

**ETHICAL DIMENSIONS OF GLOBALIZATION***Dan CRĂCIUN<sup>1</sup>***ABSTRACT**

*The first part of this paper analyzes two opposite perspectives on globalization, both of them elaborated on ideological grounds: Nobel Prize winner Joseph Stiglitz is representative for the social groups who are skeptical about the positive results of globalization; the prominent columnist Thomas Friedman, on the contrary, is an enthusiastic advocate of the positive effects of globalization. I try to emphasize four errors committed by these ideological approaches. The second part tries to define globalization from a neutral, theoretical point of view, starting from the conceptual frame proposed by Jan Aart Scholte, which I try to develop in certain points. The final part sketches and defends a few ethical principles to be recognized and applied by the multinational corporations in their business operations at global scale.*

**KEYWORDS:** *Fairness, globalization, multinationals, progress.*

**JEL CLASSIFICATION:** *F02.*

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**1. INTRODUCTION**

The planetary integration of markets and the extremely fluid and quick movement of capital from one part of the world to another causes essential changes of dimensions, forms of organization and management of corporations along with the amplitude or seriousness of their activities' effects. Only a few ideas stir more heated debates in the contemporary world as the topic of globalization. After the end of the Cold War, that has recorded the fall of the communist phantasms and the triumph of market economy and democratic societies, the main target of all discontent people with the actual state of mankind became the globalization – a word almost worn-out through its abusive use in the most varied contexts, with meanings as different as vague and contradictory. Poverty, inequality between countries and individuals, economic instability and the uncertain future, the ecological disasters or the terrorist threat, all the issues that concern and worry public opinion throughout the world are attributed to the effects of globalization. Before giving a clear definition of globalization, as supposed cause of all the dramatic changes in the last decades, mass-media, bestselling books or the slogans of militant groups all over the world, of the most different orientations, rushed on the more or less visible effects of globalization.

Like in any ideological debate, the disputes concerned with the effects of globalization process defined right from the start two adverse camps, primarily separated not so much by clear theoretical and conceptual differences, but mainly by opposite attitudes and emotional engagement. On the one hand, there are the furious opponents to globalization, who never miss any opportunity to stigmatize the irreparable calamities caused by this phenomenon, pleading with fervor for a controlled let-down or even for a complete stop by any means (most often violent and irrational) of integration of world economy and a comeback to localism, national particularism, cultural isolationism, economic protectionism and the sabotage of the triumphal march of the multinational companies toward a

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“planetary disaster.” On the other hand, there are the enthusiastic supporters of globalization, who never get tired to glorify the achievements and especially the promises of future fabulous changes of world economy in the next decades, predicting a general growth of welfare, economic dynamism and efficiency, and finally, the spreading all over the world of the Western values, standards and way of life.

Typically, the opponents of globalization are recruited among those social groups and professional categories that expect to be, sooner or later, the losers of this game, as the globalization expands, whether we think of the developing countries that register a relative or even absolute worsening of their poverty, or of various categories of people from the developed countries or ex-communist countries, in transition to market economy, like Romania today, who feel that actual and potential prospects of globalization are not at all positive, as this process destroys certain social equilibriums to establish disorder and instability. The supporters of globalization typically belong to those groups of countries and individuals who have something to win, quickly and substantially, due to the new trends, the great beneficiaries being, until now, the developed countries and the most wealthy, dynamic and active who, one way or another, revolve around expanding operations of the multinational corporations.

The controversies between these two camps are especially relevant from a moral point of view, since the ethical arguments and counterarguments, incriminations and defenses are very frequent. Globalization is rejected primarily because of its inequitable effects, the main accusation being that it's not fair and honest if the rich of the world take cynically and irresponsibly advantage of their economic, financial, technological, political, and military superiority to get richer on the behalf of those condemned by their multiple handicaps to be eternal losers. On the contrary, the supporters of globalization claim that integrating world economy is the only way to get the countries that are stuck in conservatism and poverty out of their precarious condition and to connect them to the general progress of mankind, whereas the deepening of the gap between rich and poor is fair and equitable, as long as inequality gratifies performance and efficiency. Besides, the situation of the poorest countries and people deteriorates only relatively, since in absolute terms, even their level of welfare rises.

