

## Investment

The remarkable growth of Dubai could have occurred only with enormous amounts of foreign investment, both by foreigners in Dubai and by Dubai interests outside the UAE. Vast sums of money have been invested in building the physical and economic infrastructure of Dubai. This money has come from several sources: the European Union (EU), the United States, Japan, and, in particular, from the Islamic world. The reasons for this investment are obvious. Dubai offers the attractive combination of political security and stability (rare in the Middle East) along with the potential for making a good profit. At the same time, banks and state-owned and private firms in Dubai are active investors in other countries. For example, Dubai is one of the most important sources of foreign investment in countries such as Pakistan and Indonesia.

## Negative Reactions to Globalization

You will learn in this course that the move toward globalization can be very controversial. This has been the case with Dubai. Reactions against what the emirate is trying to do have occurred both at home and abroad. Within Dubai, there have been ongoing concerns about bringing the “moral laxity” of the Western world into what had initially been a conservative Islamic society. This influence can be seen in everything from the serving of alcoholic beverages to the wearing of skimpy bathing suits on the beach. A significant minority of

people in the UAE is not comfortable with the compromises that have been made to attract tourism and international business. Only time will tell whether these negative reactions increase or decrease in the years to come.

### GLOBALIZATION

... the move toward globalization can be very controversial.

*Why might it be particularly controversial in the centre of the Islamic world?*

Not all of the negative reactions have occurred in Dubai. In 2006, a Dubai state-owned company called Dubai Ports World reached an agreement to purchase the port operations in six cities along the eastern seaboard of the US. The ports involved—New York, Newark, Philadelphia, Baltimore, Miami, and New Orleans—were owned by a British company and are vital for the movement of both freight and cruise-ship passengers. The purchase ignited a firestorm of protest in the US, caused by fears that Arab ownership of the ports might make the ports more susceptible to terrorism. Because of the negative reaction, the deal was abandoned.

So there you have it—a brief visit to the most globalized place on Earth. Who knows—you may even end up working there at some point, if Dubai’s wealth and influence continues to grow in an ever-more-globalized world. Now it is time to move on and look at what globalization is in more detail, and see how it is changing the world.

## The Nature of Globalization

We have seen what globalization has meant to Dubai. Now let’s look at globalization more generally.

To some people, the mention of globalization inspires visions of the global village—a world where every person is linked by the latest high-technology communications systems and where free trade and the efficient operation of the world’s economy contribute to growing wealth for all. To others, globalization is the reason a local factory shuts down, only to reopen thousands of kilometres away in a country with cheaper labour, poor labour practices (for example, child labour and no tolerance of labour unions), and weaker environ-

mental laws. To critics, globalization means the destruction of local cultures and the weakening of traditional religious beliefs, only to be replaced by a *homogenized* (blended into a uniform state), largely American-dominated culture.

Why should there be such wildly varying views of the same concept? First, globalization is an ongoing, evolving process. Its ultimate impacts are, as yet, unclear. Second, there is not just one form of globalization; there are at least eight types that can occur separately, or in a wide variety of combinations.

