



# The Uneven Tide of Globalization: Economic Growth, Unequal Distribution and the Rise of Populism

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## ABSTRACT

This paper undertakes a critical analysis of globalization's economic and socio-political impacts. It acknowledges globalization's contributions to economic growth and interconnectedness, but explores its tendency to increase economic inequality. Globalization has lifted millions out of extreme poverty but has failed to ensure equitable distribution of wealth and opportunities. This uneven distribution of benefits is arguably one of the elements creating a populist backlash against globalization that empowers nationalist and protectionist movements. I also consider the role of technological advancements, such as artificial intelligence. This paper emphasizes an urgent need for policy interventions to mitigate globalization's negative distributive consequences. I advocate for stronger social safety nets, investments in education and the promotion of fairer trade practices.

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## Introduction: Data and Contradictions of Globalization

In a speech at the Fifth Session of the Ministerial Conference of the World Trade Organization in September 2003 in Cancún (Mexico) I argued that while international trade is beneficial and should be encouraged, it needs to happen on fair terms for sustainable development to occur globally. I contended that wealthy nations should not protect themselves unduly from competition while poorer nations export raw materials at low prices. I suggested that developed countries show generosity beyond direct aid but I also emphasized the need for improved governance in developing countries.<sup>2</sup> In that statement I drew attention to some of the complexities of globalization. Recent data on the rise of protectionism and wealth inequality highlights a number of these contradictions as well.

The World Bank reminds us that since 1990, global trade has increased incomes by 24 percent worldwide and by 50 percent for the poorest 40 percent of the population. This growth has lifted more than 1 billion people out of poverty. Yet growing protectionism, trade tensions, and geopolitical challenges are raising concerns about the future of globalization.<sup>3</sup>

Andrew Stanley has summarized the data around global inequality: some 10 percent of the world's population owns 76 percent of the wealth, takes in 52 percent of income, and accounts for 48 percent of global carbon emissions.<sup>4</sup> The poorest half of the world's population gets only 8.5% of all income.

2 See World Trade Organization, Statement by Juli Minoves Triquell, WT/MIN (03)/ST/143, September 13, 2003

3 World Bank Group, "Protectionism Is Failing to Achieve Its Goals and Threatens the Future of Critical Industries", Feature Story, August 29 2023, <https://www.worldbank.org/en/news/feature/2023/08/29/protectionism-is-failing-to-achieve-its-goals-and-threatens-the-future-of-critical-industries>, accessed 12 December 2024

4 Andrew Stanley, "Global Inequalities", *F&D Finance and Development Magazine*, International Monetary Fund, March 2022, 50

In a contribution to the 3<sup>rd</sup> Congress on Economy and Business of Catalonia I examined different perspectives on globalization, focusing primarily on its economic and political dimensions. I argued that while globalization brings benefits, these are unevenly distributed. Countries like China have benefited from economic globalization, while unskilled workers in developed nations have faced job losses due to deindustrialization, contributing to protectionist political movements. My paper further suggested that liberal democracy faces challenges from alternative political models like Chinese authoritarianism and illiberal regimes such as Russia and Turkey. Despite globalization, I emphasized the continued importance of the nation-state, and cited nationalist movements in Europe as an example. I also explained that states are necessary for addressing climate change and the negative environmental impacts of economic globalization.<sup>5</sup> In this essay I further my analysis by focusing on the distributive challenges linked to globalization.

## Definitions

The late 20th century saw a surge in global trade and investment, helped by organizations like the World Trade Organization (WTO), successor of the GATT, and institutions promoting free market principles. Globalization allows for the flow of goods, services, capital, and labor across borders. It can lead to increased efficiency, competition, and

5 Juli Minoves-Triquell, "Economic and Political Globalization" in *3er Congrés d'Economia i Empresa de Catalunya, El Marc Global: Tendències Mundials en Geopolítica en el Marc de la Perspectiva de la Unió Europea* (Barcelona: Col·legi d'Economistes de Catalunya, 2018), 55-72. Peter Nolan also remarks the permanence of the nation as a point of reference for human beings: "For most human beings" he writes "global" is not their framework of reference or source of identity. For most people apart from the family and religion, the 'nation' is the primary source of identity and the main forum within which they have a political voice. Although the forces of capitalist globalization are increasingly international, the national interest of citizens and national governments remains an immensely potent force". See Peter Nolan, "China's Globalization Challenge", *The Copenhagen Journal of Asian Studies*, 28 (1), 2010, 78-79

higher economic growth. However, it can also aggravate inequalities between developed and developing countries, and has been blamed for creating job displacement in sectors of the economy. Globalization contributes to cultural exchange and the understanding of different perspectives. It allows individuals to connect with people from diverse backgrounds through technology, but it can also cause cultural homogenization and erode local traditions. It can pave the way for the spread of misinformation on a global scale.

