

“Lexus and Olive Tree” in New Perspective

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Abstract

Today's globalization is succinctly characterized by Thomas Friedman in his book, “The Lexus and the Olive Tree.” Friedman claimed that globalization heightens two basic human desires; namely, the desire for better living (Lexus), and the desire for humanitarian bond (olive tree). He claimed that sustainable globalization depends on realizing the society that can balance those two human desires. In view of growing anti-globalization movements, including terrorism, this study questions the wisdom of Friedman, and reflects on yester-years' globalization for clues on the present situation. The study identifies a few contradictions inherent in today's globalization, and elucidates their destabilizing effects on human society. In conclusion the study attributes destabilization to the lack of development in the social compact that can harness capitalistic excesses and ameliorate the growing inconsistency between global economy and global polity.

Introduction

Scholars of globalization may not have high regard for the book, “The Lexus and the Olive Tree,” authored by Thomas Friedman.[Friedman, 1999] However, this book (hereafter, simply referred to by the author, “Friedman”) stands out in one important respect. It has raised the awareness of the complexity of globalization and fostered wide-ranging debates and studies on the subject worldwide. Some scholars are critical of the naivety the author shows in his arguments. [Krugman, 1999] Nevertheless, the book deserves credit for describing globalization's complexity and growing impacts on economy, polity and society in a manner that lay people can appreciate. This is no small achievement, as few scholars can be so credited from their treatises.

Since the book was published in 1999, a few important events have taken place in the

world scene, which make it worthwhile to review the book and the views expressed therein. The most notable is the on-going “war on terrorism,” which was triggered by the terrorist attack on, and the total collapse of, the World Trade Center in New York, on September 11, 2001. The Second Iraqi War, initiated by the United States, may also come to our mind, if tragic outcome is a major criterion. However, there are other events, which are more subtle in appearance, but very significant in long-term implications. One is the establishment in 2002 of the International Criminal Court, which now enforces the Rome Statute produced under the auspices of the United Nation. Another is the effective ratification in 2004 of the Kyoto Protocol, which is the first international attempt and achievement for mitigating global climate change through reduction of greenhouse gases. Unlike many other appeals and agreements for environmental protection, this protocol is unique in employing the flexibility of the global market place for global environmental management.

It is interesting to note that the United States is closely involved in all these events. This is no surprise, as the nation has become an undisputed hegemonic leader in the world since the collapse of the Cold War system and the implosion of the USSR. Indeed, Friedman acknowledges that many people in the world regard globalization as another name for Americanization, meaning that the United States exhibit suzerain influence on the shape and process of globalization. Equally interesting and revealing is her manner of involvement in these events. Simply put, it is best characterized as the practice of placing parochial pursuance of national interest above the commitment to international protocols or benefit to the world community. This is an obvious contradiction to, what Friedman calls, the development of a “globalization system,” in which the United States is uniquely positioned to lead.

Does this prove Friedman’s naivety about globalization, as some of his critics say? Criticism is always easy in retrospect. At least, Friedman had a good perspective and grasp of globalization as an experienced foreign affairs correspondent, and Friedman did foretell the possibility of terrorist attack, such as the September 11 incident. The checklist for adaptation to globalization, which Friedman presents in its Chapter 11, still seems quite relevant. Also, criticism is rather irresponsible without offering a viable alternative. Then, what modifications in the perspective are necessary or useful for better understanding of globalization?

In this study, the following features of Friedman's perspective are questioned, not in any order of importance:

- (a) Is globalization in any way forming a system, or conforming to any such synthesis

of dynamic order?

- (b) Is the free-market capitalism the only surviving economic system for all to follow in globalization?
- (c) Does preservation of the “Olive Tree” or cultural heritage help sustain globalization to benefit all? In other words, is a healthy balance between the human striving for wealth and material security and the human desire for cultural identity and secure social affiliation the key to sustainable globalization?
- (d) Does democratization of technology, finance and information, or democratic polity, foster such a healthy balance, and is it beneficial to globalization for all?

