

# An Agenda for Action

**S**INCE 1980 THE WORLD HAS INTEGRATED AS NEVER before: poor countries with some 3 billion people have broken into global industrial markets. As poor people in these countries get jobs, the tide of poverty and inequality that had previously engulfed the world is starting to turn. So far, this process is fragile. Some 2 billion people live in countries that have been left out of globalization. Action is needed to reinforce and secure what could become a historic turning point.

As the world has integrated, for the first time in history civil society has become able to conduct a global discourse. This has created the potential, and the urgent need, for global collective action. There is a backlog of problems needing global action, and globalization itself has created problems as well as prosperity. Developing countries have divided into more globalized ones, where poverty is rapidly diminishing, and less globalized ones, where poverty is rising. The rapid growth of the new globalizers is generating profound changes in their societies and is challenging rich countries in some markets. The absolute decline of many marginalized countries is a tragedy for both them and the world. An integrated world can neither tolerate nor withstand the exclusion of 2 billion people from the prospect of prosperity.

Concern about globalization is itself a global phenomenon. Our report has highlighted many of the anxieties that people have about globalization. Most are grounded in reality. The objective of our research is to examine the effects of different aspects of integration, with two main aims in mind: helping countries to find policies that reduce and mitigate the costs and risks of integration, and helping them to assess tradeoffs so they can make well-informed choices. Our point of departure is that many poor countries have chosen to become more

integrated with the global economy. Research can help them design policies for this integration and inform their policy debates. In this concluding chapter we pull together our discussion.

In the next section we organize our findings around the various anxieties about globalization. Although the world in integrating, it is deeply divided: many anxieties stem from the particular experiences of various countries. We take in turn the anxieties of the countries that are less globalized, the anxieties of the new globalizers, and those of the rich countries. We conclude with those concerns that are truly global. Sometimes people are worrying about the right things, sometimes about the wrong things. Some of the adverse effects of globalization have not received sufficient attention, while some of the imagined adverse effects turn out not to be major problems.

In the final section we propose an agenda for action. Although globalization has created problems, it has also been the engine of remarkable poverty reduction among the 3 billion people of the new globalizing countries. Actions that simply reverse globalization would come at an intolerably high price, destroying the prospects of prosperity for many millions of poor people. There are less divisive, less cavalier ways of meeting well-founded concerns. Some policy changes will require global action. Others depend on the specific actions of governments in developing countries and rich countries. Bringing about these policy changes will require popular pressure not just for global action, but for national action.

## Anxieties and their foundation

### Anxieties of the less globalized countries

Some two billion people live in countries that are not integrating strongly in the global economy. They are dependent on a narrow range of primary commodity exports and on average are in absolute economic decline.

**Continued economic marginalization.** The core anxiety of many countries is that they will be marginalized, failing to penetrate global industrial markets even if they change policies. For many of these countries this anxiety is likely to be misplaced, but only if policy and institutional change are substantial and thought through locally so that it is appropriate for local circumstances. Simply liberalizing trade policy will not usually be sufficient for success in global markets. The entire

investment climate must be improved, from infrastructure through to the supporting institutions.

For some countries, however, continued marginalization will be the harsh reality. Some countries are so disadvantaged by location that they probably have little realistic prospect of developing. Which countries fall into this category is uncertain: economists' record of forecasting failure is not impressive. Nobel prize winner James Meade forecast in the 1950s that Mauritius was doomed to dependence on sugar: in the 1970s it became one of the world's fastest growing countries by penetrating the global garments market. Nobel winner Gunnar Myrdal forecast in the 1960s that Indonesia would not develop: in the 1980s it began dramatic reductions in poverty, aided by labor-intensive manufactured exports. While it is therefore unwise to write countries off, it would be equally foolish to imagine that all countries will industrialize. For the countries that do not industrialize, the global challenge is to aid alternative development strategies and to permit migration to other areas.

**The failure of the state.** Some governments in marginalized countries face real anxieties about their physical control of their own territory. Poverty, dependence on primary commodity exports, and economic decline are all significant risk factors in violent internal conflict. More broadly, the state often lacks the capacity for effective delivery of public services and for regulation of the environment. Social outcomes can deteriorate as a result, as they have in much of Africa. Conflict, poverty, and a lack of human development feed on each other, like a trap.

### **Anxieties of the new globalizers**

Some 3 billion people live in countries that have recently succeeded in penetrating global industrial markets. Their economies are in the early stages of rapid growth that is already bringing down poverty. This growth is probably dependent on continued access to OECD markets. Rapid economic growth brings social and environmental disruption, challenging both the government and civil society to provide new forms of social and environmental protection.

**Being shut out of markets.** One of the main anxieties of policymakers in the new globalizing countries is that they will be shut out of rich country markets. These leaders have been encouraged for a long time to open up their economies, and now that many developing countries have moved on

this agenda there is real concern about rising protectionism in rich countries. Overall rich country trade policies are relatively open, but sectors where they maintain protection are precisely those in which the new globalizers have comparative advantage. Developing countries confront European agricultural subsidies, U.S. anti-dumping actions, foot dragging over the phaseout of the multifiber agreement governing textile trade, and high tariffs on selected products produced by developing countries.

