoil. Therefore, from a Polanyian perspective they can also be considered as fictitious commodities. My point is that they are fictitious commodities as well for other reasons that Polanyi, for obvious historical circumstances, could not recognize.

First of all, nuclear materials are too dangerous and their use, even their non-military use, has consequences not just for the citizens of the nation which is applying them, but also for her neighbors and under certain circumstances the neighborhood could be the whole planet. Therefore the construction of nuclear plants cannot be regulated by the relative prices of the atomic materials. Besides this kind of materials cannot be sold to anyone with enough money to buy them. Their use implies political and even moral responsibilities. Moreover this use should not be in the hands of individuals but decided by the affected societies and social groups, and obviously regulated by governments.

Unfortunately the nuclear energy has been treated as any other sources of energy. Its use has been decided on profitability basis and according to economic criteria. This has been the case particularly of those countries, like Japan, that do not dispose of abundant fossil fuels. At this point it should be remembered that according to Karl Polanyi, the commodification of labor, land and money threatens the social fabric. What happens with nuclear energy? The experience shows us that its use (or the consequences of its misuse) is certainly threatening the social relations. The situation of the 148,000 Japanese evacuees that remain at temporary shelters is a good example. But probably the main issue is the endangering of life through air, soil and water pollution. These facts allow us to speak of nuclear energy as a fictitious commodity. Because their raw materials come from the subsoil, it could also be considered as a particular sort of the fictitious commodity land. This “commodity” has played a central role in the modernization process of several countries and it was a clue factor during the whole period of the “Cold War”. In Japan it has been the axis of the so called nuclear village and a strong pillar of its modern economy.

5. Justifications for the use of nuclear energy in Japan

In 1954 the Japanese government began a long term nuclear energy program. Firstly were foreign companies engaged in this program, but soon Japanese companies became leading actors in this new industry. Since then in Japan were constructed 22 nuclear plants with 54 reactors all over the country, which supply about one third of the consumed energy in the country.

The economic development Japan’s during the second half of the XX Century had a lot of factors, including cultural and even religious ones [5]. But it is impossible to explain such a rapid economic expansion without taking into account the permanent supply of cheap

energy, a key input for the industrial production and particularly for the leading Japanese industries which are responsible of the “Japanese miracle”.

It is also true that Japan was forced to make use of nuclear energy, particularly after the oil crisis in the early 70's. A safe and continuous provision of energy became national priority, but after so many years it is evident that nuclear power is not a cheap source of energy. However, the cost of electricity generated by nuclear energy does not reflect the real cost. Japanese nuclear industry still does not have any final nuclear waste disposal site. Besides there is a “statistical” justification for the use of nuclear energy: the probability of a nuclear accident is very low.

According to the International Atomic Energy Agency (IAEA) since 1952 up to 2011 in the world has happened 33 nuclear power station accidents and incidents. Following the International Nuclear Events Scale, from 1 to 7, 12 of them have been accidents with local consequences (level 4), 13 of them were incidents or serious incidents, 5 have been accidents with wider consequences and just 3 were serious or major accidents. These data shows that just 9% of the incidents could be considered as serious or major accidents. Three accidents of this kind in a period of half a century can be seen as really few. In other words, the probability of major nuclear disasters is acceptable low. Therefore, so say its defenders, the use of nuclear energy could be seen as relatively safe.

On the other hand, particularly in Japan, the main sources of nuclear accidents are earthquakes and tsunamis. Therefore nuclear plants in this country are constructed with building technology that allows the facilities to resist such kind of natural phenomena. For the construction are taken into account the probabilities of earthquakes and tsunamis of different intensity levels. Concerning Fukushima it was calculated that in case of tsunami the waves could not be higher than 7 meters. Actually, more than 1,100 years ago was the last time that a tsunami of such scale as the last one lashed the shores of Tohoku [6]. This means, that the probability of higher sea waves was extremely low. Surprisingly, at March 11th, 2011, the waves reached 14 meters high.

The reasoning of the promoters of the use of nuclear energy is very common and it is even the dominant way of thinking in several fields of science and politics. It is namely the “Gaussian” view of the world, which orders the daily events according to the likelihood of their happening. The outcome is a statistical distribution of events called *normal distribution* and its graphical representation is the well known *Gaussian Bell*. According to this view of the world, what matters is that occurs in the center of the distribution, namely under the greatest area of the bell.

The question is if our real world is a Gaussian world or not, and therefore if the events located in the extremes of the normal distribution are truly negligible. This question becomes tremendously relevant if the supposed improbable events are matters of death or live and if they affect wide areas of our planet

6. A Black Swan named Fukushima

In his fascinating book Taleb discusses the relevance of highly improbable events. These sorts of events are called Black Swans because before 1697, when the first Europeans

discovered black swans in Western Australia, it was a common idea in the old continent that all the swans were white. Therefore a black swan was impossible or more strictly expressed the probability of seeing a black swan was minimal. Taleb demonstrates that in the field of financial and in general economic history, highly unexpected events have played a tremendous role. The examples are very numerous and cover a long time scope from the Crisis of 1929 to the fall of the Berlin Wall in 1989 and even later.

Following the concept of Black Swan developed by Taleb, I suggest that nuclear accidents can be described as Black Swans and more precisely, that governments and entrepreneurs, political parties and other organizations who have promoted the use of nuclear energy are convinced that this use is safe because the probability of serious nuclear accidents is so low that these sorts of events are Black Swans. My point is that even if this idea could be correct, nuclear accidents do not need to be frequent to be important. They are the kind of highly improbable events that deeply impact our lives.

At this point it should be remembered the words of Hugh Gusterson [7] at the *Bulletin of the Atomic Scientists*: “We have now had four grave nuclear reactor accidents: Windscale in Britain in 1957 (...), Three Mile Island in the United States in 1979, Chernobyl in the Soviet Union in 1986, and now Fukushima. Each accident was unique, and each was supposed to be impossible”. In 2001, *Tepeco* estimated that the maximum tsunami at the Fukushima plant would be 5,7 meters. In fact the waves were two times higher and against the predictions of supporters of nuclear energy Fukushima was possible. However, it has been said that what happened in Fukushima was not just a natural accident, but a man-made accident [8,9,10]. The point is if such accidents can be avoided, in other words, if the nuclear energy can be used in the future in a safety way. There are basically two answers to this question. The first one is that Japan still needs the nuclear energy for the normal functioning of the economy and also that it is possible a safe use of nuclear energy. There are currently plans to set up 12 reactors nationwide. These plans contradict public opinion, which generally united in reducing nuclear plants; instead of increasing them [11]. Besides, in one of his first messages as Prime Minister, Yoshihiko Noda stated that atomic power is needed to save the economy [12]. It is also accepted that in the future, in year 2030 according to Noda [13], it is desirable to abandon the nuclear energy and it should be replaced by “green” energy sources, but now it is unavoidable, so they say, to depend on nuclear energy. At the time of the OPEC’s oil embargo in 1973, Japan’s nuclear power industry was already in existence, but then the Japanese government made major nuclear construction a priority. The goal was to reduce dependence from oil. In the 1970s the share of the country’s energy coming from oil was 80 percent and about 30 years later it was just 45 percent. But the truth is that Japan has merely shifted its dependence from oil to other fossil fuels, like coal, natural gas and nuclear power. Moreover, these fossil fuels must be imported into the country. In addition there is the opinion that nuclear power’s contribution to Japan’s energy security may have already reached the top. For example see [14]. The defenders of nuclear power say that this energy is cheap. Although, the electricity costs in Japan are some of the highest in the world. Also it is said that the nuclear power output cannot be matched by renewable sources. On the contrary, a study of Japan’s Ministry of the Environment published in April 21, 2011 [15] shows an extremely large potential for wind power generation.

But there are also other considerations for a further support of the Japanese nuclear industry. They are related with the strategic geo-political location of Japan within Asia, where the nuclear capacities of North Korea and China are not negligible. Moreover, it is also important to keep in mind the Japan-US Security Treaty which largely promoted the introduction of nuclear energy policy in Japan in 1950's. Thereafter, commercial nuclear plants operate from 1960's. Accordingly, Japan started to construct nuclear power plants because of strong US requirement and with supply of concentrated uranium and nuclear reactors despite citizen's contrary opinions. These opinions are the second reaction, namely, a radical and absolute rejection of nuclear energy. The argument is that this kind of power is always unsafe and it is a permanent threat to the whole humankind. Besides, there are now the possible alternative sources of energy, like wind, water, sun, biomass, for instance. Moreover, public opinion against the nuclear energy is not new in Japan. The first protests took place in the 1960's during the student demonstrations against the Japan-United States security treaty. But never in the past reached this movement the strength it has now. A good example of the present critics is Nobel laureate Kenzaburo Oe, who is against prioritizing the economy over safety, like new Prime Minister Yoshihiko Noda is doing when he declares that idled nuclear plants should resume operation when safety is confirmed. On the contrary, Oe [16] said: "We must make a big decision to abolish all nuclear plants". According to the famous writer, the nuclear accident at the Fukushima No. 1 plant was like a third atomic bombing that the country inflicted on itself.

In his campaign Oe is not alone. Some examples are noting worth [17]. In Yamaguchi Prefecture there is a citizens group opposing the planned construction of a nuclear plant in Kaminoseki, a nuclear project initiated by Chugoku Electric Power Co., and since March 2011 in several cities of Japan anti-nuclear protesters have taken the streets. Such demonstrations happened in Tokyo and other important cities in March, April, June and September last year. Moreover, 68 percent of respondents to an *Asahi* newspaper poll published on August 8 said they wanted new Prime Minister to continue the phase-out of atomic energy. Particularly, public opinion polls taken in April 2011 showed around 50% supported the use of nuclear power at present or increased levels. But one month later, the May polls [18] showed a reduction in support to around 40% and a growth in opinion to ever 40% of those wanting to decrease it and 15% wanted it abolished. At the time I am writing these lines, one year after Fukushima's disaster, according to the opinion poll conducted recently by the *Asahi* newspaper [19], 57 percent of people opposed the restart of nuclear reactors with 80 percent not trusting the government's safety measures.

I suggest understanding these two different kinds of reactions as follows. The supporters of the first point of view are considering mainly the requirements of the economy and more precisely of the industrial capitalist market economy which is the axis of the present globalization. The defenders of the second opinion are taking into account firstly the society and her needs of security and welfare. Moreover, they are also acting on behalf of future generations. The first group is looking at the present; the second one is looking at the future. The first one worries about profitability and money earnings. The second one worries about quality of life and even about the conditions of life in the planet. In sum, the first one wants

to protect the market. The second one aims at the protection of society. This leads us to the following fundamental question:

7. Which society must be protected from the use of nuclear energy?

When Karl Polanyi speaks of the self-protection of society against the unlimited expansion of the self-regulated market he is talking about national societies. His scenario is the national state and its society. Six decades after the publication of *The Great Transformation* the neoliberal globalization has eroded the power of the nation-states as well as deepened the interactions among different national societies. Certainly it is too early to speak of a one global society, but there is no doubt that the level of interconnectedness between continents, nations, regions and peoples nowadays is higher than ever before. This fact has been strongly highlighted by the events in Fukushima that very soon became not just events of Japan but world happenings. Or in other words, facts that affect the lives of people who are living not just in the neighborhood of Fukushima or in Japan, but also in nations located close to Japan, like China and Korea, and even in countries of other continents. For instance France, where arrived some shipments of Japanese green tea contaminated with cesium. Not to mention the negative impacts in several countries where Japanese companies are located due to interruptions in the supply chains, because a lot of medium and small enterprises of the damaged areas of Japan play a key role for the smoothly functioning of whole commodity chains around the world. Moreover is also worth noting the case of Japan's trade partners whose populations are afraid of consuming contaminated food produced in Japan.

Under these circumstances it is obvious that Fukushima was not a mere national accident and that it affected not only the Japanese society, but social groups of many countries. The Japanese society has shown that self protection is not an impossible task. The achievements of anti-nuclear protesters' movement continuing over the last 6 decades are not negligible. While there are 22 nuclear plants in Japan, there are also around same number of nuclear plant projects which were rejected because of citizen's movement especially after 1970's. The success of similar movements in other countries depends on local and national conditions, but also on their capacity of international coordination. Such coordination is unavoidable insofar as it is not just the Japanese society which must be protected from nuclear accidents happened in Japan or in any single country, but also other societies need protection. The important point is that they need protection from events happened beyond their frontiers. Put it another way, in this case Japanese companies, like *Tepco*, and the Japanese government are responsible toward the Japanese society but also toward many other societies of other countries; in sum, to the whole humankind. May be in the future we could speak of the global society. Some authors do this, but in my opinion there is no yet such society. Anyway, the point is that concerning nuclear power, the deeds and omissions of private enterprises as well as national governments can affect other societies. The question that arises here is: who should protect the safety of these societies? Their national governments? Supranational or international organizations? ONG's? Or it is necessary the building of new instances with enough international support, respect, power and resources that enable them to guarantee the safety of all human groups in the Earth?

Until now, it seems that the activities performed by the International Federation of Red Cross and the Red Crescent Societies are good examples of fruitful attempts to develop international cooperation and solidarity [20]. However, there is still enough space for many other organizations, for instance producer and consumer cooperatives, labor unions, local governments from different countries, just to mention some possibilities.

At this point is again useful to remember Polanyi. According to him, in the history of all societies the economical activities have been *embedded* in the society. Since the Industrial Revolution the unbounded expansion of self regulated markets has tried to construct a *disembedded* economy, regulated only by the market mechanism. Accordingly, the commodification of land, labor and money is just an expression of the disembedding process of the economy from society. Therefore a decommodification of the quasi-commodities (including nuclear power) would imply a process of re-embeddedment.

If this idea is correct, then what we need is a social embeddedment of nuclear power. In other words, the society or societies can be protected from the use and misuse of nuclear energy only if all the activities connected with it are strictly subordinated to social consensus and are performed under tight social control. It is possible of course that due to such control the nuclear industry should disappear and be replaced by other energy sources. But at the present moment and under current conditions the most important thing is that an effective protection of society supposes the overcoming of a present evil, namely, the fusion of the economic with the political power. This kind of perverse marriage does exist probably all over the world. In Japan it is called *Amakudari* and Fukushima has shown its dramatic consequences.

8. The big business of nuclear power and the benefits for the political-economical elite: The dark side of the *Amakudari*-System

Behind the nuclear industry there are powerful interests, which promoted Japan's economic rise in the 1970s and 1980s. Former Prime Minister Naoto Kan [21] talked about the power of the so-called nuclear village. More precisely, the nexus of the power companies, regulators and politicians supporting the industry is the biggest obstacle in moving away from atomic power.

It is well known that the nuclear industry everywhere is a high concentrated economic sector. Japan is not the exception. There are ten regional monopolies. These companies, so says Shigeaki Koga [22], "buy the academy by sponsoring research, buy the media through mountains of public-service advertisements and junkets, buy big business by paying top-dollar for everything, buy the bureaucrats and regulators by handing them cushy post-retirement jobs."

The relevance of the nuclear industry is due to huge investments in nuclear plants as well as to billionaire investment projects in the extraction of uranium. Here are at stake powerful interests of companies like Mitsubishi, Hitachi, Toshiba, Japan Steel Works, Muroran, Sumitomo, Itochu Corporation, and of course their foreign partners in USA, Europe and even Asia. For detailed information see [23].

Allegedly the nuclear companies must follow certain regulations and must be closely observed and supervised by the government. The fact is that in some cases, like *Tepco*, the government

control has been extremely loose and the company enjoyed a degree of freedom that has turned out to be harmful for the society and even dangerous for other countries. Moreover, *Tepeco* has been the main actor of a black history of falsifications of data and other irregularities without the corresponding punishment. How could this happen? The answer is *Amakudari*.

The meaning of this Japanese word is literally “descend from the heaven” and it points to a very common practice in Japan, and also in other countries, which consists in the fact that retired civil servants of high ranks are hired by companies that were closely related with their ministries. Of course these old bureaucrats still have powerful connections with their former ministries, which allow them, now playing the role of private entrepreneurs, degrees of freedom that are very profitable for the companies, but not for the society.

In the 19th Century wrote Lord Acton: “All power tends to corrupt and absolute power corrupts absolutely”. There is no doubt that at least some of the former civil servants transformed in private businessmen have enjoyed very great power and influence. The use of them allowed *Tepeco* to evade controls and regulations that in other circumstances would be unavoidable. The point is that *Amakudari* has produced a symbiosis between private entrepreneurs and government ministries. The consequence is that the later are more interested in protecting the former than serving the civil society. In cases of conflict between private and social interests is very likely that some civil servants become “capital servants”. Particularly in the case of *Tepeco* it has been discovered that several former bureaucrats were hired by this company and this has been probably one important factor to explain the lack of control of the Japanese government over the nuclear company. Nevertheless, it must be admitted that the *Amakudari*-system made possible a close coordination between bureaucrats and industries and this coordination played an important role in the first phases of the Japanese industrialization.

9. Further lessons and consequences of Fukushima

Every day there are more and more news in the press about the consequences of Fukushima’s nuclear accident. The mismanagement of the crisis was the main reason for the resignation of former Prime Minister Naoto Kan and his successor, Yoshihiko Noda is facing amounting troubles, mainly because some politicians, like Yoshio Hachiro, a one-week minister of Economy, Trade and Industry, did not understand the deep meaning of the tragedy and did not perceive that many Japanese people are against the use of nuclear energy. A good example is even Mr Kan, who one year after the disaster openly declares that he is now a promoter of renewable energy [24].

The economic geography of Japan has been altered. The north-east of the country and particularly Tohoku has served as a source of energy power, manufacturing supplier, breadbasket, and labor force mainly for Tokyo, but the region has been also important for the Japanese companies located around the world. Also relevant is the fact that the Japanese regional economies are much more important for the whole Japanese economy and even for the world economy than it could be imagined. The point is that the economic potential of Japan’s regions is much larger than it is often assumed. For instance, the economy of Tohoku is similar to the economy of Argentina; Hokkaido corresponds to Ukraine, Kansai to

Netherlands, Shikoku to New Zealand, just to cite some examples. Moreover, these regional economies are not only strong, but they are strongly globalized. Particularly, the numerous parts suppliers in the disaster zone could disrupt global supply chains. Therefore it has turned out that dozens of small and medium firms are vital for the leading Japanese industries, like the car industry. In other words, the successful participation of the Japanese economy in the globalization is considerably based on the smooth functioning of these tiny and almost unknown firms located far away from the capital of the country. Recognizing this fact should justify the claims of the regions and municipalities for more autonomy in several realms such as the fiscal one and also concerning energy policy. This means to rethink energy policy and decentralize decision-making. In consequence, for instance, Hokkaido could benefit from its proximity to Russia's natural gas deposits of Siberia. Okinawa could make use of solar power. In the mountainous areas the eolic energy could be suitable. In sum, a uniform national energy policy seems to be out of place.

The work and everyday life of the Japanese people has been also altered. Several companies operating in the north-east of the country began letting more employees work outside their offices amid the electricity shortage caused by the crisis at the Fukushima No. 1 nuclear plant. This has shifted the work-life balance of many people, who is now working at home. Accordingly, if this kind of work continues for long time, the family relations will be positively transformed. Remember that the ordinary Japanese worker spends very little time with his family and sometimes he can see his children only on weekends. Besides, there is an increasing participation of women in the labor force. If these women began to work at home, it is sure that the family life will be qualitatively different. Important is also to remember that in Japan the commuting time is usually extremely long. During these hours people sleep, read or is attached to their *smartphones*. Now they will have the opportunity of sharing activities with their families. Besides, it seems that priorities have changed after March 11th. Now the most important thing is no higher salaries or to climb the corporate ladder, but people want to work near their families and they are more concerned about the safety of them.

In many countries of the world is usual to listen that the government bluntly lies, but in the case of Japan this negative opinion is quite new. Many Japanese people simply do not trust the government any more. To regain the confidence of the citizens, the Japanese government, particularly the national government, has a hard task to do. Something similar can be said about the industry leaders.