Conceptual Framework for Reconsideration

Globalization may be theoretically defined as the process of progressive global integration of human interaction. However, such a theoretical definition may be of little help in understanding its impact on the world today. Many students of globalization show more pragmatism and they typically define it as the geographical and dimensional expansion of societal interactions beyond national borders. Many of us also agree that this change is spearheaded by economic interaction. However, such interaction cannot be purely economic, as human beings are involved and their lives affected. Friedman thus has good reasons to emphasize the complexity of globalization. Nonetheless, this complexity needs to be analyzed and understood. For the expediency of such study, three principal spheres of interactions in globalization should be differentiated: namely, (a) economy, (b) polity, and (c) society, not in any order of significance.

In contrast to animal interaction, human interaction usually takes place by following certain manners. This behavior may be embedded in culture, tradition, custom, or sometimes formal or informal protocol, or regulated by some rules or common practice. In short, normal or social human interaction is conducted in a “civil” manner. The foundation for such civil manners can be collectively called “civilization.” Any established community, be it a nation-state or an ethnically or geographically identified community, has its own civilization that governs the interaction among its members. Such civilization may also evolve over time, or adjust to geographic changes, because its essence is to facilitate human interactions and their norms do change over time and with their environment. The more benefit people derive from “civil” interaction, the more affinity their community develops with their civilization. This could lead to development of distinctive civilization,

which may become a part of their identity.

Of course, human interaction is not limited within any particular community. In fact, it is not much of an exaggeration to say that human history has evolved through interactions between different communities with different civilizations. There is conflicting or combative interaction, as well as productive and peaceful interaction. In the former interaction, conciliation need not take place between different civilizations, while in the latter, such conciliation is necessary and often managed for mutual benefit. The long history of the Silk Road that enabled trade between the East and the West attests to such human wisdom, providing numerous proofs and examples of the benefits gained from such interaction, as described in the histories of cities and civilizations that once flourished along the road.

Today’s globalization is no different from the globalization that the Silk Road realized (hereafter, referred to as “yesterday’s globalization” for contrast), as far as the increase in the scale and size of human interaction is concerned. However, the two look so different in most other respects. Investigation as to how and why they are different will help gain some insight into the characteristics and potential problems of globalization today.

Voluntary Choice vs. Involuntary Change

In yesterday’s globalization, primary interaction was economic. It featured commercial interaction, in the form of voluntary exchanges of goods at mutually agreed prices and manners. Also important to note is the fact that the goods exchanged were not produced in the importing country or community. Thus their trades were mutually volitional and beneficial. In comparison Friedman characterizes today’s globalization by two key words; namely, “free-market capitalism” and “global competition.” These key words suggest that today’s economic interaction must follow the rules and regulations that are consistent with capitalistic principles. Friedman has coined the word, “Golden Straitjacket,” to describe the guiding rules for the economic interaction that today’s globalization promotes and that is expected to foster material well-being worldwide. This word is apt in that it describes the nature of involuntary change that today’s globalization surreptitiously imposes upon the communities worldwide.

It is natural for any human interaction to adapt, or at least adjust, to the manners or civilization practiced by active or major stake-holders. Capitalistic business practice is said to be very much Anglo-Saxon, because it was first developed in Great Britain and further

advanced in the United States. Therefore, it is no surprise that in the developing world globalization is often regarded and resented as “Westernization,” or the adaptation of rules and practices in the Western World. Likewise, within the Western World, where the US has started to yield hegemonic power, it is widely regarded and resented as “Americanization.”

Such popular perception notwithstanding, Americanization is a gross misnomer for today’s globalization. First of all, the United States government has no design for globalization as such. In other words, the US government is not concerned with the propagation of its civilization that entails certain market rules and regulations to benefit the human society in general. For example, it is not concerned whether a foreign nation that allows an American firm to operate in its market will have, or establish, the rules, regulations or institutions that enforce measures for consumer protection or environmental protection for civil fairness. Instead, its primary concern is to give American firms to have accesses to foreign markets with as little restriction on their operations as possible.