## **2. GLOBALIZATION AS AN IDEOLOGICAL ISSUE**

Most often, those who analyze globalization from an ideological perspective try to avoid an explicit adherence to the simplistic slogans of one camp or another, apparently adopting a neutral tone. For the starters, globalization is an objective process, with a great potential to transform for the better the human life everywhere on our planet. But from this point on, the nuances appear. Some people say: Yes, but until now globalization advanced chaotically, anarchically, exclusively for the benefit of the haves; consequently, if we wish to harness the potential benefits of globalization, redefining the strategies of integration of world economy is needed, and these new strategies should be controlled by international institutions, that support certain clear and much more generous ethical values and principles. Other people admit that, indeed, for the time being not everybody gets the benefits of globalization, but we should be more patient, until the champs of globalization will be interested to have some more efficient business partners all over the world; then it will in the rich countries' best interest to support with their huge resources the progress of the developing countries. As for the role of the international institutions, they are supposed to stimulate and supervise the alignment of more and more countries to certain standards of compatibility with the global economy.

We shall analyze briefly these two opposite ideological commitments, as they appear in the work of two emblematic authors.

## 2.1. A Prominent Critic of Globalization: Joseph Stiglitz

Joseph Stiglitz, Nobel Prize winner for Economy in 2001, shares his bitter conclusions that he drew not primarily as a theorist, but mainly as a high official of World Bank in his books *Globalization and Its Discontents* (2002) and *Making Globalization Work* (2006). In the Preface of the first book, Stiglitz honestly states his credo:

I have written this book because while I was at the World Bank, I saw firsthand the devastating effect that globalization can have on developing countries, and especially the poor within those countries. I believe that globalization – the removal of barriers to free trade and the closer integration of national economies – can be a force for good and that it has the *potential* to enrich everyone in the world, particularly the poor. But I also believe that if this is to be the case, the way globalization has been managed ... needs to be radically rethought. (Stiglitz, 2002, pp. ix-x)

Since his book does not address the experts, but the general public, Stiglitz does not try to state a sophisticated definition of globalization. His definition is short and simple: “Basically, globalization is the deeper integration of countries and their populations following a significant reduction of transportation and communication costs, as well as the elimination of artificial barriers that hinder the circulation of goods, services, capital, knowledge, and people.” (Ibidem, p. 35) Stiglitz acknowledges that globalization is an extremely controversial topic that triggers conflicting attitudes, so antagonistic that we can wonder if the supporters and contestants of globalization speak of one and the same thing. Stiglitz does not wish to stay in line with the most radical opponents of globalization. “In itself, globalization is neither good nor bad. It *can* do a lot of good and, for the South-Eastern Asian countries that have adopted globalization *on their terms*, this process has been extremely useful, despite the step back taken during the crisis in 1997. But in many other parts of the world it did not bring similar benefits. For many, globalization looks like a total disaster”. (Ibid, p. 51)

Stiglitz concedes that globalization not only *can* help, but it actually *did* help many countries to develop, and his examples do not refer exclusively to the South-Eastern Asian “Tigers.” The low-paid hard labor in the sweatshops in the developing countries that work for Nike might mean exploitation for the people in the West; but for many people living in those poor countries working in a factory is much better than digging bent in the dirt to grow rice with ancient methods. Many people in the developing countries had access to more knowledge than the richest people in the world could have only one century ago. The protests against globalization are a direct consequence of this access to modern knowledge and education. Even when globalization has a negative part, it also brings forth some benefits. Perhaps opening the milk market in Jamaica to the US imports affected the local farmers, but the poor children can get a lot of cheap milk. Maybe the foreign companies affect negatively the interests of the state owned enterprises in the developing countries, but they can make a positive contribution in so far as they introduce new, modern technologies, open the access to new markets and stimulate the emergence of new fields of activity. So much in favor of globalization.

From now on, all his book is an indictment against globalization, assimilated with a general acceptance of the triumphant American capitalism, that brought benefits only to a few and huge losses for the rest of the world, making the haves richer and the have nots poorer. Quite often, the commercial interest replaced the mindfulness for protecting the environment, democracy, human rights, and social justice. According to Stiglitz, the first responsible for all these calamities is IMF and its dogmatic policy of imposing an abstract and mistaken model of quick transition to market economy through privatization, opening the gates for the foreign capital, free conversion of national currency, and budgetary austerity, even though the poor countries do not possess yet the institutional mechanisms capable to ensure a free market – and the effects were catastrophic for these countries. IMF is the main target of his criticism and most of his analyses seriously question the credibility of this institution.

The alternatives suggested by Stiglitz are not less disputable, since the best solution supposes the control of the market by the state, and communist China is his model of successful assimilation and

management of globalization. In a following book, *Making Globalization Work*, Stiglitz keeps his ideological position of an opponent to globalization as it happened until now, but he is a little bit more optimistic about the practical possibility to redefine globalization so that to make the process more beneficial for the disadvantaged.