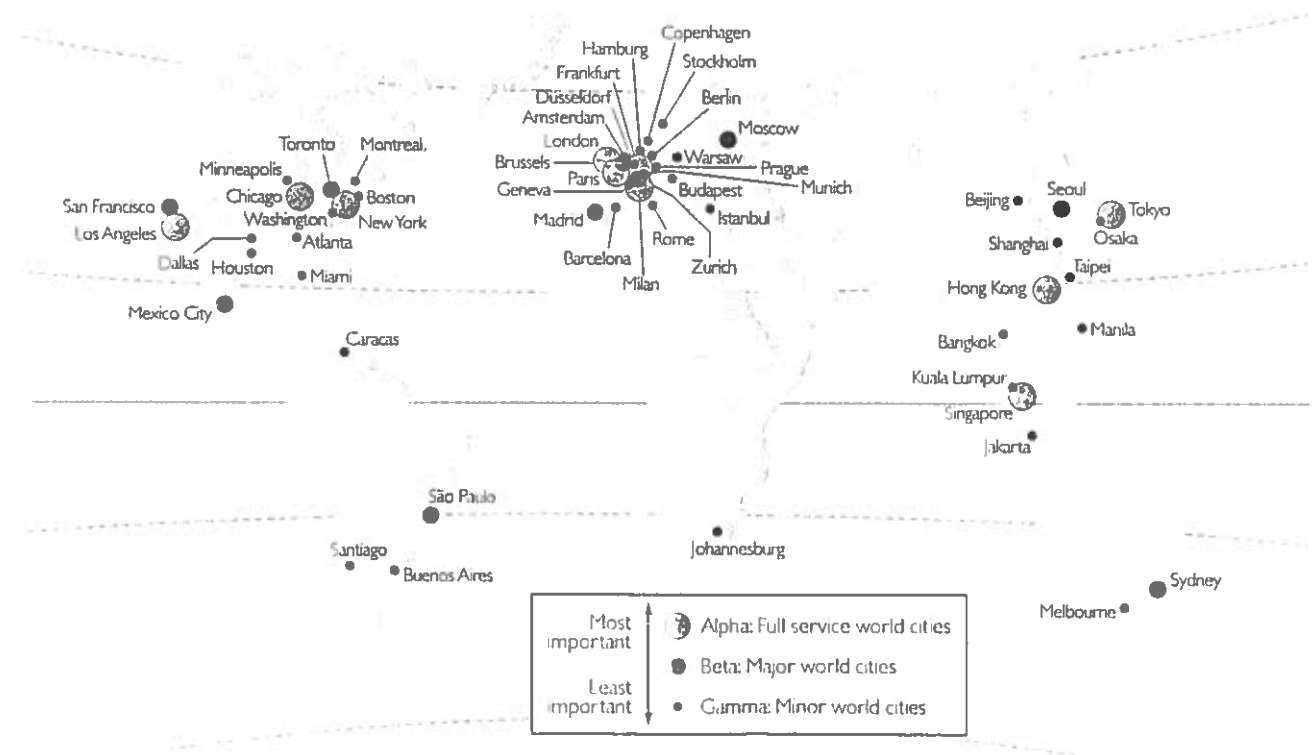
## Financial Globalization

The world's financial systems have become intimately interconnected. For example, the world's stock markets are constantly affecting one another like a wave that ripples from east to west around the globe each business day. Trading on the New York stock exchange influences what happens hours later in Tokyo and Hong Kong. In turn, their trading affects that of the European markets. The next day, the wave continues, as European trading influences North American markets.

An interesting characteristic of this kind of globalization is that it does not involve the interconnection of nations. Rather, it reflects what happens in a network of world cities that have significant financial markets (see Figure 2-4).

## Economic Globalization

In the past, a corporation tended to be identified with one particular country. For example, when one thought of General Motors, one thought of the US. Now, a growing number of huge companies, including GM, are multinational or transnational in nature, since they have integrated operations across much of the world. Companies like Coca-Cola, Toyota, IKEA, and Shell move their production and capital, and seek markets anywhere in the world that will benefit the company. This type of globalization has been one of the most controversial. Supporters maintain that economic globalization brings efficiency and produces much greater global wealth. Opponents say economic globalization tends only to increase the difference between the world's haves and have-nots and produces a situation in which transnational corporations become more powerful and influential than most countries. (See Chapter 12 for more information.)



**Figure 2-4** One study identified these world cities as “command points in the world economy.” The reason why Dubai is not included is that this study focused only on accounting, advertising, banking, finance, and law. Hence, it did not consider fields like transportation and tourism that are so important to Dubai’s view of globalization.

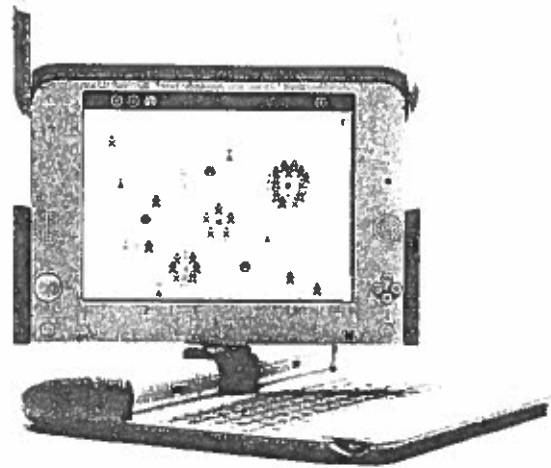
## Technological Globalization

When we talk about the global village, we are referring primarily to technological globalization. This has occurred because of the remarkable growth of communications and computer technology in the past 50 years. Consider how the impact of this technological revolution affects you almost every day.

