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# The geoeconomics of globalization

**Riassunto. - La geoeconomia della globalizzazione**

Esiste l'esigenza fondamentale di bilanciare le sovranità nazionali con gli standard globalizzanti. La globalizzazione è un modello di relazioni con al centro il mercato americano combinato con varie economie "regionali", ma è in mezzo al guado tra disordine ed un tipo di ordine forse inapplicabile. La convergenza di ogni singola nazione verso uno standard comune planetario va costruita in base ad un'opportuna strategia di convergenza. Non si deve limitare la libertà del mercato, ma dargli un'organizzazione vantaggiosa per la maggioranza degli attori che vi partecipano. La modernizzazione economica senza quella sociale, come avviene nei Paesi emergenti, non genera un capitalismo di massa, ma uno selettivo molto instabile, ciò che porta ad un rischio sociale crescente. Si richiede perciò di applicare uno standard flessibile, ma questo tipo di flessibilità non è un buon segno. Per partecipare ad un mercato aperto globale e sopravvivere, un paese deve conseguire un ordine interno evoluto, ossia una società liberalizzata con una classe media ben istruita, moneta solida, infrastrutture funzionanti, in generale una forte competitività. I Paesi emergenti hanno enormi vantaggi nell'aprirsi al mercato perché così riescono a trasformare in ricchezza la loro povertà esportando il basso costo del lavoro e ricevendone in cambio denaro. Ma tale processo di capitalizzazione ha dei momenti di sbilanciamento all'interno di una società nazionale: alcuni diventano ricchi subito e altri restano poveri creando le premesse per una crisi politico-sociale. Inoltre l'arricchimento dei poveri impoverisce temporaneamente i Paesi ricchi per crisi di competitività settoriale. Nella ricerca della formula per un'architettura politica del mercato globale si devono evitare limitazioni oltre misura della sovranità economica nazionale con vincoli esterni e definire per ciascuna nazione uno standard globale combinato con misure di sostegno, mentre la nazione interessata accetta dei controlli ma non in modo indiscriminato. Si tratta di applicare una teoria delle sovranità bilanciate che richiede la capacità di valutare il grado di convergenza di una nazione con lo standard globale e cosa manchi per restare sulla giusta rotta. Ciò può farsi con la cartografia tematica. Rappresentare un territorio è anche un atto politico che serve a evidenziare lo stato di un territorio sul piano economico, sociale e tecnico-infrastrutturale così da poter valutarne la situazione di forza riferita alla traiettoria di convergenza verso l'apertura di mercato del territorio stesso, mediante simulazioni dinamiche per poter inquadrare i negoziati politici tra una nazione e la comunità internazionale, quindi modulare i modi della convergenza e definire i fabbisogni.

## The rediscovery of maps

The encounter between geography and economics is grounded on the fact that the latter studies economic phenomena without due consideration to their territorial dimension, whereas for the former economic, political and anthropological data are raw material for a meaningful representation of a territory, by means of symbols defining territorial specificities. The geoeconomic approach, in other words, ought to be better developed. The chief upshot of this is that economic models are beset with a basic ambiguity: the difficulty to clear up which is their main unit of analysis, so that analyses tend to be deterritorialized. Moreover, economics also tends to exclude political and anthropological dimensions from its models with a sort of proud reductionism which often makes it more incomplete than warranted by the incompleteness unavoidable in every sciencce. This is particularly noticeable in the attempts to understand globalization, trace it and build scenarios of it. It should be clear, in fact, that the "bricks" of the global structure, and therefore its territorial specificities, are the nation-states. From this follows that any model of globalization ought to be able to answer the question: how do nation-states and globalization standards become combined? The answers, as provided by the literature, are not as clear as they should. This implies a rather urgent problem: without an efficent representation of the globalization of the economy, how can we plan the governance of that new phenomenon?

The same problem is evident also in the case of the "small globalization" ongoing in the European area: neither in the current political language nor in research is there a clear idea as to how to order the nations within a supranational system.

