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*The Aftershock of 9/11:
Implications for Globalization and
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THE AFTERSHOCK OF 9/11: IMPLICATIONS FOR GLOBALIZATION AND WORLD POLITICS

Richard L. Bernal

Globalization is a multi-dimensional process that is transforming national and global activities and interactions at a rapid rate and in a profound way. The changes encompassed by globalization have far-reaching implications for all aspects of life. The pace, extent, and character of globalization differ among economic, political, and social dimensions. While there is no single agreed-upon definition of globalization, it is generally understood to be a process in which barriers to the international flow of goods, services, capital, money, and information are being increasingly eroded or eliminated.

There is a contentious debate over the extent of globalization and whether it is a temporary or permanent trend. Some have argued that globalization represents an epochal shift in capitalism¹ that has already been achieved or is inevitable or irreversible.² Others have argued that the extent of globalization is exaggerated. Indeed, they assert that globalization is not a new phenomenon but is merely an acceleration within the process of internationalization of capitalism and the market.³ These researchers argue that the current level of globalization is not significantly different from that which prevailed in international trade and capital flows between the last decade of the nineteenth century and the early part of the twentieth century. Comparisons of this type are always difficult, given the quality of statistical data and the computation of these figures. In contrast, there are those who perceive today's globalization as a second wave of globalization, which is unprecedented both in character and the number of countries involved in the global economy. Giddens describes globalization as "not only new, but also revolutionary"⁴ and points out that it is a multi-faceted process with different aspects operating in "contradictory or oppositional fashion."⁵ Additionally, some point out that the instantaneous availability of news and information on a global scale has essentially created the so-called "global village."

The pace of economic integration, judged by the growth of international trade and capital flows, while uneven since World War II, is accelerating. It grew in the first two decades after 1950, slowed perceptibly in the period from 1974 to 1984, recovered between 1984 and 1989, and has grown rapidly since 1990. The period from 1950 to 1994 was one of steady integration through trade and investment. For the whole of this period, the volume of world trade grew at a rate 1.6 times faster than that of world production, which ranged from a low of 1.2 during the 1970s to a high of 2.8 in the 1990s. Over this 45-year period, the value of world output increased by a factor of 5, while the value of world trade in goods multiplied by a factor of 14.⁶ The World Trade Organization (WTO) calculates that the ratio of world trade in goods and services to output increased from 15 to 22 percent between 1974 and 1994 and estimates that it increased from 7 to 15 percent over the period from 1950 to 1974. In recent years, international trade and capital flows have grown at a faster rate than world gross domestic product (GDP).⁷ During the period from 1983 to 1993, there was a 71-percent increase in the volume of world merchandise exports — double the 35-percent growth in world output.⁸ Since 1970, flows of foreign direct investment (FDI) have grown at rates in excess of those at which international trade and world output have expanded.⁹ International lending has grown prodigiously, with loans increasing from US\$59.4 billion per annum from 1976 through 1980 to US\$136.7 billion in 1993.¹⁰ It is estimated that 90 percent of financial transactions do not serve what economists consider an "economic function."¹¹

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Features of Globalization

Globalization is a multidimensional process that includes the following national and transnational economic dimensions:

Dominance of the Global Market

Essentially, there is only one market, and that is the world market. Management guru Peter F. Drucker explains, “Every business must become globally competitive, even if it manufactures and sells only within a local or regional market. The competition is not local anymore — in fact it knows no boundaries. Every company has to become transnational in the way it is run.”¹²

Globalization is not only integrating trade, investment, and financial markets; it is integrating consumer markets and consumption patterns. Local and national boundaries are breaking down the setting of social standards and aspirations for consumption. “Global elites” and “global middle classes” follow the same consumption styles, showing preferences for “global brands.” There are the “global teens”— some 270 million 15- to 18-year-olds in 40 countries — inhabiting a “global space,” a single pop culture world, soaking up the same videos and music and providing a huge market for designer running shoes, T-shirts, and jeans.¹³

The dominance of the United States in international media has led to a vast outpouring of the products of its popular culture, such as films, television programs, music, books, magazines, and computer software. Indeed, entertainment around the world is dominated by U.S.-made products, which serve as purveyors of American values and views on politics, wealth, individuality, gender, violence, dress, sex, and so on. U.S. distribution¹⁴ is the largest in global terms. For example, Blockbuster Entertainment Corporation has 2,000 outlets in 26 countries, *Readers’ Digest* has 48 international editions in 19 languages, *Cosmopolitan* magazine has 36 foreign editions, and *Playboy* magazine has 16 international editions.

Enlargement of Markets and Firms

At the economic level, globalization is creating larger units, as in forms of corporate entities such as multinational corporations, and the coalescing of national economies through regional integration, forming regional trade blocs.¹⁵ Trade blocs are a fundamental aspect of the world economy, in terms of share of world trade they encompass and the number of countries that participate in them. In 1995, 51 reciprocal, GATT-notified regional trade agreements were in force and accounted for 50 percent of world trade.¹⁶ A 1992 survey listed 23 preferential trade arrangements, encompassing 119 countries and accounting for approximately 82 percent of international trade in goods.¹⁷ Most of these arrangements seem to be moving toward becoming trade blocs, and they accounted for two-thirds of world trade in 1992.¹⁸ Intra-regional trade has grown rapidly throughout the world since the late 1940s, accounting for one-half of world trade and for almost 70 percent of trade in Western Europe.¹⁹

The emergence of either market-induced or politically engineered regional trade blocs represents a transition from an atomistic world economy of national economies to a global market. However, the simultaneous proliferation of regional trade arrangements and numerous bilateral initiatives can and often does complicate rather than liberalize trade. Regional trade blocs raise the question of the compatibility of regionalism and multilateralism in international trade arrangements. Depending on the circumstances, regionalism provides building blocks or stumbling blocks toward liberalization of the multilateral trading system.

Intensification of Competition on a World Scale

The implication of global competition is that even goods and services that are produced and exchanged within the national domestic sphere have to meet standards of quality and costs of production that are set globally. For example, in the United States, the country with the largest domestic market, only 4 percent of domestic production was subject to international competition in the early 1960s — yet by the early 1990s, that amount had risen to over 70 percent.²⁰ The fusion of computer technology with telecommunications makes it possible for firms to relocate an ever-widening range of operations and functions to countries where labor costs are competitive and assets and infrastructure are available. The new technologies make it feasible to standardize, routinize, and coordinate activities that previously were subject to the friction of space and, therefore, regarded as nontradable. These technologies turn such activities into “real-time” activities.

Competition has intensified not only among firms but also among countries, as all countries are increasingly exposed to the global market. Developing countries can no longer plan on the continued existence of preferential trading arrangements. Developed countries no longer feel obliged to provide preferential trade arrangements to developing countries that have minute markets, no indispensable raw materials, and limited strategic importance. Developing countries must be prepared to adapt to the elimination or erosion of preferential trade regimes, such as the Cotonou Agreement and the Caribbean Basin Initiative (CBI).

Growth of Services

The average annual growth of trade in commercial services between 1980 and 1993 was 7.7 percent, compared with 4.9 percent for merchandise trade. The overall share of services in total trade amounted to approximately 25 percent, up from 17 percent in 1980, and accounted for 50 to 60 percent of total FDI flows.²¹ Furthermore, services account for 61 percent of GDP in industrialized countries and between 35 and 51 percent of GDP in developing countries.²² The United States generates roughly 70 percent of its GDP in the form of services, and services accounted for 30 percent of U.S. exports.²³ Jobs in the service sector accounted for 75 percent of total employment in the United States.²⁴ In Great Britain, service industry exports, especially financial and tourism services, exceed the export of goods.