On the middle and long term the economy of Japan must drastically change for several reasons. One of them, the most obvious, is the fact that after the implosion of the bubble economy in the 1990s, Japan's economy suffered rapid decline and the signs of recovery are still weak. Moreover, the current debt crisis limits the economical activities of the government. The rapidly aging population (22.7 percent of the population) shrinks the productive workforce of the nation. But the decline of the nuclear industry and the strengthening of the alternative energy industry are also important. This industry is certainly not new in Japan but now there is a favorable opinion that could be of help for its development. For more information about this issue see [25]. Another relevant aspect of the post-Fukushima Japanese economy concerns the agriculture and fishing activities. For many

survivors land is the single most important asset of most households, and for the population at the sea coast fishing is the only way of life they know. According to some estimations the recovery of the Tohoku region will take over a decade, and the cost of recovery should be about 3 percent of Japanese GDP. This means a probable shortcut in the domestic supply of agricultural and sea products and consequently increasing imports of them. To satisfy the Japanese consumer, it would be necessary to modify the traditional protectionist trade policy of Japan. But this could also worsen the situation of domestic farmers and fishers. The *Archimedean* middle point will be surely no easy to determine.

Thinking about the kind of country the Japanese people want, one important consideration is the concentration of population, government, and industry in Tokyo. On February 27, 2012 *The New York Times* [26] revealed that: “In the darkest moments of last year’s nuclear accident, Japanese leaders did not know the actual extent of damage at the plant and secretly considered the possibility of evacuating Tokyo, even as they tried to play down the risks in public...” The evacuation of 13 million people is unimaginable. Where could be sheltered one tenth of the population of Japan? It was not necessary to do this, but the possibility was real and this leads us to ponder the pros and cons of megalopolis like Tokyo. This is of course not just a Japanese question. In the case of a nuclear disaster the United States, France, Germany, China and Mexico, for example, would be confronted with such a problem. But, at the same time, the disaster highlighted the weakness of sparsely populated towns, where providing social services for elderly residents is quite difficult. The best solution will be probably the construction of middle cities located in safe places.

A year after the tragedy of Fukushima numerous anti-nuclear power demonstrations have taken place in Germany, France, the United States and Japan [27]. This does not mean the victory of the anti-nuclear movement in the world. On the contrary, there are still strong defenders of the nuclear energy in the United States, in France, in China, just to mention some examples. However, the afore mentioned happenings show that it is taking shape a kind of global energy consciousness and that there are many people in the world recognizing that we all have “Fukushimas” at home.

Finally, there is one particularly controversial question. Namely, what kind of recovery will be desirable for society and which strategy could be the best one. Interesting suggestions about this topic can be read in [28]. Also relevant is to think out about the cost of recovery and who will pay for it: the consumers, the government, the industry? Should the government raise the taxes and/or sale its stocks of former national companies like Japan Post and Japan Tobacco Inc.? What is the responsibility of *Tepco* and how can this company pay for its mistakes. Should it review its wage structure? Besides, there are also controversial points concerning about the way of reconstruction of Japanese economy, which is neo-liberal colored. Is it the right time to look for an alternative or non-neoliberal way?

Too many questions, but the answers must be found now. There is no time to waste. The future has already arrived, although it is probably not yet the desired future.

Concurrently, the disaster highlighted the unity, solidarity, patience, courtesy, and fortitude of the Japanese people. Particularly, the victims have shown an extraordinary capacity to

maintain social order among the chaos. Last, not least, the whole world has testified the great spirit and heroic acts of the Japanese people confronting the biggest nuclear tragedy since the bombing of Hiroshima and Nagasaki.

If a temporary conclusion could be formulated in few words, I would say that Fukushima has demonstrated that we human and non-human beings are passengers in the same spaceship. We all share the same everyday challenges, hopes and dreams, and our responses are essentially the same everywhere. We all are confronting the same fears and uncertainties. The defeat of one is the defeat of all, but undoubtedly, the victory of one person, of one people, like the Japanese people facing the tragic consequences of Fukushima, will be a victory for all humankind.

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Human Trafficking and Slavery: Current Anti-Trafficking Efforts in Japan

Ayako Sasaki

Additional information is available at the end of the chapter

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1. Introduction

Human trafficking has often been discussed as a downside of globalization and is now identified as one of the fastest-growing areas of international organized criminal activity. The UN Convention against Transnational Organized Crime was adopted in 2000 with the Protocol to Prevent, Suppress, and Punish Trafficking in Persons, Especially Women and Children (hereinafter, the Trafficking Protocol). The significance of the protocol is that it includes labor exploitation and the removal of organs in addition to sexual exploitation in its definition of trafficking; under it, “trafficking in persons shall mean the recruitment, transportation, transfer, harboring, or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labor or services, slavery or practices similar to slavery, servitude, or the removal of organs.”¹

Article 3 also states that the consent of a victim of trafficking to the intended exploitation set forth above shall be irrelevant where any of the means set forth above have been used. In case of a child, who is under eighteen years of age, the recruitment, transportation, transfer, harboring or receipt for the purpose of exploitation shall be considered trafficking even if this does not involve any of the means set forth above². This global criminal activity is also known as “modern-day slavery” or the “contemporary form of slavery,” and a number of international organizations, national governments, and non-governmental organizations (NGOs) worldwide have attempted to address the problem and protect victims by formulating

¹ Article 3(a). The drafting process of the Trafficking Protocol is analyzed in detail in reference [1].

² Article 3(b)(c)(d).

policies and developing programs. In particular, the U.S. has prioritized the issue since 2000, the year the Trafficking Victims Protection Act of 2000 (hereinafter the TVPA)³ was passed, and has encouraged other countries to take adequate action to eradicate it.

In 2004, the U.S. government evaluated the Japanese government's countermeasures and positioned Japan in Tier 2 in a "Watch List" in the Trafficking in Persons Report (hereinafter the TIP report), published as part of the TVPA, stating, "the government of Japan does not fully comply with the minimum standards for the elimination of trafficking" [2]. It was only at the end of 2004 that the Japanese government formulated "Japan's Action Plan of Measures to Combat Trafficking in Persons." Five years later, in December 2009, the action plan was renewed but it is still considered insufficient, and Japan's placement remains Tier 2 in the TIP report as of 2011 [3]. Actually, the number of prosecuted traffickers and protected victims in Japan has been nowhere close to that in the U.S., and other countries positioned in Tier 1, especially those global-north countries that function to absorb trafficked victims, although it is assumed that there are as many victims in Japan as in those countries.⁴

Why is the Japanese government hesitant to take more constructive action against human trafficking? Do current efforts represent the full range of what the Japanese government can do? How do historical, cultural, and social aspects affect the current anti-trafficking efforts in Japan? This chapter will explore these questions and will focus on discourses of trafficking and slavery, in comparison with the situation in the United States, and most other global-north countries, which, during their own histories, had adopted the institution of slavery and colonialism as a policy of prosperity and power.

2. Background of the terminology of "modern-day slavery"

Slavery has been one of the longest-lasting international concerns in history although as Miers explains, "slavery was the last thing on the minds of politicians" upon the establishment of the United Nations [4]. Here, I would briefly look back at the history of international efforts in this arena [1, 4-11]. The first international condemnation of slavery was the Declaration Relative to the Universal Abolition of the Slave Trade, annexed to the Act adopted during the Congress of Vienna in 1815. The abolitionist movement began to stop the Atlantic slave trade and to free slaves in the colonies of European countries, and in the U.S.

A definition of slavery first appeared in an international agreement, the League of Nations' Slavery Convention, in 1926. Although it did not mention human trafficking for the purpose of prostitution as a form of slavery, specific agreements and conventions about human trafficking for the purpose of prostitution had been established in 1904 and 1910, containing the term "white slave" in their titles; I will discuss these later in detail.

³ P. L. No. 106-386.

⁴ The number of countries placed in Tier 1 is 32 out of the 184 featured in the report published in 2011. The Tier 1 countries are Australia, Austria, Belgium, Bosnia & Herzegovina, Canada, Colombia, Croatia, Denmark, Finland, France, Georgia, Germany, Ireland, Italy, South Korea, Lithuania, Luxembourg, Macedonia, Mauritius, Netherlands, New Zealand, Nigeria, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Taiwan, United Kingdom, and the United States of America.

In 1956, the United Nations adopted the Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery, which expanded the definition of slavery to those acts having the same effects as slavery, such as debt bondage, serfdom, and exploitation of the labor of women and children. In addition, the International Labor Organization had tackled the issue from the perspective of forced labor, and framed an international standard, the Abolition of Forced Labor Convention, C105, in 1957. The United Nations Economic and Social Council appointed a Sub-Commission on Prevention of Discrimination and Protection of Minorities to report on the situation regarding slavery in countries that had ratified the 1956 Convention between then and 1974.

A common usage of the terminology of “modern-day slavery” seems to be related to the renaming of the Working Group on Slavery, established in 1975, under this sub-commission; it was renamed the Working Group on Contemporary Forms of Slavery in 1988.⁵ In addition to monitoring the application of slavery laws, conventions, and situations in each country, the group selected a theme for special attention each year. Prevention of the sale of children, child prostitution, and child pornography was selected as a theme in 1989, followed by eradication of the exploitation of child labor and debt bondage in 1990, and prevention of trafficking in persons and exploitation of the prostitution of others in 1991 [5].

Based on the report from the sub-commission of 1988, the Economic and Social Council recommended that the General Assembly “decides that, on the occasion of the fortieth anniversary of the adoption of the Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others, 2 December 1949, and the same date in following years, should be proclaimed the World Day for the Abolition of Slavery in All its Forms” [12].

In line with these actions, NGOs began to highlight human trafficking as “modern-day slavery.” For example, Anti-Slavery International, a long-established organization that has tackled the slavery issue since its foundation in 1839 (as the British and Foreign Anti-Slavery Society), has published several reports on modern-day slavery in countries including Brazil, Nepal, and the United Kingdom, as Miers reviewed in her article titled “Contemporary Forms of Slavery” [13]. In addition, Asia Watch and the Women’s Rights Project, a division of Human Rights Watch, which was founded in 1978 as Helsinki Watch, published “A Modern Form of Slavery,” a report on trafficking of Burmese women and girls into brothels in Thailand in 1993 [14]. These early works helped to force the world to pay attention to “modern-day slavery” and accelerated the global “abolition movement” in the later 1990s.

3. Slavery and human trafficking: Term differences in English and Japanese

3.1. White slave traffic

The phenomenon described as “human trafficking” has historically meant trafficking in women and girls for the purpose of sexual exploitation. Indeed, prior to the adoption of the

⁵ The working group no longer exists as of 2012. See, <http://www.ohchr.org> for the details.

Trafficking Protocol in 2000, the main international convention concerned with human trafficking dealt exclusively with traffic for the purposes of prostitution [1,4-11,15].

The first international instrument, in which the term “traffic” or “trafficking” is used, excepting for drugs or guns, is the 1904 International Agreement for the Suppression of the White Slave Traffic, which is followed by the 1910 International Convention for the Suppression of the White Slave Traffic. “White slavery” at that time was used as a sort of euphemism⁶ for the forced prostitution of young women and girls. However, the usage of “white slavery” has been inconsistent historically; for example, during the 1830s and 1840s, the term seems to have been used to describe the plight of working-class men by democratic politicians and labor leaders [16]. According to Donovan, the association between prostitution and the term “white slavery” emerged as early as 1839 in England, and during the 1880s, British reformers began to use it to refer to both class and sexual exploitation.

Tsunematsu accepts the view of the Committee of Fifteen of New York City that it was a Victor Hugo’s letter to Josephine Butler in 1870 that inaugurated the usage of “white slavery” as limited to sexual exploitation or prostitution; the letter said that the enslavement of “black” women has been abolished in the U.S., but slavery against “white” women still existed in Europe [17]. On the other hand, Barry explains that the official usage of “white slavery” at the Paris conference in 1902, where representatives of several governments met to draft the 1904 agreement, was “initially meant to distinguish the practice from nineteenth-century black slavery” [18].

In the U. S., the problem of “white slavery” drew interest from policy-makers, journalists, and moral reformers, as well as from regular citizens, during the Progressive Era (1900-1920), and at least fifteen plays and six movies about “white slavery” were produced in the early twentieth century [16]. The U. S. signed the 1904 international agreement in 1908 [19], and Congress passed the Mann Act, or the White Slave Traffic Act, in 1910; this is the federal law that criminalized the transfer of women across state lines for “immoral purposes.”

We can see the beginning of the combined usage of the term “slave” and “traffic” among English-speaking people here, at the beginning of the twentieth century. However, the Japanese government did not translate the term “white slave” literally into Japanese at that time; instead, the government translated the 1904 agreement using two *kanji* characters meaning “ugly” or “hideous” and “work” or “act” to describe “white slave,” in other words, “prostitution.”

For its part, “traffic” can be paraphrased as “sale.” If I literally translate the Japanese version of the 1904 agreement back into English, the result would read as “the international agreement for suppression of the sale of women in order to make them engage in ‘ugly work’” (*shuugyou*≈“shameful” occupation≈prostitution≈white slavery.)

Japan was one of the nations that sent women and girls overseas as “prostitutes” in the 1800s and early 1900s; these were known as *karayuki-san*⁷ in Japanese [21]. Some people in

⁶ Whether the victims’ experience was merely analogous to slavery or “actual” slavery is controversial.

⁷ In *kanji*, “kara” means a dynasty in China that existed between the 7th and 10th centuries, and later came to mean “overseas” in general. Mitchell Anne Hagerstrom translates the term *karayuki-san* as “Miss gone-overseas” [20].

the United States referred to the systematized prostitution of those Japanese women as “yellow slavery” [16]. Japan ratified the 1904 Agreement and the 1910 Convention [8,19] although the term “white slavery” was quite confusing and often misused, as Barry indicates that it had immediate appeal to racists who tried to conclude that the efforts were against “racially White” women [18]. Therefore, the term was replaced after the 1910 Convention.

The international instruments used to deal with human trafficking have been strengthened in recent years, with the 1921 Convention for the Suppression of Traffic in Women and Children, the International Convention for the Suppression of the Traffic in Women of Full Age in 1933, the Convention for the Suppression of the Traffic in Persons and the Exploitation of the Prostitution of Others in 1949, and the Trafficking Protocol in 2000. After 1910, the Conventions do not employ “slave” or “slavery” in their titles. In the meantime, the Japanese term for human traffic or trafficking entered an unsettled period although *jinshin-baibai* (sale of human beings or “flesh trade”) had been the most popular term. The Japanese word for “slavery” has not been used in the translations of any of the above-mentioned Conventions.

3.2. Sexual slavery vs. sexual colony

Kathleen Barry, the author of *Female Sexual Slavery* [18], published in 1979, is known for having been at the forefront of a global anti-trafficking movement since the 1970s, standing on a radical feminist base. The book was translated into six languages, including Japanese; the Japanese translation was published in 1984. Interestingly, the title of the translated book is “*Sei no Shokuminchi*,” which literally means “Sexual Colony” in Japanese, although Tanaka, who is a distinguished professor specializing in women’s studies and the translator of the book, states in the postface that she has decided to adopt the term *dorei sei*, meaning “slavery” in Japanese, in the translation.⁸ Tanaka, however, does not explain the reason why she did not use the term *dorei sei* in the title. In Barry’s original version, chapter eight (pp.163-204) is titled “Sex Colonization⁹,” and starts with the sentence, “sex is power is the foundation of patriarchy, and patriarchy is rule by male right” [18]. It further explains, “Female sexual slavery, in all of its forms, is the mechanism for controlling women through the sex-is-power ethic, either directly through enslavement or indirectly using enslavement as a threat that is held over all other women. This is the generalized condition of sex colonization” [18]. In Japanese translation, Tanaka uses the Japanese term that exactly means “colonization,” and her translation, of course, does not suffer in quality.

Her translation of the title could, in fact, reflect a unique feature of the Japanese anti-trafficking movement. The term “slavery” might have a greater impact in Western countries, especially those that had been involved in it as perpetrators, in that the term stimulates

⁸ See p. 321 for the Japanese translation of the reference [18].

⁹ Hirano [22] believes that the differences between the term “colonization” and “colonialism” and explains that “colonization” is often used from the colonizer’s perspective, sometimes as an analog for “civilization,” whereas the term “colonialism” demonstrates a bias against colonization. Although I agree with her, I use both “colonization” and “colonialism” in this discussion, despite a basically anti-colonialist attitude.

people's guilty feelings, and makes them feel they need to work on it. In that sense, Tanaka might well think that "colony" or "colonization" was a more suitable term for Japanese readers. Indeed, at the beginning of the 1980s, a Japanese women's group had highlighted the issue of Japanese men traveling to other Asian countries, such as Korea, Taiwan, the Philippines, and Thailand, to buy women and girls for sex; this was called "sexual invasion" by the Japanese women's activists [23]. The Japanese women's movement against sex tourism among Japanese men was founded in 1974, following the Korean Christian women's movement against an increasing influx of Japanese male tourists intending to buy sex in South Korea. A column in *Asian Women's Liberation* in 1977 noted that a map showing Japanese men's major sex-tourism destinations indicated that they swept from South Korea to South-East Asian countries and stated that this "happened to correspond with the past Japanese military invasion" [23]. The activist group also explained that "sexual invasion is inextricably associated with Japanese economic invasion" [23]. The group sometimes used the term "sexual slavery" in relation to the notion of "comfort women"¹⁰, but this term, mainly used to call out Japanese sex tourism, was more associated with invasion, colonization, or imperialism, not directly with "slavery." In the latter part of the 1980s and the beginning of the 1990s, many Asian women were trafficked into Japan, a phenomenon that was again characterized as a "*modern form of jinshin-baibai*," not as "slavery."

3.3. Global resistance to "modern-day slavery" and Japan's indifference

Currently, human trafficking is commonly discussed and analyzed as a form of slavery, especially in Western countries, and these two terms are often used as though interchangeable [25]. As I explained earlier, Japan seems to be an exception, although foreign-based NGOs or branches of affiliated foreign-based organizations in Japan sometimes have utilized the "modern-day slavery" concept to explain human trafficking in their campaigns.¹¹

How can we explain the Japanese government's indifference to the wave of global resistance to "modern-day slavery"? It is notable that the Japanese government classified human trafficking under the "transnational threat" at least until 2004 as a parallel to illegal immigration, not even equating it to "transnational organized crime" [26], a fact that I will discuss in detail later.

¹⁰ For further details of "comfort women," a term used to describe women who were forced to work in military encampments by the Japanese military for the purpose of sex during WWII, see [24]. The system of "comfort woman" has been roundly criticized by the international community. Mike Honda, a U.S. Representative, submitted a resolution asking the Japanese government for formal acknowledgement and apology, which was passed unanimously in 2007. Honda pointed out that the story of the "comfort women" represented one of the largest cases of human trafficking in the 20th century. H.R.121: A resolution expressing the sense of the House of Representatives that the Government of Japan should formally acknowledge, apologize, and accept historical responsibility in a clear and unequivocal manner for its Imperial Armed Forces' coercion of young women into sexual slavery, known to the world as "comfort women," during its colonial and wartime occupation of Asia and the Pacific Islands from the 1930s through the duration of World War II.

¹¹ For example, the Polarix Project Japan or the International Movement against All Forms of Discrimination and Racism Japan (IMADR-JC).

The Trafficking Protocol was adopted under the rubric of transnational organized crime, and there are many criticisms against it because of its overt focus on criminal investigation and prosecution, and its failure to protect the victims [11]. Under these conditions, policy makers in the U.S. and other Western countries are willing to utilize the term “slavery” to appeal to the necessity of protecting the victims and often associate anti-trafficking efforts with the history of fighting against slavery. However, the term “slavery” does nothing in Japan to address the problem of human trafficking nor does it assist in formulating anti-trafficking policies.

4. Slavery and liberty: Discourses in the U.S.¹²

4.1. Background of the TVPA

I would like to examine more in depth how people in the U.S. have employed the term “slavery” in the anti-trafficking movement, and what consequences this may have.