In fact we do not know enough about ways to reconcile national specificities with a global architecture. The reason for this is a faulty approach: the tendency to underestimate the national dimension and, in general, territorial specificity – a fault quite often due to "philosophizing" attitudes of many geographers hostile to map making and quantitative methods, and lost in "discourse". We do not ask ourselves enough: how could that given territory converge towards a global standard and be comfortable in it? And, on the other hand, how can we adapt a global or supranational standard so that it may become adapted to national specific characters? In fact, many scholars study this topic and even more, at a political operative level, try to manage it. The problem is far from unknown. Nevertheless it is evident that we do not yet have ideas sufficiently advanced, a fact that must be imputed to an underestimate or underepresentation of the relevance of the territorial dimension in macrosystems theories.

Along this line of thought unfolds the research expounded in the volume *Sovranità e ricchezza* ("Sovereingty and wealth", Pelanda & Savona 2001), whose the chief object is to find ways to balance national sovereignties with globalizing or supranational standards. In that research it is hypotesized that precisely the absence of such balance was a most dangerous circumstance, which could lead to block or upset the process of economic mondialization. This hypotesis is strengthened by the evidence of such shortcoming in the institutional languages of the European "small globalization". They reveal serious difficulties in the attempt to standardize and integrate in harmonic fashion the various national specificities. The prime object of the research is therefore the building of concepts and institutions to achieve a balance between place and logos, between territory and universalizing politicy. According to the geopolitical and geoeconomic approaches, the topics cannot be dealt with properly if good maps are not available. But what is a good map?

**Globalization in a quandary**

Before trying to answer, however, it is fit to take the bearings on the globalization process. In the field of studies and political statements, language simplifications have brought about a wrong image: that globalization has already taken place. It is not so. For example, an in-depth analysis of commercial flows shows, in fact, that these tend to unfold within rather than between regional blocks. Moreover flows of goods and capital moving outside blocks go for the most part to the United States. The so-called "globalization" appears rather as a model of relations having at its centre the American market combined with many "regional" economies. The growing economic interdependence among the various territories of the planet does not imply the existence of a single world market. The global circulation of financial capital is doubtless a piece of globalization, but it is insufficient to conclude that the whole process has been completed. The same can be said of the international mobility of goods and people, as well as for the planetary diffusion of information. The planetary single market is still a far off objective.

This might seem trivial, but in fact it is of the utmost importance for designing the future institutions of global governance, because it defines the goal starting from reality: the problem is not to build institutions to fill up the political void of a potential market, but to aid the evolution of international and national institutions capable of building such a market. But the problem could appear less trivial bearing in mind that it implies building a convergence of every single nation towards a common planetary standard, giving pride of place to the dynamics from below (place) upwards (logos), whereas so far the chief thrust of research and political applications have moved in the opposite direction. Two points must be borne in mind: (i) globalization is fragmented in regional areas; (ii) the globalizing thrust is triggered by the peculiar world centrality of the United States, which allows us to call it, for the time being, "Americanization". The second point is such as to cause shivers. If the standard of globalization is American, there are only two possibilities: either the whole world becomes americanized, or else it is necessary to find other convergence standards. In the first case, the problem is that the standard is certainly consistent with economics, but the possibility, or willingness of other nations to conform to it is doubtful. While, in the latter case, a non-American standard, more adequate to other nations, could lead to economic disorder for lack of effectiveness. Thus the globalization process is in quandary between disorder and a kind of order that may prove unworkable.

**The quest for a more flexible global standard**

A market is an institution. Economic exchanges can take place through processes ruled merely by the law of demand and contingent offer, such as: "I need food and you deem my pearl to be of value, so we barter." However, exchanges producing greater value require a system of standardizable rules all actors are liable to uphold, so that a single set of rules may allow to operate with greater security and therefore invest capital on the basis of verifiable hazard calculations. It must be borne in mind that an advanced market requires standards of high quality, safety and controls. In brief: structuring and, as far as possible, certitude. This does not mean to limit market freedom, but give it an organization advantageous to the majority of participating actors.

There must be a very effective global standard to prevent the globalizing market from falling a prey to disorders which might destroy it. However, complying with an advanced standard is far from easy for countries that are poor, emerging, or have cultural and political systems widely at variance with Western models. Actually this is a quite common situation. As the standard we name "American" appears to be by far the most effective under the viewpoint of economic performance, the first research option is to evaluate whether it can be adapted to other cultures without losing its efficiency. But let us define this standard better and see why it has become globalizing.