As apparent from the above, the changes that many nations have to make in adapting to today’s globalization are not enhancing their societal integrity; instead, the changes tend to lead to the disruption of their established civilizations and to the disintegration of their societies. Furthermore, it is rather futile to lay the blame at the door of the US government or American firms, as in Friedman’s words “nobody is in control of globalization”. However, it is worth reviewing the way the US government behaved in the globalization of the preceding decades. Friedman correctly credits the policy and leadership of the United States government in the institutional development that promoted industrialization and market opening, which indeed fostered the economic recovery of many Western nations after World War II.

This history and the role that the United States government played in it offer clear contrasts with the current state of world affair and the rather parochial policy and practice of the present US government, respectively. The comparisons are instructive. As globalization adds new dimensions to human or societal interaction, there arises a need for establishment of some appropriate manners to conduct such interaction effectively. In an international or cross-cultural environment this process normally entails some institutional development and practice. Friedman seems to be aware of this need for attending institutional development for today’s globalization, as he often refers to it as “globalization system.” Unfortunately, however, this is a total misnomer, as nobody is in control, and nobody is taking the lead for pertinent systemic or institutional development.

Such development calls for strong political will and commitment, to be shared among the participating nations or societies, in order to realize full benefit from the expanding interaction. This need is well illustrated by the European Union and its continuing effort for regional integration. From its inception as European Coal and Steel Community in 1951, its main drive was economic integration. Over the succeeding years with growing memberships and areas of economic cooperation, the institutional development also advanced, as evidenced in the introduction of Euro as common currency and the establishment of a Union-wide monetary authority. Through such history and experience, the European Union is much more attuned to globalization and the need for attendant institutional development.

This is well demonstrated in their leading role in establishing the Kyoto Protocol for Environmental Protection, and the International Criminal Court for Protection of Human Rights. The US government responses to these institutional developments are all the more disturbing. Although neither of these institutions aim to advance economic integration *per se*, they are part and parcel of civilization that the world community as a whole needs to benefit from today's globalization. For that reason, most members of the world community ratified these statutory obligations. In contrast, the US government refuses to ratify these international accords on purely nationalistic grounds.

It is very unfortunate that the nation which is destined to most benefit from today's globalization is demonstrating such shortsightedness. It will no doubt delay the institutional development that would create a viable globalization system for the world community. Even more sinister is the reality that such shortsightedness is clearly against the US national interest. The unilateral thinking and behavior of the United States and its government, as demonstrated by those refusals, can make those people who perceive today's globalization as threats perceive the nation as the embodiment of threatening globalization. As such perception spreads, the United States as a nation becomes a ready target for those people to bent their frustrations and grievances that they feel from today's globalization.

The prospect for development of viable globalization system has been further compounded by the war on terrorism that the US Government initiated, in response to the terrorist attack on the World Trade Center in New York in 2001. The attack was a human tragedy, but such perception is far from universal. The disregard that the US Government and Military has been demonstrating in the aftermath of Afghan War and Iraqi Wars has considerably increased the general antagonism towards the nation, and it has proportionally diminished the chance and capability of the US Government to exercise

its political leadership in any agenda for development of globalization system. As long as the war against terrorism justifies destructive means for its end, many people see the parallel between the nation and the terrorists who justify means for their end. In short, the prospective development has to wait until the US Government realizes the futility of the current war on terrorism, and that could be a long wait for the world community.

Cultural Diversity vs. Economic Disparity

Economic motives may have sustained the Silk Road trade, despite hardships of travel. However, the benefit from that trade was not all economic. The historical evidence of prosperous cities and civilizations along the road also indicates that the trade enriched people along the road, economically as well as culturally. In other words, the people along the road contributed to, and benefited from, the sustenance of this trade which was global even at today's standard. Furthermore, the exotic material and artifacts so traded must have fascinated people with the cultural diversity that these items represented, and with the world that lay beyond their reach.