U.S. policy makers’ concern about human trafficking can be noted as far back as 1993, when Asia Watch published a book reporting the trafficking of Burmese women and girls into brothels in Thailand. United States Representative Louise M. Slaughter submitted the first resolution concerning the trafficking problem in Thailand to the House of Representatives in 1994. The title was “Expressing the sense of the Congress concerning the trafficking of Burmese women and girls into Thailand for the purpose of forced prostitution.”¹³ However, it did not make any big movements in Congress, and Slaughter had to submit the resolution again in February 1995, during the 104th Congress.¹⁴

On March 10, 1998, commemorating International Women’s Day on March 8, Senator Paul Wellstone¹⁵ submitted a resolution with Slaughter during the 105th Congress¹⁶. A global movement was gradually established, and the United Nations General Assembly in December 1998 decided to establish an open-ended intergovernmental ad hoc committee to, among other things, elaborate a comprehensive international convention against transnational organized crime and discuss the elaboration of international instruments addressing trafficking in women and children [28].

Policy-makers in the U.S. began to recognize that trafficking was a global problem that would affect the country not only in terms of perpetuating abuse of human rights but also benefiting international criminal organizations, which were said to produce “billions at the

¹² This section is based on the translated summary of chapter two of the author’s doctoral dissertation, modified substantially. See reference [27].

¹³ H. Con. Res. 254. All the resolutions and bills mentioned in this section can be accessed through THOMAS (Library of Congress) at <http://thomas.loc.gov/> [3/8/2012].

¹⁴ H. Con. Res. 21: Expressing the sense of the Congress concerning the trafficking of Burmese women and girls into Thailand for the purpose of forced prostitution.

¹⁵ He was killed in a plane crash in 2002. For more about him, see <http://www.wellstone.org/>.

¹⁶ H. Con. Res. 239: Expressing the sense of Congress concerning the worldwide trafficking of persons, that has a disproportionate impact on women and girls, and is condemned by the international community as a violation of fundamental human rights, and Con. Res. 82: A concurrent resolution expressing the sense of Congress concerning the worldwide trafficking of persons, that has a disproportionate impact on women and girls, and is condemned by the international community as a violation of fundamental human rights.

sacrifice of at least four million women and girls worldwide who are trafficked each year, most by criminal syndicates that turn US\$7 billion in profits annually.”¹⁷ In March 1999, during the 106th Congress, in addition to the bill submitted by Slaughter and Wellstone,¹⁸ a separate bill with a special focus on sex trafficking was introduced in the House of Representatives by Christopher Smith and March Kaptur; it was called the “Freedom from Sexual Trafficking Act of 1999.”¹⁹ Smith argued that he believed that specific legislation to end sex trafficking would command a far broader consensus in Congress than a bill taking a broad view and definition of trafficking [29]. He states, “We must not delay even for a single day the effort to save these millions of women and children who are forced every day to submit to the most atrocious offenses against their persons and against their dignity as human rights. Forcible and fraudulent trafficking of women and children for the commercial sex trade is a uniquely brutal practice” [29].

However, On October 27, 1999, Representative Sam Gejdenson introduced H.R. 3154, the Comprehensive Anti-Trafficking in Persons Act of 1999, which recognizes that trafficking victims are forced into a range of slavery-like conditions. Smith was persuaded to take a broader view and definition of trafficking, and finally, H.R. 3244, which merged the approaches of the past bills and drew from the strengths of each proposal, was introduced by Smith on November 8, 1999 [30]. H.R. 3244 became the original of TVPA, which was formulated as a public law in October 2000.

4.2. “Slavery” as a resource for overcoming differential interests

Interestingly, in the policy-making process, not a few people have tried to connect anti-trafficking efforts with the history of slavery in order to persuade the government to take active and immediate action. Laura Lederer, the founder of the Protection Project at Harvard University’s John F. Kennedy School of Government, is one. She gave testimony at all the hearings on trafficking issues in the House and Senate during the 106th Congress. She illustrated an example of a human trafficking case using Lydia’s story [31]. “Lydia,” who is fictional, is a representation of the “typical” victim of trafficking. She is 16 years old and is originally from one of the former Eastern Bloc countries. When she was hanging around with friends on the street, she was asked by a beautifully dressed woman if she would be interested in being a part-time model. The woman took her and her friends to dinner, brought them small gifts, and invited them to her home for a drink after dinner. They were drugged and trafficked into an unknown country to be sexually exploited.

Lederer outlined this atrocious situation for Lydia and her friends, and smoothly connected the story with historical slavery.

¹⁷ For a statement on the topic, see the Introduction of Resolution on The Worldwide Trafficking of Persons, A Violation of a Fundamental Human Right, in the Congressional Records, Proceedings and Debates of the 105th Congress, Second Session (Extensions of Remarks, Tuesday, March 10, 1998), E340. p. 3162.

¹⁸ H.R. 1238: To combat the crime of international trafficking and to protect the rights of victims and the S.600: A bill to combat the crime of international trafficking and to protect the rights of victims.

¹⁹ H.R. 1356: To end international sexual trafficking, and for other purposes.

Now multiply Lydia's story by hundreds of thousands, and a picture of the scope of the problem emerges. UNICEF is estimating that one million children are forced into prostitution in South East Asia alone, another one million worldwide—there are just children [...]. These numbers and the accompanying accounts illustrate that trafficking of women and children for purpose of prostitution has become a contemporary form of slavery. The number may soon be on par with the African slave trade of the 1700s [31].

Bill Yeomans, the Chief of Staff of the Civil Rights Division of the U.S. Department of Justice as of April 2000, also the one who emphasized trafficking as slavery. He stated in one of the Congress hearings, "While we discuss this problem using such terms as 'trafficking' and 'forced labor,' we should make no mistake about it: we are talking about slavery, slavery in its modern manifestations" [32].

It could be said that the TVPA is the remarkable outcome of compromise among several traditionally conflicting positions over prostitution, gender, sexuality, and migration. Kristof and WuDunn point out that without fragmentation of the anti-trafficking movement caused by differences in position between the anti-prostitution and pro-prostitution contingent, the movement would have had far more influence [33], but without the term "slavery" to describe the phenomena, even the anti-trafficking movement itself might not have been socially acknowledged.

TVPA was reauthorized four times, until 2012. The term "slavery" and the connection of the anti-trafficking effort to the "fight against slavery" in the U.S. history seems to be one of the most powerful and persuasive ways to promote the efforts in the United States. The short title of the reauthorized TVPA in 2008 is the "William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008."²⁰ Adopting the name of Wilberforce, a leader of the movement dedicated to the abolition of the transatlantic slave trade, is a very strong statement in this regard.

4.3. Liberty and national identity in the United States

In the U.S., the history of slavery, as it is often imagined, especially among policy makers, actually means the history of "fighting against slavery." An important concept in the fight against slavery is that of "liberty" or "freedom"; abolitionists "freed" the slaves in the "land of liberty," the United States of America. The freeing of the slaves becomes a symbol of the essence of the identity of the nation.

John Ashcroft, the U.S. Attorney General from 2001 until 2005 under President George W. Bush, states with reference to Thomas Jefferson's work:

As the leading industrialized nation, founded on principles of freedom and justice, it is almost unbelievable that trafficking occurs here; however it does. The United States must take the lead and work to eradicate this terrible scourge [...]. We must strive to see that every man, woman, and child be afforded the opportunity to live in a world of freedom. President

²⁰ P. L. 110-457.

Ronald Reagan, and other cold war warriors, fought diligently to see peace, democracy, and freedom throughout the world. We have achieved a small part of their vision, and the protection of women and children throughout the world who are tortured and de-humanized through international human trafficking is another step closer to that vision [32].

The TIP report published in 2008 started with a picture of the Statue of Liberty and a poem by Emma Lazarus, “The New Colossus,” written in 1883 [34]. In the 2010 TIP report, Ambassador Luis CdeBaca refers to the Constitution’s 13th Amendment, which officially outlaws slavery and involuntary servitude, and states, “We recognize that such absolute guarantees need to be constantly enforced lest they only be words on a page. So too in the international arena [...]” [35].

Hathaway is critical of the current anti-trafficking movement, arguing that under the buzzword of the fight against slavery, it “has actually promoted a very partial perspective on the problem of modern slavery,” and “raises real human rights concerns,” with the power to negatively affect the refugee population in particular [11]. However, in the U.S., connecting present-day trafficking with the history of slavery seems to be very important in promoting the perception that anti-trafficking efforts are reasonable and legitimate. Specific feelings toward the term “slavery” help to unite people from different backgrounds, and transcend their conflicting interests. Taking assertive action is a method of symbolically tackling and overcoming the negative legacy of slavery in the U.S. as well as a means of protecting the country’s national identity.

5. Domestic trafficking in Japan: *Jinshin-baibai* and government action²¹

5.1. *Jinshi-baibai* after WWII

As mentioned earlier, the term “slavery” does not similarly motivate the Japanese government in moving forward to address the human trafficking issue. However, as we know, Japan has a history of human trafficking, a problem that the government has at least attempted to address at various times.

The most popular Japanese translation of the English term “human trafficking” had been *jinshin-baibai*, until 2004 when the government adopted the action plan²². Here, I would like to look back at the history of *jinshin-baibai* and the governmental response to this phenomenon in the years after WWII.

During the postwar period and even as late as the 1960s, children from poor families in Japan sometimes experienced exploitive conditions that could be characterized as *jinshin-baibai*. The war and Japan’s defeat created thousands of orphans, widows, and vulnerable people, who were sometimes domestically trafficked and exploited both sexually and for their labor. Not a few cases were the result of parental decisions, such as making their children work for a salary received in advance, which was actually a form of debt bondage.

²¹ This section is based on the author’s previous work in Japanese. See reference [37].

²² After adopting the action plan, it became *jinshin torihiki*, which means “dealing in human beings, instead of “sale.”

Sex	Occupation		Hostess	Spinner	Farmer	Maid	Baby-sitter	Sales clerk	Others	Total
	Age									
Male	Under 15 years old		0	3	21	0	12	0	1	37
	15–18 years old		0	14	108	0	0	4	15	141
	Over 18 years old		0	30	188	0	0	1	111	330
	Total	Number	0	47	317	0	12	5	127	508
%		0.0%	9.3%	62.4%	0.0%	2.4%	1.0%	25.0%	100.0%	
Female	Under 15 years old		1	9	11	1	22	0	1	45
	15–18 years old		57	199	69	17	12	2	5	361
	Over 18 years old		765	559	126	53	11	2	50	1,566
	Total	Number	823	767	206	71	45	4	56	1,972
%		41.7%	38.9%	10.4%	3.6%	2.3%	0.2%	2.8%	100.0%	
Total	Under 15 years old		58	225	209	18	46	6	22	584
	15–18 years old		765	589	314	53	11	3	161	1,896
	Over 18 years old		823	814	523	71	57	9	183	2,480
	Total	%	33.2%	32.8%	21.1%	2.9%	2.3%	0.4%	7.4%	100.0%
Female%		100.0%	94.2%	39.4%	100.0%	78.9%	44.4%	30.6%	79.5%	

Table 1. Age and Occupation of Victims (January 1949–December 1951)

Source: Translated and modified by Ayako Sasaki from Ministry of Labor, Women's and Minor's Bureau, table 16, p. 111 [36].

Some newspaper covered an incident of selling and buying a war orphan in 1948. This prompted the government to take notice of the phenomenon and to define it as *wayuru jinshin-baibai* ("so-called human trafficking") in 1952. Although there were many victims aged eighteen and over, the government focused on victims under eighteen years old and the central council for juvenile problems formed the core of the governmental body responsible [36].

The Ministry of Labor at that time identified the risk factors for *wayuru jinshin-baibai* as household poverty, the lack of a sense of human rights, "loose" sexual morality, and the growing number of brokers willing to traffic in humans [36]. Many children "chose" to work for their families because of their families' poverty. Indeed, some research shows that over 50 percent of children who lived away from the family home and worked under exploitative conditions claimed that they did not want to return home because they thought that nothing would change even if they returned. Some thought that life under "exploitive conditions" was better than their lives at home with their parents [38].

Additionally, the lack of a sense of human rights seemed to be a serious issue. Some of the research shows that many people agreed with the opinion that parents can make their children work for several years without asking for an advance salary if they face poverty or if children "chose" to work. In the same research, only 35 percent of respondents in Tokyo reported that they were "strongly against" the above opinion; only 7 percent of respondents in rural areas agreed [36].

The governmental department responsible for the rescue and protection of victims of *iwayuru jinshin-baibai* was the Ministry of Health and Welfare (consolidated with the Ministry of Labor to become the Ministry of Health, Welfare, and Labor in 2001). The Child Welfare Act, which was established in 1947, was amended in 1949 to ban the arrangement of foster care for profit, to raise the age limit for children to be put in nursery, and to set minimum criteria for being a foster family [39].

On the other hand, a child-protection division within the government of the region where the first incident of *iwayuru jinshin-baibai* was identified established a protection guideline based on the research findings in that area; the guideline took into account that quite a few victims seemed to be “satisfied” with the situation, and did not want to return home. It seems that the government tried to promote an appropriate application of the foster-care system as one of the solutions to *iwayuru Jinshin-baibai*. However, there were few victims who were actually referred to a foster family at the national level. Nearly 70 percent of the victims returned home after being assessed under the guideline (see Table 2).

	July 1950–June 1951		July 1952–June 1953	
	Number	%	Number	%
Return home	190	68.6%	533	66.3%
In status quo	27	9.7%	84	10.4%
Relocation	23	8.3%	49	6.1%
Unknown	13	4.7%	28	3.5%
Child welfare office	5	1.8%	37	4.6%
Protection center	9	3.2%	18	2.2%
Domestic court	1	0.4%	33	4.1%
Hospitalization	3	1.1%	–	–
Foster family	1	0.4%	6	0.7%
Temporary protection by the police	3	1.1%	3	0.4%
Marriage	1	0.4%	8	1.0%
Others	1	0.4%	5	0.6%
Sum	277	100.0%	804	100.0%

Table 2. Treatments for victims after protection

Source: Translated and modified by Ayako Sasaki from Ministry of Labor, Women’s and Minor’s Bureau, table 17, p.145, [36] and table 13, p. 271 [38].

5.2. *Jinshi-baibai* as forced prostitution

As Table 1 shows, victims of *iwayuru jinshin-baibai* were not limited to girls and women who were forced to be prostitutes or who were exploited by the sex industry. However, the focus of tackling the problem was gradually shifted to female sexual exploitation since by 1952 some statistics showed that most of the victims were women who were forced to work as “hostesses” [40]. An anti-prostitution movement emerged in Japan alongside the international movement, and influenced the shape of Japan’s “anti-trafficking” efforts. As

mentioned earlier, the Convention for the Suppression of the Traffic in Persons and the Exploitation of the Prostitution of Others had been already adopted in 1949 at the international level.

Around the same time, Japan adopted a state-regulated prostitution system. In addition to the problem of forced prostitution, rising unemployment and poverty among women contributed to the increasing number of prostitutes. The Women and Minors' Bureau of the Ministry of Labor, which had been active in conducting a research on *iwayuru jinshin-baibai*, became a leading governmental body in Japan's anti-prostitution movement. The central council for juvenile problems was the first governmental department to initiate work on the problems surrounding *iwayuru jinshin-baibai* but as social categorization of this phenomenon changed from "juvenile problems" to "prostitution problems," governmental responsibility shifted between various departments. Finally, the Law on the Prevention of Prostitution was promulgated in 1956, following the rejection of several previous bills, and *iwayuru jinshin-baibai*, essentially meaning "forced prostitution of girls and women," was considered to have been addressed. There were protests by prostitutes against the Law, but these were never recognized as constituting a "labor movement," although *iwayuru jinshin-baibai* for other types of exploitation became treated as a "labor/employment issues" after enactment of the Law [37].

5.3. Educational training effects: The case of the "maid"

Although statistics showed that approximately 90 percent of the victims of *iwayuru jinshin-baibai* were exploited as "hostesses," 10 percent of them were exploited in other ways. Indeed, there might have been far more victims of these other types of exploitation, but society, and sometimes the victims themselves, did not believe themselves to be "victims" of *iwayuru jinshin-baibai*, which they associated strongly with sexual exploitation.

The role of the "maid" may have been one such occupation. Unlike in Western societies, the role of the maid in Japan was traditionally considered to have an educational purpose, in terms of "learning manners" or "gaining house-keeping skills," and apprenticeship as a maid was understood to be a valuable opportunity to learn the behaviors and manners of the upper classes [41]. Some research, conducted by the Ministry of Labor in 1959, actually shows that 38.8 percent of the "live-in maids" answered that they chose their occupation because they wanted to learn behaviors and manners [42]. Some might have been exploited, but even so, they tended to think that this was a part of their "education" in correct behavior and good manners.

The Japanese government worked to address exploitation of these "maids" by changing the social perception of their role. As part of the measures to create widows' employment during the postwar period, domestic labor was considered to be a suitable occupation. The Ministry of Labor had been engaged in improving the working conditions of maids since the 1950s, at the same time as it was trying to reduce the number of women working in prostitution. In 1947, the role of maid was not a protected occupation under the Labor Standards Act, but the Public Employment Security Offices in several regions had worked on establishing a guideline or charter for the employment of maids since the latter part of

the 1950s. The term “maid” was changed to “house-keeper” in the 1960s and became one of the more popular occupations for middle-aged women in Japan. The government responded to *iwayuru jinshin-baibai* in this arena by building social recognition for the role of maids as an adult female occupation, not as an “apprenticeship” for minors [37].

5.4. Occupational training effects: The case of boys

Boys could also be overlooked as possible victims of *iwayuru jinshin-baibai*. According to research conducted by the Ministry of Labor in 1953 and 1954, many of the boys who were put in exploitive conditions tended to have a common future vision; they wanted to be independent but to retain the occupation within which they were currently exploited. For example, the boy who was exploited as a farm laborer would state, “I want to be a farmer when I grow up,” and the boy who was exploited as a fisherman would state, “I want to become an independent fisherman” [38, 40].

The Ministry of Labor also asked the same question of young female victims of exploitation and concluded that young male victims were more realistic when envisioning their future than their female counterparts, which reflected differences in their situations [38, 40]. In other words, young male victims were afforded some hope that they would become independent when they grew up, even if they suffered from debt bondage; male victims might be better able to perceive their situation as “occupational training” [37].

This difference possibly contributed to the social understanding of *jinshin-baibai* of foreign people and in turn, *japayuki-san*,²³ and human trafficking currently; the term *iwayuru jinshin-baibai* ≈ *japanyuki-san* ≈ [modern form of] *jinshin-baibai* ≈ human trafficking, means all trafficking for the purpose of sexual exploitation. As of 2012, there have been no identified victims of labor trafficking in Japan; the few male victims (including transgendered males) found and rescued by the police have not been able to access governmental protection services that female victims can, such as shelter, food, medical services, and financial support for returning home [43]. Changes in the term do not really reflect a change of definition, however; the lack of common and accurate understanding of human trafficking in Japan, according to the definition of the Trafficking Protocol as “trafficking in persons,” is one of the factors contributing to its insufficient “anti-trafficking” efforts [43].

6. Shame and national dishonor: Discourses in Japan

6.1. Failure of decolonization

The problem of *iwayuru jinshin-baibai* was considered solved by 1970, following Japan’s remarkable economic growth. As stated above, Japanese activists, who had addressed the problem of *jinshin-baibai* in the context of state-regulated prostitution, came to focus on other

²³ *Japayuki-san* is a term that describes foreign people who come to work in Japan, especially women from Asian countries who engage in Japan’s sex industry. “*Japa*” means “Japan” and “*yuki*” means “go/gone.” As I explained in [7], Japanese girls and women who went to foreign countries to be prostitutes were called *karayuki-san*, and the term *Japayuki-san* was coined to reflect that term.

problems, such as sex tourism, trafficking of Asian women into Japan (*japayuki-san*), and exploited migrants, especially Asian female migrants who had overstayed their visas [43].

Unlike Americans, Japanese people are not usually conscious of their history of slavery. As I argued earlier, the Japanese are typically more conscious that they have a history of “colonization,” regardless of their attitude toward this history. Thus, Japanese activists tried to associate issues of “female sexual slavery,” specifically sex tourism and *japayuki-san*, with Japan’s past colonial efforts, by using terms such as “invasion” and “imperialism.”