Technologies: Driving and Facilitating Change

The increasing globalization of economic transactions and activities has been facilitated and in some instances impelled by rapid development of new technologies of communications, informatics, and manufacturing. New technologies have reduced transaction times and costs and eliminated concerns regarding geography and distance, thereby creating an environment of 24-hour-per-day trading, in which speed²⁵ is the critical factor. For example, the cost to transmit a 42-page document from New York to Tokyo by airmail would be US\$7.40 in two days; by courier, US\$26.25 in 24 hours; by fax, US\$28.83 in 31 minutes; and by e-mail, \$0.10 in two minutes.²⁶ The cost of a commercial bank transaction on the Internet is dramatically less than any other means: US\$1.07 through the bank branch, US\$0.73 via airmail, US\$0.54 via telephone payment, US\$0.27 at an ATM, and US\$0.01 via the Internet.²⁷ These technological developments have started to transform organization structures, the nature of work, and the character of products, production techniques, and international marketing. Indeed, “death of distance” has revolutionized the way people live and work,²⁸ as mankind enters the “age of globally networked intelligence.”²⁹

The impact of technological change is vividly revealed in the rapid emergence of electronic commerce (E-commerce), which involves business conducted on the Internet and other network-based data interchange systems. E-commerce fundamentally has changed and will continue to affect the way economic activities are conducted in financial services, telecommunications, entertainment, and various other services. Internet access and use are likely to grow rapidly; for example, in 1995, approximately 10 million people were using the Internet; in 1998, the number had jumped to 140 million;³⁰ and by the end of the century, there were 300 million users.³¹ By 2003, the Internet could account for 2 percent of all commercial transactions.³²

Institutional Changes: Causes and Effects

Multinational corporations (MNCs) now account for about one-third of world output and two-thirds of world trade.³³ One-quarter of world trade is made up of intra-firm transactions taking place within multinational corporations.³⁴ MNCs also account for 50 percent of world trade in manufactured goods and 80 percent of the world’s land cultivated for export crops.³⁵ Their prominence is such that William Greider regards MNCs as being at the center of what he calls “the manic logic of global capitalism.”³⁶ Nearly all of the top 100 MNCs are headquartered in the Triad³⁷ (the United States, Europe, and Japan), and their dominance is evident in total numbers of firms, foreign assets, foreign sales, and foreign employment.³⁸ Bruno Amoroso describes this phenomenon as “the triadic capitalism of the transnational corporations.”³⁹

Corporate reorganization has taken a number of forms, including downsizing of administrative and managerial superstructures, strategic corporate alliances through joint ventures and outsourcing, mergers, real-time activities, and global webs.⁴⁰ The most prominent feature of corporate reorganization in recent years has been mergers and acquisitions. The total value of mergers and acquisitions has increased steadily, amounting to

\$2.45 trillion in 1998, an increase of 54 percent over 1997 and up by 512 percent from \$0.4 trillion in 1992.⁴¹ Mergers have widened the disparity in size; no Latin American or Caribbean firm was among the 1,000 largest companies in the world.⁴² Indeed, the sales and labor forces of some firms are larger than the GDP and population of many countries. Mergers and acquisitions in emerging markets have grown steadily in number and in value.

National and International Disjunctures

A global convergence of economic, technological, and ideological forces that drive the process of globalization is shifting power away from governments toward multilateral institutions and a small number of multinational corporations and financial institutions,⁴³ which increasingly wield economic and political influence. Concomitant with the rapid globalization of economic processes, there is a tendency for the nation-state to fragment, particularly where there are long-standing religious, racial, tribal, and ethnic differences. Some have gone as far as proclaiming the demise of the nation-state⁴⁴ in an economic sense but also increasingly as a viable political actor. This seems premature, as the nation-state has not been superseded by any other political formation; however, all dimensions of sovereignty have been constrained considerably by economic interdependence.⁴⁵

The weakening of allegiances to the nation-state⁴⁶ is understandable at the psychological level because globalization and its homogenizing influences erode the basis for national allegiances, with the result that people are increasingly resorting to more tangible, easily discernible, and traditional allegiances. This tendency is made more pronounced by the bifurcation of national economies/societies between those who are active participants in and beneficiaries of global economy and society and those whose economic activities, cultural practices, and traditional lifestyles are threatened or, just as importantly, perceived to be threatened by globalization.⁴⁷ This poses serious political and social problems because the global-national divide is superimposed on existing class structures. For example, the business community may be divided between those who participate in and favor the global economy and those who are being overwhelmed by exposure to globalization.

Globalization will require increased international cooperation on worldwide issues, such as sustainable development. This will necessitate a trade-off between national sovereignty and multilateralism. National governments will not willingly relinquish management of national and international phenomena, but governments will have less control over the design and implementation of national and international economic policy. Policies will have to be much more closely calibrated and flexible. For example, while it may be desirable to move toward free trade in goods and services, it may not be feasible to permit the completely unregulated flow of short-term money, which has produced so much instability in exchange rates. The rationale for free trade in goods cannot provide a justification for free capital mobility, as both history and recent events confirm the need for judiciously applied restraints on capital mobility. There is a reluctance to surrender national sovereignty; consequently, attempts to expand rulemaking on the multilateral level will face serious political limits.

The role of the state has changed and will continue to change as the process of globalization proceeds. The policy options available to the nation-state are increasingly restricted and dictated by globalization. Free market policies enable a country to be viewed favorably by global corporations,⁴⁸ which dominate international trade and investment. To compete successfully in global markets, countries have to remove obstacles and barriers to entrepreneurship, capital, and technology. This, together with changing philosophical, political, and economic thinking, has led to the realization that a “third-way”⁴⁹ must be developed that is neither state controlled nor *laissez-faire*. Markets cannot be relied upon to provide many social services and economic goods,⁵⁰ which raises the issue of the effectiveness of the state⁵¹ regardless of its role. Government itself will have to be “reinvented,” and the very nature of the political process within the nation-state is likely to undergo profound change.⁵²

Social Indicators: Persistent Disparities

A prominent feature of globalization is the widening gap between developed countries and the majority of developing countries. This is reflected by differences in income levels and other indicators of human well-being. These inequities appear to be inherent in globalization;⁵³ for example, Ankie Hoogvelt argues that

globalization has created a new architecture of “core-periphery,” characterized by widening social divisions and exclusion rather than inclusion.⁵⁴ This discouraging outlook is not believed by some to have much credence,⁵⁵ and yet others view globalization as a force that promotes the development of all countries, rich and poor. For example, John Micklethwait and Adrian Wooldridge call their review of globalization “a future perfect” in which there are more winners than losers.⁵⁶ There are even those who project globalization as especially beneficial to developing and least developed countries: notably, the World Bank views globalization as a powerful force for poverty reduction.⁵⁷

The process of globalization is highly uneven in the world economy and, while causality cannot definitely be established, is associated with an increasing gap between the rich and the poor. The concentration of private foreign investment among the Organisation for Economic Cooperation and Development (OECD) member countries and the profound marginalization of Africa provide the most dramatic examples of this gap. Globalization presents opportunities and challenges for developing and least developed countries. The extent to which these countries are able to seize opportunities will depend upon their own comprehensive processes of structural transformation and strategic global repositioning. Many of the former bases of comparative advantage developing countries once had, such as cheap labor, have declining importance in manufacturing and even in agriculture. Technology has also reduced the importance of natural products and increased the efficiency with which primary products are utilized. The terms of trade for the least developed countries have declined a cumulative 50 percent over the past 25 years. The share of the poorest 20 percent of the world’s population in global income is 1.1 percent, down from 1.4 percent in 1991 and from 2.3 percent in 1960. The ratio of the income of the wealthiest 20 percent to that of the poorest 20 percent rose from 30 to 1 in 1960, to 61 to 1 in 1991, and had risen to 84 to 1 by 1995.⁵⁸