There is no agreed definition of globalization, which adds complexity to our analysis. The World Bank and the IMF contend that "globalization is better understood by referring to it as an extension beyond national borders of the same market forces operating at all economic activity levels".<sup>6</sup> But this definition only refers to economic globalization. A globalization of political systems has also happened to a certain degree: first, at the end of the cold war, liberal democracy seemed poised to conquer all, thus Francis Fukuyama's "end of history" theories. Later, in a period that possibly started after 9-11 and accelerated after the financial crisis of 2008, authoritarianism and strong-man politics seemed to inspire many. China's timid political liberalization under Hu Jintao came to a stop with Xi Jinping, Russia became Putinized, and Western democracies suffered an erosion of

democratic norms and the rise of hard-right populism.

In the end, it is hard to separate all economic aspects of globalization from the political aspects of globalization. Pascal Boniface notes that "above all, if globalization has undeniably lifted hundreds of millions of people out of poverty, it has also led to a rise in inequality. In formerly industrialized countries, it has caused precariousness and a feeling of social decline among working classes, which has fueled a rejection of globalization".<sup>7</sup> This rejection of globalization, or of the perceived evils of globalization, is very much a factor in the political life of the West.

The Covid19 pandemic of 2020 highlighted the need for higher levels of international cooperation, given the increased interdependence between nations caused by globalization. But global medical emergencies are not the only problems that require more international cooperation: climate change, terrorism and the challenges posed by advanced technology such as AI will require a global response. For this we will need to overcome tensions over sovereignty and competition for resources. Not to do so might have fatal consequences for all.

### The vision of efficiency

Globalization promised increased economic growth and has indeed delivered. It promotes economic growth and opens up new markets. Increased trade leads to job creation and higher living standards. Globalization increases access to markets. The global supply chain can create high-quality products at a more affordable price than if they were produced in

6 See Sebastian Franco-Bedoya, *Measuring Globalization When it is Needed the Most – A Long-Run Analysis* (Washington DC: World Bank Group, May 2023)<sup>4</sup>. See also IMF Staff, "Globalization: A Brief Overview" Issues Brief, 2008 <https://www.imf.org/external/np/exr/ib/2008/053008.htm>, accessed 20 November 2024: "Economic globalization is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders. There are also broader cultural, political, and environmental dimensions of globalization. The term "globalization" began to be used more commonly in the 1980s, reflecting technological advances that made it easier and quicker to complete international transactions—both trade and financial flows. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity—village markets, urban industries, or financial centers".

7 Pascal Boniface, *La Géopolitique* (Paris: Éditions Eyrolles, 2024) 194

one nation.<sup>8</sup> Globalization enables the sharing of knowledge and innovation and technological advances. Researchers in different countries can collaborate on scientific breakthroughs, like developing new vaccines or sustainable energy sources. The Human Genome Project, which mapped the entire human DNA sequence, was a global effort involving scientists from numerous nations.<sup>9</sup> The rapid development of the Covid19 vaccine in 2020 and 2021 is another example even if vaccine nationalism made the vaccine's global reach unequal.<sup>10</sup> Globalization should also promote understanding and appreciation of diverse cultures through for example travel, media, and online platforms. This exchange should increase tolerance and empathy.<sup>11</sup>

Bergh and Nilsson in their 2014 economic study measuring the relationship between globalization and poverty concluded that poverty reduction can be achieved by means of closer economic integration and higher levels of globalization. Building on previous sociological research they consider the McDonalds fast-food chain as a possible instrument of globalization,

among others. They confirm that "globalization correlates negatively with absolute poverty both across countries, in a panel with fixed effects, and in a longer first difference regression".<sup>12</sup>

Globalization's vision of efficiency is probably best illustrated by China's fast economic rise over the past few decades.<sup>13</sup> By opening to foreign investment and joining global trade organizations, China has attracted international corporations looking for lower production costs and access to a large consumer base. This has sparked growth in manufacturing, infrastructure development, and technological innovation, lifting 800 million people out of poverty and transforming China into a global economic power.<sup>14</sup> China has also become very advanced scientifically: "China is now a leading scientific power (...) [and] its scientists produce some of the best research, particularly in chemistry, physics and materials science".<sup>15</sup>

But the benefits of globalization haven't been evenly distributed. China has seen great growth, and many developed nations have experienced job losses in sectors like manufacturing as companies have relocated production to countries with lower wages.<sup>16</sup> This has led to

8 The Global Supply Chain has nevertheless shown many vulnerabilities post-pandemic. See Willy C. Shih, "Global Supply Chains in a Post-Pandemic World", *Harvard Business Review - Magazine*, September - October 2020, <https://hbr.org/2020/09/global-supply-chains-in-a-post-pandemic-world>, accessed 17 November 2024 : "When the Covid-19 pandemic subsides, the world is going to look markedly different. The supply shock that started in China in February and the demand shock that followed as the global economy shut down exposed vulnerabilities in the production strategies and supply chains of firms just about everywhere".