Although the term “slavery” reminds Americans of the history of the “fight against slavery,” the term “colonization” might remind Japanese of the history of “failure and loss.” If I speak out without fear of being misunderstood, the Japanese in general are of the opinion that Japan lost WWII because of the failures of imperialism and colonialism. The tragic consequences of the war made the Japanese feel that “they are the victims of imperialism and colonialism.”²⁴ In contrast, in the U.S., the government is willing to play the role of “liberator.” In Japan, the nation recovered from WWII and has since developed peacefully, but the government has never played the role of “liberator” for slaves either inside Japan or in colonies. Neither slavery nor colonization would be a major impetus for anti-trafficking efforts in Japan.

The unresolved “slavery” issue—both outside and inside the current borders of Japan—tends to be forgotten, which leads to persistent institutional discrimination against “foreign people” and the descendants of these people living in Japan, especially against resident Korean and Chinese people who had been forced to emigrate, work, and live in Japan under Japanese imperialism. This unresolved issue has been collared into various policy areas by the Japanese government, including international relations, immigration control, trafficking, and globalization²⁵.

Muto points out that Japan did not really face decolonization after the war because the Potsdam Declaration “automatically” determined the land area of Japan after the war. Japanese people did not have to experience the problems that would arise in the decolonization process [45]. He additionally states that in order to recover and develop, Japan placed itself in a structural and systematic mechanism that would protect it from the need to take responsibility for the decolonization process, making it an adjunct to U.S. hegemony [45]. This self-immunization process, however, of course also produced a new colonial structure in relation to the unsettled history of Japanese invasion and colonization. By and large, the Japanese people are innocently unconscious of their own lack of a decolonization process, which has been sponsored by their continued commitment to “peace” under Article 9 of the Japanese Constitution [45]²⁶.

²⁴ August 15th was designated as “War Defeat Memorial Day” until 1982, but the name was changed to “Day of Prayer for Peace and Mourning for the War Dead” in 1983. The Asian Women’s Association referred to the report that contributed to this name change, and states, “The report, however, is solely devoted to the memory of the 3.1 million Japanese who were killed, completely ignoring the 18 to 20 million other Asians who were also victims of the same Greater East Asian War.” See reference [44].

²⁵ Arguments with a doctoral student, Mr. O In Je, at Doshisha University, also gave me the inspiration for this analysis.

²⁶ Article 9 of the Constitution of Japan: Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of

On the other hand, Hirano argues that it is not only Japan that seems to forget the past colonial occupation and previous colonies [22]. She argues that its WWII defeat at least created an opportunity for Japan to re-examine historical recognition of its past colonial occupations but that the European countries that won the war rarely have a similar opportunity to examine their own history of colonial occupation [22]. Hirano does not intend to excuse Japan's colonial past; rather, she intends to question the Japanese tendency to see Japan's colonial past as the most brutal, without examining other nations' colonial histories [22].

I agree with Hirano's argument that comparing the atrociousness of former colonial powers is not productive; however, it might partly explain Japan's less constructive anti-trafficking efforts and its lower international evaluation in the TIP report. In short, Japan might be strictly evaluated based on the notion that it must have been the most brutal of the former colonial powers. Furthermore, many scholars and activists who have worked on the trafficking issue, myself included, would have a tendency to criticize the Japanese government's anti-trafficking efforts, without carefully examining the efforts made by other nations.

In this context, the argument that the "Japanese anti-trafficking effort is insufficient" would have to be carefully examined.

6.2. Threats to the "safe" country

As previously noted, the "slavery" issue is undeniably a "colonization" issue in Japan, although the term "modern-day colonization" does not spur Japanese people, particularly policy-makers, to act on human trafficking. This may be because Japan has not really faced a decolonization process, and even superficially, has not played the role of "liberator" for people in the former Japanese colonies.

So, what is it that could prompt the Japanese government to move forward with the anti-trafficking effort? Bearing this question in mind, I reviewed how the issue of human trafficking has been treated by Japan's policy-makers. I analyzed Diet proceedings and the minutes of related committees since the 1970s, when the term *jinshin-baibai* began to be used to describe mainly international trafficking, along with the term *japayuki-san* [43].

Some newspapers covered the *jinshin-baibai* of women from Asian countries to Japan for the purpose of prostitution in the 1970s, and some of policy makers began to discuss the problem within certain governmental committees, especially those that dealt with international relations. "Internationalization"²⁷ had been one of the largest challenges to Japanese politics since 1960s. The greatest concern at the time seems to have been how the government would promote "internationalization" while building a trustful relationship with other nations. *Jinshin-baibai* of Asian women would be one of the factors that could disrupt these efforts, and some were concerned about the issue chiefly from this perspective [43].

settling international disputes. (2) To accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.

²⁷ At that time, "internationalization" was a common word, which would now be better known as "globalization." Nishikawa explains that the term "globalization" became common in the beginning of the 1990s, although the phenomena that characterized it had begun in the latter half of the 1960s. See reference [46].

Between the latter part of the 1970s and the beginning of 1980s, the number of entrants into Japan from Asian countries increased rapidly (see Table 3). In particular, between 1978 and 1979 Asian immigrants increased by approximately 90,000, and by 1980, they represented almost 50 percent of immigrants into Japan.

Year	1970	1975	1978	1979	1980	1985	1988	1989	1990
Asians	211,684	306,773	419,201	512,108	640,637	1,168,254	1,387,050	1,791,652	2,164,373
Total	775,061	780,298	1,017,149	1,089,341	1,295,866	2,259,894	2,414,447	2,985,764	3,504,470
Asians (%)	27.3%	39.3%	41.2%	47.0%	49.4%	51.7%	57.4%	60.0%	61.8%

Table 3. Number of Entrants from Asian Countries

Source: Ministry of Justice, Portal Site of Official Statistic Japan [47].

Note: The interspacing of years in Table 3 is random in order to emphasize the increase.

Although not all of the entrants came to Japan to work, many of them did, and not a few people worked without visas or overstayed their short-term visas. In the latter half of the 1980s, these foreign workers overstayed their visas, and this became a huge social issue; Japanese policy makers at that time defined these immigrants as “illegal labor.”

At that time, foreigners who came to Japan to work, especially as cheap labor, were called *japayuki-san*; the term was not used only for people from specific countries or regions nor for specific occupations or conditions [48]. *Japayuki-san* were actually categorized into three types: female migrants in the sex industry, female migrants in other industries, and male migrants in other industries. Male *japayuki-san* in the sex industry have rarely been addressed, as in other countries, although female *japayuki-san* in sex industry have been the most likely to be treated as victims of the “[modern form of] *jinshin-baibai*” by activists and NGOs [37].

Responding to the increase in the number of immigrants who overstay their visas, the government also found an increase in crime committed by non-Japanese residents; these immigrants were labeled a new type of “threat” to the “safe” country of Japan, and the government tightened immigration control accordingly. On the other hand, in order to meet demand for cheap labor in the globalized market—including the sex industry—the government welcomed foreigners with Japanese ancestors, such as Japanese-Brazilians or Japanese-Peruvians, and continued to issue “entertainer visas,” particularly for Filipinas, whom the TIP report singled out as being particularly vulnerable to misuse by traffickers [2].

These inconsistent strategies based on “the 1990 structure,” which Akashi describes as the basis of the current immigration control policy in Japan [49], were followed until recently, along with the concept of protecting Japan from threat and maintaining its safety²⁸.

²⁸ The Ministerial Meeting Concerning Measures against Crime was established in 2003 aiming to restore Japan as “the safest country in the world.” See <http://www.kantei.go.jp/jp/singi/hanzai/> (in Japanese) for the details.

6.3. Action plan and the recent outcomes²⁹

Until December 2003, the Japanese government categorized the trafficking issue as a “transnational threat” [26], a year after it signed the Trafficking Protocol in December 2002. The government established a task force called the “Liaison Committee of Relevant Ministries for Developing Measures against Human Trafficking” in April 2004, and formulated an action plan in December. There seems to have been pressure from the U.S. behind this huge progress; a Japanese newspaper article reported that the U.S. Department of State had once considered placing Japan in the lowest tier in the TIP report in 2004, which may have prompted the Japanese government into action [43].

In 2005, immediately after the action plan was implemented, there was a sudden increase in the numbers of traffickers arrested and victims rescued, but recently these numbers have declined again. The government evaluates this decrease positively, as a “successful outcome” of the effort.

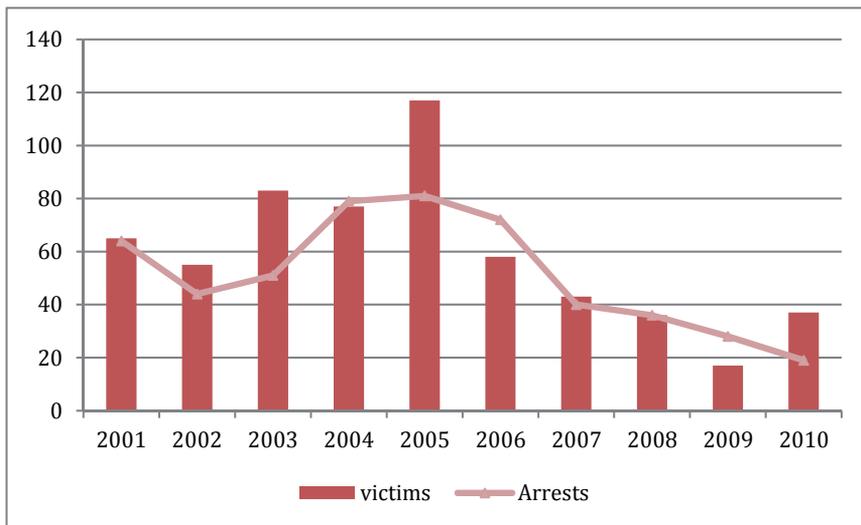


Figure 1. Status of Arrests in Human Trafficking Cases

Source: The National Police Agency [51]. Modified by Ayako Sasaki.

6.4. “Shame” as a possible driving force

As happens with policy-making processes in general, there were some critical moments that enhanced the Japanese anti-trafficking effort. However, in the analysis of the relevant Diet proceedings and committee minutes, I identified a common pattern or style of argument that has reoccurred throughout the past twenty years: Japanese policy makers have used the phrase “Japan’s/Japanese shame in international society” to help get policies implemented,

²⁹ Kondo describes the Japanese experience and response in detail in English. See reference [50].

particularly those concerning the abuse of human rights, including sex tourism, child prostitution, and child pornography [43].

Ruth Benedict classified Japanese culture as a “shame culture,” in contrast to Western “guilt culture” [52]. She explains that “true shame cultures rely on external sanctions for good behavior, not, as true guilt cultures do, on an internalized conviction of sin.” Although there have been some criticisms of Benedict’s work, as the reference [53] notes, “Japan’s shame” or “national dishonor” are often used within Japan to appeal to the necessity of implementing a policy or taking action, at least in the materials I have analyzed. For example, regarding sex tourism in the 1970s, House of Representatives member Susumu Kobayashi commented as follows to a government official [54]:

At least, for the honor of Japan, I would like to ask your opinion whether the government would have the will to formulate policy to check or restrain this kind of shameful tourism in order to save the Japanese name.

House of Representatives member Takako Doi referred to media coverage from ABC News in the United States in 1980, saying “so Japanese men have no doubt become the sex animals of Asia, welcomed by sex merchants not only in Bangkok but also in Taipei, Manila, Seoul, and now San Francisco,” and states, “it is the most dishonorable form of shame” [55].

In 1990, Minister of Justice, Shin Hasegawa, answered a question regarding a trafficking case of Thai women in Japan, “It is a very shameful case for Japan [...], and we would like to deal with it as strictly as possible” [56]. In 1997, a member of the House of Councilors, Sumiko Shimizu, who participated in the first World Congress against Commercial Sexual Exploitation of Children held in Stockholm in 1996, requested the amendment of the Child Welfare Act, saying, “I went there as a representative of the government, but felt shame since I was told that pornos of Japanese children are going around in every corner of the world in spite of all the efforts and education in other nations” [57].

In November 2004, just before the Action Plan was formulated, Minister of State for Special Missions Hiroyuki Hosoda explained, “[human trafficking] has captured much attention from embassies in Tokyo as well; it is, so to speak, an extremely shameful aspect of Japan, which has to be fixed” [58].

Was it because of this shame that Japan had to formulate a policy against human trafficking? In fact, it was only after the TIP report placed Japan on the Tier 2 Watch List that the government formulated the Action Plan, although it clearly states at the very top of the current Action Plan that “trafficking in persons is a grave violation of human rights and requires a prompt and appropriate response from a humanitarian perspective, as trafficking in persons causes serious psychological and physical pain for the victims and recovery from such damage is very difficult” [59]. If “shame” is a driving force in prompting some sort of governmental reaction to the problem, international sanctions that “humiliate” the Japanese government, such as a low Tier ranking in the TIP report, might be the most powerful tool to motivate the Japanese government to move forward on human trafficking.

6.6. The factors that produce Japan's "shame"

We must clarify the factors that produce these feelings of shame in Japanese policy-makers. Nishikawa indicates that the concept of "civilization" has been one of the most common and popular excuses or ideologies utilized to justify colonialism in the past and even to urge "globalism" in the present [46]. The concept of "civilization" is a value that must be pursued in modern society, and is often considered in tandem with ideas of development, liberty, or equality, and simultaneously plays a role in justifying colonization. Nishikawa also states that Japan internalizes a view of itself as a nation yet "to be civilized," and at the same time, believes that Western nations "those that are civilized" [60]. Based on Nishikawa's argument, Hirano points out that the internalization of this view of "uncivilized Japan" might result in the recognition of the Japanese themselves as "the most brutal colonizers" among Japanese scholars and activists [22], as referred to above.

Therefore, what would cause "shame" to Japanese policy-makers is an evaluation of the Japanese as still being "uncivilized." On one hand, I could argue that the concept of "civilization," as a counterpoint to the concept of "slavery," had been actually reflected in the policy-making process of the TVPA and in recent governmental actions against human trafficking as "modern-day slavery" in the U.S. Under the George W. Bush administration, using slogans such as "the war on terror" and "the struggle for civilization," the U.S. government had also prioritized anti-trafficking, or anti-slavery, efforts [27]³⁰.

As colonization produced and maintained "slavery," globalization might produce and maintain "slavery." If Japan tries to continue to identify the nation as still "to be civilized" and pursues globalization in order to catch up with Western countries, it has to be careful to avoid resulting in failure. Rather, Japan might have to ask whether the kind of globalization that Western countries pursue and enjoy is compatible at all with the principles of global justice. We should not excuse the injustices wrought by relentless globalization using the rubric of "civilization."

7. Conclusion

This chapter examined the current Japanese anti-trafficking efforts and compared them with those in the U.S. The U.S. tends to connect human trafficking with the history of "slavery" and makes a strong claim that such trafficking is an expression of "modern-day slavery." Japan, however, has not found a similarly strong motivation for setting a policy agenda on human trafficking, except perhaps on grounds of avoiding "shame" or "national dishonor." The social understanding of *iwayuru jinshin-baibai*≈*japayuki-san*≈[modern form of] *jinshin-baibai*≈human trafficking with its focus on sexual exploitation and the history of efforts to overcome this problem have made it difficult for the current Japanese government to take more constructive action against human trafficking, in accordance with the international definition of human trafficking in the Trafficking Protocol.

³⁰ In reference [27], I argued the mission of "civilization" as a reflection of the historical belief of "Manifest Destiny" in the U.S.

It is necessary to understand how history, national identity, and culture in a society are connected with current reactions to issues such as human trafficking, and to explore the unique meanings of these globalized phenomena to a particular society. Although the terms “slavery” or “colonization” will not prompt anti-trafficking action within Japan, feelings of “shame” or “national dishonor,” equating to a fear of being perceived as “uncivilized,” might be a driving force that will compel the Japanese government to move forward in tackling the trafficking issue. However, Japan has to stop and think first whether it will use its drive for “civilization” to justify globalization, which has also a mechanism of producing and maintaining “slavery.” Japan has to re-examine the essential nature of its national identity, and must consider how best to promote and face globalization; this might in turn lead to a more constructive anti-trafficking effort.

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Place Identity for City Sustainability in a Traditional Settlement of Taiwan

Hsiu-hui Lin and Weii Lee

Additional information is available at the end of the chapter

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1. Introduction

The impact of globalization on the built environment is a transnational interconnection in every aspect of economy, society, culture and spatial developments. In response to the needs of the economical and industrial developments, this interconnectedness changes interactions between the people, the urban and the natural landscape. These changes not only include the transformation of people's attitudes toward lives, but also comprise the alteration in physical environments. Either types of change, whether physically or sensationally, are closely related to the lifestyle of local residents, the construction of the living space, and the attitude toward the man-made environment. With increases in pace and the scale of changes the tension to the daily life and the relationship between the city and the landscape has gradually formed. Accordingly, the pressure in the traditional city is largely extended due to the irreversible transformation caused by the spatial practice during the process of globalization and urbanization. Just as all environmental developments and redevelopments are embedded in their local context, the pressure stemmed from both the global and the local developments provides the linkage between the global and the local context. Consequently, re-examining people's thinking about their own city has become a key issue for the future development of a contemporary city under the pressure of globalization and localization.

In response to such an issue some Asian cities, *e.g.* Tokyo, Seoul, Beijing and Singapore... *etc.* have thrown much attention on the early developed area in the city while taking the sustainability into consideration over the past decade. Through the strategy of "re-growth" and "redevelopment", they attempted to carry out the new image integrated by the natural landscape and the man-made environment. By employing various innovative methods echoing the past history of space, those cities are able to retain the memory of the place and the spatial culture, which have been realized as the symbols of modern urban civilization.

The results of the spatial practice not only highlight the characteristics of urban culture, but also led to the development of the city tourism.

Under the influence of the global information, meanwhile, the issue of Taiwan's landscape is also beginning to receive attention. Subsequently, the goal of the government conducted Townscape Renaissance Project is to actively improve the quality of the local environment. The environmental movement has gone through more than ten years of promotion and implementation since 1998. Confronting with changes in the industrial structure and the pressure of the global economic development in recent years, people in Taiwan has no choice but to re-examine the functional satisfaction in the local life, as well as the reading and the approval to the local environment, while considering the environmental redevelopment.

In the process of globalization, during the process of redevelopment, it is also clear that considerations of local context are not just concerned with the city in a sense of place, but also with the people that live in and create the built environment. Accordingly, more and more studies pay much attention on the man-made environment as well as on people's reading of the city. Therefore, the exploration of redeveloping a traditional settlement should contemplate the authenticity of settlement space based upon the demand of people's life, and rethink the public expressions of place identity toward the city context as well.

Embarking on studying the traditional settlement in the historical trajectory, along with fruitful dialogues between people and the physical environment, there are three questions that concern us about the redevelopments of Zuoying Settlement, a historical settlement in Kaohsiung, Taiwan (Figure 1) How the redevelopments in the city are carried out to maintain the regional sustainability in the process of globalization and modernization? How the locals begin to rediscover the hidden meaning of the physical elements of the city facing the transition of the environmental changes? How tourists really feel about the differences in lifes and spaces, and accumulate their memories of a place in the process of traveling between cities?



Figure 1. Location of Zuoying Settlement in Kaohsiung, south of Taiwan

These three questions closely related to a sustainable redevelopment of a historical city such as Zuoying Settlement in the tread of globalization are quite complicated. Zuoying Settlement features two essential components in its environmental redevelopment in the twenty-first century. One is the public expressions to facing the impact of the global

economy and to representing the value of culture, which relate to the preference of physical elements in the transition of a city. It corresponds to the basic human needs, the attachments and the developments of the existing environment to meet with the functional satisfactions of local life and the redevelopment (Maslow, 1987; Lang, 1987, 2010). Another is the attempt to dialoguing with the city's historical contexts in order to make a new image concerning the existing physical features of the city. It concerns peoples' perceptions of the city, the meaning and the significance of the place for its inhabitants and users (Lynch, 1960; Rapoport, 1977; Norber-Schulz, 1980; Colquhoun, 1991). The former links up with the design evaluation of the architectural redevelopment, and the later with the design process in the architectural redevelopment. Both originate in the interaction between peoples' needs and collective preferences, the natural landscapes and the artifacts of the city. In addition, they involve the corresponding relation between the live-in experience and the sense of place in the transformation of the city during the process of globalization, which is closely related to the development of the local culture and the environmental sustainability.