Open, democratic processes can circumscribe the power of special interest groups. We can bring ethics back into business. Corporate governance can recognize the rights not only of shareholders but of others who are troubled by the actions of corporations. An engaged and educated citizenry can understand how to make globalization work, or at least work better, and can demand that their political leaders shape globalization accordingly. (Stiglitz, 2007, p. xviii)

## **2.2. An Enthusiastic Supporter of Globalization: Thomas Friedman**

Thomas Friedman, a prominent columnist and successful author, is quite a frantic apologist of globalization that he describes as a glorious way to planetary progress in several bestselling books: *The Lexus and the Olive Tree* (1999), *The World Is Flat* (2005), and *Hot, Flat, and Crowded* (2008). In his vision, globalization is not an unprecedented historical phenomenon, but what we can see these days is different from anything in the past due to the new communication technologies. The political structure that leads the contemporary globalization process is also different from that which, before World War I, has led to the present day phenomenon. "The earlier era was dominated by British power, the British pound and the British navy. Today's era is dominated by American power, American culture, the American dollar and the American navy". (Friedman, T., 2000, Kindle edition, Locus 215) It's not surprising that a good number of anti-globalists are recruited from the UK!

Even though his books – no doubt, written with a lot of nerve and talent – address the general public, Friedman aims very high, hoping that his funny collection of more or less significant stories would correct the "errors" of certain important thinkers such as Samuel Huntington or Francis Fukuyama. In his intensely debated book *The Clash of Civilizations and the Remaking of the World Order*, Huntington starts from the premise that "in the post-Cold War world, the most important distinctions among peoples are not ideological, political, or economic. They are cultural". (Huntington, 1997, Kindle edition, Locus 266) Not very much concerned why for more than a century mankind could be tormented by ideological, economic, and political conflicts transcending the "cultural gaps", whereas now, after the Cold War, such conflicts would become definitely unrepeatable, Huntington denies the possibility of a new well structured international system. He anticipates an inevitable siege of the Western world, dominated by the Americans, by the other cultural areas, the most aggressive economically and demographically being Asia and Japan, whereas the Islamic world would be the most serious military threat. Unfortunately, the terrorist attacks that culminated with 9/11 and other events made at least some of Huntington's warnings less ungrounded than many critics thought about his diagnosis and predictions. Invaded by huge masses of Islamic refugees, Europe must take a stand about its cultural identity and its willingness to accept cultural diversity to the point of being absorbed by strange values, ideologies, religions, and ways of life. In Huntington's view, the future of mankind is "tribalism."

Francis Fukuyama reaches totally different conclusions in his book that made him famous *The End of History and the Last Man*. For Hegel and Marx, "History" was a single process of dialectic evolution. Assuming this particular and speculative meaning, there is no reason to expect that history will end up in tribalism and war for supremacy between impenetrable cultural areas. History will rather stop, as mankind will adopt, after long tribulations, one single economic, social, and political system – democracy and liberal market economy. This system represents the last phase of history not because it would be perfect and unstained with social injustice. But "while earlier forms of government were characterized by grave defects and irrationalities that led to their eventual collapse, liberal democracy was arguably free from such fundamental internal contradictions." (Fukuyama, 1992, Kindle edition, Locus 81)



Both these theories, says Friedman, became famous because their authors tried to explain through one single idea the driving force that, after the World War II, pushes the world in a certain direction. Contesting such unilateral theories, Friedman thinks he found the basic idea of globalization. After telling us a few stories that he learn about in hotels all over the world and after reproducing lines in movies such as *Forest Gump*, starring Tom Hanks, and *A Few Good Men*, starring Jack Nicholson, Friedman proposes this definition of globalization:

“It is the inexorable integration of markets, nation-state and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before, and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, deeper, cheaper than ever before. This process of globalization is also producing a powerful backlash from those brutalized or left behind by this new system”. (Friedman, T., 2000, Kindle edition, Locus 393)

According to Friedman, the driving force of globalization is free-market capitalism: “The more you let market forces rule and the more you open your economy to free trade and competition, the more efficient and flourishing your economy will be”. (Idem) The basic rules of globalizations are the economic mechanisms of open competition on the global market, which demands generalizing the rule of law as it is practiced in Western democracies.

Unlike the Cold War system, globalization has its own dominant culture. Something similar happened in the past, but only on a regional scale – Romanization of Western Europe and the Mediterranean world, the spread of Islam in Central Asia, North Africa and the Middle East, etc. “Culturally speaking, globalization tended to involve the spread (for the better and for worse) of Americanization – from Big Macs to iMacs to Mickey Mouse”. (Friedman, T., 2000, Kindle edition, Locus 406) In this respect, Friedman shares similar ideas with George Ritzer, whose best-seller *The Macdonaldization of Society* (first edition 1993) also claims the supremacy of the “American culture”, unfortunately reduced to Hollywood movies, rock and roll or rap music, worn-out blue jeans, Big Mac, etc. (Ritzer, 2015, *passim*).