It is vital to remember globalization is a process and not a destination. So far, it has been the residents of wealthier countries, who are able to pay for Internet access, cellphones, and other technological advances, who have enjoyed the benefits of technological globalization. However, there is considerable evidence that this is changing. Many developing countries are going directly to cellphone networks (see Figure 2-5) and avoiding the great costs of building conventional, land-line-based phone systems. A non-profit association is developing a crank-powered laptop computer (see Figure 2-6) for children in developing countries that can be produced for less than US\$160.



**Figure 2-5** A worldwide explosion of cell phones use is a major factor in technological globalization.



**Figure 2-6** This inexpensive laptop is being built to bring the advantages of computers and the Internet to students of the developing world.

## Political Globalization

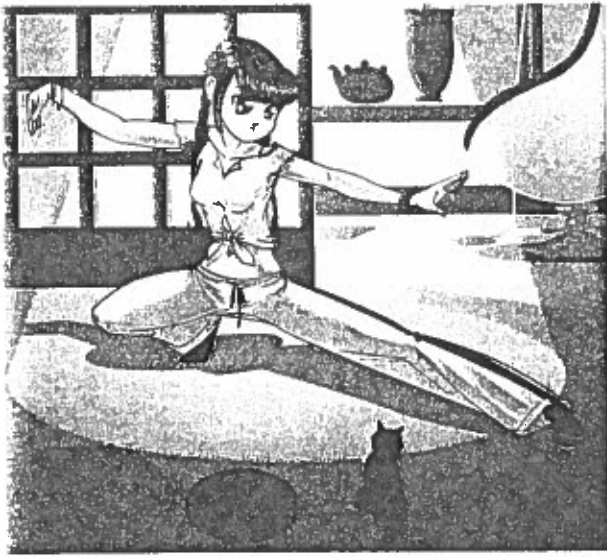
As the world's countries become more economically and technologically interdependent, it is not surprising there are pressures on them to adopt more uniform policies. In the 1990s and early 2000s, the economic pendulum swung toward a neo-liberal agenda. (You can learn more about neo-liberal economics in Chapter 11.)

Canada's move to join with the US and Mexico in a free-trade agreement is typical of this trend toward less national sovereignty and greater emphasis on free trade among nations.

## Cultural Globalization

This type of globalization refers to the gradual harmonization of the world's cultures at the expense of distinctly different local cultures. Eventually, most people in the world will watch the same television shows and movies, listen to the same music, eat the same foods, have the same values, and so on. If this makes you think of someone in Argentina (or South Africa or India) eating sushi (or pizza or "shrimp from the barbie") while they watch *The Simpsons* (or *anime* [see Figure 2-7] or Manchester United vs Real Madrid), you are on the right track.

Critics suggest that cultural globalization can happen only with the loss of the world's cultural diversity, and that the world culture that develops will be primarily an American one. For many people, the most important aspect of culture is religion and for significant numbers of these people, globalization is seen as a great threat. A newspaper clipping from a Pakistani newspaper illustrates this well (see Figure 2-8).



**Figure 2-7** Anime, or Japanese animation, is popular around the world.

### Ecological Globalization

In recent decades, there has been a growing acceptance of the idea that the planet must be treated as a single ecosystem rather than a collection of separate ecological systems. A good example is the problem of ozone depletion. The world's nations were able to achieve a broad agreement on the nature of this problem and how it could be overcome. This came to be known as the Montreal Protocol, since it was signed in that city.

This treaty has done much to reduce the amount of ozone depletion in the atmosphere. Environmentalists hope the model of international cooperation that proved so successful in this case will act as a model for the even greater risks posed by climate change.

### Sociological Globalization

Central to this form of globalization is the increasingly common belief that we are members of a single, world society that has become more significant than distinct national and cultural societies. This idea goes far beyond the elements of popular culture that are part of cultural globalization. It can be seen in the growing belief that certain common attitudes and standards of behaviour should exist in every country. Examples can be found in discussions of the morality of capital punishment, or the role of women in society.

### Geographical Globalization

Even the study of geography has been globalized. In the past, geographers tended to look at the world in terms of what happened within one country, or what relationships existed between and among countries. Increasingly, they see a borderless world dominated not by countries, but by worldwide ecological concerns and political, cultural, economic, and other relationships existing among the network of world cities and the regions surrounding them.