Today's globalization and trade do not generate such fascination for cultural and geographical diversity. What they most effectively generate is the economic disparity between the nations, as well as within a nation. Friedman admits that free-market capitalism may be the most efficient system for wealth generation, but not so for wealth distribution. Indeed, capitalism espouses mechanisms and institutions that help amass wealth, but it pays no heed to its equitable distribution. Socialism had to be invented and exercised in order to mitigate this inherent shortcoming of capitalism, when the human society first encountered capitalism in its raw form during the Industrial Revolution.

Today's free-market capitalism is not inherently different from the capitalism of the Industrial Revolution, in its inherent lack of mechanism for fair wealth distribution. What is fundamentally different is that the market boundaries are disappearing today, and economic interaction is increasingly international. This gives capitalism more freedom, and more opportunities, for wealth creation. At the same time, national governments are losing their regulatory control for prevention of free-market excesses and abuses. In the developing nations the institutional development necessary for such control is often weak and immature. Today's globalization confounds such shortcomings of these nations and their governments. If any such nation loses control of its economic management, the nation may suffer serious economic setbacks, as the Asian financial crisis of 1997-8 demon-

strated.

Banking and financial services have been highly globalized, and it is impractical, if not impossible, for any substantial capital transaction to avoid engagement with such services. This is particularly true for the developing nations, whose demand for capital is great, while its domestic supply is limited. In the financial world, it is the lender who dictates the terms of transactions. International financial institutions do not hesitate to take advantages that may arise from the naivety of the borrowers, or from the inadequate market regulations and controls which many developing nations exercise with limited experience in free-market capitalism. Similar arguments hold for industrial firms and their transnational operations, *inter alia*, with regard to employment conditions and environmental control.

If today's globalization only promotes such economic interaction, then it only aggravates the disparity between the “haves” and the “have nots.” Obviously, such a kind of globalization cannot be sustainable, and some measures to alleviate the disparity are necessary. The disparity within a nation may be dealt with by appropriate social welfare programs, as most nations already administer. The international disparities have been dealt with by ODA from the “have” nations to the “have not” nations. However, the greater the disparity is, the harder it is for such approaches for artificial transfer of wealth to be effective. One common criticism against these approaches is the moral hazard it causes to the beneficiaries, and even the donors. After all ODA is in practice a political instrument for the donor nation to obtain political goodwill of the recipient nation. As such, ODA cannot be free from such political deal, and it is often distorted by individual political and business interests of the people involved in the deal.

Now may be time for the world community to become serious at correcting the moral hazard of capitalism and capitalist players. Once again, the prospective approach is pertinent institutional development. Some efforts have already been made. One such development is the establishment of the Anti-Bribery Convention by OECD. This convention stipulates the signatory nations to institute necessary rules and practice to prevent or prosecute bribery of a foreign public official as a serious criminal offence. The organization recognizes that such bribery is hazardous to the efficient or effective mobilization of developmental resources for the nation concerned. Another international practice with interesting potential is the establishment of internationally recognized standards for industrial operations, and the growing interest of the business community worldwide to adopt such standards in their business practice. ISO9000 for quality management initiated this trend, and it was followed by ISO14001 for environment management. This International Standard

Organization is now considering the establishment of certain standards for social responsibility. Although one such international standard may not seem to narrow the economic disparity that exists in the world today, the business culture to strive for acceptable global standards for industrial operations is significant, and it raises hope for the evolution of global civilization that will help alleviate excesses and moral hazards of raw capitalism.