Globalization has its own defining technologies: computerization, miniaturization, digitization, satellite communications, fiber optics and the Internet. Whereas the measure unit of the Cold War was weight – the explosive force of missiles, the measure unit of the global system is speed – speed of commerce, travel, communication and innovation. While during the Cold War the most representative economists were Karl Marx and John Maynard Keynes, each of them trying to find a way to tame capitalism, the iconic economists of globalization are Joseph Schumpeter and Andy Grove. According to Schumpeter, the essence of capitalism is what he called “creative destruction” – which he defined as an organic process of “industrial mutation that incessantly induces revolutionary changes of the economic structure from within, incessantly destroying the old one, incessantly creating a new one.” (cf. Elkington, 1998, p. 26) Long time *chief executive* at Intel Corporation, Andrew Grove claims in *Only the Paranoid Survive*, one book that made him famous, that the most important challenge of contemporary markets is finding a rational way to survive in battle with the “10x,” a decade of factors that can change everything overnight and which can be anticipated only by the “paranoids,” those managers or executives permanently worried by the most absurd possible scenarios. Grove illustrates his idea with several typical examples, such as the emergence of sound in movie industry, the explosion of personal computers in the late 1980’s, and the fall of the monopoly of AT&T in telephone industry. (Grove, 1996, *passim*) Inspired by their ideas, Friedman says:

Those countries that are most willing to let capitalism quickly destroy inefficient companies, so that money can be freed up and directed to more innovative ones, will thrive in the era of globalization. Those which rely on their governments to protect them from such creative destruction will fall behind in this era. (Friedman, T., *op. cit.*, Locus 439)

If the characteristic of the Cold War was the fear of being annihilated in a world war, with precise and stable fronts, by a well known enemy, the defining fear of globalization is the threat of sudden

changes, caused by an unknown and invisible foe, capable to blow up jobs, to destroy the environment and the whole lifestyle of a society. "The defining defense system of the Cold War was the radar – to expose the threats coming from the other side of the wall. The defining defense system of the globalization era is the X-ray machine – to expose the threats coming from within. (Ibid. Locus 466) Globalization also has its own demographic pattern – the acceleration of the movement of people from rural areas and agricultural lifestyles to urban areas and urban lifestyles more closely linked with global fashion, food, markets and entertainment trends.

Finally, globalization has its own defining structure of power which, in Friedman's view, consists of three balances. The first is the traditional balance between nation-states. Friedman does not hesitate to claim that "in the globalization system, the United States is now the sole and dominant superpower and all other nations are subordinate to it in one degree or another." (Ibid. Locus 474).

The second balance in the globalization system is between nation-states and global markets, made up of millions of investors moving money around the world on the Internet. Friedman makes up a suggestive expression – "the electronic herd" that gathers in key global financial centers, such as Wall Street, Hong Kong, London, and Frankfurt, called by Friedman "the Supermarkets." The anonymous and unpredictable decisions of these Supermarkets are capable to affect dramatically whole countries and governments, boosting the economic growth or causing economic downfall. Finally, the third balance – that has no historic precedent – is the one between extremely powerful individuals and nation-states, whether we speak of financial giants such as George Soros or terrorist leaders such as Osama bin-Laden.

Friedman admits only one major inconvenient of globalization: the surprising changes occur too fast, pushing to the limits the capacity of most people to adapt so quickly to a permanently new environment. People revolt against the globalization's effects not because they are in themselves blamable or threatening, but because they don't have enough time to assimilate these effects.

Whereas certain Nobel winners such as Stiglitz or Amartya Sen claim that the financial and political institutions that lead the globalization process, among which IMF, World Bank, GATT, OECD, etc., should change radically the guiding principles of their activity, Friedman claims, on the contrary, that precisely those principles guarantee development in globalization era: rapid privatization, opening of the gates for capital, goods and services, convertibility of national currency, cutting inefficient budget spending, and disabling any interference of government in economy – all of them basic ideas of the orthodox liberalism, preached by another Nobel Prize winner, Milton Friedman. (Friedman, T., 2002, *passim*).

In these heated ideological debates on globalization, the multinational corporations play a leading part. They are accused of exploiting the cheap labor in the developing countries, destroying the natural environment and depleting the natural resources, using their impressive power to drive the poor countries in the so-called "race to the bottom." This means that the multinationals force the developing countries to compete each other, directing their investment funds toward those countries that offer them the most profitable conditions – low taxes, weak legislation in the field of environmental protection, and restricted rights for the workforce. The multinationals defend their position, mentioning certain benefits that developing countries get after the penetration of foreign capital in their economies.