9 See National Human Genome Research Institute, "Who carried out the Human Genome Project" at <https://www.genome.gov/about-genomics/educational-resources/fact-sheets/human-genome-project>, accessed 10 December 2024: "The sequencing of the human genome involved researchers from 20 separate universities and research centers across the United States, United Kingdom, France, Germany, Japan and China. The groups in these countries became known as the International Human Genome Sequencing Consortium".

10 Claire Klobucista, "A Guide to Global Covid19 Vaccine Efforts", *Council on Foreign Relations Background*, 2022, <https://www.cfr.org/background/guide-global-covid-19-vaccine-efforts>, accessed 18 November 2024: "The global effort to develop and distribute effective vaccines against the COVID-19 coronavirus disease has produced various safe and effective options. The development of multiple vaccines within one year of the virus's emergence is unprecedented; the process has typically taken eight to fifteen years".

11 Some studies find evidence of this happening; see Niclas Berggren and Therese Nilsson, "Globalization and the Transmission of Social Values: The Case of Tolerance", *Research Institute of Industrial Economics, IFN Working Paper No. 1007*, 2014, 1-38

12 Andreas Bergh and Therese Nilsson, "Is Globalization Reducing Absolute Poverty?", *World Development* Vol. 62, 2014, 56

13 See World Bank Group, "The World Bank in China", 2024 at <https://www.worldbank.org/en/country/china/overview>, accessed 28 December 2024 : "Since China began to open up and reform its economy in 1978, GDP growth has averaged over 9 percent a year, and almost 800 million people have lifted themselves out of poverty".

14 Nwosa and Adeoye show also that for Nigeria between 1981 and 2018, globalization had a positive impact on the poverty rate but they recommend to public authorities to ensure "that the dividend of economic growth resulting from globalization is properly shared among the poor". See Philip Ifeakachukwu Nwosa and Temitope Adebisi Adeoye, "Globalization and poverty: Evidence for Lower-Middle Income Country", *Economic Review - Journal of Economics and Business*, Vol. XIX, Issue 1, May 2021, 71

15 The Economist, "The Rise of Chinese science", *The Economist*, June 15<sup>th</sup>-21<sup>st</sup> 2024, 9

16 The Economic Policy Institute claims that "from 1998 to 2021, the U.S. lost more than 5 million manufacturing jobs thanks to the growing trade deficit in manufactured goods with China, Japan, Mexico, the European Union, and other countries". See Robert E. Scott, Valerie Wilson, Jori Kandra and Daniel Perez, *Botched policy responses to globalization have decimated manufacturing employment with often overlooked costs for Black, Brown, and other workers of color*, (Washington DC: Economic Policy Institute, January 31 2022) 8



economic hardship for some communities and has sparked debates about the fairness of globalization. Hill and Rapp argue that “the net impact in terms of exports over imports shows little progress for any grouping [of countries] except for medium development nations that are dominated by the productivity of China and India”.<sup>17</sup> Also, within countries like China, the blessings of economic growth haven't always trickled down. There are important income disparities between urban and rural areas, and concerns abound about worker exploitation in some industries.<sup>18</sup>

At the international level, the uneven distribution of globalization's benefits is evident in the widening gap between developed and developing nations. Some developing countries like China and India have indeed made impressive improvements but many others have difficulty competing due to limited infrastructure, weak institutions, and lack of access to education and technology. In their study of the restructuring of the textiles industry in Vietnam, Thoburn, Sutherland and Hoa write that while authors argue that “increased openness to the global economy leads to faster growth and that the poor benefit from that growth along with other groups (...) it is also clear that globalization processes are often uneven, creating winners and losers, and may work differently in -and be shaped by- different local contexts”.<sup>19</sup>

Addressing these challenges requires a multifaceted approach. We need policies that promote fair trade practices, invest in education

and skills development, and support sustainable economic growth in developing countries.<sup>20</sup> Within developed nations, social safety nets and retraining programs can help workers adapt to the changing economic landscape. Using the full potential of globalization and at the same time mitigating its negative consequences necessitates a commitment to inclusive growth and equitable distribution of benefits for all.

## Distributional Challenges

Stanley Fischer alerted in 2003 that the globalization debate is untidy and passionate, implying that sometimes it's more of a political debate than a purely economic one, but that as far as economics is concerned the greatest challenge is poverty. His argument was that in order to reduce poverty you need economic growth stemming from integration into the global economy, accompanied by good economic policies, and that three actors are responsible for those: 1. developed countries who operate the world economy; 2. the international “intellectual climate” generated by governmental and non-governmental bodies; and 3. the governments of developing countries “who bear the major responsibility for economic policy in their countries”.<sup>21</sup> Also some authors have remarked on the nonlinear relationship between poverty and financial globalization. Singh, Sharma and Sharma in a 2023 study, concluded that “at first financial globalization reduces poverty, but there are diminishing returns to poverty reduction at higher levels of financial globalization” and they found that

17 Ronald Paul Hill and Justine M. Rapp, “Globalization and Poverty: Oxymoron or New Possibilities?”, *Journal of Business Ethics* 85, 2009, 45

18 World Bank Group, op. cit. : “China is now an upper-middle-income country. Although China eradicated extreme poverty in 2020, an estimated 17.0 percent of the population lived on less than \$6.85 a day (in 2017 PPP terms), the World Bank's Upper-Middle-Income Country (UMIC) poverty line, in 2021”.