The American economic model is based upon the principle of the open market ruled by a political system which trasfers to citizens the highest level of responsibility to make provision for themselves, though within a framework of basic social security. The attendant standard is based upon a "strong" society that can weather the "highs" and "lows" of economic liberalism since the majority, in the end, gains an advantage. The big problem is that applying a standard derived from that model to weaker societies implies a strong hazard of producing more liabilities than advantages, or at any rate it is too advanced for backward nations.

There is a further complication. The americanization of the planet has historically developed in an unbalanced form which it is fit to consider. The market of the United States attracts exports from the whole rest of the world. The latter has been obliged to learn how to produce in "American" fashion to be able to sell in the States. In this it has been aided by the fact that firms of the rich country have delocalized their productions to catch the advantages of cheaper labour and less stringent legislation, and this has spread information where previously there was none. But the American standard has beccome inserted into various local systems without modifying their socio-economic systems. For instance, Japan can sell cars in America without having the same rules of bank transparency. China sells all that can be sold in the USA without being a democracy and with no strong financial system. Europe exports a great deal to the dollar area without being a comparably open market: the European market is open only as far as it is necessary to sell in America, but little or no further.

This increases economic interdependence between national systems, but does not bring about a homogenous market. For example, capitals go around the world, but standards remain different. The American standard has become globalized without producing meaningful changes in the different societies as they became linked to the American market. This has doubtless brought modernization and capitalization to poorer countries, but has also raised two problems. The international market stands upon national pillars unable to support it as they lack a sufficient level of order, since national models are not modified a great deal by mondialization, with an attendant instability hazard as internationalization grows. Moreover, economic modernization without parallel social modernization, as it takes place in emerging countries, does not lead to mass capitalism, but to a selective and highly unstable one. And this brings about a likewise growing social hazard.

To solve the first problem, the International Monetary Fund was set up with the task to uphold (American) standards for the good management of economic institutions of world nations, with World Bank support to capitalize them. A third element, the United Nations, should have acted as a container to internationalize the American pressure to build globally democracies and States balanced under the viewpoint of social security, in order to solve the second problem. This is the system outlined in 1944 at Bretton Woods. The USA sought to extend their model to the world by means of international institutions: this ruling core worked well enough to frame a preliminary set up of the global market. However, it failed to stabilize the system, because the standards applied are not suitable to the diversity of the planet.

This problem is well known and the object of a great many theoretical and practical efforts to modify the institutions of Bretton Woods. But the literature and political action show that, though it is possible to make the globalizing standard based on the American model more adaptive, this will not suffice to improve things a great deal, since a standard posseses intrinsic flexibility limits. For example, a government can be allowed for a limited time to protect by anomalous measures its currency in a situation of deep crisis – it was granted to Malaysia and Chile in the late Nineties –, but it will not be possible to allow this to continue indefinitely. Or, one can avoid, in future, to make mistakes such as that to impose to Argentina a rigid parity with a strong currency, but it will always be impossible to force a viable requirement of stability from outside if inner conditions are not sufficiently ordered in themselves. Standard flexibility has an inexorable limit. For example, one must force Japan to bank transparency because a crisis there would upset the whole system, it is possible to leave the country time to reach that object, but it is unthinkable to give up the final goal. And what if Japan, or China or any other country cannot make it? The globalized system blows up.

To speak plainer, making the standard more flexible causes its application to be suboptimal. In other words, its rigour has to be tempered in cases of emergency. But a flexibility of this kind, though understandable, is no good thing. It means that the integrative model is less varied than necessary. And this gap does not seem to be nearing a solution.

It is plain, therefore, that the effectiveness of the standard is to be achieved only in part by means of greater elasticity of application, whereas for the greater part it depends upon the will and possibility by each single nation to converge towards the standard. And this kind of analysis puts the construction of a truly global market under the viewpoint of individual territories. The task of the researcher and the politician is to find ways to make them convergent. Jocularly, one could say that globalization is "rediscovering" national States, or that maps discarded in the assumption they were no longer of any use because the whole planet was being "universalized", must be urgently fished out from basements.