Our research aims at dealing with the physical elements -- the artifacts and the natural landscapes that play important roles in human preference and in individual interpretations to the context of a city in the trend of globalization. We also attempt to discern between the habitants' and the tourists' preference judgments relating to the role of the natural landscape and that of the artifact in the enhancement of the authentic sense of place. We begin the article by exploring ideas of city sustainability in the context of globalization. Then, a field survey is carried out for analyzing the physical changes in Zuoying Settlement. Subsequently, a questionnaire seeking the place identity of Zuoying is present and followed by our analysis on the data. Lastly we summarize our findings in the conclusion section.

2. Exploring the ideas of city sustainability in the context of globalization

The ideas of rising living standards and improving the quality of the city have constantly occupied a privileged place in the dream of people. With respect to history, the redevelopment always depends on peoples' interest in the new images of the new development integrated with the existing context, which represents not only the preference judgment of the existing physical environment (Rapoport, 1977, 2005), but also the specific changes to fit the future prospect. All the new images of the physical environments are associated with the topic of peoples' functional needs toward the physical environment. In fact, the new image is the essence of the city transition embracing the place identity. Recently, this view of place identity is also emphasized by Hauge (2004:7) who stated that "the place identity is formed through milieus of feelings, meanings, experiences, memories and actions that, while ultimately personal, are substantially filtered through social structures and fostered through socialization." As a consequence, the fulfillment of people's needs toward the city with place identity is a significant thinking of environmental characters. This concern has been taken into account for redevelopment and re-growth of a traditional city.

2.1. The basic needs of the human beings to the environmental practice

The complicated needs of life survival, goal pursuance, and value establishment motivate people to constructing the environment, developing the city, and trying to redevelop the place that people feel inappropriate. The development and redevelopment embedded in the local context constitute the basic logic of the environmental evolution. Thus in the process of redeveloping a city, the environment not only should fulfill the functional needs of life, but also should meet the practice of art. The spatial practice to satisfying the needs of daily life is the main purpose of the architecture development, which should be of “*utilitas, firmitas, venustas*” as considered by Vitruvius. In terms of environmental development, the functional satisfaction should meet the basic requirements for safety and protection as what has been done by a building to us. The issue has become the key to the development of the modern functionalism in the beginning of the 20th century.

In the realm of psychological studies, Abraham Maslow (1987) has advocated a theory of a five-stage hierarchy of basic human needs -- physiological, safety, social, esteem, and self-actualization. His theory has provided a framework for studying the environment behavior. He considers the human needs as a hierarchical structure of pyramid. The level of aesthetics will rise up only when those bottom needs are satisfied. The five basic needs can be divided into two categories according to the motivation. The deficiency needs, also known as the D-needs, comprise four bottom needs relating to the feeling of absence. The being needs, a.k.a. the B-needs, refer to the satisfaction of cognitive and aesthetics. This classification offers a structure for exploring the needs of people towards the physical environment.

Many architects have tried to link the functionalism with the the nature of the art of building since the onset of the modernism. They expect that the architecture not only should fulfill physical needs, also should meet psychological needs (Frampton, 1976 : Lang, 1978 : Norber-Schulz, 1978). These ideas are consistent with the essence of Maslow’s theory. In the essay ‘On Reading Heidegger’ (1974), Kenneth Frampton defines the building task as ministers to the self-realization of man in nature and mediates as an essential catalyst between the three states of his existence an essential interface to the self-realization of man in nature and mediates as an organism of primal need, a sensate being and finally status as a cognitive and self-affirmative consciousness. Lang (1987) integrated many of the theories of architectural practices and human behaviors, and developed the theory of environmental design. Lately, depended on Abraham Maslow’s theory of human motivations, Lang’s extended framework for the study of environmental design is concluded that the function of the new as a shaper of its environment in his recently work (Lang and Moleski, 2010, p.291-312).

Based upon the practical experience and the economic reality, a settlement is a part of a specific terrestrial context where people live. According to Maslow’s theory of hierarchical needs, a city should fulfill the basic needs of the survival and the social life of the resident (the D-needs), and respond to the needs of self-actualization through the traveling experiences of the tourist (the B-needs), within the global flows of people and information. In this research, we employ the framework of Maslow’s theory to understand people’s reading on the townscape elements of a city. The consequence of the reading can be viewed

as a multiple interpretation to a city, which is given rise of the interaction between the people, the artifacts, and the geographical features in the process of globalization. The interpretation is closely related to the regional redevelopment. The outcome of the interpretation is helpful for us to understand how people construct their place identity from a view of the functional satisfaction. Moreover, integrating the two different levels of functional needs in a city will provide a more inclusive perspective of the regional redevelopment in the concept of environmental sustainability.

2.2. Place identity and sense of place

The public expressions are always closely relating to people's preference judgment of the reformation of the city. The preference of the physical elements concerns not only people's experiences and perceptions in the city, but the identity and the memory of the city. Since 1960s, different urban theorists have been exploring the ideas of city image, considering the topic of, "preception, identity and meaning" which, as pointed out by Lynch (1960), concerned the legibility and the structures of the physical environment (e.g., Cullen, 1959; Lynch, 1960; Colquhoun, 1967; Bacon, 1969; Norberg-Schulz, 1984; Colquhoun, 1991). After 1975, several studies on this subject speculate on local people's preference judgment and designers' environmental evaluation (Canter, 1977; Nasar, 1988; Rapport, 1977).

As Rapoport (2005:52) states, "the preference of cultural landscape is concerned with not only the expression of the collective choice and model of design, but also the value of lifestyle and social activity." Therefore, the preference can be characterized as several attitudes towards the adaptation of the city's physical features, the code of historical memory in the city, as well as the city's presentation of cultural value. Furthermore, the preference deals with a variety of factors which concern the architectural characters with its own identification, legibility, aesthetics, and tectonics, as well as meanings.

Facing the challenge of globalization, academia tends to view the physical elements of a city not only as a base of the city's redevelopment with respect to its historical settings (Kallus, 2001), but also as a generator of place identity in the cultural dimension (Castells, 1989; Hall, 2000; Hague, 2003). These approaches focus on the city's historical settings and its cultural significance, both of which find expressions in the forms of the city. The identification with physical elements in the traditional city are seen as the collective memory of place identities and localities (e.g. Rossi, 1982; Rowe & Koetter, 1984; Colquhoun, 1991). It is important when the traditional settlement is concerned with the physical features in order to contribute the authentic sense of place for the traditional cities facing the globalizing world.

2.3. The framework of the study

From these perspectives, the redevelopments of the historical city must reflect its authentic city context, such as its historical background, cultural characteristics and physical features. Our study explores people's interpretations of the city context with natural landscapes and artifacts that play important roles in human preference in the city of Zuoying. Based on Maslow's theory of hierarchical needs -- physiological, safety, social, esteem and self-

actualization (Maslow, 1987), we investigate the issue of city sustainability in the framework of globalization and disclose the intrinsic relationship between people and the city context(Figure 2). Utilizing public accounts as the mechanism of investigation, this study combines current operative values and conceptions with the meaning of individuality or oneness as the interface of the city redevelopment in Zuoying Settlement.

3. The physical change of Zuoying Settlement

Located in the grand Kaohsiung area Zuoying, named by the meaning of camping on the left, used to be the barracks in Ming Zheng era in southwestern Taiwan (1662-1683). It was

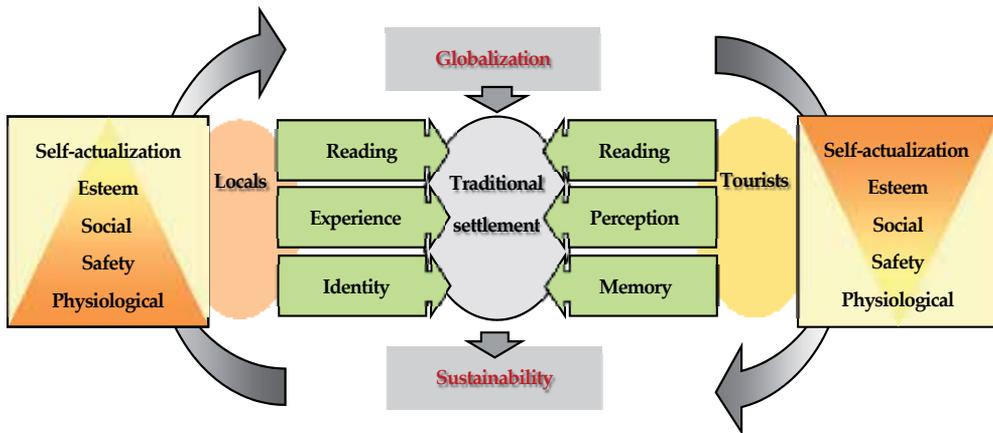


Figure 2. The framework of the interaction between people and the environment

first constructed and developed in the eighteenth century, and was established in the nineteenth century. Zuoying was famous for its walled-city which used to be the first critical city-wall made by stone in Taiwan in late Qing Dynasty. Since Ming Zheng era, Zuoying is not only a critical node in the old water network of Kaohsiung, but also a major juncture on the way from the city of Tainan to the southern area of Taiwan. The traditional Chinese city of Zuoying Settlement was growing up around the north gate outside the old Feng-Shan walled-city, remained relatively undeveloped until the late period of Qing Dynasty. Today, it is the biggest traditional Chinese settlement in south Taiwan.

The city situates one-block away from the station of Taiwan high speed rail and the entrance of Freeway No. 10, within Zuoying District. The traditional Zuoying Settlement is surrounded by the natural barriers of Zhouzai wetland to the east, the Turtle Mountain to the south, Mt. Panping to the north, and the Taiwan Strait to the west. The famous Lotus Pond is laid on the center of the site. There are two highly visible and vibrant communities lying on both sides of the pond, where the architecture modeling is grand and solemn. The city is famous not only for its history of development since late Ming Dynasty, but also the pavilions and pagodas of temples in the Lotus Pond. With the development of tourism in the era of globalization, today, Lotus Pond has become the most famous scenic spot in south Taiwan.

The townscape of Zuoying Settlement with Lotus Pond, temples and streets was first developed by Qing Dynasty in the nineteenth century. The settings of the old Feng-Shan walled-city and the Zuoying Settlement are integrated with the natural landscape of mountains and lakes with traditional concepts of feng-shui. The old streets along the water edge were extended incrementally on private land since Japanese colonial period. The core area of the settlement used to be constructed surrounding the Confucius temple which is located by the waterfront. Most of the cultural heritages are constituted by the historical alleys within the core area along the water edge, such as the Yuan Di Temple, Cing Shuei Temple, Tian Fu Temple and. The living quarters with temples and squares are important areas in Zuoying Settlement. The living quarters are well-known for the courtyard houses constructed by the traditional Chinese ideas.

With the sovereignty changes, the city has been left out from the process of modernization during the last seven decades since World War II. Till now, the physical evolution of the historical Zuoying contains the crucial characters relating to the framework of natural landscapes and the pattern of Chinese organic evolution. Today, Zuoying Settlement is recognized not only as the most important historical settlement, but also an important Navy base in Taiwan. In the trade of economic integration and transpiration development, the landscapes of Zuoying Settlement have not been invigorated by the rapid modernization. The population in the settlement presents a state of out-flowing, and the livelihood also gradually goes down. In most of time, there are only the elderly and the youngsters in the settlement. Only on weekends or holidays the city is packed with tourists.

Through the twentieth century from the emergence of urban planning, the restriction of building construction has caused not only the housing to have fallen into a serious state of decay, and also the spatial form to have become irrelevant to the settlement's context. Meanwhile, it also gives rise to the danger of public safety and the loss of identity of the place. At the turn of the 21st century, the historical Zuoying has faced various problems of sustainable development, such as the demolition of the historical buildings, the water pollution, and the declination of the population. Motivated by the sustainable perspective and the ecological movement, the redevelopment of the wetland around the historical Zuoying has become the major element for reconstructing the city since 2000. Before the World Games 2009 in Kaohsiung, a lot of redevelopments relating to the notion of ecological conservation and to the local economic developments have been carried out around Zuoying Settlement.

Like most of Chinese traditional cities, both elements of the local geographic environment and the spatial concepts of feng-shui have been encoded in the unique context of Zuoying Settlement. The townscape of the city is constructed by monuments, temples and geographical features, which provide a unique sense of the present Zuoying (Fig 3). The monuments, *e.g.* the Ancient Gate, the Earth God Temple, the Historical Trail and the Confucian Temple, are not only the evidences of the city history, but also the objects of the collective memory (Rossi, 1984). The natural landscapes comprise both original and contemporary ones. The Lotus Pond, the Trurtle Mountain, and the Panpingshan Natural Park are examples of the original landscape, while the Zhouzai Wetland, the Primitive Plants Park, and the Park of Scenic Administration are some of the contemporary landscape

which can be easily identified. The formers are the fundamental elements of the environmental development, and the latter are illustrations of the various landscape ideas in the past thirty years. Both of them play the key role in the spatial evaluation of Zuoying Settlement. In addition, the temples (including the Ci-mi-tang, and the Dragon Tiger Tower are) are not only symbols representing the symbolic meanings of the traditional Chinese living, but also the social stages for the public life of the city. Though playing quite different roles in the past, the monuments, the natural landscape elements and the temples all provide specific functions for supporting modern city life. Moreover, in terms of the ideas of sustainability, these monuments, natural landscapes and temples contain different meanings regarding the sense of Zuoying Settlement.



Figure 3. The townscapes of the Zuoying Settlement along the Lotus Pond.

4. Seeking the place identity of Zuoying Settlement

The research started from June 2010. We conceived of the existing physical elements of townscapes as a preference result of evoking tradition value, and as a material of people learning to improve the existing landscape. Therefore, our questionnaire addresses on two main faces of the expressions of Zuoying Settlement's environmental values in the changing of time. Firstly, for the existing physical elements, the selection of the examples was taken into the consideration of the typological differences of landscape in today's Zuoying Settlement. Secondly, for the preference results of the physical elements of townscape, the questionnaires were taken into the consideration of the different expressions of different people in the city.

Referring to the physical elements of the townscape as representations of both the place identity and the tradition of the city, we focus on the historical monument, the cultural heritage and the natural landscape in Zuoying Settlement. These elements with characteristics derived from the precipitation of the history, the locality of building types, the function of activities and the setting of natural landscapes are critical to the city. Therefore, the questionnaire provides interviewees with a list of four historical monuments, six ecological landscapes and six cultural heritages (Figure 4). All samples are selected from the official webpage of the city of Zuoying Settlement. The historical monuments under consideration are related to the city development: Ancient Gate, Confucian Temple, Earth God Temple and Historical Trail. The ecological landscapes selected, which are all

reconstructed by 2009, represent the characters of the townscape: Lotus Pond, Trutle Mountain, Panpingshan Natural Park, Zhouzai Wetland, Primitive Plants Park and Park of Scenic Administration. The six cultural heritages are emerged from the townscape of the Taiwanese tradition: Yuan Di Temple, Cing Shuei Temple, Tian Fu Temple, Cheng Huang Temple, Ci-mi-tang, Dragon and Tiger Pagodas.

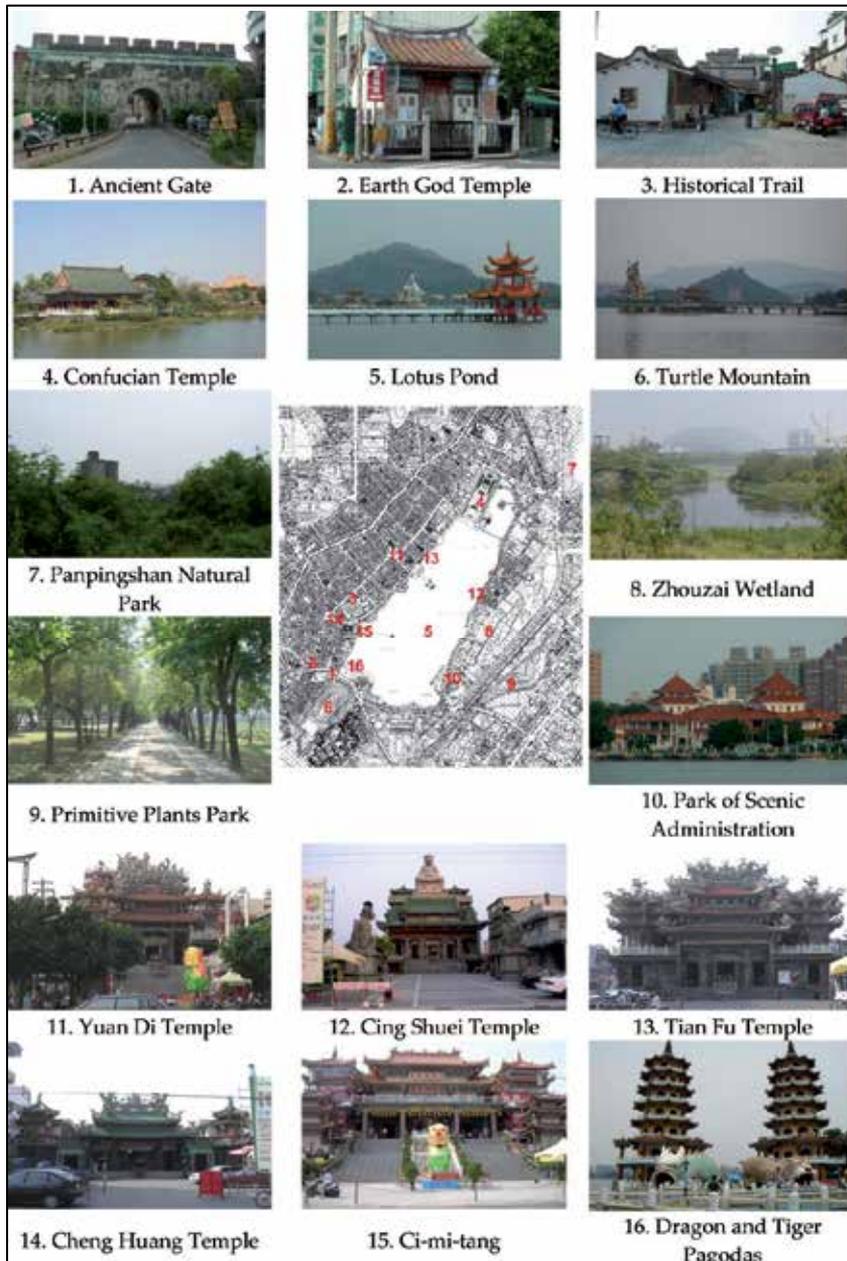


Figure 4. The map and the examples of the questionnaire.

Because the city is an important tourist spot in southern Taiwan, the questionnaire targets on the locals and the tourists which are two main groups of people in the city. Since the place identity involves a user's experiences and memories of the city, the preference expressions amount to the collective reading, current operative values and conceptions with the meaning of the architectural change. Moreover, the preference expressions represent not only the adaptation of physical elements, but also a critical foundation for sustainably developing a city. Accordingly, we analyze preferences of the physical elements of the locals and the tourists toward the historical settlement of Zuoying Settlement that can be imaged respectively as a living organism and travelling heterotopias. We then clarify the differences in meanings of these landscape elements with respect to the locals and the tourists. The questionnaire survey is addressed to four age groups of inhabitants and tourists: (1) 8-20 years; (2) 21-40 years; (3) 41-60 years of age, and (3) people over the age of 60. As a consequence, the questionnaire survey targets on two main categories of users in the historical settlement: (1) the inhabitants, including the youngsters; and (2) the tourists. The study is carried out by a total of 261 interviews, among which 133 interviewees are the inhabitants and 128 the tourists (Table 1).