According to the Human Development Report, compiled by the United Nations Development Programme (UNDP), global poverty is not being reduced. Indeed, of the 4.4 billion people in developing countries, most are poor. Nearly three-fifths lack basic sanitation, one-third have no access to clean water, one-quarter do not have adequate housing, one-fifth have no access to modern health services, and about one-fifth do not have minimum requirements of dietary energy and protein. Almost 3 billion people — half the world’s population — live on less than the equivalent of US\$2 per day.⁵⁹ The three richest people in the world own wealth that exceeds the combined GDP of the 48 least developed countries.⁶⁰

The deregulation of markets, the mobility of capital, and the footloose character of multinational corporations have forced workers in all countries to compete for jobs. Given that it is not only technologically possible and economically advantageous to manufacture goods in poor Asian, Latin American, and African countries with unregulated labor markets, the bargaining power of workers in advanced countries has been eroded. Indeed, it has been argued that there has been a decisive shift in the balance of power between capital and labor to the disadvantage of workers.⁶¹ Wage levels in developed countries, it is argued, are undermined by globalization,⁶² the industrialization of Asia, and the entry into world markets of the post-communist countries with abundant cheap labor. It is claimed that the effect of competition from countries with inadequate worker rights, low taxes, and few regulations has been to force downward the harmonization of policies on all states, in particular, those that retain social welfare provisions. Policies creating a deregulated labor market and cuts in welfare provision are adopted as defensive strategies in response to policies implemented in poor countries. These measures cause economic inequalities to increase, erode stakeholder relationships, and cause powerful social and political counter-movements.

Despite the benefits of globalization for industrialized countries, there are growing concerns in the United States and parts of Western Europe that competition with developing countries and imports from these countries may be driving down wages and transferring jobs overseas.⁶³ Empirical evidence, however, has revealed that globalization and developing country imports have had only a modest effect on wages, employment, and wage and income inequality in the advanced economies.⁶⁴ The shifts in the types of employment that appear to be associated with globalization emanating from new technologies, such as robotization and computerization, together with new corporate strategies, place a disproportionate burden of adjustment on workers.⁶⁵ There has been a decline in low-skilled labor costs among total production costs in many global industries. The decline is estimated to be from an average of 25 percent in the 1970s to between 5 and 10 percent in the early 1990s.⁶⁶ These developments have reduced job security⁶⁷ in all economic activities, prompting one commentator to speak of the “Age of Insecurity.”⁶⁸

Governance: National-Global Overlap

The emergence of an increasingly globalized and integrated world economy raises the question of its management. The post-World War II economy was atomistic, that is, it consisted of national economies and was managed by the Bretton Woods institutions — the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT). This system reflected the polarization brought about by the Cold War and U.S. hegemony. The delinking of the U.S. dollar from gold in August 1971 marked the end of this institutional structure for global management. The end of the Cold War and the relative decline of U.S. dominance have left an increasingly globalized and interdependent world economy without a hegemon to ensure decisionmaking and to enforce the rules.⁶⁹ In the 1960s, the U.S.-dominated, international manufacturing trade contributed 25 percent of all international trade flows, whereas in the 1990s, U.S. share of total world manufacturing trade dropped to just 12 percent.⁷⁰ This is best illustrated by the inability of the United States to stabilize international currency markets, as the international reserves of the G-7 countries and the IMF are dwarfed by international currency flows. The decline of U.S. hegemony⁷¹ has caused a shift toward cooperation, which recognizes the present tripolar⁷² economic configuration. The global architecture of international decisionmaking reflects this reality; thus, a genuinely democratic and multilateral system of rules and management is not likely in the foreseeable future.

The global financial system simultaneously experienced deregulation, internationalization, and innovation,⁷³ which, together with the new technology of telecommunications and computers, has transformed cross-border activity in financial services.⁷⁴ Financial flows have become disembedded from the real economy, with much of the global financial flow being unrelated to production, trade, and investment. This separation has been compounded by the emergence of global financial markets, as governments have liberalized their national financial systems. There has been a dramatic shift from an international financial structure, which was predominantly state based with some transnational links, to a predominantly global system, in which some residual differences in national markets, institutions, and regulations persist.⁷⁵ The magnitude of the flows has dwarfed the resources of central banks and has considerably reduced the capacity of even the industrialized countries to control these flows.⁷⁶ Transactions in foreign exchange markets have now reached the astonishing sum of around \$1.2 trillion per day — over 50 times the level of world trade. Around 95 percent of these transactions are speculative. The foreign exchange market's daily volume of transactions throughout the world equals France's GDP and exceeds the total foreign currency reserves of the world's central banks.⁷⁷ Due to significant increases in short-term financial flows and the reduced regulatory capacity of governments, there has been a growing vulnerability to disruptions that result from instability of short-term funds.⁷⁸ The instability of short-term funds was a major factor in banking crises and exchange rate collapses of the Mexican peso crisis and the Asian crisis.

The emergence of a genuinely global market has prompted some observers to advocate the need to reduce or eliminate formal managerial institutions and allow the global marketplace to be unfettered by national governments and international agencies.⁷⁹ In some situations, private sector institutions could regulate their own activities,⁸⁰ but a pure market approach would be neither fair nor politically feasible. For example, in this scenario, the IMF would not assist countries in difficulties, and governments would not assist in the structuring of private financial institutions. The fall-out from the diminution or elimination of institutions that supervise and regulate the operation of global markets could be devastating. The solution obviously lies somewhere between these two extremes, a dilemma reflected in the recent debate in the United States over the role of the IMF and whether it should be given increased resources. Advocates of the hands-off, free-market approach denigrated the IMF for bailing out profligate governments and bankrupt private banks. Indeed, it is claimed that the existence of the IMF has encouraged poor management by both the public and private sectors.⁸¹ The opposing view regards the IMF as not sufficiently interventionist and suggests more funding and earlier, preventive intervention. Yet another approach is to scale down the role of institutions like the IMF.⁸²

One of the paradoxes of globalization is that increasing interdependence and the creation of global markets requires increasing liberalization; however, as liberalization proceeds, there has been a proliferation of rules and international dispute settlement mechanisms. The Uruguay Round of GATT, which established the WTO, also substantially liberalized the multilateral trade regime in terms of reduced tariffs and quantitative restrictions and expanded coverage to include services, intellectual property rights, and agricultural commodities. The irony is that trade liberalization has been accompanied by more disputes referred to the WTO than at any time previously.⁸³ As national barriers to international transactions are progressively reduced or eliminated, the need to standardize national regimes becomes imperative.

Complex Cultural Dialectics

Rapid and profound technological changes that have occurred in recent years have ushered in a new era in the world economy, distinguished by a comprehensive globalization of all spheres. Advances in electronic data interchange, establishment of systems for the computer-controlled transshipment and clearance of goods, improved voice and data communication networks, automated banking, and international telemarketing have defined the nature of international relations. Global society and international politics have been transformed by developments in telecommunications technology, revolutionizing the speed and conduct of all aspects of global interaction — economic, social, and political. The instant global availability of information via satellite, computers, and telecommunications technology has the potential to change all aspects of human life irrevocably.

A global mass culture has emerged as a result of economic globalization, international availability of media, and international migration. Within this over-reaching development, cultural homogenization and complexity are simultaneously observed because different cultures are not obliterated. Cultures are increasingly “deterritorialized,”⁸⁴ while cultural differences are increasingly found within societies and to a lesser extent between societies.⁸⁵

Culture is what binds societies together and ensures that social interaction is practiced on the basis of commonly accepted norms and behavior patterns. Homogenization of ideas and behavior patterns reduces cultural diversity. This is particularly evident in young people, who are the most exposed to global media and the least immune to it, who consequently exhibit remarkable similarities in taste and consumption patterns. Modern societies cannot be insulated against the media and further integration into a global society; however, they do not have to succumb to a homogenization of global culture,⁸⁶ which is functionally integrated with global production and consumption.