19 John Thoburn, Kirsten Sutherland and Nguyen Thi Hoa, “Globalization and Poverty: Impacts on Households of Employment and Restructuring in the Textiles Industry of Vietnam”, *Journal of the Asia Pacific Economy*, Vol. 12, No. 3, 345

20 Thoburn et al., op. cit., 362: “Compared with South Africa, where textile retrenchments have pitched households into dire poverty (...), Vietnamese retrenched workers have not fared so badly, although the psychological effects of retrenchment could still be severe. They have been helped by social protection from the state sector (...).”

21 Stanley Fischer, “Globalization and its Challenges”, *Richard T. Ely Lecture, AEA Papers and Proceedings* (May 2003) 2

at a certain threshold “the poverty inducing effect of financial globalization vanishes, and a further increase in financial globalization increases poverty”.<sup>22</sup>

Assessing in 2005 the effect of globalization on inequality, using data from accumulated foreign direct investment stocks, Bussmann, De Soysa and Oneal concluded that “if foreign investment increases average incomes in developing countries (...) and does not increase inequality, it must benefit all strata of these societies, including the poor”.<sup>23</sup> Some studies of other areas of globalization, like Topalova’s study of trade liberalization in India, arrive at a different conclusion: she finds “strong evidence that trade liberalization increased poverty”.<sup>24</sup>

Globalization has promised interconnection and shared prosperity but has also heightened inequalities. A new global marketplace characterized by intense competition has favored a system in which a few acquire disproportionate wealth and power. A winner-take-all market for technology companies with digital goods and services, rewards exceptional performers who can operate in large markets, often at the expense of smaller players and local businesses.<sup>25</sup> The concentration of wealth in the hands of multinational corporations and

affluent individuals widens the gap between the rich and the poor and creates societies marked by economic disparities. In its 2024 report, Oxfam highlights that “governments have enabled the world’s largest corporations to get bigger and more profitable. Apple is valued at US\$3 trillion: illustratively, this figure is greater than the entire GDP of France, the seventh-biggest country economy in the world” and that “the world’s five largest corporations combined are valued at more than the combined GDP of all economies in Africa, Latin America and the Caribbean”.<sup>26</sup>

Globalization has increased labor market transformations through outsourcing and automation, trends linked to the digital revolution. The ability to relocate production facilities and use automated systems has enabled companies to seek out the most cost-effective labor, often in developing countries with lower wages and less rigorous labor regulations.<sup>27</sup> This can create employment opportunities in some regions but at the same time displaces workers in developed economies and contributes to more unemployment and wage stagnation.

The impact of globalization on developing countries is many-sided and uneven. Some nations have experienced significant economic growth driven by foreign investment and trade liberalization; others deal with persistent

22 Sunny Kumar Singh, Prateek Sharma, Swati Sharma, “The nonlinear relationship between poverty and financial globalization: A panel quantile regression approach”, *The World Economy*, Wiley, 2024; 47, 702

23 Margit Bussmann, Indra De Soysa and John R. Oneal, “The Effect of Globalization on National Income Inequality”, *Comparative Sociology* 4 (2005), 285

24 Julie Anderson Schaffner, Book Review on Ann Harrison, ed. *Globalization and Poverty* (Chicago: Chicago University Press, 2007) in *Economic development and Cultural Change*, Vol. 58, n. 3, April 2010, 598

25 See Vinod Jain, “Understanding the Dynamics of Winner-Take-All Markets”, *Forbes Business Council Post*, March 5 2024 <https://www.forbes.com/councils/forbesbusinesscouncil/2024/03/05/understanding-the-dynamics-of-winner-take-all-markets/>, accessed 10 December 2024

26 See Oxfam, *Inequality Inc.* (Oxford: Oxfam International, January 2024) 27

27 Iheriohanma notes that “Africa should realize that her advantage in labour abundance is being eroded. This has serious implications for her domestic policies. With this shift in comparative advantage, developing countries like Nigeria must devise new and profitable adjustment mechanisms for integrating into the global system otherwise they will be pushed to the periphery of the system”. See E.B.J. Iheriohanma, “Globalization, Poverty and Natural development: the Nigeria Situation”, *Ife Psychologia*, Vol. 18(1), March 2010, 245

poverty and inequality. Chile, for instance, has been a success story, demonstrating high economic progress due to market-oriented reforms and integration into the global economy. Despite this overall growth, income inequality remains a major issue within Chile, making it difficult to ensure that the benefits of globalization are equitably distributed. The protests that shook the country in 2019 surprised a world used to good economic news from Chile after decades of growth and the entry of the country into the OCDE. The New York Times reported at the time that “Inequality is still deeply entrenched. Chile’s middle class is struggling with high prices, low wages, and a privatized retirement system that leaves many older people in bitter poverty. And a series of corruption and tax-evasion scandals have eroded faith in the country’s political and corporate elite”.<sup>28</sup>