Age	under 20	20-39	40-59	over 60	Total
Locals	20	27	53	33	133
Tourists	22	45	32	29	128
Total	42	72	85	62	261

Table 1. Numbers of inhabitants and tourists in four age groups

To explore public responses to the city monuments, cultural heritages and natural landscapes as well as Zuoying Settlement's environmental quality today, two standardized questionnaires are developed under a framework adapted from Maslow's model of hierarchical human needs incorporating with the concepts of place identity and sense of place. Each questionnaire consists of three parts, and each part comprises two questions. The questions in the first part are related specifically to the image of the city: one for the impression of Zuoying Settlement and the other for the characters of the city which may identify the existing role of the place within the city. The questions in the second part are designed to compare the differences in preference regarding the sense of the place and the aesthetic or self-cognitive characters of the place. The questions in the third part address the issues for the city redevelopment.

As a consequence, the questionnaire has two versions, locals and tourists. There are:

1. The image of the city
 - a. Which is the most important element to provide a unique sense of Zuoying Settlement? (choose one only) Its artifacts? Its specialties? Or its geographical features?
 - b. Which of the listed samples gives you a sense of the best representative of Zuoying Settlement? (choose one only) Why?

2. The sense of the city
 - a. Which of the listed samples is the most beautiful place in Zuoying Settlement? (choose one only) Why?
 - b. For inhabitants, which of the listed samples would you show your friends around when they come for a visit? (choose one only) Why?
 - c. For tourists, which of the listed sample is your most favourite places in Zuoying Settlement? (choose one only) Why?
3. The perspective of the city
 - a. Which issue do you think is the most important one concerning the modernization course of Zuoying Settlement? (choose one only) Issue of historical preservation? Issue of environmental implementation? Issue of tourism?
 - b. Which place do you think can be served as the best example for the future redevelopment in Zuoying Settlement? (choose one only)

5. Results and discussion

5.1. The Image of Zuoying Settlement

Usually, the image of a city is constructed by peoples' experiences of the city. Usually, the image of a city is constructed by both the activity and the architectural form of the city. As a consequence, the question of 'the most important element to provide a unique sense of Zuoying Settlement' deals with the identifying characters of the city that depend on the perceptions relating to the artifacts, the specialties and the geographic features. The other question centrally focuses on the place which gives a sense of the best representative of the city. Both of the questions reflect the mental constructions of the physical elements of Zuoying Settlement through their personal experiences. During the process of city redevelopment, the images of Zuoying Settlement could be in conserving the urban experience without losing the existing authentic architectural features, and be the comparatives to understand how the locals and the tourists identify the existing role of read the townscape of the city.

5.1.1. *The most important element to provide a unique sense of Zuoying Settlement*

Responses to the first question of Zuoying Settlement were compared in terms of the artifacts, the specialties and the geographic features. The percentages of choices made by both of groups of interviewees are presented graphically in Table 2. According to these data, the preferences of interviewees for the three local characteristics providing the sense of the city are irrelevant to their identities as a resident or a tourist ($p > .05$, $n = 261$). The orders of the favorite local characteristics from all groups of residents and tourists are identical, though the ratios in the degrees of preference are not the same. Both categories of interviewees believe that the "artifacts" is the central reason to provide the sense of place in Zuoying Settlement (66.0% of the total respondents, including 63.9% of local residents and 67.2% of tourists), and the "natural landscape" is the second most important factor (26.7% of the total respondents, including 27.1% of local residents and 25.8% of tourists).

In contrast, the responses from various age groups of both residents and tourists to those three local characteristics are quite different. There was a statistically-significant difference in preference between the four age groups of both categories of the interviewees ($p < .05$, $n = 261$). Younger people with the age under 20 prefers the “artifacts” the most. Furthermore, the degrees of preference upon the “artifacts” from groups of tourists with age greater than 20 is proportional to the increase in age. On the other hand, the degrees of preference upon the “natural landscape” from the residents grow with age, and peaks in the group of the elderly with age beyond 60. However, the degrees of preference on the “natural landscape” in different age groups of tourists, except for those young tourists with age under 20, decrease with age. The results show a clearly distinction in between the age groups of residents and tourists.

Characteristics Elements	Local (n=133)				Local Total (%)	Tourist (n=128)				Tourist Total (%)
	under 20	20-39	40-59	up 60		under 20	20-39	40-59	up 60	
Artifacts Total	12.03	12.78	24.81	14.29	63.91	14.06	21.88	17.19	14.06	67.19
Artifacts										
Monuments	6.02	6.77	7.52	5.26	25.56	5.47	10.16	7.03	3.91	26.56
Traditional Housing	1.50	0.75	5.26	3.01	10.53	2.34	3.91	2.34	1.56	10.16
Temples	4.51	5.26	11.28	3.76	24.81	6.25	7.03	7.03	7.03	27.34
others	0.00	0.00	0.75	2.26	3.01	0.00	0.78	0.78	1.56	3.13
Specialities Total	2.26	3.01	1.50	2.26	9.02	1.56	0.78	0.78	2.34	5.47
Specialities										
Traditional crafts	0.00	0.00	0.00	0.00	0.00	0.00	0.78	0.00	0.00	0.78
Military foods	0.00	2.26	0.00	0.00	2.26	0.00	0.00	0.00	2.34	2.34
Traditional snacks	2.26	0.75	1.50	0.75	5.26	1.56	0.00	0.78	0.00	2.34
others	0.00	0.00	0.00	1.50	1.50	0.00	0.00	0.00	0.00	0.00
Geographical features Total	0.75	5.26	12.78	8.27	27.07	1.56	12.50	7.03	4.69	25.78
Geographical features										
Panpingshan Natural Park	0.00	0.75	0.00	1.50	2.26	0.00	0.78	0.00	0.78	1.56
Lotus Pond	0.75	3.01	10.53	5.26	19.55	1.56	10.16	7.03	3.91	22.66
Trutle Mountain	0.00	1.50	1.50	0.00	3.01	0.00	0.78	0.00	0.00	0.78
others	0.00	0.00	0.75	1.50	2.26	0.00	0.78	0.00	0.00	0.78
Others Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.56	1.56
Total	15.04	21.05	39.10	24.81	100.00	17.19	35.16	25.00	22.66	100.00

Table 2. Percentages of the most important element to provide a unique sense of Zuoying Settlement.

The preferences of both residents and tourists for the most important element to provide a unique sense of the city are essentially the same – artifacts, especially for cultural heritages and temples play the most important rolls here. In addition, the preferences of different age groups in both categories for the type of artifacts linking to the sense of the city are somehow different, though those for cultural heritages are all grow with age. In contrast to the discrepancy in preferences for cultural heritages and for traditional architectures between various age groups, both residents and tourists consider the Lotus Pond the most critical spatial element of geographical landscapes in providing the sense of place for Zuoying Settlement. Through the artiufacts, both the locals and the tourists develop their feeling of attachment to the oldest settings of the city.

5.1.2. The place provide a sense of the best representative of Zuoying Settlement

In terms of the sense of the best representative of Zuoying Settlement, the preferences of residents somehow slightly deviate from those of tourists ($p < .05$, $n = 261$). The percentages of choices made by both of groups of interviewees are presented graphically in Table 3. For the locals, the gender plays a significant role in determining the place which provide a unique sense of the city ($p < .05$, $n = 133$). In addition to commonly regarding the Lotus Pond as the best representative of the city statistically, Ancient Gate and Ci-mi-tang are, respectively, the second and the third favorite choices to the resident, while Dragon and Tiger Pagodas and Ancient Gate are those to the tourist. Tourists' age have little influence on their preferences. However, the age difference does play a more important role to affecting residents' choices. Resident's groups with age less than 39 prefer Ancient Gate as the best representative to the city, while those groups with age beyond 40 favor the Lotus Pond.

Considering to the answers of the reason "why", both residents and tourists all consider the history as the major reason leading to their primary choice for the best representative of the city. Most of the interviews are detected with the senses as a unique symbol by the geographical features in the historical city. But the causes of the second and the third choices in both categories are somehow different. To list in order respectively, they are the natural landscape and the street furniture for residents; the building type and the natural landscape for tourists. Interesting enough, such an order of choices for the tourist is identical to that made by the resident group with age under 20.

From the response to the question of the listed place of providing a sense of the best representative of the city, two traits can be inferred. First of all, the spatial cognition from both residents and tourists toward the Lotus Pond involves the historical and the geographical aspect of the place equally. The resident concerns the influence on the spatial development in Zuoying Settlement brought by the Lotus Pond, while the tourist emphasizes the correlation in spatial structure between the pond and the temple. Moreover, the Lotus Pond has become the main geographical symbol of Zuoying to the loacals owing to the intimate connection between the social life and the major accessible natural place, and the unique cultural code the local townscape to the tourists consisting of temples, pavilions and pagodas nearby the pond.

	Local (n=133)				Local Total (%)	Tourist (n=128)				Tourist Total (%)
	under 20	20-39	40-59	up 60		under 20	20-39	40-59	up 60	
Monuments	6.77	9.02	9.02	5.26	30.08	4.69	12.50	4.69	3.13	25.00
Confucian Temple	1.50	2.26	3.76	0.75	8.27	1.56	2.34	1.56	0.00	5.47
Historical Trail	0.00	0.00	1.50	0.00	1.50	0.78	0.00	0.00	0.78	1.56
Ancient Gate	5.26	6.77	3.76	4.51	20.30	2.34	9.38	3.13	2.34	17.19
Earth God Temple	0.00	0.00	0.00	0.00	0.00	0.00	0.78	0.00	0.00	0.78
Cultural Heritages	3.76	4.51	13.53	4.51	26.32	4.69	10.16	10.94	6.25	32.03
Yuan Di Temple	0.75	1.50	3.01	3.01	8.27	0.78	0.00	0.78	0.78	2.34
Cheng Huang Temple	1.50	0.00	1.50	0.00	3.01	0.78	0.00	0.00	0.00	0.78
Ci-mi-tang	1.50	2.26	7.52	0.00	11.28	0.78	2.34	3.91	0.00	7.03
Dragon Tiger Tower	0.00	0.75	1.50	1.50	3.76	2.34	7.81	6.25	5.47	21.88
Geographical Features	4.51	7.52	15.04	12.78	39.85	7.81	12.50	9.38	11.72	41.41
Panpingshan Natural Park	1.50	0.75	0.00	0.00	2.26	0.00	0.78	0.78	0.00	1.56
Primitive Plants Park	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.78	0.78
Lotus Pond	3.01	6.02	15.04	12.03	36.09	7.03	10.16	7.81	7.81	32.81
Park of Scenic Administration	0.00	0.00	0.00	0.00	0.00	0.78	0.78	0.78	3.13	5.47
Trutle Mountain	0.00	0.75	0.00	0.75	1.50	0.00	0.78	0.00	0.00	0.78
Others	0.00	0.00	1.50	2.26	3.76	0.00	0.00	0.00	1.56	1.56
Total	15.04	21.05	39.10	24.81	100.00	17.19	35.16	25.00	22.66	100.00

Table 3. Percentage of the choices that provide a sense of the best representative of Zuoying.

5.2. The sense of Zuoying Settlement

In the second part, the questions of 'beautiful' and 'favorite' deal with the preferences regarding the sense of the place and the aesthetic or self-cognitive characters of the place. The differences of the preferences concern the legibility and the functional satisfaction of the place. Both of the questions are designed to compare the differences in order to understand the meanings of the elements in Zuoying Settlement.

5.2.1. The most beautiful place in Zuoying Settlement

The types of selected place by the interviewee are nothing to do with the categories, the gender and the age of the interviewees ($p > .05$, $n = 261$). Most of the residents and tourists regard the Lotus Pond as the most beautiful place in Zuoying Settlement (46.3% of local residents and 41.4% of tourists). The percentages of choices are presented graphically in Table 4. The order of the most favorite beautiful place in Zuoying other than the Lotus Pond varies with identity. The list of the local resident is Ci-mi-tang · Yuan Di Temple and Dragon and Tiger Pagodas, while that of the tourist is Dragon and Tiger Pagodas · Park of Scenic Administration and Confucian Temple. In addition to the primary choice, the Lotus Pond, being a natural landscape, temples preferred by residents (especially by those with age greater than 20) are cultural heritages. The preference of the tourist varies with age. The building types favored by the tourist usually belong to the monument, except Dragon and Tiger Pagodas.

	Local (n=133)				Local Total (%)	Tourist (n=128)				Tourist Total (%)
	under 20	20-39	40-59	up 60		under 20	20-39	40-59	up 60	
Monuments	3.01	1.50	2.26	1.50	8.27	3.13	3.13	3.91	3.13	13.28
Confucian Temple	1.50	0.75	0.75	0.00	3.01	0.78	1.56	3.13	0.78	6.25
Historical Trail	0.00	0.00	0.00	0.00	0.00	0.00	0.78	0.00	0.00	0.78
Ancient Gate	1.50	0.75	1.50	1.50	5.26	2.34	0.78	0.78	2.34	6.25
Cultural Heritages	1.50	6.02	11.28	5.26	24.06	4.69	7.81	7.81	5.47	25.78
Yuan Di Temple	0.00	2.26	2.26	1.50	6.02	0.78	0.78	0.78	0.78	3.13
Cheng Huang Temple	0.75	3.01	6.77	0.75	11.28	0.00	2.34	1.56	0.78	4.69
Ci-mi-tang	0.00	0.00	0.75	0.00	0.75	0.00	0.00	0.00	0.00	0.00
Dragon Tiger Tower	0.75	0.75	1.50	3.01	6.02	3.91	4.69	5.47	3.91	17.97
Geographical Features	9.77	12.78	23.31	18.05	63.91	9.38	24.22	13.28	12.50	59.38
Panpingshan Natural Park	1.50	0.75	0.75	2.26	5.26	1.56	0.78	0.00	0.00	2.34
Zhouzai Wetland	0.75	0.75	0.75	0.00	2.26	0.00	1.56	0.78	0.00	2.34
Primitive Plants Park	0.75	0.75	2.26	0.75	4.51	0.00	1.56	0.00	1.56	3.13
Lotus Pond	6.02	8.27	18.05	14.29	46.62	6.25	15.63	10.94	8.59	41.41
Park of Scenic Administration	0.00	1.50	1.50	0.00	3.01	1.56	3.13	1.56	2.34	8.59
Trurtle Mountain	0.75	0.75	0.00	0.75	2.26	0.00	1.56	0.00	0.00	1.56
Others	0.75	0.75	2.26	0.00	3.76	0.00	0.00	0.00	1.56	1.56
Total	15.04	21.05	39.10	24.81	100.00	17.19	35.16	25.00	22.66	100.00

Table 4. Percentage of choices that samples is the most beautiful place in Zuoying Settlement.

Considering to the answers of the reason “why”, the natural landscape occupies the largest portion in both categories of residents and tourists to account for their choices of the most beautiful place in Zuoying Settlement. In addition, the choice of the place obviously depends upon the identity and the age of the interviewee. For example, the history is the primary concern in the resident’s group with age under 20, the building type is that with age 40-59, and the street furniture is those with age 20-39 and beyond 60. The ratio of preferring the building type, which is the major reason why a tourist with age beyond 60 would choose the favorite beautiful place, in the tourist’s groups grows with the age. The history, however, is the most important factor for most of the tourists with age under 20 to select the most favorite beautiful place.

The reason for the resident to choosing the most beautiful place in Zuoying is that it should serve as a place of exploring the visual aesthetic perception while fulfilling the functional meaning of the public life. In addition to recognizing the coexistence of heterogeneous things around the Lotus Pond, however, the reason for the tourist to choosing the most beautiful place in Zuoying is to outline the uniqueness of the local floating landscape. Moreover, various spatial types with strong traditional Chinese architectural features, such as Park of Scenic Administration and Confucian Temple, not only intensify tourists’ memories about the spatial culture of Zuoying Settlement, but also enrich their experiences in tasting the environmental aesthetics when strolling in the waterfront park.

5.2.2. The place for inhabitants’ friend and the favorite place of tourists

The types of selected place by the interviewee are nothing to do with the categories of the interviewees. The Lotus Pond is the place that residents would desire their guests to visit, and the place where tourists prefer visiting the most in Zuoying Settlement (Table 5). In addition to the Lotus Pond, the resident’s responses to the other choices vary with age. The resident’s next most favorite places are, respectively, Confucian Temple for age groups under 39, Ci-mi-tang for the age group 40-59, and Yuan Di Temple for the age group beyond 60. On the other hand, the tourist’s responses are quite consistent regardless their age. The next most favorite places for the tourist when ranked according to the proportion from high to low are Dragon and Tiger Pagodas, Ci-mi-tang and Ancient Gate.

Considering to the answers of the reason “why”, the natural landscape, to most interviewees, is the critical factor for answering this question, except for residents with age beyond 60 whose major concern is, instead, the street furniture. For the resident, the ratio of this preference decreases with age. Moreover, the reasons for the residents’ choice of the next favorite place in Zuoying are somehow different to different age groups. For instances, the history and the street furniture are, respectively, the important factor to contemplate for resident’s groups with age under 39 and that of 40-59. To the tourists, however, they favor the history and then the building type.

	Local (n=133)				Local Total (%)	Tourist (n=128)				Tourist Total (%)
	under 20	20-39	40-59	up 60		under 20	20-39	40-59	up 60	
Monuments	2.26	3.76	4.51	0.75	11.28	3.13	5.47	1.56	2.34	12.50
Confucian Temple	1.50	3.01	0.75	0.00	5.26	0.78	2.34	1.56	0.78	5.47
Historical Trail	0.75	0.00	0.00	0.00	0.75	0.00	0.78	0.00	0.00	0.78
Ancient Gate	0.00	0.75	3.76	0.75	5.26	2.34	2.34	0.00	1.56	6.25
Cultural Heritages	0.75	3.01	7.52	8.27	19.55	4.69	10.94	7.03	4.69	27.34
Yuan Di Temple	0.00	0.75	1.50	3.76	6.02	0.78	1.56	0.00	0.78	3.13
Cheng Huang Temple	0.00	0.75	0.00	0.00	0.75	0.00	0.78	0.00	0.00	0.78
Ci-mi-tang	0.00	1.50	5.26	2.26	9.02	0.78	3.13	3.91	0.78	8.59
Dragon Tiger Tower	0.75	0.00	0.75	2.26	3.76	3.13	5.47	3.13	3.13	14.84
Geographical Features	10.53	11.28	23.31	14.29	59.40	9.38	18.75	14.84	14.84	57.81
Panpingshan Natural Park	0.75	1.50	0.75	0.75	3.76	0.78	1.56	0.00	0.00	2.34
Zhouzai Wetland	0.75	0.75	0.75	0.00	2.26	0.78	0.78	0.00	0.00	1.56
Primitive Plants Park	1.50	0.00	0.75	0.00	2.26	0.00	2.34	0.78	2.34	5.47
Lotus Pond	6.77	7.52	20.30	12.78	47.37	7.03	10.16	13.28	11.72	42.19
Park of Scenic Administration	0.75	1.50	0.75	0.75	3.76	0.78	3.13	0.78	0.78	5.47
Trutle Mountain	0.00	0.00	0.00	0.00	0.00	0.00	0.78	0.00	0.00	0.78
Others	1.50	3.01	3.76	1.50	9.77	0.00	0.00	1.56	0.78	2.34
Total	15.04	21.05	39.10	24.81	100.00	17.19	35.16	25.00	22.66	100.00

Table 5. Percentage of choices that the place for inhabitants' friend and the favorite place of tourists in Zuoying Settlement.

The preference, the cognition, and the pride on the place are the keys to account for the resident's recommendation. The cross-comparison between the priority and the reason of choosing the favorite place to visiting shows that the Lotus Pond is very meaningful in the sense of nature and history for residents under the age of 39. For residents over the age of 40, the uniqueness of the Lotus Pond's geographical feature and the improvement on the street furniture around it further strengthen their cognition of the place.

The locals possess a strong sense of place reflecting the historical backgrounds of the city, which can be interpreted as a pride in the city, while the tourists maintain an enjoyable experience of the city representing the nature of the typological evolution of the city, which can be regarded as a catalyst of city redevelopment. Both act as central roles in a historical city going global.