In political relations, the integrity of the nation-state and the notions of sovereignty and national identity all require re-examination, given these global changes. Global media have aggravated tensions between developed and developing countries, as they reveal the vast gap in standards between rich and poor, exacerbating social contradictions and international tensions. At the same time, global communications media have established world public opinion as a potent force in international relations and a significant factor in the internal politics of countries, as evidenced by the liberation of South Africa and the implosion of communism.

Caribbean countries have been continuously exposed to international media in the form of books, magazines, periodicals, radio broadcasts, and more recently TV channels, particularly those originating in North America, transmitted by satellite technology. This has had a profound impact on Caribbean lifestyles, consumer habits, and patterns of behavior. To the extent that exposure has escalated, there is corresponding dilution of Caribbean identity, as external influences permeate all aspects of life by osmosis and begin to change or at least threaten the uniqueness of Caribbean identity.⁸⁷

Psychological Factors: Multiple Identities and Allegiances

Technological developments in telecommunications, computerization, and informatics have eliminated the barriers of distance and time, resulting in the reconstitution of the world into a single social space.⁸⁸ The contemporary process of globalization engenders an intensification of economic, financial, cultural, and social cross-border interaction and a growing awareness of this reality.⁸⁹ It is accompanied by processes of disintegration, as traditional political, social, and economic structures are eroded and new ones are beginning to emerge. Globalization at the cultural level is reflected in the emergence of “global consciousness.” Global consciousness is manifested as a social matrix of people all over the world, unified through mass communication. Today people have social relations and even organized community relations regardless of space, that is, regardless of the territory that they share. This has enormous consequences not only for the role of the nation-state as a territorially bounded community, but also for the organization of economic production on a cross-border basis. It permits the emergence of “imagined” communities, cultures, and even systems of authority and social control that traverse borders.

Globalization increasingly creates a mindset of thinking globally and seeing the world as a single entity. Ronald Robertson describes this as “the intensification of consciousness of the world as a whole.”⁹⁰ However, while globalization weakens the distinctiveness of national identities, an even more assertive defense of

the differences in language, culture, myth, and fantasy is emerging, in that it brings societies closer together, makes us all neighbors, and destroys the boundaries of definitions of identity. Even as national or regional consumption styles become more homogeneous, the reaction of many people is to cling to the subnational differences that remain. At the same time that economic forces and the availability of information have become global, there has been a countervailing movement toward smaller social units. This is evidenced by a major resurgence in nationalism and ethnicity. Even as the nation-state yields to the amalgamation of national economies into transnational blocs, there is an accompanying psychological impact, characterized by a feeling of being overwhelmed and disoriented. Individuals seek but often can no longer find a secure sense of identity in the political and social formation of the nation-state. Inevitably, identity begins to be located in culture, race, language, and ethnicity, all of which both transcend and fragment the society and the nation-state. The individual's attachment to smaller groups can threaten traditional national identity.

AFTER 9/11: THE FUTURE IS NOT WHAT IT WAS

There are numerous taxonomic criteria that can be used for the "periodisation" of history other than using the calendar.⁹¹ Many historians mark the end of a century not by the calendar but by a significant event that transformed the world and ushered in changes in all aspects of economic, social, and political life. The eighteenth century is said to have ended with the conclusion of the Napoleonic Wars in 1815, and the end of the nineteenth century is widely acknowledged as World War I, 1914-1918. Eric Hobsbawm describes the twentieth century as the "short century," which only started in 1914 and ended early with the implosion of the Soviet Union.⁹² As early as 1993, John Lukacs⁹³ dates the twentieth century in the same way. The end of the Cold War and the subsequent collapse of communist regimes in Eastern Europe was a "historical break," which changed international politics and profoundly reoriented the world economy. The events of September 11, 2001, constitute a *fin de siècle*, effectively marking the end of the twentieth century. Some are less expansive in their view of the implications; for example, John Gaddis Lewis regards September 11 as the end of "the post cold war era."⁹⁴

The watershed events of September 11 have caused and will continue to cause a multiplicity of changes. However, there will be considerable continuity. New strategic alliances and diplomatic realignments are both possible and likely, but there will not be a drift to "global turmoil,"⁹⁵ "global disorder,"⁹⁶ or "anarchy."⁹⁷ Undoubtedly, the dominant trend of the late twentieth century was globalization and, therefore, one of the intriguing questions posed by the 9/11 events is their impact on the process of globalization. The importance of trying to answer this question is reinforced by the suggestion that globalization itself may have been one of the targets of the September 11 attacks. Strobe Talbott and Nayan Chanda argue that the "terrorists attacked the nation that, more than any other, had both driven globalization and benefited from it. They did so largely for that reason. . . . Globalization is about integration and inclusion; their aim was partition and exclusion."⁹⁸ Polly Toynbee suggests that globalization and the United States are intimately associated because "globalization is by and large the spread of American culture, ideas, products, entertainments and politics. . . . Much of the debate about cultural globalization is a surrogate debate about America and the value or damage done by its growing influence."⁹⁹

There is a flourishing debate among social scientists and historians as to whether globalization is irreversible and whether at worst the pace of change might ebb and flow within an inexorable and teleological process. A critique of this view as determinist and ahistorical has counter-proposed that this is a second phase of globalization and that the lessons of the first phase of globalization in the late nineteenth and twentieth centuries demonstrate that there is no inevitability about globalization.¹⁰⁰ Some authors suggest that the Great Depression derailed a highly "globalized" world economy and that the levels of international trade and capital flows only returned to pre-Depression levels in the 1990s. The long period between the first and second phases of globalization suggests that this is not a structural trend in global capitalism, nor is it even cyclical in terms of "long cycles."

The possible implications of the events of September 11 range from derailing globalization to having little or no effect on it. Other less extreme possibilities include causing a change in the character of globalization, and yet another possibility is that globalization will adapt and continue. A study by a team from the Center for Strategic and International Studies (CSIS) concludes that the process of globalization, though "badly shaken," will adapt to the changes that emanate from September 11.¹⁰¹

There is no easy or definitive answer to this question, given the complexity and the multidimensional nature of globalization and constantly shifting currents of world politics. The most useful ways of approaching the analysis of this issue are to disaggregate the process of globalization, examine each aspect, and then undertake an overall evaluation of globalization's impacts.

Economic Considerations

In the short term, the nefarious attacks on September 11, 2001, and the subsequent military campaign against the Taliban regime in Afghanistan have exacerbated the recession, which set in by mid-2001. Approximately 248,000 jobs in the United States were lost in the first few months after the attacks, and it is estimated that when the economic aftershocks have ended, the figure could rise to 1.8 million jobs.¹⁰² Some of the unemployment has been offset by jobs created by increased U.S. government expenditures to finance the response and repairs since the terrorist strike. Between September 11 and the end of December, the federal government spent \$60 billion on the war on terrorism and economic aid to victims and communities damaged by the terrorist attacks.¹⁰³ The military action in Afghanistan cost \$3 billion up to the end of December 2001. This substantial increase in fiscal expenditure will partially offset the decline in the economy. Additional expenditures are sure to follow and could boost economic activity. Recovery could be aided by the extremely low interest rates in the United States. The stimulus package of the Bush administration will be a major determinant affecting the stock market and consumer spending, which have been constrained by high unemployment.¹⁰⁴ The growth of the world economy will depend to a large extent on how quickly the U.S. economy recovers and to a lesser extent on growth in the new Euro zone and in the struggling Japanese economy.