### **2.3. What Might Be Wrong With This Black-and-White Picture of Globalization**

Milton Friedman could have been wrong in many respects, and his errors can be and have been criticized with rational arguments. But his age or his stature are completely irrelevant if we discuss his ideas. Naomi Klein, for instance, hates so much not only Friedman's ideas, but him as a person that she cannot abstain from mentioning on a contemptuous tone that he was very short and old. In such a passionate approach, it is not surprising that each camp is tempted to see only those aspects of globalization that serve the best each camp's plea. I think this emotional approach leads to several distorted ideas about globalization.

For the starters, globalization is not a complete and irreversible historical fact; it is a complex and ongoing process that includes more or less visible trends. The direction of these trends seems obvious, but in fact no one can predict with certainty where this process is going and how the world of tomorrow will look like. In his exceptional bestselling book *The Signal and the Noise*, Nate Silver builds his fascinating theories starting from this premise: "We can never make perfectly objective predictions. They will *always* be tainted by our subjective point of view." (Silver, 2012, Kindle edition, Locus 388) The 9/11 terrorist attacks could have been predicted; yet, they took the intelligence agencies by surprise. In spite a few isolated voices, most experts did not anticipate the global financial crises in 2007-2008. All the forecasting models published by political scientists in advance of the 2000 presidential election predicted a clear victory for Al Gore. George W. Bush won instead. No expert in "Kremlinology" foresaw the fall of the Berlin Wall and the disintegration of the communist system. The Americans never expected that their military efforts to implant Western democracy in the Islamic world would lead to a massive resurrection of Islamic radicalism and terrorism. The list of these failures of "expert" prediction in economy, social evolution, political changes and many other fields of research is discouraging long. Thus, we can analyze and evaluate the actual effects of globalization, emphasizing its good or bad consequences until now; we can try to anticipate how globalization would evolve in the near future. But no one can really be certain what, when, and how this process will achieve at the global scale a few decades from now. Any attempt to depict and glorify a future happy world of universal economic growth and welfare must be as partisan and delusional as any attempt to depict and curse the future hell of general poverty and environmental disaster, ruled by a minority of states and individuals obscenely rich.

Secondly, globalization process includes contradictory, even conflictual trends. Not everything happening in our world leads to more integration of states and individuals. The Internet, for instance, enables people all over the world to connect in real time, to exchange information, programs, and strategies. But this extraordinary means of communication is also a powerful instrument for all those individuals and organizations that oppose globalization, helping them to connect, synchronize, and organize. More generally, the Internet does not enable *different* people to communicate and exchange data and arguments; on the contrary, it encourages people to look for and find *similar* individuals and groups, that share the same ideology, lifestyle, hopes, and discontents, and that deepens the gaps between conflictual groups and makes their stand even more extremist. The radical Muslims wish to integrate the Islamic world, but not as part of a global world; they wish rather to separate through violent means from the Western world and its supremacy. Global operations intensify the competition between the economic and military superpowers for the control of the global world. These two fallacies are common both to the supporters and the contestants of globalization. Each camp speaks as if its exponents had a clear picture of the future world, and they all emphasize only those trends and processes that confirm their assumptions, ignoring the inconvenient aspects.

A third distorted idea is that the rich countries got all the benefits of globalization, whereas the poor countries suffered only huge losses due to globalization. Statistics and mass media strongly deny that oversimplified picture. What about the so-called emergent economies? Where would have been China, India or Brazil without global markets? Except the failed states, such as Ethiopia or Haiti, even the poorest countries in the world improved their GNP and general welfare due to globalization, even though many of them are still relatively poorer than before. On the other hand, the economic superpowers had a lot to lose as globalization extended and deepened. The relocation of manufacture in the developing countries dramatically boosted the unemployment in the rich countries. The free movement of population and workforce amplified this process. Whether, for a while, it was good for the West to sell its products on a global market, after decades of globalization the former buyers of the Western goods became ever stronger competitors, occupying now a dominant position in certain industries. Thus, there are costs and benefits for both sides, even though they are not equal in time and space. This fallacy can be met quite frequently and especially

in the anti-globalization camp. In their view, the winner (the haves) takes it all, whereas the losers (the have nots) are ripped off.

Finally, a typical fallacy committed especially by the advocates of globalization, is the belief that globalization is a necessary, objective process. In spite of their declared adversity toward the Marxist ideology and economic theory, the liberals who do not hide their enthusiasm for the spectacular effects of globalization seem pretty much attracted by Hegel's and Marx's theory about the universal laws of History. From this perspective, globalization appears as a fatal trend that merely occurs, whether humans are aware of its presence and direction or not. And since it is an inevitable process, any questions about its legitimacy and utility are useless and inadequate. History is an unstoppable progress, and globalization means progress. Let's take it for a ride! The anti-globalists are right to deny this fatalistic vision. Globalization is the result of certain human choices, decisions and strategies; it was initiated by the most powerful economies, with the clear purpose to enlarge their influence and profitability. And it is obvious that the starring actors of this scenario are the multinational corporations.