5.3. The perspective of Zouying Settlement

5.3.1. The most important issue concerning the redevelopment of Zouying Settlement

The issue of tourism turns out to be the most important issue concerning the redevelopment of Zouying for both residents and tourists. The percentages of choices made by both of groups of interviewees are presented graphically in Tabel 6. The issue selections of the interviewee are strongly influenced by their ages ($p < .05$, $n=261$). It is especially so for tourists under the age of 20. For instances, residents under the age of 20 emphasize the issue of environment and that of tourism equally; residents with the age of 20-59 prefer the issue of history to that of environment; and residents beyond the age of 60 address equally the issue of environment and that of history. Tourists under the age of 20 and those with the age of 40-59 express more concern about the issue of history than that of environment. However, the exactly opposite trend is shown in the group of tourists with age of 20-39. Tourists beyond the age of 60 pay equal attention to the issue of tourism and that of history. In specific, the issue of history is more concerned in the group beyond the age of 60 than any other age groups of the tourist.

	Local (n=133)				Local Total (%)	Tourist (n=128)				Tourist Total (%)
	under 20	20-39	40-59	up 60		under 20	20-39	40-59	up 60	
Historical issue	3.008	6.015	9.774	5.263	24.06	4.688	7.813	6.25	7.813	26.56
Environmental issue	6.015	4.511	9.774	5.263	25.56	3.125	8.594	4.688	3.906	20.31
Tourist issue	6.015	10.53	18.8	11.28	46.62	9.375	18.75	12.5	7.813	48.44
Others	0	0	0.752	3.008	3.759	0	0	1.563	3.125	4.688
Total	15.04	21.05	39.1	24.81	100	17.19	35.16	25	22.66	100

Table 6. Percentage of the most important issues for the city redevelopment.

5.3.2. The place served as the best example for the future redevelopment

The Lotus Pond is considered by all interviewees under the age of 59 as the best example for the future redevelopment in Zouying. The percentages of choices made by both of groups of interviewees are presented graphically in Table 7. The preferences of place as the best example for the future redevelopment are significantly different for both categories of the interviewees ($p < .05$, $n=261$). Remarkably, residents raise many other possibilities in response to this question. A significant amount of residents (22.6%) proposes a number of suggestions, *e.g.* infrastructure investment, local character construction, and old street renew... *etc.* Twenty-seven percent of them are the elderly over the age of 60, who have questioned and expressed the negative views on the development. Preferences of all interviewees depend upon both the identity and the age. Residents under the age of 59 favor

the natural landscape, while some of senior residents over the age of 40 chooses “the others”. On the other hand, the analysis on tourist’s choices shows that the cultural landscape is the collective preference among various age groups of the tourist. Furthermore, tourists under the age of 59 prefer the natural landscape to the monument, while those over the age of 60 show the exact opposite.

	Local (n=133)				Local Total	Tourist (n=128)				Tourist Total
	under 20	20-39	40-59	up 60		under 20	20-39	40-59	up 60	
Monuments	1.50	3.01	3.01	4.51	12.03	2.34	7.03	2.34	7.03	18.75
Confucian Temple	0.75	1.50	1.50	1.50	5.26	1.56	0.00	1.56	0.78	3.91
Historical Trail	0.00	0.00	0.00	0.00	0.00	0.00	3.91	0.78	1.56	6.25
Ancient Gate	0.75	1.50	1.50	3.01	6.77	0.78	3.13	0.00	4.69	8.59
Cultural Heritages	0.00	1.50	3.76	4.51	9.77	3.91	4.69	3.91	3.91	16.41
Yuan Di Temple	0.00	1.50	0.00	1.50	3.01	0.00	0.00	0.00	0.78	0.78
Cheng Huang Temple	0.00	0.00	0.75	0.00	0.75	0.78	1.56	0.78	0.00	3.13
Ci-mi-tang	0.00	0.00	2.26	1.50	3.76	1.56	0.78	0.78	0.00	3.13
Cing Shuei Temple	0.00	0.00	0.00	0.00	0.00	0.00	0.78	0.00	0.00	0.78
Dragon Tiger Tower	0.00	0.00	0.75	1.50	2.26	1.56	1.56	2.34	3.13	8.59
Geographical Features	11.28	13.53	23.31	7.52	55.64	10.16	23.44	16.41	10.16	60.16
Panpingshan Natural Park	1.50	0.00	0.00	0.00	1.50	0.00	0.78	0.00	0.00	0.78
Zhouzai Wetland	0.75	1.50	2.26	0.00	4.51	0.00	3.13	0.78	0.00	3.91
Primitive Plants Park	0.75	2.26	0.75	0.00	3.76	0.78	3.13	1.56	1.56	7.03
Lotus Pond	4.51	7.52	16.54	6.77	35.34	7.03	12.50	12.50	7.81	39.84
Park of Scenic Administration	3.76	2.26	3.76	0.00	9.77	1.56	3.13	1.56	0.78	7.03
Trutle Mountain	0.00	0.00	0.00	0.75	0.75	0.78	0.78	0.00	0.00	1.56
Others	2.26	3.01	9.02	8.27	22.56	0.78	0.00	2.34	1.56	4.69
Total	15.04	21.05	39.10	24.81	100.00	17.19	35.16	25.00	22.66	100.00

Table 7. Percentage of the places served as the best example for the future redevelopment in Zuoying Settlement.

5.4. Discussion

The result of the unique sense for the locals represents the symbolic meaning within the city. Moreover, the result may be interpreted that the historical monuments for the locals is used to refer to the importance of reflecting the authenticity of the settlement. On the other hand, the result of the unique sense for the tourists not only implies the purpose of traveling, represents the identifying characters of Zuoying Settlement. The identifying characters in Zuoying Settlement attach to the historical settings based on the combination of activity, attentiveness and emotion. For some of the tourists, the historical settings include not only the artifacts, but the geographical features including the pond and the mountains.

The exploration into the interviewee's cognition of Zuoying Settlement indicates two features. In resident's cognition of the settlement, the construction and improvement in both the quantity and the quality of environmental facilities signify a symbol of progress which, by associating with the imagination on the environmental aesthetics of a modern city, makes some residents proud of their habitation. To the tourist, the preference of travelling place is closely related to the travel motivation and the destination image. The natural expression, the historical atmosphere, and the temple scenery of a townscape not only create distinctive characteristics of the place, but also fulfill the expectations of tourist experience.

Accordingly, the social meanings of the recent physical redevelopment in Zuoying Settlement can be explained in the light of preference judgements of the locals and tourists. Moreover, the preference judgment is relevant to not only an attitude of the historical mountains, cultural heritages and geographical features of the evolving Zuoying Settlement, but also an expression of people's vision of the city in the changing of time. That is to say, how people learn to rethink the transformation of their living place-- e.g., form, material, function, spatial structure and spatial character -- for fitting into the transition of a city.

6. Conclusion

As Fisher-Gewirtzman *et al.* (2003) has mentioned about the physical environment, "spatial configuration has a great impact on perception, as it is more direct and more elementary than individual details.", the results of this study can serve as a foundation not only to understand the meanings of the artifacts and the geographical features relating to the existing context, but also to bring out various ideas about developing in Zuoying Settlement. The ideas of improving the quality of the settlement fall in both of the locals' and the tourists' readings in the juxtaposition of the elements of townscape. Such a reading of the city referring to the experiences of human needs and the existing physical context can facilitate a public discourse that is the goal of responsible improvement in the 21st century. This public discourse will bring meaning back into the development of the city. In recognizing these interactions it is critical to have a strategy to carrying out a vision of making a sustainable city.

According to the resident's reading on the townscape of Zuoying, our investigation clearly shows that the local needs for residents' survival and living amount to the D-needs in Maslow's theory, *i.e.* physiological, safety, social, and esteem needs. Residents' cognition of current status and future expectations reflect the satisfaction of the needs of survival. Furthermore, residents' concerns about the street furniture and the natural landscape in the local development plan reveal the satisfaction of the needs of living.

On the other hand, the tourist's reading on the townscape of Zuoying discloses the motivation of knowledge learning and aesthetic needs in their experiences, which are equivalent to the B-needs in Maslow's theory, *i.e.* the needs of self-actualization. Tourists' preferences of historical and cultural landscapes and their future expectations show the needs of knowledge learning. Moreover, tourists' concerns about the building type and the natural landscape reflect the needs of aesthetics.

Since a historical monument or a cultural heritage is usually embedded in a natural landscape, they form an inseparable compound landscape. The diversified meaning of the

Lotus Pond to the resident and the tourist can only be read off by an integrated survey on it if one treats it as a proper compound system. This compound system not only describes the townscape of Zuoying Settlement at a scale experienced by people, it describes the townscape at the grain of people's experience. For example, the typology of cultural heritages that would have represented a translation of people reading the natural context of the city also could be validly described in terms of a clear hierarchy of spatial structure (Lin and Lee, 2010). The inseparability of such a compound landscape is the key to understand the legibility, the coherence, and the complexity of a city.

Based on these data, the preference judgment can explained people's attitudes toward the architectural redevelopments in Zuoying Settlement. As a consequent, the preference judgment is a mixture of perception and cognitive attitudes, affective responses and the driving force for redevelopment. We therefore conclude that the characters of the cultural heritages and the historical monuments associating with the natural landscape under consideration are capable of reflecting the authenticity of the historical settlement. In addition, the strong preferences of the cultural heritage and the natural landscape are capable of characterizing the relations between people and the meanings of the historical Zuoying, as well as assessing the value of the physical elements within the city. Moreover, people's reading of these elements of the city can serve as the visualization tools, which enables us to translate the results into the guidelines for fitting into the transition of city redevelopment, and carrying out the logic and the meaning of the changing city in the process of globalization (Figure 5). This, in turn, provides an interface not only for reinforcing the place identity of the traditional settlement, but fitting into the era of city seeking for sustainable development.

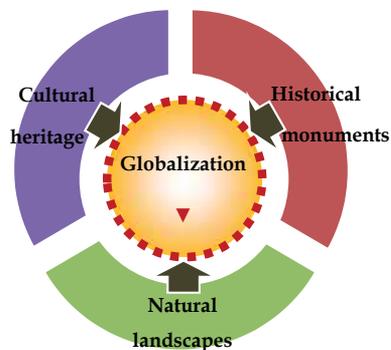


Figure 5. The framework for the sustainable development of a city in the trend of globalization.

We have come through a long period where development has been reduced to globalized forms having no particular meaning. An alternative is to return to architecture and urbanism as an art rather than as a mechanism. The difference is that the priority of art is elucidation of meaning and the development of a language to convey meaning. We do not have to choose between engineering and art, but we do have to focus on development that intends to engage in a public discourse of ideas and to include a greater complexity of idea in the making and remaking of our cities.

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Observing Public Policy in a Global Context

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Additional information is available at the end of the chapter

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1. Introduction

Public policy is a complex, global phenomenon. This means that it exhibits complex and chaotic behaviors that cannot be fully uncovered and understood through the traditional linear observation which promotes concepts such as control, local causality, instrumentalism and breaking the whole into building blocks. This article addresses the inability of the linear model in observing public policy and its global flux and unpredictable nature. The article offers a strategy to apply complexity dimensions in observing of public policy in global context that emphasizes autonomy, network, relationships, flexibility, forecast, and subjectivity. The research design used in this article is qualitative because of the depth of information that words and content analysis can provide in explaining the application strategy of a complexity-based model in observing public policy. The article does not suggest that the current strategy in observing public policy to be abandoned or replaced by a complexity-based model. Rather, the non-linear and unpredictable nature of public policy can benefit much more if examined by incorporating dimensions from the complexity sciences.

The world of public policy, like any other living system, is not static and continually changing, moving through cycles of equilibrium, oscillation, chaos, collapse, emergence, equilibrium-disequilibrium-equilibrium, oscillation, and so on. The cycle of birth and rebirth is continuous in order for public policy as a dynamic system to live within changing conditions in its environment (Smith, 2007). Such transformation is irreversible, non-predictable, determined, and interconnected (Richardson and Goldstein, 2007). Delaying the systemic evolution of public policy through artificial engineering will create catastrophic results (Brown, 1995). This is why studying public policy through complex models is important in order to allow for the participant/observers to examine its natural progression and cyclical dynamics and prevent any attempt artificial engineering that will result in more harm than good (Harrison, 2006).

Systems, including public policy, do not live independently in the world (Harrison, 2006). There is no starting or ending points in the system's web of associations and interconnected networks (Newman, Barabasi and Watts, 2006). Changes within these systems are not predictable and thus it is fruitless trying to anticipate the nature and timing of these changes or planning ahead to dealing with them (Miller and Page, 2007). Rather, these systems are in continuous state of flux, unpredictable, interconnected, and involve mutual causality through negative and positive feedback that trigger multiple internal and external changes within a pattern of association and interconnected relations (Morgan, 2006). Every trigger in the environment will be corresponded with changes within the system's internal dynamics, while such changes result in impacting the environment in return within series of interactions and feedback. Triggers can vary in size and magnitude (Nowak, 2006). Most triggers are small in magnitude yet the resulting changes within the system's internal dynamics can be large (Lorenz, 1996). Hence, Lorenz's famous question "Does the flapping of the butterfly wings in Brazil cause a title wave in Texas?"

Most natural sciences are linear. Social sciences, on the other hand, are complex (Miller and Page, 2007). Yet, the complex nature of social sciences is often misunderstood. This is because we, as human beings, inherit our knowledge linearly and it is difficult transferring it to complex domain (Taleb and Blyth, 2011). Nevertheless, we live in both the linear and non-linear worlds simultaneously. Our linear domain is characterized by predictability and the low degree of interaction among its components. This allows us use mathematical methods to make forecasts (Guastello, 2002). In the complex domain, we are devoid of visible causal links between elements and rely, instead, on interdependence and extremely low predictability (Kauffman, 1993). This is where a complexity-based model can become useful in explaining causality, interdependence, and low predictability.

One of the errors we do when we are in the linear domain is we have an urge to control (Capra, Juarrero, and Uden, 2007). We do this in our daily routine interactions, or in public and economic policies (Harrison, 2006). Although all indicators point to the contrary and results demonstrate the fatality of such behavior, we, nevertheless, persist on maintaining this trait (Buchanan, 2003). In addition to control, we also exhibit another fatal tendency that we inherit from the linear domain, which is the propensity to predict (Brown, 1995). After the financial crisis of 2007-8, for example, many people thought that predicting the subprime meltdown would have helped. It would not have, since it was a symptom of the crisis, not its underlying cause (Taleb and Blyth, 2011). Life is not predictable (Barabasi, 2003). No matter how much time we spend on devising models and instruments for predictability, we will never be able to trace chance (Capra, 2004). Because of this, we fear chance and randomness (Juarrero and Rubino). However, when we live in our complex domain and allow for complexity to assist our analyses and observations we can rescue ourselves from control, prediction, and fear of randomness. Therefore, we ought to welcome variation as the source of information. We also ought to observe the system itself and its fragility, not events. And, we ought to apply percolation theory by studying the properties of the terrain rather than single elements (Capra, Juarrero, and Uden, 2007).

By understanding public policy globally and through a complexity lens we can create a new way of thinking about changes in governance and citizen participatory that will enable us better understand the flux nature of our world and its shared-reality construct (Kiel and Elliott, 1997). A complexity-based model can enrich the observing of public policy by helping us better deal with changes without control, predictions, long-term planning and artificial engineering (Harrison, 2006). Perhaps the most fatal and dangerous element we had inherited from the linear domain is our tendency to prevent systemic volatility and persisting on the illusion of maintaining “stability” through artificial engineering (Goldstein, 2007). This type of error, often adapted by policymakers, is the recipe for disaster and often results in catastrophe (Brown, 1995).

2. Research questions

1. Why the need to examine public policy as a global, non-linear science?
2. What are the problems caused in observing public policy according to a linear strategy?
3. What are the benefits gained in applying complexity dimensions to the strategy of observing public policy as a global concept?

2.1. Research design

This research uses qualitative methodology and analysis with the investigator as a participant-observer. The analysis involves tracing concepts that compose evolving themes. The behavior of these themes is utilized through content analysis in order to explain the contrast between two strategies in observing public policy, one according to a linear model and another according to the application of complexity dimensions within a global context. Ethnograph is used to help in identifying emerging concepts. Group A involves observing public policy as a traditional linear model without emphasis on global context and global interconnectedness to policy issues. Group B involves observing the same subject while applying complexity dimensions to observing strategy and within a global interconnected framework. No personal information of participants is collected. For Group A the investigator assigns a syllabi, readings, textbooks, and assignments. Traditional role of an instructor is emphasized to set objectives, structure, and assess outcomes through evaluating performance, participation, presentation styles, and exams. Policy issues are discussed and analyzed within local, regional, and national levels. Selected areas in foreign policy are applied but only from the local/regional/and national perspectives. For Group B, the investigator restrains from a hierarchal and controlled methodology. Instead, he acts as a facilitator who encouraged autonomy, self-assessment, subjectivity, and growth. Assessments are measured collectively as a network through observers’ interaction and coordination. No textbooks, schedules, or syllabi are assigned by the instructor. Complexity dimensions are introduced in order to observe the complex and unpredictable nature of the non-linear public policy in global context. Globalization is treated as a fluid and flux environment for policy formulation, implementation, maturation, and challenges. Local, regional, and national elements are linked to a global framework in order to understand the

multiple forces interplay in producing and impacting a policy. Observation is bottom-up through empowering participants to become active global participant-observers. A new state of awareness is encouraged through dynamic participation (Capra, 2004). Attention is shifting from a particular unit (building-block) that stresses locality in the observation process to the overall global network and relationship (Kelso, 1995). As such, the complexity-based model acts as a pedagogical agent in transforming participants from localized individuals to cognizant global participant-observers (Kiel, 1999).

3. Observing public policy in global context

There are various dimensions driven from complexity sciences that can be applied to the strategy of observing public policy in global context. These included the nature of change, relational operations, non-linearity, continuous flux, the paradigm of Taoism, shifting objects to events, Kondratev Cycle, and removing theory from abstract (Dawoody, 2011).

The Nature of Change is when a dynamic systems exhibit temporal behaviors. Change becomes uncertain, unpredictable, emergent, and transcending and the system's parameters with its environment become fused, allowing through ongoing relationships. A typical dynamic system can exhibit a variety of temporal behavior. When the behavioral history of a system is examined, the nature of change becomes the core of its inquiry (Brown, 1996). If a system becomes unstable, it will move first into a period of oscillation, swinging back and forth between two different states. After this oscillation stage the next state is chaos, and it is then the wild gyrations begin (Wheatley, 2006). Such dynamic is global in its context and cannot be understood not operated within a local limitation.

If we look at public policy as a dynamic global system and examine the nature of changes within it we can see these changes requiring oscillation, chaos and the birth of new order on global level that can be manifested within the local particularities. However, often these changes are artificially engineered in form of reforms in order to stop the systemic collapse and prolong its decaying structure beyond its natural time. When observing public policy as it reacts and interacts with its global environment, we need to realize that fluctuations can take place (Kendall, Schaffer, Tidd and Olsen, 1997). Fluctuations are initiated by changes in the environment and lead to corresponding changes within the globally interacting system through positive and negative feedback. Positive feedback translates changes in the global environment to more changes in the system's localized internal dynamics, and fewer changes in the global environment will lead to fewer changes within the localized dynamics of the system. Negative feedback, on the other hand, is when more changes in the global environment lead to fewer changes within the localized dynamics of the system while fewer changes in the global environment lead to more changes within the local dynamics of the system (Morgan, 2006).

This environmental global stochasticity increases the probability of some policies of program local extinction. Policies and programs that evolve on local levels are those who are selected against (Kendall, Schaffer, Tidd and Olsen, 1997). The evolutionary feedback, according to De

Greene, is characterized as non-equilibrium conditioning which leads a global dynamic system toward crossing a critical threshold on a localized level. Beyond this threshold the system becomes structurally and universally unstable, which leads to dissipation for further evolution (1996). The local system's interactions with its global environment is continuous, fused through its parameters that act as sensory receptors to capture changes in the environment and transmit them to the system's internal dynamics for corresponding changes both on local and global levels (Kauffman, 1995). The resulting configuration within the system's internal order is emergent, allowing for new structures, patterns and processes to emerge through self-organization in order to fit best with the changing dynamics in the global environment (Vesterby, 2008). The relationship between the local system and its global environment is as such an active relationship that benefits from feedback and translates into systemic morphology (Ruelle, 1993). Stimuli from the global environment and the local system's response are based on short or long-term transitions and corresponding changes in the system's internal dynamics can be irreducible, unpredictable, and complex.