Individual Emancipation vs. Communal Emaciation

Friedman sees today's globalization as a triumph of democratization in technology, finance, and information. Furthermore, he sees that such democratizations emancipate individuals, and that this promotes democratization of decision-making and decentralization of political power. Friedman seems to unconsciously assume all the societies in the world are made of the same fundamental fabric as the American society, while they may be dyed to various cultural hues. In reality, the American society is rather unique in the world. It has a colonial origin, and its nationhood was designed to integrate the European immigrants, at the exclusion of the native people in the land. This history and the political interest of its founding fathers, although not altogether commendable in retrospect, helped the nation to develop a commendable character of integrating people from different cultural backgrounds into a coherent society. As such, Friedman is right in saying that America is best equipped to take advantage of today's globalization, as such a character does help the nation to override cultural differences and to interact effectively with the rest of the world.

However, this character comes at a cost, although Friedman does not make specific mention. American society is highly dependent on legal institutions, including law enforcement agencies. Many communities with longer histories of existence depend to a great extent on their traditional culture and civility for maintenance of order for intra-communal interactions, even including economic interaction. In such a community, emancipation of an individual may also imply his or her dissociation from the existing communal order. Therefore, individual emancipation does not necessarily mean that he or she can become a more effective member in the community. Instead, it could be a total reverse. If such individuals increase in numbers, then that would lead to communal emaciation.

The human community is a living entity, and its character evolves over time. In other words, the "olive tree" in the community can change its shape and style over time. However, such evolution takes time, as it involves many people in the community and changes in their perception of the world. This evolution could be rather swift if their per-

ceptional changes are coherent. Unfortunately, this speed can never be “internet speed,” as today’s globalization expects. To compound the issue further, today’s globalization has the inherent tendency to widen the economic disparity even within a community. This makes it particularly difficult for community members to develop a coherent view and perception of the changing world.

If anything can accelerate this evolution process, it is the polity and political leadership of that community, be it a nation or a neighborhood community. Democratic polity is effective in this regard, and so is the legitimacy of the community leadership. Friedman has pointed out one important role for this leadership, and that is to articulate a vision for the future. A competent community leader could articulate a prospective vision for the community’s future, and even mobilize it towards this visionary future.

This explains why today’s globalization fails to inspire the world community for a better future. First of all, its obvious leader, the United States, offers no such vision for the world community to share. On the contrary, this leader pursues its own political and economic agenda and its parochial interests, against objections among the members. Those who see such a leadership, and feel marginalized in managing the community’s affairs naturally react accordingly. Their instinctive reaction is likely to try and protect what they already have. This reaction is not as simple as “guarding their own olive trees.” They will also view any changes in management of the community affairs negatively. Furthermore, if they see such changes are forced upon them, they will resent the leader who allows such sufferings to fall upon them.

This is another case of individual emancipation and communal emaciation, but in the global scale. As Friedman points out, the United States is uniquely positioned to take full advantage of globalizing free-market capitalism. After the collapse of the Cold War regime, the United States has become an undisputed leader in the world community. This is indeed a precious legacy the nation currently enjoys. However, the nation is failing to exercise its leadership, and squandering this precious legacy. For one, it is not providing any prospective future, or even a vision, for the world community as a whole. To make matters even worse, it is obstructing the community-wide effort for institutional development that will ensure some communal civility in the otherwise “winner take all” globalization. Friedman would have difficulty in seeing the “groundswell” in support of globalization, as it stands today. If there is any kind of groundswell to be found today, it is that of resentment. Many members of the world community resent the fact that today’s globalization seems to be leading to communal emaciation, while it seems to offer a great oppor-

tunity for individual emancipation in some communities.

Reflections

It is now time to go back to the questions posed at the outset of this investigation. Friedman has never given a specific definition of what he calls *globalization system*. No doubt the expression comes from his vision of globalization, but that can only be guessed. He certainly perceived that globalization had increased the number and variety of linkages for nations and societies in the world to interact. He may have visualized that this trend would eventually make the world community a tightly linked whole, or system. However the presence of linkages between its elements is merely one condition of a system. It must also have the purpose for which these elements collectively work for its realization, while individually functioning. Globalization, as of today, is clearly lacking such a purpose for the nations and societies to share. Without such a purpose, increase in linkages and interactions between them may end up in increasing possibilities of contentions and conflicts. Friedman extols the potential USA has in leading sustainable globalization. However, in reality USA has so far not just failed to show such leadership but, instead, lost a good deal of goodwill and fellowship from her potential allies.