In contrast to Chile's relative success, many developing nations continue to face significant difficulties benefitting from globalization. UNDP, after the LDC Istanbul 07 Conference stressed that for the least developed countries (LDCs) problems have abounded after greater integration into the global economy: “Small businesses in these countries have lost out either to the big international players or to cheaper imports” and “there has been a shrinking of the public sector and withdrawal of state subsidies without any commensurate growth of strong market and other institutions,

resulting in loss of jobs”.<sup>29</sup> Weak governance, corruption, inadequate infrastructure, and poor access to education and technology can hinder their ability to compete effectively. Daniel Cohen cites corruption among economic elites in developing nations that turns wealth into poverty and gives numerous examples of this crippling phenomenon in Africa and Latin America.<sup>30</sup> Harrison and McMillan conclude in their paper on the links between globalization and poverty that “the evidence suggests that the poor are more likely to share in the gains from globalization when there are complementary policies in place”. They also assert that the collected evidence suggests “that globalization produces both winners and losers among the poor”.<sup>31</sup>

The complicated interaction between globalization, technological advancements, and socioeconomic factors has created a playing field with both opportunities and challenges. We need strong policy interventions that can soften inequality created by globalization. We need to address access to education and healthcare, and fair labor practices to ensure that the benefits of globalization are shared among people and societies. In the 20<sup>th</sup> and 21<sup>st</sup> centuries liberal economists like Adam Smith have been misappropriated by those who only want to know about the “invisible hand”. But

29 UNDP, *Making Globalization Work for the Least Developed Countries* (New York, UNDP: 2007), 4

30 Daniel Cohen, *The Wealth of the World and the Poverty of Nations* (Boston: MIT Press, 1988), 13-14. See also Laura Mota Díaz, “Globalización y Pobreza: dicotomía del Desarrollo en América Latina y México”, *Espacio Abierto* Vol. 11, No. 2, Abril -Junio 2002, 01 : “Corruption and a lack of ethics have characterized our institutions for a long time, leading to a large portion of the population distrusting them”.

31 Ann Harrison and Margaret McMillan, “On the links between Globalization and poverty”, *The Journal of Economic Inequality*, 5, 2007, 123

28 Amanda Taub, “Chile Woke Up: Dictatorship’s Legacy of Inequality Triggers Mass Protests”, *The New York Times*, Nov. 3 2019, updated Nov. 18, 2019 at <https://www.nytimes.com/2019/11/03/world/americas/chile-protests.html>, accessed 20 November 2024

economic liberalism and “liberality” go hand in hand and the dysfunctions of globalization can only be addressed with generosity and the appropriate level of redistribution and policy intervention.

### **The Rise of Protectionism and Authoritarianism and the Challenges for Democracy**

The rise of globalization over recent decades has generated a backlash and a number of societal and political shifts. We now confront perceived erosions of national identity, economic insecurities, and cultural anxieties. There is a sense that globalization has benefited elites and left ordinary citizens behind.

Protectionist policies trying to shield domestic industries from global competition are popular. Some scholars believe that we have entered an era of de-globalization. Jordaan stresses that “there has been a marked increase in protectionism or economic nationalism worldwide” and that “the non-G20 countries have noticeably increased their resort to economic nationalism even more than the G20 members have”.<sup>32</sup> Governments face pressure from voters who perceive job losses and wage stagnation due to outsourcing and international trade agreements and have implemented tariffs, quotas, and other barriers to restrict imports.<sup>33</sup> The Trump first-term administration's

imposition of tariffs on goods from China, for example, was driven by a protectionist impulse to safeguard American manufacturing jobs. Biden continued to pursue this new industrial strategy.<sup>34</sup> Mercurio remarks that “an industrial strategy prioritizing national security and the American worker will continue to re-shape international markets, global supply chains, and diplomatic engagements” and that “other advanced economies and those developing countries that can afford to do so will follow the US down the subsidy-led protectionist path”.<sup>35</sup> The priority given by Trump's second-term administration to imposing major tariffs on a global scale as a major public policy strategy will be easier to assess in a few years when the effects on the US economy and on the world economy will be more apparent. But ideas centered on protectionism and avoiding long-term trade imbalances are here to stay.