Relational Operations on global level is when interactions between a dynamic system and its interconnected global environment are relational based on feedback. Kicks that take place in the system's global environment are stimuli, causing internal disheveling within the system's structural order and processes. The self-organization process is the system's response to globalized environmental stimuli. These relational operations are random and irreducible (Dawoody, 2011).

The relationship between a system and its global environment operates on feedback that is either positive or negative (Morgan, 2006). Feedback as stimuli is retransmitted by the global environment and cause random changes in the agent's localized internal processes (Wheatley, 2006). This behavior contains the agent's morphology from static equilibrium to a state of chaos and disorder. Disorder then leads to new structures and practices (Prigogine, 1996). The phase-shifts from equilibrium to disequilibrium to equilibrium are self-organizing and irreducible, and unpredictable (Nicolis and Prigogine, 1989). Understanding public policy through phase-shifts dynamics and relational operations instead enable us to encapsulate the global picture in change dynamics and have better appreciation of the multilayered dynamics that interplay during their display (Richardson and Goldstein, 2007).

Non-Locality is when the globalization reality has fuzzy indeterminacy. Something that occurs in region A can have an effect in region B instantaneously regardless of how far apart these two regions happen to be (Albert, 1999). This notion is known as non-locality or non-local causation. It runs against the traditional local causation in traveling the space between building blocks (Morcol, 1999). No longer are we able to assume that our experiments and observations tell us anything concrete about reality. Whatever reality is out there, it has fuzzy indeterminacy (Evans, 1999). The world is a world of global participatory collusion among local particles in which entities separated by space and possess no mechanism for communicating with one another can exhibit correlations in their behavior (Overman and Loraine, 1996). Structures collapse and evolve because of consistently small reasons that grow larger and become more complex (Brem, 1999).

Continuous Flux is when the nonlocal way of nature is characterized by a continuous flux. A flux system is a dynamic, non-static system. It is always evolving, always changing, and always responding to stimuli from its environment. During such a system one never steps into the same waters twice since these waters are continually moving (Dawoody, 2011).

Public policy is a political process. For a political process to function linearly, incremental measures are taken instead of a comprehensive approach (Lindblom, 1959). Whenever government engages in a comprehensive systemic approach, the result often yields unintended consequences that the linearity-trained decision-makers unable to accept or understand. A Complex approach better understands the flux, interconnected, global, living-in-the moment, and anticipating change than controlling.

Tao is when the flow of opposite energies determines the nature of dynamic system and all trends eventually reverse themselves (Dawoody, 2011). Complexity is an encompassing perspective (Wheatley, 2006). It builds on Western as well as Eastern philosophies. One of those contributors is Taoism. According to this understanding, contradictory elements in the world are actually complimentary elements. The flow of opposite energies determines the nature of a global dynamic system. All trends eventually reverse themselves shaped by the dynamic interplay of yin and yang both on global and local levels, a metaphor referring to the dark and sunny sides of a hill (Capra, 1991). To build on this perspective, public policy can benefit from the understanding that all things are globally relative and all things globally interconnected and matter.

Shifting Objects to Events is when truth is seen not as an attribute inherent in a system but as the meaning we attribute to that system.

We are no longer constrained by a single ontological model. Truth can now be seen not as an attribute inherent in a system or event but as the meaning we attribute to that system's interplay in an interconnected universal/global network (Buchanan, 2003). This kind of ontological liberation is evident in the paradigm shift from linear and local observation to the globalized world of complexity sciences (Evans, 1999; Wheatley, 2006). Complexity and its interconnected universal model free us from the burden that comes from needing to control and remain local rather than to evoke process and relationship on global level within a flux and interconnected dynamic network (Overman and Loraine, 1996). This understanding forces us to examine public policy not through the isolated and localized observation of its building-blocks, but in relationship of these particles with themselves and the global environment of the system as a whole (Johnson, 2002).

Kondratiev Cycle is when evolution shows movement from non-equilibrium to equilibrium to equilibrium, and so on. This process is irreversible. Because of the irreversibly of structural change, the specific structures would not be the same and cannot remain local. Features within a cycle can spill over to the next cycle within the interconnected global network. These cycles of non-equilibrium, complexity, instability, and structural change is known as the Kondratiev Cycles (De Greene, 1996). This understanding makes public policy an element of evolving global complex system.

Finally, Removing Theory from Abstract is when the purpose of theory becomes making the globe stand still while our backs are turned. Complexity shifts theory to an engaging and participatory forum that will change agents from observers to global citizen participant-observers capable of cycling theory through practical observation (Dawoody, 2011). Complexity enables us to transform theory from an abstract notion to an engaging and participatory international and interconnected forum (Barabasi, 2003). This understanding will enable us learn how chaos really works, and the forces that interplay in shifting a system through continuous cycle of change on global level while manifesting within local particularities (Buchanan, 2003). Out of this chaotic behavior new structures will emerge that can be sustainable since they will better fit with the changing global environment (Strogatz, 2001). This understanding can transform observers from localized blank-slates into autonomous global agents of change within the dynamic and evolving system of public policy.

4. Findings

Data resulted in identifying 97 linear/localized concepts that were utilized by Ethnograph in the content analysis. These linear concepts formed eight linear/localized themes that included control, breaking the whole into parts, one-best-way, prediction and planning, clockwise movement, artificial engineering, instrumentalism, and one-dimensional. By observing the application of these localized/linear themes between in understanding public policy, a contrast was drawn between two strategies in observing of such public: a strict linear and localized strategy that made full use of the linear themes, and a globalized perspective that utilized complexity-dimensions.

In relation to Control, for example, observing public policy as a complex system required empowering members of Group B to be autonomous, self-organizing within groups, self-governing during the observation process, and examining the administrative system as an interconnected web (Dawoody, 2011). The educator's role was to be a facilitator in order to guide the observational trajectory. In serving as a facilitator, the educator became a strange attractor (Gleick, 1988), thereby creating instability within the status quo of the members' observation that eventually led toward the emergence of new form of observation that is complex, in-depth, holistic, and comprehensive (Wheatley, 2006). This new form of observation and the resulting awareness identified internal patterns of adaptation (Juarrero and Rubino, 2008) within the agents through networking and engagement. Participants acted as a network in order to observe public policy as a global complex system (Miller and Page, 2007). The autonomous and empowered members in Group B and while interacting with one other and perceiving their subjective views were encouraged and welcomed, they were able to demonstrate their potentials for generating findings in ways that was not possible in Group A whereby "control" was applied, the instructor acted as a guru (Caplan, 2002), and agents behaved as localized blank-slates in a top-down methodology.

Controlling the systemic order within an autocratically structured dynamics deprived members in Group A from autonomous decision-making process of the affected agents

(Gilbert, 2008). This rigidity had opposed internal changes necessary to deal with environmental changes outside the group (Vesterby, 2008) and rendered the observation process incapable of dealing with emerging conditions (Johnson, 2002). Because of this, the second strategy applied in Group B opposed control (Lewin, 1999) and encouraged the members' autonomy (Gilbert, 2008) and networking (Kelso, 1995). Under this strategy control shifted to influence with agents moving through the processes of observation to acquire awareness of emerging dynamics (Buchanan, 2003).

In relation to *Breaking the Whole into Parts*, the linear strategy applied in Group A had adapted the methodology of inquiry by breaking a system into parts, studying each part separately, and then composing all parts together in order to understand the whole (Wheatley, 2006). This methodology, however, was ineffective and observers missed the "bigger" picture when they broke it into parts (Dawoody, 2011). In order to understand the function of a system it must be studied as a functional whole (global context), not through isolated and separated local parts (Richardson, 2005). It is the interconnectedness of the various complements of a system while globally interconnected gives us an understanding of how the whole works and functions, not the other way around (Kauffman, 1995). The second strategy applied in Group B had resolved the linear dilemma with agents observing issues in public policy as a global system and within its entirety as series of local/global interactions and process (Barabasi, 2003), connecting both internal and external factors and players (Nowak, 2006), and observing local and global changes that morphed through phase shifts, continuous cycles of structural changes (Miller and Page, 2007), birth and rebirth (Smith, 2007), and equilibrium-disequilibrium-equilibrium (Prigogine and Stengers, 1984).

In relation to *One-Best-Way*, public policy is often examined according to one-best methodology. One-best-way finds its roots in Scientific Management (Taylor, 2010). This approach was also used in Group A, emphasizing time and motion, division of labor (such as assigning team leaders, moderators, and presenters in groups), breaking the system into localized parts and then analyzing each part independently, managing information and its flow, and emphasizing bureaucratic structures over processes, methods over substance and instrumentalism over human factor (Dawoody, 2011). This approach stood in contrary to common sense. How could a single methodology apply to all areas in public policy that operate within a global dynamic? How could one tool be adequate to be used in all applications? The complexity-based model in Group B offered members a new direction. It was perceived as a perspective that opened up possibilities for consideration of multiple universal perspectives and unexpected orders (Wheatley, 2006). In Group B, there was no one-best-way. Instead, observation emphasized the approach of "it depends", especially when every situation and condition examined within a global context was different and unique that required unique observation and solutions (Lewin, 1999). "It Depends" lacked control, rigidity, top-down, and one-size-fits-all methodology.

The application of complexity dimensions to the observation strategy for Group B had utilized the Agent-Based Model instead of one-best-way approach (Gilbert, 2008). Each

agent in the group was autonomous and interacted with other agents and the environment outside the group through networking. Each agent had the potential of influencing the entire network as well as other associated networks in the environment, benefiting from the “butterfly effect” in which a single event can be dramatically magnified into an exponentially increasing dynamic. Within this transformation, both the agent and the network went through self-reorganization and restructuring in order to cope with the changes in the environment (Goldstein, 1994). Within this model, there was no starting or ending point, top-down relationships, control, or one-size-fits it. Each event that was observed by any agent in the network was the shared experience of the entire network (Newman, Barabasi, and Watts, 2006). Solutions were applied as situation dictated and required by each autonomous agent. Decisions were also made by each agent autonomously and while in cooperation with other agents in the network. These decisions were process-based and responded to changes both internally within the group’s global observational dynamics (Hazy, Goldstein and Lichtenstein, 2007).

In relation to Prediction and Planning, in a world of uncertainty we can no longer rely on a naïve confidence that long term results can be accurately predicted (Strogatz, 2000). Instead, the emphasis needs to shift to a much greater flexibility which prepares any current structure to respond to unprecedented changes (Dawoody, 2011). When changes occur in the environment (whether local or global), we need to allow a dynamic system the capacity to change from within to the degree of collapsing its existing order in order to for the new order to emerge (Vesterby, 2008).

Lorenz’s butterfly effect teaches us that small changes within the initial conditioning will result in larger changes in the longer trajectory of a dynamic system’s morphology (Lorenz, 1996). Since many forces interplay in the system’s morphology, attempting to map out its long-term trajectory is fruitless because such a trajectory is always changing due to the constant interplay of internal and external forces (Saunders, 1980). In public policy, Lorenz’ formula holds. If it is fruitless trying to predict the weather accurately beyond five days, it is also fruitless trying to predict changes in policy dynamics beyond the foreseeable future. This will also negate the necessity for long-term planning (Juarrero and Rubino, 2008). Instead of prediction and long-term planning, complexity moves us to anticipation and prepares us live in-the-movement (Richardson and Goldstein, 2007). The outcome of this was to accept the unexpected consequences, acknowledge the uncertain outcome of deterministic system, and include patterns of observation in uncovering the processes of change within an interconnected global network (Kelso, 1995).

In relation to Clock-Wise Movement, the linear application in Group A described a phenomenon clock-wise. Time and motion, according to this model were reversible (Hawking, 1998). A phenomenon was reduced to localized parts, functions, and building blocks (Wheatley, 2006). The complexity-based application in Group B, however, did the opposite (Dawoody, 2011). It welcomed pluralistic and multi-dimensional global view of an observed phenomenon (Lewin, 1999). Time and motion, according to the complexity-based model were irreversible. The main prism of such approach was that simple local systems

demonstrated complex global behaviors which were self-organizing (Morcol, 1999). The Arab Spring is an example of such localized systems with complex global behavior.

Self organization is the idea that living systems are capable of self-organize themselves in ways that all their components and processes can jointly produce the same components and processes as autonomous agents (Vesterby, 2008). This concept is also known as autopoiesis (Maturana and Varela, 1991). A key notion of this concept is self-referentiality (Sandri, 2008). The idea of self-reference designates the unity that a dynamic system is for itself, and that unity can be produced through relational operations (Little, 1999).

Autopoiesis and self-referentiality cannot be observed clock-wise. They must be understood within processes of change that are multi-dimensional, multi-layered, multi-directional, and continually morphing in a state of flux within an irreversible trajectory of time and motion. Group B followed this multi-dimensional, multi-layered, and multi-directional trajectory of irreversible movement in time. Group A, however, and by observing public policy clock-wise, had deprived its members seeing the entire encompassing picture of public policy and captured only a glimpse of its trajectory within limited sectional aspect that was both incomplete and inadequate.

In relation to Artificial Engineering, linearity is the science of mapping events along a localized linear line. Causal relations between these events are singular. There is corresponding elements along the line between events and their environments. However, emphases are on gravity, inertia, control, goals, future, and predictability (Wheatley, 2006). The line has both starting and ending points and it is one directional (Dawoody, 2011).

In Group A, members observed linear trajectories adhering to rigid structures for the purpose of setting goals to localized projects (Morgan, 2006). However, when the structural elements in these projects were incapable of dealing with continuous global environmental changes, more modifications (artificial engineering) were induced in order to sustain these projects beyond their natural lives (Saunders, 1980). Emphases in Group B, on the other hand, were on synergy, in-the-moment, self-organization, relationships, patterns of similarities and differences across time and space, mutual causality, awareness, and transformation through emergence (Juarrero and Rubino, 2008; Nicolis and Prigogine, 1989). Instead of a line, there were universal loops in the agents' observations and analyses. Agents in Group B utilized networks and interconnected dialogue with one another (Brown, 1995). Interactions with the global environment were on-going based on continuous relationships that the agents had established within a global network of observers (Johnson, 2002). Changes that took place outside the group acted as "kicks" to generate changes within the group's observational dynamics and internal dialogue. Communications, as such, was based on positive and negative feedback (Morgan, 2006).

Environmental kicks were received by the members in Group B through the group's sensory receptors (personal relationships, professional association, and ICT) which acted as strange attractors in order to prepare the group internally to reshuffle its internal dynamics and change its order to correspond with global changes. If the internal order in

the group was incapable of change, the group's entire structural order had to collapse in order to allow for a new structural order emerge and deal with the new environmental changes (Prigogine and Stengers, 1984). Sustaining the older structures through artificial engineering may have bought the group some time, but it would not have prevented its ultimate collapse (Brown, 1995). Group A, instead, had refused the concept of collapse in totality and focused instead on series of modifications to its group dynamics and project goals.

Without the collapse of older structure there will be no birth of a new order. This concept is also referred to as bifurcation (Kuznetsov, 2010), and translated in phase shifts in the order of the system's dynamics (Wheatley, 2006). As the self-organizing order emerges out of the interaction of elements within the system, the system's own parameters become unstable and the older order starts to collapse (Brem, 1999). Public policy must be understood according to this perspective in order to safeguard it from costly errors of resisting change or attempting artificial engineering (Richardson and Goldstein, 2007). This is what Group B had understood best and was ready to apply to their project and anticipate the consequences of collapse.

In relation to Instrumentalism, in Group A, the "instruments" used for the study of public policy became the ends of the group's function (Dawoody, 2011). The purpose of the study or the administrative function was no longer considered to be the objects of the performance. Rather, instrumentalism on its own emerged both as means and the ends (Setiya, 2010). This approach created divisions, rifts and conflicts among members that diverted their focus from stated goals toward the secondary issue of "tools." Group B, on the other hand, regarded itself as part of the process. Instruments were interactive parts of observations, not independent of it. The validity of instrumentalism held true as long as it was useful to the observation process. It did not replace the process nor did it become its goal (March and Simon, 1993). Instrumentalism, in Group B, was part of the process evolving toward better observance of global complex changes (Wheatley, 2006). Most importantly, members of the group put themselves within the process of pattern-forming as tools and transformed as well during their observation of the phenomenon.

In relation to One-Dimensionalism, linearism is based on one-dimensional approach toward observing a phenomenon locally (Dawoody, 2011). Within Group A there was no room for subjective views or pluralism of ideas. Possible interpretations outside the group collapsed into one localized linear approach in sake of one-dimensional observation (Simon, 1997). Group B, on the other hand, looked at a dynamic system as a composite of interconnected global relationships (Miller and Page, 2007). What the contrast between Groups A and B had demonstrated is that public policy suffers greatly if observed solely through a strict localized linear approach. The world of policies and governments, according to Little (1999) is unclear, interconnected, complex, often conflicting with top-down systems of accountability that are easily transformed into constraints. As such, this world produces policies that are inherently less responsive, less effective, less local, and less efficient. Any attempt to observe this uncertain world and

its policies through predictable localized lenses will be pure theoretical and lack validity in the real interconnected world. Group B emphasized on welcoming uncertainty and the shade of “gray” into its global observation and shy away from abstract (Wheatley, 2006). Group members learned to shift their attention toward interconnected global process and patterns building, chance, phase shifts, coordination, multiple binders (strange attractors), collapse of older orders and welcoming the emergence of new, random structures and processes both on local and global levels (Harrison, 2006). This type of observation and examination is self-transcending, self-organizing, irreducible, unpredictable, incommensurable (does not have common measures), and evolving (Johnson, 2002).

5. Conclusion

There are clear differences between public policy systems in different cities, counties, states, nations, and regions. In incorporating complexity dimensions to the understanding of public policy on each of these levels, the systemic behavior of these policies can be better understood while operating within its global context. The theme of “think globally, act locally” will then come alive and the complexity of a dynamic system is better observed.

Complexity dimensions can strengthen the traditional observation and examination strategy of public policy by tapping in to areas that the strict localized linear application is incapable of explaining. This is due to the complex nature of public policy itself. In doing so, new models can be developed in order to move our understanding of public policy toward new awareness and enable observers understand the nexus between a system and its complex global environment. Such an observation will also transform us into global participant-observers. To this end, this paper recommends the following as part of a new strategy in observing public policy as a function of a complex global network:

1. Encouraging policymakers, public administrators, researchers, analysts, educators, and academic institutions transform their inherent localized linear observation and methodology to properly adapt dimensions from the complexity sciences.
2. Establishing a symbiotic relationships and engagements between linear and non-linear applications to emerging issues and systemic analysis within a global context.
3. We ought to be comfortable in simultaneously inhabiting both the linear and complex domains and offer complexity analysis and solutions prior to crisis both on local and global levels.
4. We need to train policymakers, public administrators, educators, and members of the community avoid control, predictability, the use of catalyst as cause, explaining systems through events (especially last events), or the low degree of interaction among components in a system.
5. We ought to be comfortable with the absence of visible causal links between elements or masking a high degree of interdependence and extremely low predictability.

6. We need to welcome randomness, uncertainty, and variation as the source for information.
7. We need to allow for volatility to take place in order for the complex system self-organize itself.
8. We need to avoid artificial suppression of volatility as well as artificial engineering of any sort and allow for collapse to occur naturally. This requires us welcoming collapse as a natural consequence in system morphology, instead of massive blowups.
9. We ought to exposing the illusion of stability and allow the system's global booms and busts.
10. We need to welcome conformity with the state of nature of complex global systems, tolerate systems that absorb our localized imperfections rather than seek to change them, and allow uncertainty and low probability risks to be visible.
11. We ought to avoid confusing one local environment for another.

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The book *Globalization - Approaches to Diversity* takes the ambitious undertaking of presenting a series of global issues that range from historic to contemporary, from transnational to local, and from cultural to institutional. It consists of twelve chapters divided into three sections: Globalization Agendas, Globalization Policies, Globalization Experiences. Its authors embody a global research culture. One that is plural, growing and dynamic, as it is evidenced in their respective agendas and methodological approaches. The value of this book lies in its diversity, and its merit will be appreciated by a global community of scholars.

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