The immediate economic fallout was felt particularly in the travel, tourism, transportation, and airline industries. Airlines in the United States reduced their schedules by 20 percent but still lost \$7 billion in 2001; loss in revenues for airports is estimated at almost 20 percent.¹⁰⁵ A large number of the jobs lost in the tourism and related service sectors were held by migrants, and, therefore, temporary layoffs and staff cuts had a drastically negative effect on remittances, which are the number-one source of foreign exchange in some poor countries. The sharp decline in travel and tourism has had extremely negative repercussions for those economies that depend heavily on tourists from the United States, for example, the Caribbean island states. This, in turn, could have implications for U.S. security, as a decline in tourism receipts could exacerbate burgeoning drug trafficking.¹⁰⁶

Many firms saw the value of their stock plummet overnight, reducing their net worth and that of pension funds and investment firms. The U.S. government provided financial support and other forms of relief, in particular to the airline industry, which received \$13.6 billion, although the Bush administration and Congress agonized over an economic stimulus package.¹⁰⁷

Governments in some developed countries were able to assist their private sectors, but this was not the case in developing countries. The result of the differing capacities of governments to respond to the economic fallout represents major new market distortions. The cost of new security measures will be particularly onerous for the already fiscally constrained developing countries. These countries may also face an escalation of protectionism in the markets of developed countries and a slowdown in investment in response to lower profits and the perception of new risks entailed in foreign operations. Some countries regarded by investors as "safe" could benefit from shifts in the deployment of productive capacity and the future deployment of foreign direct investment, sensitive to new risk assessments. The impact of September 11, 2001, and the subsequent antiterrorism crusade may have had a positive impact on patriotism and "social capital" in the United States, but in countries that have suffered persistent violence and terrorism, the effects have been detrimental to their already stressed social capital.

The recession, coupled with the anti-terrorism policies of the United States, will rearrange the sectoral balance in the U.S. economy, and this will cause a reallocation of resources, as workers and capital will be dislocated in some sectors that will experience a decline in demand. The short-term impact maybe transposed into a structural rigidity, which will retard the transition to the "New Economy," a process that was well advanced. The decline of defense industries will be reversed, and the expansion of tourism will be curtailed and reoriented to a more sedate mode. Armaments manufacturers will benefit from an increase of \$48 billion in U.S. defense spending in 2002, the biggest increase in 20 years.

The slowdown in the U.S. economy will reduce imports, which, in turn, will stymie trade, investment, and growth throughout the world, particularly in the export-driven economies of Asia and in developing countries closely integrated with the United States, especially those in Latin America and the Caribbean. If the recession engulfs the entire world economy and is longer and deeper than anticipated, it could stimulate protectionist policies, which will compound economic deceleration. All governments will have to bear the additional burden of vastly increased security costs. Many poor countries that are riven by hunger, crime, political instability, ethnic differences, and weak democratic systems already spend a large share of their GDP on national security. This cost adds significantly to the cost of every good and service, whether produced by the private or public sectors, and adversely affects the international competitiveness of exports and the attractiveness of these countries to foreign investors and fund managers. Under such circumstances, there is a role for development financing to cushion and facilitate the adjustment process; however, it is likely that development assistance will be closely tied to political objectives and earmarked for allies and strategic states. Preoccupation with political ends could divert foreign aid from economic development purposes to serve foreign policy objectives. This distortion could be remedied by a new role for multilateral financial institutions, such as the World Bank and regional development banks, to create and facilitate special lending.

Dominance of the Global Market

The dominance of the global market is likely to continue, particularly in financial markets, and the international trade in services may even increase. However, the backlash against globalization and free trade so vividly expressed in demonstrations against the WTO and the IMF, most notably in Seattle in 1999, may lead to the retention of national market parameters in areas such as cultural services, domestic agriculture, and food production.

The disruptive gyrations in financial markets have led to the rapid global spread of financial contagion, and there is the ever present possibility of panic trading in major stock markets. These markets are susceptible to economic developments, speculation, and political events and can incur enormous losses in a matter of hours. Some of the flows and actors in these markets are linked to criminal activities, drug trafficking, and the financing of the activities of terrorist organizations. In the current environment, there will be increasing scrutiny of the conduct of institutions and the regulatory and supervisory regimes of national governments. This could take the form of actions by governments of industrialized countries, acting individually or collectively in either informal collaboration or formal arrangements.

Enlargement of Markets and Firms

Enlargement of markets and firms is likely to be more circumscribed and regionally focused. More specifically, the merging of markets will respond to locational and market forces rather than purposive government interventions. The transnational enlargement of markets will be concentrated on the further linkage of certain natural regions, such as Brazil-Argentina, China-Hong Kong, and southern United States-northern Mexico. The demand for new security services and the expansion of existing services of private security firms will emerge rapidly in response to heightened security awareness. This will include the protection of assets, personnel, and information, as well as a huge increase in insurance premiums.¹⁰⁸

The expansion of security services could generate significant employment because of the labor-intensive nature of many of these activities, even where high-tech security equipment is in operation. An industry that is now relatively small in industrialized countries will expand significantly, as it has in many poor and developing countries, where security guards are ubiquitous at offices and upper-income residential areas.

The trend to enlarge firms will continue but could shift toward a decentralized, corporate structure, a trend that will be promoted by technological change as well as a slowdown of the global economy. The process of centralization and concentration could be strengthened by defensive tactics emanating from the need to “right size” in the face of reduced demand in the industrialized countries and more generally in the global economy.

Intensification of Competition

The intensification of competition will continue unabated but will be characterized by a much more selective expansion and corporate reorganization, based on a heightened awareness of security considerations and an expanded and revised concept of risk. Throughout the global marketplace, profit margins will be trimmed

by changes in demand and higher costs associated with increased security. The severity of the profit squeeze will vary among sectors — the key to survival and profitability will be how quickly firms can reallocate resources to seize new opportunities and cut back activities for which there is a reduced demand.

Growth of Services

Growth of services will continue, but tourism, which has been the fastest growing sector of world trade, will slow down considerably in the short run and will be redimensioned and geographically reconfigured. There will be a sharp decline in the attractiveness of the more isolated areas, countries, and regions viewed as having populations or even political and religious movements hostile to the West. This shift will result in more internal travel in the United States and Western Europe and to regions that are physically close but not arenas of conflict, such as the Caribbean.

Security services will expand rapidly, creating considerable employment in low-skilled security functions as well as some high-tech supervisory and managerial posts in overseeing sophisticated surveillance equipment. It is possible that new services will emerge, for example, the involvement of private enterprises in military actions, such as the use of mercenaries by governments and international organizations for assignments ranging from retrieval of hostages to international peacekeeping operations.

Entertainment and recreation activities have also been adversely affected by the lingering fear of attending public events with large crowds, as it is widely believed that these could be the next targets of terrorist attacks. The effects will naturally be more pronounced in the United States, particularly in New York and Washington, D.C. For example, many people in these cities are staying away from public events and large crowds and even shunned New Year's Eve celebrations in 2001.¹⁰⁹

Technological Innovations

The focus of technological innovations and changes will shift to industries that were formerly in decline, particularly security equipment, defense industries, and armaments. Some of the technology being developed, such as bullets that can be safely fired on board an aircraft in flight, may have limited use in the wider market place. Emerging technologies could witness an acceleration in propagation; for example, less business travel will undoubtedly promote teleconferencing and video telephones. The number of people in the United States who “telework” has increased by 50 percent between 1999 and 2001, and since September 11, there has been a surge of interest by individuals and companies in working from home.¹¹⁰ However, not all changes in technology industries will be the result of September 11; in fact, some changes that will occur in the immediate future started well before September 2001. The halcyon days of the “new economy” were over before the terrorist attacks on the World Trade Center and the Pentagon, as evidenced in the sharp decline — by as much as 75 percent — in venture capital investment and extensive layoffs among Internet, software, semiconductor, and computer hardware companies.¹¹¹ The companies affected include the largest: Nortel, Lucent, AOL Time Warner, Verizon, and Hewlett-Packard.