What is just or unjust in international trade is also very much in vogue as an idea in some developed countries. Rodrik drives home the point: “It's one thing to lose your job to someone who competes under the same rules as you do. It's a different thing when you lose your job to someone who takes advantage of lax labor, environmental, tax, or safety standards in other

32 André C. Jordaan, “De-Globalization: Fact or Fiction?”, *Latin American Journal of Trade Policy* 12, 2022, 59. He also reminds us in p. 60 that “international capital flows declined since the financial crisis as financial regulators imposed higher regulatory standards to mitigate risks”.

33 Gómez Chiñas counters the idea that US-Mexico Trade has contributed to major loss of manufacturing jobs in the US. See Carlos Gómez Chiñas, “US-Mexico Trade Perspectives on the Resurgence of Protectionism and the Renegotiation of the North American Free Trade Agreement (NAFTA)”, *Revista CIMEXUS* Vol. XII, No. 1, 2017, 99: “The loss of manufacturing jobs that the U.S. economy has experienced in recent decades is fundamentally due to productivity gains caused by technological innovation and not to trade, although it has had some impact. The jobs lost due to trade are not due to US trade with Mexico but to trade with China”. He pursues his economic analysis which goes against protectionism as a successful strategy: “While the trade deficit is a problem that must be addressed by the US economy, the best way to do so is not through trade measures but with a macroeconomic adjustment, since the deficit is the result of excessive spending. The United States should focus on being more competitive in areas where it has a comparative advantage, such as high-tech sectors, and not try to recover jobs in low-technology sectors such as textiles where it has no chance of being competitive”.

34 See Anthony Rolando Medina Rivas Plata, “Proteccionismo comercial como respuesta a la crisis de la globalización en occidente”, *Ius Humani Revista de Derecho*, Vol. 13, 1, 2024, 90. He maintains that the new protectionist policies in the US are in the end bipartisan state policies to counter China: “The United States adopted trade protectionism as a long-term policy, which, beyond campaign rhetoric or the existing ideological differences between Biden and Trump, maintained continuity regarding the need to reinforce the role of the state as an economic actor in contrast to the model of state capitalism promoted by China”.

35 Bryan Mercurio, “The Demise of Globalization and Rise of Industrial policy: Caveat Emptor”, *World Trade Review* 23, 2024, 249



countries”.<sup>36</sup> Some economic analyses also confirm that there is less to gain for developed countries to pursue more globalization.<sup>37</sup>

People are anxious about immigration and concerned about cultural assimilation. Competition for resources, and national security concerns increase the perception of global chaos. Anti-immigrant sentiment is becoming more common in some Western countries, used by populist leaders who take advantage of these fears for political gain.<sup>38</sup>

The rise of far-right parties in Europe, such as the National Rally in France, Fidesz in Hungary or the Alternative for Germany, highlights this trend. These parties tap into anxieties about immigration and cultural change. They push into the public fearful versions of national identity and borders. Populist leaders often position themselves as outsiders challenging the established political order. Inglehart and Norris further contend that “the rise of populist parties reflects, above all, a reaction against a wide range of rapid cultural changes that seem to be eroding the basic values and customs of

Western societies”.<sup>39</sup>

The rise of populism is a paradox. Globalization originated in liberal ideas, free markets, individual liberties, and international cooperation. But the results of globalization – economic integration, technological advancement, and cultural cosmopolitanism – have created conditions that populists can exploit. The feelings of displacement and uncertainty generated by these changes have made people susceptible to simplistic narratives and strongman politics promising quick fixes and a return to a perceived great age. Rodrik has analyzed with care globalization and populism and remarks that after World War II the success of the Bretton Woods model led to hyper-globalization reaching by the late 80s into domestic regulations, and demonstrates that this unbalanced globalization model has created populist responses, of the right in Europe and of the left in Latin America. He concludes that “we need a rebalancing [of globalization] in three areas in particular: from capital and business to labor and the rest of society, from global governance to national governance, and from areas where overall economic gains are small to where they are large”.<sup>40</sup>

The paradoxical relationship between globalization and authoritarianism is exemplified by the rise of China as a global economic colossus. China has embraced some parts of globalization: it participates in international trade and attracts foreign investment. Yet its political system remains firmly under the control

36 Dani Rodrik, “Populism and the Economics of Globalization”, *Journal of International Business Policy*, 2018, 8

37 See Marina M. Tavares and Valentin Lang, “How income gains from globalization are distributed”, *CEPR VoxEU*, 2018 at <https://cepr.org/voxeu/columns/how-income-gains-globalisation-are-distributed>, accessed 20 Dec 2024: “Our results show that economic globalisation increases many but not all incomes. The effect of globalisation on average income growth crucially depends on a country’s prevailing level of globalisation. While globalising is generally good for growth, there are diminishing marginal returns. The growth gains are substantially positive for countries at early and medium stages of the integration process; while for countries at very high stages of globalisation, income gains are small or insignificant (...). As a result, less-globalised countries, usually low- and middle-income countries, can still expect large gains in average incomes when continuing their integration in the global economy. For the most globalised advanced economies, further integration is less likely to come with substantial growth gains”.