**The configuration of a converging nation**

It is not so much a matter of political will by a nation-state to become globally convergent, but its realistic ability to do so. That is because, to partecipate in a global open market and to survive, a nation-state must achieve a rather well developed internal order. This may be a difficult object. For example, in a liberalized society there must be a well educated middle class, a solid currency, infrastructures in good working order, and in general a strongly competitive system. In such conditions, openness to a broader market yields far more advantages than liabilities. But, for example, nation-states accustomed to models of social protectionism, when called to reduce them, evidently experience a great difficolty to become transformed in order to be able to confrom to a standard of global free market. This is quite evident in the European dimension.

Emerging countries enjoy huge advantages in becoming open to the world marked, because in that way they can turn their poverty into affluence, by exporting the low cost of labour and getting money in exchange. But the process of capitalization ushers unavoidably into phases of imbalance within a national society: some people become rapidly rich, while others remain poor, thereby giving birth to the preconditions for a crisis in social and political cohesion. Moreover the enrichment process of poor countries leads temporarily to a decrease of wealth in rich countries due to a sectorial competitivity crisis. Both theory and facts show that in the end the overall balance will be positive for all concerned, but this does not help to relax those who lose their jobs in advanced countries due to increasing competitivity of emerging ones. And this brings about a huge problem of consensus for the open market policy.

Many other critical points are evident in the process of globalization, but those outlined above admit one solution only: a nation must be aided from outside in order to succeed to partecipate with advantage to the global market system. It must also be sanctioned when its divergence is not justifiable by objective internal difficulties. But here the chief question is: by what criterion are we going to define the "framework" a nation-state needs to receive from outside – let us call it, for the time being, international community – instalments of "stick and carrot" to keep on the right track?

So far, the image of a converging nation was defined by means of criteria of "good behaviour" established by the International Monetary Fund, which by the way are very good. However, they may be of little use in cases in which a country is utterly unable to comply. In such cases the globalizing standard is softened, and this destabilizes the system up to a point, or is applied just the same causing trouble of another sort, for example sanctions which worsen the condition of the sick. Evidently there is a lack of tools for "positive convergence" which could help a nation to become "convergent", i.e. to conform to the international standard.

The problem is not unknown, and remarkable solutions can be found in Europe. A temporal horizon is established for countries which are going to enter the Union, and a framework of aid so that they may be unable to converge towards the required standards. The system of European convergence, in this regard, is an excellent example of the correct method to balance national specificities with general standards, leaving respite time for adjustment and granting incentives. But the "stick and carrot" method, with emphasis on the latter, is possible because there is at least a core of European government, and therefore distributable resources. The process can therefore be managed within a political consensus which helps a particular nation to achieve convergence. At the global level there is no planetary government to carry out such a work. Neither is it likely that a government of this kind will come into being in the foreseeable future. It is therefore necessary to find a political recipe for the same integrative job, though there cannot be a central governmental function. Is it possible? In theory yes, provided countries can receive incentives aiding them to change their internal models to make them better conforming to globalizing standards.

## Balancing national sovereignty with global wealth

A viable organization of the political structure of the global market may be best achieved by means of the following guidelines:

i) national economic sovereignty must be left to nations-states in full and must not be excessively limited by external restrictions;

ii) the definition of a global standard to which a given nation is to conform must be strengthened by a suitable support in order to enable the nation to comply with the requirements;

iii) the interested nation accepts controls aiming at evaluate its poltical will to conform to the required standard.

We must seek therefore to achieve harmonization between national sovereignties and world standards in a cooperative game. Paolo Savona and I have defined this game as: "sovereignty there and back again". In the sense that a nation-state does not yield sovereignty to the standard indiscriminately, but preserves it within the constraint to use its internal freedom of maneuvre in order achieve the configuration of a converging nation-state within a deadline accepted by the people on the one hand and the international community, or the international institution concerned, on the other. It is a sort of "trip" of sovereignty: the nation-state yields it to have it limited by a plan aiming at a convergence towards a globalizing standard, but it is then given back as freedom to choose the practical ways to achieve the desired convergence and to be aided from outside to fulfil the planned change.