Clearly the main thrust for globalization comes from the people and institutions that espouse free-market capitalism. However, in recent years potent demonstrations against their conventions are taking place in the developing world as well as in the developed world. Demonstrators fear that current drives for globalization are oblivious to serious ramifications and damages to human society and natural environment. For example, the pressure for global competition has led many governments and corporations to reduce their programs and budgets for providing social safety nets. Likewise, it has considerably heightened the risk of “tragedy of the commons” on the global scale, as the vacillating efforts under the United Nations Framework for Climate Control Convention (UNFCCC) indicate.[Benjamin, 2001; Hickman & Bartlett, 2001] If the Industrial Revolution, and the history of socialism that followed, have any lesson to offer, it is the lesson that one part of the society cannot continue to thrive at the expense of the rest. If this is so, then the ongoing globalization cannot be sustainable, and must be complemented by development of an appropriate social compact or sub-system that prevents the under-privileged from becoming the world’s down-trodden.

Fosterage of the under-privileged or the down-trodden is hardly a cultural issue. It is

clearly an issue that every society has to deal with systematically by mustering its economic, political and social capabilities. In short, it is an issue of civilization and its development. Although their implications are very different, the words, culture and civilization, are often used almost synonymously. Clear differentiation is obviously in order. People may value and practice some culture voluntarily, whereas people's association with certain civilization is involuntary. This involuntary nature of civilization stems from the fact that civilization implies not just aggregation of culture but, more importantly, sophistication in public amenities and facilities for more effective interaction and for better living.

Development of towns and cities embodies this sophistication. Wide streets, town squares, and markets were important facilities for towns and cities in the middle ages, and so are water supply and drainage systems, and transportation and communication systems in modern cities. However, these facilities need public money for construction, and public compliance for proper usage. In a small society such public obligations may be honored by peer pressure. In a large or modern society, taxes have to be collected for construction, and rules and regulations have to be enforced for proper usage. In short, modern civilization is very much institutional.

This is a critical factor that distinguishes civilization from culture. For example, individuals can move to another place and keep their cultural values and practices; however, individuals cannot take the civilization they are accustomed to when they move to another place with different civilization. Preservation of the olive tree, or cultural heritage, no matter how many people take part in the effort, does not constitute civilization. Therefore, it will never balance against the institutional changes in economic interaction that globalization effects. They have to be balanced by the same kind; i.e. appropriate institutional changes.

Friedman seems to hold the view that the democratization of technology, finance and information empowers people, and that democracy by these empowered people will help make such institutional changes. Nobody can deny such a possibility, as socialism did develop in order to counteract the economically discriminating power of capitalism that the Industrial Revolution had engendered. However, it is important to recognize that such socialistic counteract took place within a national polity, and not in the international arena where realpolitik reigned. Realpolitik still reigns in today's globalization and its concomitant institutional development for global economic interaction.[Stiglitz, 2002] Thus the backlash against this evolution is growing in the international arena, in such defiant forms as demonstrations and terrorism. Accordingly, the power and practice of realpolitik in this

arena need to be reduced.

This cannot happen as long as the nation with hegemonic power and interest pits its national interest against any other interests of the world community. The only prospect for change lies in the development of solidarity among the nation-states in the community. However, their national interests are as diverse as their histories, and their differences appear to be further compounded and intensified under the pressure of global competition. Solidarity may still develop among regional aggregations of nation-states, such as ASEAN and EU. If such regional entities succeed in transforming their political solidarity into practical institutional development, their leverage in the realpolitik of globalization will be enhanced. If these regional entities learn to cooperate in shaping globalization, they will become the veritable *Multitude* that can stand up to *Empire*, the current shaper of globalization.[Hardt & Negri, 2000]

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