38 Jon Henley, “Anti-immigration mood sweeping EU threatens its new asylum strategy”, *The Guardian*, 27 September 2024 <https://www.theguardian.com/world/2024/sep/27/anti-immigration-mood-sweeping-eu-capitals-puts-strain-on-blocs-unity>, accessed 19 December 2024: “Under intense political pressure from far-right parties in power in half a dozen member states and advancing with almost every election in others, governments are outdoing each other in introducing tough anti-immigration measures. This month alone Germany reintroduced checks at all its land borders, France vowed to restore ‘order on our frontiers’, the Netherlands announced its ‘toughest ever’ regime, Sweden and Finland proposed harsh anti-migrant laws”.

39 Ronald F. Inglehart and Pippa Norris, “Trump, Brexit, and the Rise of Populism: Economic Have-Nots and Cultural Backlash”, *Paper for the roundtable on “Rage against the Machine: Populist Politics in the U.S., Europe and Latin America”*, on Friday 2 September 2016, annual meeting of the American Political Science Association, Philadelphia, 30. The authors also explain that “Older birth cohorts and less-educated groups support populist parties and leaders that defend traditional cultural values and emphasize nationalistic and xenophobia appeals, rejecting outsiders, and upholding old-fashioned gender roles. Populists support charismatic leaders, reflecting a deep mistrust of the ‘establishment’ and mainstream parties who are led nowadays by educated elites with progressive cultural views on moral issues”.

40 Rodrik, op. cit., 16

of the Communist Party. This model contradicts the traditional idea that economic liberalization must lead to democratic reforms.<sup>41</sup> Instead, it implies that authoritarian regimes leverage globalization for economic gain but suppress dissent and maintain a tight control over their societies. Alexander Cooley in 2015 examined how in the prior decade a large international backlash against liberal democracy had grown and gathered momentum: “over the past decade, authoritarians have experimented with and refined a number of new tools, practices and institutions that are meant to shield their regimes from external criticism and to erode the norms that inform and underlie the liberal international political order”.<sup>42</sup> Freedom House’s 2022 report paints also a bleak picture: “Autocrats have created a more favorable international environment for themselves over the past decade and a half, empowered by their own political and economic might as well as by waning pressure from democracies”.<sup>43</sup>

The backlash against globalization highlights the importance for policymakers to address the anxieties generating this discontent: economic inequality, cultural insecurity, and a feeling of not being in control in a world that changes rapidly. If we don’t address these anxieties we will worsen divisions and we will keep empowering

populist movements. Thomas Piketty observes that “with regard to income distribution, there are very wide variations between countries, including within a given region and at the same level of development. This shows that different policies can make a difference”.<sup>44</sup> In the end, globalization cannot be left only to economists and technical analysis. It is an area of study that requires policy choices. Globalization is not bad. Globalization is not good. Globalization is a phenomenon that unchecked can lead to unfair distribution of its gains and thus empower populist voices and agendas. Agency -in global and local political matters- is needed to address globalization.<sup>45</sup>

41 The PRC government has even backed away “from more reform-minded policies of the first decade of the XXIst century and reinstalls vocabulary and methods of the past such as the mass line, leading to ideological indoctrination and ‘mild self-criticism sessions’. See Juli Minoves, “Taiwan and its Relationship with the People’s Republic of China – Past, Present and Future” in *The Rise of China, A Collection of Essays* (London: The Paddy Ashdown Forum, 2021), p. 69. See also Kerry Brown, *China’s Dream – The Culture of Chinese Communism and The Secret Sources of Its Power* (Cambridge: Polity Press, 2018) 130

42 Alexander Cooley, “Countering Democratic Norms”, *Journal of Democracy*, Volume 26, Number 3, July 2015, 49

43 Freedom House, *Freedom in the World 2022* (Washington DC: Freedom House, 2022) 3

44 Thomas Piketty, *Time for Socialism – Dispatches from a World on Fire*, 2016 – 2021 (New Haven: Yale University Press, 2021) 324

45 Global and local policies are both needed. Laborda Castillo and Salem note that for many countries “the dilemma they encounter during the beginning of the XXI century is that some markets are fighting to become globalized, while other institutions (fundamental for sustaining the markets) are still domestic. Globalized markets help efficiency while domestic ones encourage equity. A specific example of this is the relationship between globalization and child labor (efficiency and equity)”. See Leopoldo Laborda Castillo and Daniel Sotelsek Salem, “Does Globalization Contribute to Decreasing Child Labor Rates?”, *Revista de Economía Mundial* 44, 2016, 144

