

THE LEXUS AND THE OLIVE TREE

Understanding Globalization

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MAIN IDEA

Globalization – the integration and distribution of capital, technology and information across national borders to create a single global marketplace – is not simply the latest business trend or fad but is a fundamentally new and better way to do business. As such, a new and brighter era of globalization is just in the process of beginning as all the major marketplaces evolve towards becoming global markets.

Which is not to say there won't be challenges and issues to resolve while this process occurs. Or, to use a metaphor, the human drive for enrichment and the best products (represented by the Lexus) will sometimes conflict with the natural desire to hold on to what has traditionally mattered in creating a sense of national and personal identity (represented by the Olive Tree). The challenge for individuals and nations in the upcoming era of globalization will be to find and maintain a healthy balance between those two perspectives.

Specifically, the more a society globalizes its markets and becomes dependent on the technology of the information era, the greater it will value its own ideals and unique characteristics. Globalization creates the opportunity to sell into vast markets but pure commercial success will only be meaningful if it can be accomplished using means that reflect the individuality and cultural values of the people involved. The dynamic balance between the Lexus and the Olive Tree is so important.

“That is why under the globalization system you will find both clashes of civilization and the homogenation of civilizations, both environmental disasters and amazing environmental rescues, both the triumph of liberal, free-market capitalism and a backlash against it, both the durability of nation-states and the rise of enormously powerful nonstate actors. I believe the best way for us to deal with the brutalities of globalization is first understanding the logic of the system and its moving parts, and then figuring out how this system can benefit the most people while inflicting the least amount of pain.”

– Thomas Friedman

Section 1 – How Globalization Works Pages 2 - 3

Globalization is the international system which has superceded the Cold War system. It effects everyone's domestic policies, their international relations and the way business gets done in every country of the world. This era of globalization which is currently binding all the economies of the world together tighter and tighter is driven by the falling costs of telecommunications – microchips, satellites, fiber optics and the Internet. As a result, globalization is well on its way to becoming the dominant international system of the next millennium as liberalism and free-market capitalism reign supreme.

Section 2 – How Nations and Individuals Interact With Globalization Pages 4 - 5

In the Cold War era, the world was divided up into a First World, Second World, Third World hierarchy. In the globalization era, those distinctions become irrelevant – the world is divided up into those that are fast and those that are slow in the way they respond to changing demands. In effect, globalization has the effect of turning both friends and enemies into economic competitors in a worldwide daily sprint race. Any country which fails to continue boosting productivity steadily puts itself at a severe competitive disadvantage to all other countries.

Section 3 – The Backlash Against Globalization Page 6

Due to the fact globalization creates wealth and technological innovation, it challenges a nation's traditional business practices, social structures and internal politics. And that, in turn, makes some sectors of society feel alienated and disenfranchised. As a result, the backlash against globalization is bringing together a variety of pressure groups who may become strong enough to destabilize the globalization system or develop an alternative ideology at some point in the future.

Section 4 – The Role of the United States in Stabilizing Globalization Pages 7 - 8

The United States of America is essentially the showcase and prime example of globalization – the role model every other country looks to when considering whether or not to jump on the globalization bandwagon. That means the United States has the responsibility and opportunity to manage the globalization process and make it sustainable and stable. Fortunately, the United States has a vested interest in filling this role, well beyond the status of being the world's sole remaining superpower. As the country which is furthest down the free-market capitalism path, there are huge benefits to be derived from the current process of global market integration. In short, the United States is the agent of the enormous international changes taking place.

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