Few people are really pleased with the global operations of the multinationals that too often made front page as subjects of huge scandals, being accused with unscrupulous cynicism and greed. Whether the accusations and their defenses are valid or not, it is certain that globalization demands big corporations to define and apply ethical standards and principles in their global operations. Harsh opponent of Milton Friedman and his followers in the Chicago School, the Canadian journalist Naomi Klein (a true "negative" of Thomas Friedman) furiously blames in her bestseller *The Shock Doctrine* a global system that she considers neither liberal nor conservative or capitalist, but merely corporatist. "Its main characteristics are huge transfers of public wealth to private hands, often accompanied by exploding debt, an ever-widening chasm between the dazzling rich and the disposable poor and an aggressive nationalism that justifies bottomless spending on security". (Klein, 2007, Kindle edition, Locus 339)

### 3. A THEORETICAL APPROACH OF GLOBALIZATION

Globalization is not only a controversial topic of heated public debate, but also a term often questioned in scientific research. There is a solid academic trend that contests globalization as a real phenomenon. Some theorists claim, for instance, that there is nothing like a "global" economy, since 90 percent of world commerce involves only the three developed blocks: the EU, North America and Asian forces – China, Japan and South Korea. That is why we need a more precise definition of globalization if we wish to understand its key traits and its implications for business ethics.

#### 3.1. What Globalization Is Not

In a systematic book, built on solid arguments, *Globalization: A Critical Introduction* (2000), Jan Aart Scholte reviews and rejects one by one different definitions of globalization, often quoted, but unable to catch the essential characteristics and truly new of this process. (Scholte, 2000, pp. 44-46).

Some authors define globalization primarily as *internationalization*, considering the recent increase in cross-border transactions the most characteristic trait of globalization. No doubt, the volume of international transactions increased dramatically in the last few decades, but this is a quantitative matter; there is nothing absolutely new and unheard of in this respect. International trade was well developed in ancient history, and even at the end of the nineteenth century, the percentage of cross-border transactions worldwide was not considerably lower than at the end of the twentieth century. (cf. Crane & Matten, 2004, p. 15).



For some people, the key element that defines globalization is *liberalization* of commerce and various kinds of deregulation. Of course, liberalization plays an important part in global economy, but it is not such a novel phenomenon to deserve a new term for it. Obviously, liberalization can be achieved at a local or regional scale, and as a matter of fact this is the way it happened in the past.

Perhaps one of the most popular definitions of globalization refers to the *universalization* of certain products, lifestyles, and ideas. Once again, says Scholte, this is an important and quite visible aspect of globalization, but it is not something that never happened before. World religions, such as Christianity or Islam have spread over large parts of the planet with the same unifying power and assimilating effects on people's lives. What we call globalization reaches planetary scale, indeed, but essentially it repeats similar processes in the past.

The most debatable definition understands globalization as *westernization*. "Much of the criticism on globalization focuses on the fact that it results in the export of Western culture to other, culturally different world regions." (Ibid.) Again, this is not a new phenomenon. Scholte refers to the era of colonization in the nineteenth century, when the colonial powers exported various facets of Western culture to their colonies. We can think of the British legacy in India, the Spanish legacy in South America, and the French legacy in Africa.

To sum up, Scholte does not deny the importance and relevance of the above mentioned aspects. He merely reveals that none of them is a striking innovation, introducing absolutely new phenomena that really need a new term – "globalization." There must be such a novelty unheard of to require a new term for it.

### 3.2. What Globalization Is

Looking for certain clearly new defining elements of globalization, Scholte thinks he found one: *detritorialization*. In the past, human relationships and connections took place in a limited territory. People used to live and work in a certain village and they had their work and business relations within a certain town or even country. Social interaction traditionally needed a certain geographical space to take place. Scholte finds out that this link between social connections and a certain territory has been continuously weakened in the last few decades, as a result of two developments.

The first development is *technological*. Modern means of communication – telephone, radio, TV, and especially the Internet – enable people all over the world to connect and interact no matter the geographical distance between them. On the other hand, the new transportation means allow people to travel quickly, safely and comfortably from one part of the globe to another. Consequently, territorial distance plays a less and less important role today. The people we do business with, or who are our friends, no longer necessarily have to be in the same place as we are.