Religious activists, some of whom were wearing masks, also staged a demonstration before the Friday prayers. Burqa-clad girl students of Madressah Hafsa kept a vigil atop the seminary's roof. The activists were chanting "Al Jihad, Al Jihad!"

Armed with sticks, a group of religious activists set on fire thousands of video and audio cassettes and computer compact discs "given up" voluntarily by a shop owner who, according to them, had announced [plans] to abandon "this business."

Maulana Aziz reminded the shopkeepers that they had been given a 30-day deadline to close down their "evil" businesses and switch over to some other "decent" venture and said students of the seminary would punish the shopkeepers who did not do so. He asked traders to financially "support" the owners of video and CD shops to enable them to switch over to some other business.

Maulana Aziz urged the authorities and the people concerned to stop dealing in video CDs, putting up billboards with women's photographs, selling liquor, and running "brothels" and drug dens in Islamabad.

**Figure 2-8** This report from an English-language newspaper in Pakistan indicates that one-way globalization can be seen as a threat to traditional values.

In the preceding sections, we broke globalization down into a number of types. However, when we are examining a specific issue or situation, it is often the relationship existing between the different types of globalization that proves to be important. When you read the following, consider what the operations of McDonald's restaurants have to tell us about the various forms of globalization.

### Big Mac Index

An important British magazine, *The Economist*, uses the price of Big Macs in different countries to compare the accuracy of the exchange rates for different currencies. It is able to do this for two reasons. First, McDonald's operates in over 100 countries, including all the major ones. Second, the Big Mac is virtually uniform in size and content in all countries. The exception is India, where McDonald's does not serve beef out of respect for the religious beliefs of the majority of the population.

### Golden Arches Theory of Conflict Prevention

American author Thomas L. Friedman in his Golden Arches Theory of Conflict Prevention has proposed the theory that no two nations that have McDonald's restaurants will ever fight a war. His idea is that globalization allows a country to develop a large enough (and rich enough) middle class to sustain a McDonald's chain. Once this condition is reached, the citizens of the country would realize that they have too much to lose from fighting a war, and that they would prefer to line up for a burger and fries. His theory has stood up surprisingly well. There have been only two exceptions to the theory. One was the American invasion of Panama in 1989; the other, the NATO bombing of Serbia in 1999. Friedman has now created a similar theory—that no two nations who are part of the Dell Computers supply chain would ever fight a war. So far there have been no conflicts that violate this "law."

### The Case of MaDonal

In this case, we are not even talking about a real McDonald's. Instead we are looking at a copy of the real thing, called "MaDonal," (see Figure 2–9) that illustrates the *iconic* (symbolic) role played by McDonald's in representing the benefits of prosperity in a globalized world. MaDonal was opened in 2004 by Suleiman Quassab in a Kurdish town in northern Iraq. The owner of the restaurant had fought against the government of Saddam Hussein in the 1970s and had been forced to become a refugee in Vienna. While

there, he had worked in a McDonald's as a cook. When he was able to return to Iraq, he tried to get a franchise from McDonald's but was turned down because of the ongoing instability of the country. In his mind, he did the next best thing: he opened a restaurant that resembled McDonald's, in its appearance and its menu—it even served "Big Macks." At first glance this may seem quite odd, but what he was trying to do was reproduce part of the stable and prosperous world he had experienced in Europe. His ultimate goal was to have a real McDonald's, in spite of the fact that his restaurant has been threatened by suicide bombers.



Figure 2–9 MaDonal in Iraq

### Questions

- What does the Big Mac Index try to do? What makes these comparisons possible?
  - Explain, in your own words, the Golden Arches Theory of Conflict Prevention. Do you think this theory and/or the Dell theory make sense?
  - What is MaDonal? How does the case of MaDonal reflect the relationship between globalization and the post-war American occupation of Iraq?
- Which types of globalization are reflected in each case?
- Why does McDonald's play such an iconic role in globalization?
  - Name at least two examples of other corporations that play similar iconic roles, but operate in different fields.
  - In what ways do these corporations play a positive role globally? In what ways do they play a negative role?
  - Name at least four individuals who are iconic global figures. Do they portray positive or negative roles in globalization?