Institutional Changes

Multinational corporations will continue to dominate the corporate landscape, and mergers will continue, impelled less by expansionary impulses but driven by the need to scale down because of the global economic recession. The new milieu will rearrange cost structures, as security requirements will figure more prominently, as they now do in many developing countries. The risks and costs of doing business have increased dramatically because of the additional expenditures required for security and disaster planning and recovery. Security will also become a critical determinant of investment and location decisions, even in developed countries, which have traditionally been regarded as safe or low-risk locations.

Some of the service sectors will undergo a redimensioning, as newly idled capacity is shed, especially in industries that already had excess capacity, as in the airlines. Indeed, Swissair and Sabena folded immediately after the terrorist attacks in New York. It has even been suggested that tourism and the airline industry were in trouble before September 2001 and are taking advantage of the situation to take long overdue actions to reduce their production and operating costs.¹¹²

Institutional changes will not be confined to the private sector because the public sector will have utilized a variety of organizational structures to respond to some of the new responsibilities that have emanated from the response to September 11. There will be a range of private sector-government hybrids in both new and established services, driven by security concerns.

Political Impact of September 11

The events of September 11 will have a pronounced impact on politics at the global and national levels, particularly in the United States and countries active in the antiterrorism coalition, states that are in strategic locations such as Pakistan, and states actually involved in or defined by the United States to be involved in terrorism. The U.S. short list of rogue states includes Somalia, Sudan, North Korea, and Yemen, and a watch list of countries with violent Islamic organizations, such as the Philippines, Indonesia, Algeria, Kosovo, and Bosnia.¹¹³ Also receiving close attention, of course, are the so-called “axis of evil nations” of Iran, Iraq, and North Korea. Which countries and organizations are targeted very much depends on who is defining the term “terrorism.” Terrorism has been defined as violence against civilians with the purpose of destroying their will to support leaders, governments, or policies.¹¹⁴ This definition is open to a wide range of interpretations, allowing the same act to be perceived as terrorism or a struggle for liberation, depending on the perspective.

The situation created by the attacks of September 11 and the reactions of the United States are in many respects unprecedented and require new thinking. Traditional approaches based on conventional wisdom need to be reevaluated and, if necessary, replaced by fresh policies. Such major reorientations of policy tend to occur after major crises, and the events of September 11 certainly constitute a shock of enormous proportions. However, the first response is almost invariably predicated on limited existing knowledge, inadequate information, conventional ideas, and prevailing attitudes, which can have catastrophic consequences, such as the milieu that led to World War I.¹¹⁵ Once set in motion, a policy develops inertia and encumbered institutional interests, invested with political “capital” of leaders and engendering the support of most of the public. The “stopping distance” of a behemoth like the government of a superpower in overdrive can be considerable. For example, former Secretary of Defense Robert McNamara’s retrospective of U.S. policy during the Vietnam War revealed the tremendous difficulty and inordinate time that elapsed between the recognition of the need for a change in policy and the decision actually to change and implement a new policy.¹¹⁶

A better understanding of the circumstances that allow the emergence, rise to power, and public support for Islamic fundamentalist groups such as the Taliban¹¹⁷ is a prerequisite to the formulation and implementation of an appropriate response. The development of a sophisticated analysis of this extremely complicated issue must recognize the diversity of nationalities, ethnicity, religious sects, and political philosophies of the peoples and countries of the Muslim world and the phenomenon of “multiple identities.”¹¹⁸ Policy must avoid an exaggerated view of fundamentalism within the religion of Islam and within Muslim societies and countries. Karen Armstrong’s study of Islam prompts her to warn, “It would be a great mistake to assume that the fundamentalist discourse represents the rich and complex traditions of Islam or to imagine that the Muslim faith is adamantly opposed to our (Western) values.”¹¹⁹

Other Reactions to September 11

The reaction to September 11 is likely to strengthen the tendency toward unilateralism in U.S. foreign policy at the expense of multilateralism, ironically at a time when genuine multilateral cooperation is the only viable method of effectively tackling worldwide terrorist networks. The current situation could spawn the worst kinds of virulent nationalism — lacking tolerance and prone in some quarters to racism and xenophobia. The antiterrorism campaign will reinforce the reemergence of the propensity for unilateral action, such as renouncing the Kyoto Protocol, not supporting the international criminal court, maintaining the embargo against Cuba, and proposing to withdraw from the 1972 Antiballistic Missile (ABM) Treaty. These actions have unnerved friends, specifically NATO allies,¹²⁰ and former foes, such as Russia,¹²¹ alike and are in stark contrast to U.S. advocacy of a multilateral coalition against terrorism.

The campaign against Osama bin Laden’s al Qaeda terrorist network has encouraged those in the U.S. foreign policy community who believe in the continued viability of conventional military operations. However, the experiences of Russia in Afghanistan and Chechnya and of the United States in Vietnam and Somalia are sobering lessons, and the United States should not have to relearn or repeat them. Indeed, the very nature of

war has changed from wars between states involving large armies to more diffuse, high-tech, covert, and fragmented forms of violent combat.¹²² The increasingly unconventional nature of conflict and unorthodox forms of combat may require different types of responses that could diminish the roles of international law and negotiations in resolving conflicts and disputes.¹²³

The Threat of Terrorism

The threat of terrorist actions by Muslim fundamentalists has created the opportunity to forge a new, strategic “grand” political alliance not based on ideology or cultural affinity. Muslim fundamentalism is a potential external threat to the United States and Western and Eastern European countries and an internal threat to governments in Muslim countries, such as Pakistan, and to those with a Muslim minority in their populations, such as China and Russia. Hence, there is a new alliance, unprecedented in history and born of the fact that all of these countries and regions have populations beholden to Islam, the world’s largest religion, which makes them interested in an alliance with governments opposed to Muslim fundamentalism. Establishing and maintaining these alliances will be an enormously complex exercise, as the history of “the great game” of contending empire-building powers in Afghanistan reveals.¹²⁴ The threat of terrorism will have to subsume differences over how to prosecute, for example, European concerns about the imposition of the death penalty in the United States,¹²⁵ and over whom to target, as in Russia’s opposition to U.S. military action against Iraq.¹²⁶

U.S. Foreign Policy Priorities

The basis for ordering the priorities of U.S. foreign policy has shifted from anticommunism, to narco-trafficking, to counter-terrorism; hence, those countries no longer strategically located in the old order no longer enjoy priority status, while many formerly overlooked countries, such as Pakistan, have now become “born again” allies to be showered with special access to the U.S. market, military assistance, and even U.S.-approved loans from the IMF.¹²⁷ While Pakistan was receiving preferential treatment, Argentina was being left to implode by an unsympathetic, hard-line IMF stance.¹²⁸ Pakistan was granted significantly enhanced access to the European Union market in December 2001, under a program giving substantial tariff concessions to countries fighting drug trafficking. *The Financial Times*, in a grand understatement, pointed out that the concession was “partly a reward for Pakistan’s role in the international coalition against terrorism.”¹²⁹ Traditional allies may find themselves abandoned, even though they remain strategically significant to the United States.¹³⁰ This type of episodic focus leads to inconsistent U.S. foreign policy and may well be an important contributor to anti-U.S. sentiments.¹³¹

Security vs. Human and Civil Rights

The fight against terrorism has spawned the dangerous tendency to overlook civil and human rights issues both domestically and in foreign policy. The most pernicious manifestation of this was President George W. Bush’s decision to try suspects involved in terrorism by military tribunals without obtaining congressional approval. It is interesting that H.W. Brands, in his recent book, *The Strange Death of American Liberalism*, notes that when national security is viewed as threatened, U.S. citizens have been willing to tolerate a substantial expansion of powers by the federal government. Indeed, this has been most pronounced during periods of national security emergencies, resulting in the rapid growth of state activism at the expense of liberalism.¹³² Antiterrorism legislation has provoked strong criticism in Great Britain, where the Blair government’s legislation was defeated in the House of Lords, and in Pakistan, not noted for its practice of human rights.¹³³ Even within the United States, there are critics of U.S. policy.