To stress the difference with what is taking place nowadays in reality, it is fit to call to mind that nations are to all effects forced to yield economic sovereignty to an external system without getting in exchange either aid or workable agendas. In this sense a political void exists in globalization: the stick and the carrot are not correctly balanced, whereas a good carrot would be both just and necessary to help each nation-state to find its way, highlighting opportunities and advantages at every step. And the reason for such void is that the correct conclusions have not been drawn from economic theory, though robust in itself: it is true that the more a nation-state becomes open to the global market the more rich it becomes. And this is regarded as a compensation and a prize for the yielding of economic sovereignty to global market standards. That is true and has never been gainsaid as a basic underlying fact. But there is a little problem: before the prize is achieved, nation-states experience severe problems of transition. In other words, the procedure so far established underestimates the transition problems in the process of convergence. What is called for is a new procedure to treat such problems in more realistic fashion. Together with Paolo Savona I have proposed a model of balanced sovereignties which should hopefully serve as a spur to think more and better in this direction in the persuasion that, even should our proposal prove unworkable in detail, the basic concept would still be relevant in any case.

**The requirements for a good map**

On the other hand it cannot be overestimated the need to measure in full detail the conditions of each nation-state if the theory of balanced sovereignties is to be properly applied. It is mandatory to estimate as precisely as possible the human resources and abilities of nation-states to come to a convergence with the global standard in order to become aware of what do they need to keep on the right track. This knowledge can be gained by a suitable thematic mapping methodology.

To map a territory is also a political action. In this particular case it is political more than anything else. Each government should map the spatial system of its own territory in such way as to give a description comparable to the overall map of the global system, so that the present conditions, the trends and the needs may be clearly understood. Nowadays we have no such maps. This might come as a surprise to our colleagues statisticians, who deem to possess powerful tools to track the evolution of the system. These are excellent tools, no doubt, but they did not appear suitably geared to the solution of our problem: maps having in direct object the balancing of sovereignty.

To achieve this object the new maps should be based on a method of "statistical cartography" conforming to an agreed world standard, showing economic, social and infrastructural variables in such a way as to gauge strengths and weaknesses of each national actor in relation to the path of convergence towards market opening of its nation-state. A point that cannot be overemphasized is that the new thematic mapping methodology must be digitized in such a way as to be geared to the performance of dynamic simulations. This will help to frame political negotiations between the government of a nation-state and the international community to find the optimal path towards convergence and the definition of what is needed to aid that government to achieve the desired object.

What we need is a system of representation allowing the government of a nation-state to know its own situation, advantages and liabilities of the participation to the global system, and to share such knowledge with its partners, be they other nation-states, or some international actors such as the World Bank and the International Monetary Fund. Some colleagues could regard such a technical solution as irrelevant, especially in view of fashionable "philosophical doubts" regarding cartography as "static" endeavour which "deadens" – they say – the "true image" of the three-dimensional globe. Others may be of the opinion that geographical concepts such as space, territory, and similar, are no longer viable, as distances have been – so they think – more or less cancelled. Others still may say that this proposal means to uphold economic imperialism: a subversive position which will be examined in other chapters of the present volume dealing with the enemies of globalization (see in particular the chapters by Da Pozzo, De Leonardis and Biagini).

But if we are be rid of idle talk and behave responsibly towards the problems at hand, we must understand that building such maps is a necessary step towards a well-founded new theory of globalization: nation-states, not their annihilation, are the chief units of the game. And therefore new technical instruments of geoeconomy are needed which might help to appreciate this basic truth. They also must provide a common scientific basis to balance specific interests with the global one.

In conclusion, the economic theory of globalization must be supported by a suitable mapping system. Nowadays the theory is ambiguous and thematic mapping uncertain. It is to be wished that this chapter may contribute to point to the challenge of new applied research in map making and attendant understanding of the multifarious conditions of nation-states which must be aided to enter fully the globalized scene. It is plainly necessary to fill a political void which is both cognitive and methodological.

## *References*

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