The second development is *political* in nature. In the past, says Scholte, the territorial borders have been the main obstacles to worldwide connections between people. During the Cold War, the people in Europe that were separated by the Iron Curtain could not travel or even communicate across the borders without extreme difficulties. Now, in the EU, one can travel from Lapland to Sicily without stopping at a single national border. It is a strange and weak argument. Before the Industrial Revolution and the emergence of nation-states, people could travel all over Europe with no political restrictions. One did not need a visa to cross the flexible and relaxed borders during the middle ages. And today, the EU is a fragile exception – not to mention that not all of its members are included in the so-called Schengen treaty. I think that, on the contrary, the political barriers still are a the most powerful force hindering the complete success of globalization, and the survival of nation-states is, probably, the strongest opponent of globalization.

Thus, Scholte suggests the following definition: "Globalization is the progressive eroding of the relevance of territorial bases for social, economic, and political activities, processes, and relations." (Scholte, 2000, p. 61) Crane and Matten present a few illustration of globalization according to this definition:

- People all over the world could witness in real time the terrorist attacks that destroyed the World Trade Center towers on 11 September 2011 live on TV, no matter where they were located.
- We can drink the same Heineken beer, drive the same model of Toyota car, or buy some expensive Rolex watch almost wherever we are in the world – we don't need to be in Amsterdam, Tokyo, or Geneva. If we like to eat some "Chinese", "Mexican", or "Italian" food we don't need to travel far away – we can simply pick up a specific restaurant in our town.
- We don't have to worry any longer how safe are the vaults of our banks. We can get quite easily a credit card, which allows us to withdraw money all over the world; we can pay our bills in Europe via Internet banking while sitting in an Internet café in India; we can even order our stockbroker to buy or sell shares or merchandise without even moving our feet from the sofa. (Crane & Matten, 2004, pp. 16-17).

These are indeed quite new changes in our lives. And yet, I think that Scholte commits the same error as the partial definitions he has criticized. He also chooses a partial definition, trying to reduce the essence of such a complex phenomenon to one single key factor. The best proof is the fact that the other dimensions of globalizations, whose reality and importance Scholte does not deny, cannot be inferred from deterritorialization. Westernization, for instance, is not a direct consequence of diminishing importance of territorial barriers. And since the other three factors mentioned by Scholte – internationalization, liberalization, and universalization – could appear before deterritorialization, keeping their relevance in the global world and economy, it is obvious that Scholte's definition is also limited or even unilateral.

The most surprising is Scholte's inability to introduce in his definition probably the most important new element in globalization process: the essential role the multinationals play in all the processes and trends above mentioned. To conclude, I think globalization would be defined as a sum of transformations that have been initiated and led by the more and more influential multinational corporations; among these transformations we should count several changes, either quantitative or qualitative, such as a larger internationalization, a drive to expanding liberalization, a partial westernization, and Scholte's deterritorialization. Global products, communication, and financial markets are only the most visible examples of radical changes caused by globalization. There are many other fields of activity deeply transformed in the last decades by globalization that should be analyzed as a complex social, economic, political and cultural phenomenon, irreducible to only one or just a few elements. Taking this enlarged perspective, we can easily see that globalization has also significant implications in business ethics.

#### **4. THE RELEVANCE OF GLOBALIZATION IN BUSINESS ETHICS**

The global operations of multinationals involve certain specific challenges and difficulties in stating and consistently applying firm ethical principles. The most significant issues concern with cultural and legal matters, as well as the huge responsibilities of multinationals operating on international markets.

##### **4.1. Cultural issues**

As businesses are less and less framed in a certain territory, corporations are more and more active on the markets in different countries and continents, and that confronts them with new, diverse, and sometimes conflicting ethical requirements. The well established moral values and principles that are valid "back home" can be questioned as soon as a corporation enters foreign markets. For instance, the dominant attitudes in Europe toward racial diversity and gender discrimination are very different from the dominant ones in the Middle East. Similarly, while the Europeans think that

kids labor is completely immoral, many Asian countries look at this matter from the perspective of different standards.

As long as globalization leads to the deterritorialization of certain economic processes and activities, in many cases there still is a close relation between the local culture, including its moral values, and a specific geographical area. For instance, most Europeans disapprove of death penalty, whereas a good number of Americans think capital punishment is justified under certain circumstances. Women may take sunbath topless on most of the European beaches, whereas they can be fined for indecency on many American beaches and lapidated in Pakistan. This is one of the contradictions of globalization: on the one hand, globalization make the regional differences less important, encouraging the emergence and spread of a uniform "global culture;" on the other hand, as it eliminates the geographical distances that separated cultures and civilizations until recently, globalization strongly emphasizes the cultural differences between them, engaging more or less harsh axiological conflicts.