While professing an irrevocable commitment to democracy, human rights (especially the rights of women in Muslim countries), and impartial judiciaries, the Bush administration announced the establishment of military tribunals, the monitoring of privileged communication between lawyer and client if the client is suspected of terrorism, increased surveillance in the United States by the Federal Bureau of Investigation (FBI) and Central Intelligence Agency (CIA), and the arrest and detention of several hundred suspects in the United States, most of whom are foreigners. These measures prompted the Senate Judiciary Committee to hold hearings.¹³⁴ *The Washington Post* expressed concern that Attorney General John Ashcroft has “ordered prosecutors to seek interviews with more than 5,000 young, mostly Middle Eastern men visiting the US and has pre-

sided over a broad national effort to detain hundreds of foreign nationals accused of immigration violations or minor crimes — but has refused to identify most of them or reveal information about many of their cases.”¹³⁵

The possible erosion of human rights along with instances of outright repression may not be limited to national policies, as the fight against terrorism will be used to justify foreign policy. A point mentioned earlier in this paper and worth repeating is that the term “terrorism” can be given a wide range of interpretations to suit the purposes and ends that a particular government wishes to pursue. The same act labeled as terrorism from one perspective is another group’s desperate struggle for liberation. There are significant differences among countries as to how terrorists should be punished; for example, the views between the United States and several European states over the death penalty are diametrically opposed. Some European governments have indicated their reluctance to extradite a suspect to the United States if the death penalty is a sentencing option.

The trend following the events of September 11 brings to mind the prescient words of Alexander Hamilton in the *Federalist Papers*, No. 8:

... Safety from external danger is the most powerful director of national conduct. Even the ardent love of liberty will, after a time, give way to its dictates. The violent destruction of life and property incident to war, the continual effort and alarm attendant on a state of continual danger, will compel nations the most attached to liberty to resort for repose and security to institutions which have a tendency to destroy their civil and political rights. To be more safe, they at length become willing to run the risk of being less free.¹³⁶

Traditional Motives and Concerns To Reemerge

The initial unity among the Arab/Muslim countries in support of the U.S.-led coalition against terrorism will prove fragile, as the shock of the September 11 atrocities wears off. Traditional motives and concerns will reemerge, and these vary considerably among the governments involved. Many governments have to balance carefully their foreign policy of support for the campaign against the Taliban, the pursuit of Osama bin Laden, and the prosecution of terrorism against the vicissitudes of a domestic political situation of widespread popular support for the goals espoused by those defined by the United States as “terrorists.” Pakistan is in the most precarious position,¹³⁷ but even the most entrenched governments will have to be sensitive to this dilemma, including Saudi Arabia. For some regimes, the fight against terrorism could be used to strengthen their position by cracking down on internal dissidents;¹³⁸ however, it is more likely that governments will seek to placate this sentiment if it is more anti-U.S. than anti-government. The regime in Saudi Arabia is reported to be increasingly uncomfortable with the United States’ military presence, as it has become a political liability in the country’s domestic politics.¹³⁹ This may require adjustments in the extent to which the United States deploys forces in the kingdom and could affect the nature of activities conducted from Saudi bases, recalling that on several occasions since 1991, the United States has been prohibited from using Saudi territory to launch bombing raids on Iraq.¹⁴⁰ In particular, certain forms of U.S. assistance can be a political embarrassment, even when the government in question badly needs that help, for example, the political furor that erupted in the Philippines over the prospect of U.S. troops’ involvement in the battle against the insurgency of Islamic extremists.¹⁴¹

The Arab countries are not willing to be accomplices in a U.S.-designed and U.S.-led fight against terrorism; instead, they have their own ideas, information, and pride in determining the strategies to be followed in their own national and regional territories.¹⁴² Differences between the United States and its coalition partners in the Middle East have arisen over whether the United States moves on from Afghanistan to attempt to remove Saddam Hussein from power in Iraq. After all, many of the governments in the region do not have impeccable credentials as democracies and would worry if the United States were to seek to dislodge them if they were found “wanting” as allies.

How the campaign against terrorism is carried out could actually lead to a spread of terrorist activity. For example, the holding of prisoners from Afghanistan in Cuba could lead to terrorist infiltration in the Caribbean, a region not involved in the current wave of terrorism. This could change, of course, if there were attempts to free the prisoners in Cuba by airline hijacking or hostage taking in the Caribbean.

Social Considerations

Economic and social disparities will continue and could be aggravated by a slowdown in the world economy, military activities, and foreign policy priorities of the industrialized countries. Foreign aid will

increase but shift from developmental and humanitarian objectives to security and political ends. This will be particularly pronounced in the United States, where a national consensus on the rationale for foreign aid has not emerged since the end of the Cold War; however, the tradition of military assistance to allies and humanitarian aid to the vanquished will resonate with lawmakers and the public. Aid to Afghanistan is contemplated to be \$9 billion over five years, excluding security costs.¹⁴³ Such a huge allocation of foreign aid and reconstruction loans from multilateral financial institutions may distort the pool of resources available to other countries in need and for humanitarian crises as they arise.

The social inequities that have accompanied globalization must be addressed both as a development goal and also as a basis for peace and democracy. While Islamic fundamentalism represents an unwillingness to cope with modernity because it is perceived as Westernization, at the more fundamental sources of extreme political activity are the hopelessness born of poverty and the lack of political voice because of the absence of democracy and social mobility. Economic development is the only basis for addressing the deprivations characterizing an environment that encourages political action outside the democratic system. This type of development effort may not be forthcoming simply by encouraging free markets — as poor and underdeveloped societies are not equipped to take advantage of opportunities in the global economy. The plight of the least developed countries in the multilateral trade system provides a graphic illustration of losers in the global market place.

Migration

One of the principal mechanisms for alleviating global social and economic disparities has been migration. The strictures placed on the movement of labor through mass migration in the contemporary period illustrate a major difference between the present character of globalization and the earlier periods of globalization.¹⁴⁴ Legal migration, but even more poignant, illegal migration of low-wage labor from poor countries to industrialized countries form an inexorable wave that receiving countries have not been able to control effectively. Paradoxically, economic growth of rich countries has always benefited from¹⁴⁵ and continues to need this infusion of labor¹⁴⁶ willing to fill low-skilled, low-wage jobs, which their citizens spurn, preferring social security. The migration of workers from poor countries relieves social and economic pressures in these countries by reducing unemployment and providing remittances.¹⁴⁷ It supplements the labor force in the rich countries, in particular where the population structure is aging and fertility rates are low.¹⁴⁸ Not even the most draconian systems of detection, prevention, and deportation appear to deter the flood of the so-called “uninvited.”¹⁴⁹ Although it is hard to conceive now, border controls will likely be tightened, and amnesties for illegal migrants will be reduced;¹⁵⁰ nonetheless, the desperate will continue to risk their lives as stowaways in airless cargo containers or clinging to the undercarriages of airplanes, and they will continue to swim across toxic, sewerage-infected rivers and crawl through filthy tunnels.