## Conclusion: An uncertain future

While globalization presents many opportunities, its benefits are not universally distributed and many have been suffering. In 2016, Stiglitz reminded us that “large segments of the population in advanced countries have not been doing well: in the US, the bottom 90% has endured income stagnation for a third of a century. Median income for full-time male workers is actually *lower* in real (inflation-adjusted) terms than it was 42 years ago. At the bottom, real wages are comparable to their level 60 years ago”.<sup>46</sup>

Addressing the distribution challenges of globalization requires a joint effort from policymakers, civil society organizations, and international institutions. We must invest in human capital through education and skills development. We must strengthen social safety nets to protect vulnerable populations. We must champion fair-trade practices that favor both economic growth and social well-being. Economic growth is not enough. Akoum remarks that pro-poor growth proponents “suggest a broader approach which includes social, economic, and political dimensions, arguing that focusing exclusively on economic growth and income generation as a development strategy is ineffective”.<sup>47</sup> Davis, Thomas and Amponsah are right when they note that “globalization may have resulted in incomes growth of the poor, although the distributions of gains may have been uneven” and that “therefore policies that are directed

at poverty eradication should be broadly conceptualized to embrace the development, diversification and structural differentiation among poor countries”.<sup>48</sup> However it is not an easy task to devise policies that will counter the distributional challenges of globalization. In a study on minimum wages, globalization and poverty in Honduras, Gindling and Terrell have given a good sense of the challenge: “In an era of globalization, the extent to which countries are competitive is an important consideration. However one would hope that governments could help protect their workers from fierce competition (the ‘race to the bottom’) by creating an environment that enables job creation and poverty reduction while at the same time not hampering and hopefully enhancing firms’ competitiveness”.<sup>49</sup>

Technology advances rapidly. Digital tools have accelerated interconnectedness and new avenues for economic activity but they also pose ethical dilemmas linked to automation, data privacy, algorithmic bias and the rise of AI.<sup>50</sup> Indeed, one of the godfathers of AI, Geoffrey Hinton, claimed in late 2024 that there is 10% to 20% chance AI will lead to human extinction in three decades.<sup>51</sup>

46 Joseph Stiglitz, “Why we need new rules to tame globalization” *World Economic Forum* (August 8 2016) <https://www.weforum.org/stories/2016/08/joseph-stiglitz-why-we-need-new-rules-to-tame-globalization-d7c8fc88-5ea4-4b6e-9540-01bc983274cd/>, accessed 23 December 2024.

47 See Ibrahim F. Akoum, “Globalization, growth, and poverty: the missing link”, *International Journal of Social Economics* Vol. 35, No. 4, 2008, 229. Nissanke and Thorbecke also indicate that “in the face of negative income shocks at the macroeconomic level related to the process of globalization, governments need to take a pro-active and pro-poor stance”. See Machiko Nissanke and Erik Thorbecke, “Globalization, Poverty, and Inequality in Latin America: Findings from Case Studies”, *World Development* Vol. 38, No. 6, 801

48 Carlton G. Davis, Clive Y. Thomas, and William A. Amponsah, “Globalization and Poverty: lessons from the Theory and Practice of Food Security”, *American Journal of Agricultural Economics* 83 (3), August 2001, 720

49 T.H. Gindling and Katherine Terrell, “Minimum Wages, Globalization and Poverty in Honduras”, *World Development* Vol. 38, No. 6, 2010, 915

50 See Christopher Walker, “The World Has Become Flatter for Authoritarian Regimes”, *Journal of Democracy*, December 2023, <https://www.journalofdemocracy.org/online-exclusive/the-world-has-become-flatter-for-authoritarian-regimes/>, accessed 15 December 2024: “The galloping pace of technological change demands new norms of democratic accountability around surveillance tech, especially as generative AI becomes mainstream. Because AI governance challenges touch on many aspects of social and political life, civil organizations will need to forge new types of partnerships and collaborations, coupled with new approaches to training and knowledge sharing”.

51 See Dan Milmo, “Godfather of AI’ shortens odds of the technology wiping out humanity over next 30 years”, *The Guardian*, 27 December 2024, <https://www.theguardian.com/technology/2024/dec/27/godfather-of-ai-raises-odds-of-the-technology-wiping-out-humanity-over-next-30-years>, accessed 28 December 2024. Also the new Pope of the Catholic Church, Leo XIV, upon being elected in 2025, has identified AI as a critical issue. In the spirit of Leo XIII’s “Rerum Novarum” or Paul VI’s “Populorum Progressio” influential encyclical letters it is expected that he will develop the social doctrine of the Catholic Church in this area.

International cooperation is indispensable in addressing transnational challenges such as climate change, pandemics, and cross-border crime. Strengthening multilateral institutions and fostering dialogue among nations will be essential for building a more sustainable and equitable future in an increasingly interconnected world. Globalization is not an immutable or fatalistic force; it is a dynamic process constantly evolving under the influence of social, political, economic, and technological forces. We must recognize its problems and offer solutions based on ethical principles and social justice. Our policy choices must be directed towards poverty eradication and fighting inequality.

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