#### **4.2. Legal Issues**

Once the economic transactions lose their connection with a specific state territoriality, the legal issues emerge because business operations are less and less controlled by the governments of different states. The national legislation applies only under the territorial authority of a certain state. As soon as a multinational corporation leaves the territory of its home country, moving its assets in a developing country, for instance, it operates in a more or less different legal frame. Consequently, the managers cannot base their decisions entirely on legislation when they are supposed to evaluate the rightness of their decisions. Since business ethics begins where the law ends, deterritorialization increases the need for ethical principles in business, precisely because economic operations are no longer controlled by a national government. For instance, the global financial markets escape any government control, and the constant fight of national governments against issues like juvenile pornography show the huge difficulties of applying national legislation in deterritorialized areas.

#### **4.3. The Ethical Responsibilities of Multinational Corporations**

Multinational corporations occupy a dominant position in the world economy. They control the most influential media channels that shape our information and entertainment; they put on the market global products and services; they pay the salaries of a huge number of employees and they also pay a considerable part of the taxes that allow governments to administrate their countries. As a result, one might say that the biggest multinationals are stronger than many national governments. For instance, Denmark's GNP is nearly equal with the annual revenue of General Motors. With a difference. While the Danish government is responsible to the Danes and has to pass regularly "the election exam," GM's managers are responsible to a small number of major shareholders. Much larger groups of people in the U.S., Brazil or Germany, who directly depend on the investment decisions of GM, do not exert any influence on the company and, unlike a national government or local administration, it is not responsible to these groups.

Therefore, as the economic operations are more deterritorialized, the less they can be controlled by the national states governments and, accordingly, the less they are subjects to the democratic control of those people whose lives are affected by their strategies and policies. That is why the demand for a democratic responsibility of corporations becomes more and more noisy nowadays, in close association with the anti-globalization protests. Crane and Matten offer a synthetic picture of the effects that globalization impose on almost all the main stakeholder groups. (Crane & Matten, 2004, p. 20)

Richard T. De George resumes the main charges against the multinationals: "(1) MNCs operate immorally in the LDCs by exploiting workers, by exploiting natural resources and by reaping exorbitant profits; (2) MNCs compete unfairly in the LDCs, to the detriment of the host countries;

(3) MNCs are a major cause of the impoverishment of the LDCs and of the unrest found there". (De George, 2006, p. 515).

Stakeholders	Impacts of globalization
Shareholders	Lack of regulation of global capital markets, leading to financial risks and instability
Employees	Corporations outsource production to low developed countries (LDCs) in order to reduce costs in global marketplace; raised potential for exploitation of employees with different cultural background and divergent moral standards
Consumers	Global products face protests about cultural imperialism and westernization. Vulnerable consumers in LDCs face possibility of exploitation by multinational corporations (MNCs)
Suppliers and competitors	Suppliers in LDCs face regulation from MNCs through supply chain management. Small-scale indigenous competitors exposed to powerful players
Civil society (pressure groups, NGOs, local communities)	Global business activities bring the company in direct interaction with local communities with possibility for erosion of traditional community life; globally active pressure groups emerge with aim to "police" the corporation in countries where governments are weak and tolerant
Government regulation	and Globalization weakens governments and increases the corporate responsibility for jobs, welfare, maintenance of ethical standards, etc.

In this context, De George states five ethical guidelines for multinational operations.

First, MNCs should keep the norm of "moral minimum," that is the norm to do no intentional direct harm to the host countries and various stakeholder groups.

Second, the operations of MNCs should not be content with not doing intentional harm; they should aim at morally justified actions, as their activities must benefit the host country – and that means benefits for the people, not privileges for a corrupt and irresponsible elite.

Third, multinationals must respect the human rights of the workers, consumers and local communities in the host country.

Fourth, the multinationals are supposed to promote the development of just background institutions within the country as well as on the international level.

The fifth norm requires a multinational to respect the laws of a host country and to respect its culture and local values, provided these do not violate human rights or impose immoral laws. (Ibid. pp. 521-522).

The huge VW scandal that recently made front page shows how desirable these norms are and how far the global economy actually is from keeping them on a regular basis. We might reach the same conclusion if we think of the Bechtel highway in Romania – an infamous contract that violated all of the above mentioned principles. Would we conclude these norms are samples of wishful thinking, totally denied by a despicable reality? Not necessarily. We may also think of the positive effects on Romanian economy of the successful investment of Renault at Dacia Pitesti that seems to apply more or less consistently all the principles stated by De George.

To conclude, beyond the ideological commitments and passions, the dramatic effects of the recent global financial crisis clearly showed that globalization, as it occurred in the last decades, caused several extremely serious issues, both in the developed economies and mainly in the poor countries. This multiplies and amplifies the voices asking, ever more vehemently, a radical redefinition of the contemporary capitalism and of the basic rules of globalization from now on.



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