Governance

The focus will shift from management, regulation, and governance of the global economy to political and security issues. New strategic political alliances will emerge, not based on ideological stance, but influenced by the virulent resurrection of old prejudices such as racism, ethnicity, and religion. The need to take into consideration and respond to security questions in all aspects of government policy could lead to the reoccurrence of the tendency of the role of the state to expand, which in turn could check and in some situations reverse the movement toward privatization and liberalization. This poses a dilemma for a Republican administration whose tenets include strong opposition to “big government.” As history shows, the role of the state expanded during periods of war, particularly during the two world wars. While many institutions can be dismantled after some become permanent, for example, the mass income tax instituted in the United States during World War II, what about new taxation, such as the fee charged on airline tickets to offset extra security costs?

The expansion of the role of the state could be induced by the support offered to ailing industries such as the airlines, which might take the form of grants, loans, or equity participation. The U.S. government has guaranteed loans to America West Airlines, Inc. on the condition that it is granted up to one-third ownership.¹⁵¹ The demands of the private sector continue to escalate, as in the refusal of the insurance sector to provide insurance against terrorist acts without some form of assistance from the public sector.

The state is likely to become more intrusive in the life of citizens and will be far more stringent regarding the courtesies and rights extended to foreigners as tourists, businesspersons, and migrants. Already, security concerns have caused severe congestion on what was once heralded as the longest open border, namely, the U.S.-Canada border, and to an even greater extent on the troubled U.S.-Mexico border.¹⁵² The issuing of visas will be subjected to religious, ethnic, and national criteria, stipulations that were discontinued in the past because they were viewed as infringements on human rights. Migrants from certain countries will be scrutinized with increased suspicion and subjected to more hostility, as the emotions of the aftermath of September 11 will likely fan long-standing prejudices, racism, and cultural chauvinism. However, this will not staunch the flow of illegal migrants, especially if the world economy experiences prolonged recession.

Additionally, personal privacy and respect for anonymity are at risk from the intrusiveness that has accompanied the heightened security regime following September 11. New antiterrorism legislation will authorize an expansion of online surveillance, an expansion of databases of personal details, and even the monitoring of conversations between client and attorney, previously regarded as sacrosanct.

Additional Cultural Considerations

The global dialectic that mixes cultures will continue, spurred by a growth in the awareness of different cultures and religions, given the fillip of media coverage of the events of September 11 and their aftermath. Similarly, it is likely that insularity will decline, as interest in other cultures, societies, religions, and political systems has been aroused. Research and teaching on comparative studies in universities will be stimulated, with more attention to neglected areas such as Islam and religious fundamentalism. Greater awareness of different religions, cultures, and nationalities will certainly occur, but this in no way automatically translates into enhanced empathy, tolerance, or understanding. In fact, increased awareness could serve to reemphasize differences and promote a brand of perverse nationalism, which could inadvertently provide implicit support for aggressive foreign policies. How the American public responds depends to a considerable extent on how local and international media interpret policy actions. Unfortunately, members of the media have their own biases and prejudices, which in many instances detract from optimal subtlety and accuracy in reporting.

There is a deep-seated antipathy among some Muslims in Arab countries toward the West, in particular, the United States as the apogee of Western culture, political power, and economic prosperity. The United States as sole superpower has inherited the resentment that many Middle Eastern Muslims feel toward the West and Christianity in general, because of Anglo-French imperialist incursions and influence. Eminent historian Bernard Lewis has explained that there is a widespread feeling that, compared to the West and Christianity, its rival for more than a millennium, the once leading civilization of Islam has become comparatively poor and weak. The latter half of the twentieth century has been marked by humiliation, which ignited two very different responses, modernization and fundamentalism. Fundamentalists are convinced that what they regard as the failures of contemporary Islamic states are the results of adopting alien Western values and institutions and the consequent deviation from the authentic Islamic culture and religion.¹⁵³ Animosity toward the West, and the United States in particular, also has its roots in contemporary U.S. foreign policy on important issues in the Middle East. Regardless of how often the United States explains that its actions are directed against Bin Laden, the Taliban, Saddam Hussein, and violent Palestinian organizations, many in the Arab and Muslim world view this as a continuation of great power interference and bullying.¹⁵⁴

Psychological Considerations

Although the world community increasingly faces common challenges, which should serve as a centripetal force, a slowdown in the process of feeling a part of the global community is a distinct possibility for many countries and individuals, as we face the overwhelming facts of environmental degradation, epidemics such as AIDS, and seemingly unsolvable problems such as drug trafficking.

The threat of terrorism is a *prima facie* case for a common global crusade, and President Bush has sought to portray the attack on the United State as an attack on “all of us.” The fact that citizens of 62 countries died in the destruction of the twin towers of the World Trade Center does not necessarily elicit unqualified support for a campaign of bombing against Afghanistan and the prospect of an extension of military action to other states — even to Iraq. It is certainly correct that all terrorists are enemies of democracy and civilized society,

but all enemies are not terrorists and cannot be convincingly labeled as such.

The atrocities of September 11 were the first attacks on the continental United States since the War of 1812. They seriously and perhaps irreparably shattered the sense of security that Americans have enjoyed since Pearl Harbor. Other parts of the world have long been accustomed to the ever present possibility of terrorist acts from both external and internal sources; one ongoing example is Spain's Basque separatists. Terrorist activities are a part of daily life in countries like Colombia and have afflicted many major cities, notably the Irish Republican Army's (IRA) bombings in London. A poll of "average Americans" surmised that 91 percent think that the events of September 11 have changed their country in a lasting way.¹⁵⁵ Some believe that this psychological shock will end what Francis Fukuyama regards as the "self-indulgent behavior" of Americans and mark the end "American exceptionalism" and "self-absorption."¹⁵⁶

Terrorism in the United States is rare: witness the bombing of the Federal Building in Oklahoma City and the subsequent shock and outrage. This type of milieu is conducive to the resurgence of American chauvinism and militarism, which usually accompany this state of mind. Manifestations include a combination of fears and sentiments such the "lonely superpower,"¹⁵⁷ the global policeman or "sheriff," and special responsibility to lead the global community. These developments created a state of mind that can lead to a marked shift toward the conservative end of the ideological spectrum.

Prejudice and politics will affect all aspects of business, from hiring policies to decisions as to the locations for sources of goods and services. Major apparel importers, including Perry Ellis, American Eagle Outfitters, and Tommy Hilfiger, have drastically cut back or cancelled business commitments with Pakistan because of fears of disruptions in supply.¹⁵⁸ This is ironic because Pakistan has cooperated with the United States at the risk of political instability from virulent internal opposition and has been rewarded with increased access to the U.S. market for its textile and apparel exports, despite the vociferous opposition of U.S. textile interests.

Conclusion

The Economist has dismissed the impact of September 11, 2001, even in the United States. It claims that "if you compare domestic politics, the economy and foreign policy now with what they were like on September 10th, the striking thing is how little has changed."¹⁵⁹ This is wrong; it is certainly not business as usual. The impact of the events of September 11 and their aftermath on globalization and world politics can best be summed up by borrowing a famous phrase from the doyen of science fiction writers, Arthur C. Clarke: "The future is not what it was." September 11 was a turning point in world affairs; its effects have been and are being felt worldwide in economic, political, social, and psychological terms, and they will certainly have a profound impact on the contours, character, and pace of the process of globalization. September 11 is not likely to derail the process of globalization, although World War I and its aftermath in the inter-war period ended the first wave of globalization. These events could be said to have begun with a terrorist act — the shooting of an obscure archduke in an out-of-the-way place called Sarajevo.

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