Part of this fear of being shut out of markets relates to the growing trend to add institutional requirements to trade agreements. Efforts to impose labor and environmental regulations through trade sanctions could become new forms of protectionism.

**Being subject to the whims of distant investors.** Many of the new globalizers have opened up for foreign investment at the same time that they have liberalized trade. It makes sense that these policies go together. Much of the manufactures and services trade in today's world is related to production networks and MNCs. The developing countries that have seen large increases in imports and exports are by and large the same ones that have received the largest flows of FDI. The entry of MNCs does not inevitably weaken governments. As the new globalizers grow, the size of their government sector should usually grow both absolutely and relative to the rest of the economy. The share of government expenditure in GDP is only 20 percent in low- and middle-income countries, versus 30–50 percent in richer countries.

One of the deepest fears in the developing world is of financial and exchange rate crises that have huge costs. Such fears are sensible. Even with sound fundamentals, financially open economies can be hit by contagion effects of crises starting elsewhere. As in domestic markets, international financial markets can be beset by irrational booms and crashes. We have emphasized that full financial opening must be approached cautiously. We agree with the strategy of such countries as China and India to allow FDI while maintaining capital controls on other flows. Also, some of that FDI can be into the banking sector, helping to strengthen the domestic financial infrastructure. Allowing foreign banks to provide services is different from opening the capital account, although as FDI, including in financial services, proceeds, it probably becomes more difficult to isolate an economy from the international financial market. Good fundamentals alone are not sufficient to insulate countries from financial crises, but they certainly help.

**Being uncompetitive.** The new globalizers fear being uncompetitive. The typical developing country must compete with the big corporations from the rich countries, the established emerging markets such as Korea, and the big newcomers, especially China. The firm-level evidence shows clearly that opening up is likely to lead to the closure of some plants, and there will be more turnover in an open economy. However, there will also be more entry—plants of foreign firms and domestic entrepreneurs will start up in response to new opportunities. Firms and locations in the developing world can be competitive. There are many successful examples.

Clearly an important agenda for the new globalizers is continued improvement in the investment climate. This involves the regulatory framework for starting and closing firms and for hiring and firing workers. It also involves infrastructure (financial services, telecommunications, ports, and power) and economic governance (contract enforcement, fair taxation, and control of corruption). We have emphasized that developing countries can use FDI and the international market for services to improve elements of the investment climate. Many countries have benefited from foreign investment in banking, telecommunications, and power.

**Trading good jobs for bad ones.** The importance of creating a good climate for firms naturally raises fears that globalization works against workers and will lead to heightened inequality in developing countries. The evidence shows that this is not the case. Trade liberalization, FDI, and out-migration of unskilled workers have all been found to raise wages in the South. More generally, the developing countries participating strongly in globalization have seen large increases in per capita income, with the benefits widely diffused. The result has been rapid reductions in poverty. For poor countries, integration has not resulted in a “race to the bottom” in wages and labor standards. To the contrary, incomes and wages have risen, and along with them have come improvements in labor standards. Raising family income is the most effective way to reduce abusive child labor.

While integration raises wages on average and for many specific occupations, there will inevitably be some losers from globalization. Capitalists and workers in protected industries are the most visible losers, which is why they are a vocal force for protection in all countries. We also noted that in an open economy there will be more turnover of firms, creating temporary unemployment and hardship. Finally, there is a tendency for opening up to raise the return to education. This more

dynamic environment calls for new types of social protection. To get reforms underway may require one-time compensation schemes for workers who would otherwise suffer large losses. Well-designed unemployment insurance and severance pay systems can provide protection to formal sector workers in an environment that will now have more entry and exit of firms. But the poorest people are better reached through self-targeting programs such as food-for-work schemes. Finally, and perhaps most important, the combination of openness and a well-educated labor force produces especially good results for poverty reduction and human welfare. Hence, a good education system that provides opportunities for all is critical for success in this globalizing world.

**Environmental degradation.** The rapid industrialization taking place in the new globalizers can substantially increase pollution and depletion of natural resources. However, this is not inevitable; for example, air quality in many globalizing cities has been rising. The outcome depends on the ability to develop effective regulation. Far from environmental regulation being a luxury that can lag development, the necessary institutions must be developed more rapidly than general institutional development.

**Social dislocation.** As the new globalizers develop rapidly, they face massive internal migrations from rural areas to towns. Often adjoining countries are being marginalized, so there is also large-scale immigration. These influxes increase social and ethnic diversity and this in turn can make social cooperation more difficult. There is indeed evidence that ethnically diverse cities tend to have worse-performing public services. However, the research evidence suggests that these anxieties are greatly exaggerated. Diverse societies are not more prone to large-scale violence. Indeed, the rapid income growth of the new globalizers is making them safer societies. Despite the greater difficulties of cooperation, diverse societies have offsetting advantages. Overall economic performance is not adversely affected by diversity as long as societies are democratic.

**International imbalances in power.** During the Cold War some developing countries gained an international voice by playing the superpowers against each other. During the past decade the world has been more unipolar than at any time for at least a century. However, on present patterns of growth this phase will be short lived. Partly as a result of globalization, China and India are both growing far more rapidly than the OECD economies. Over the coming decades international economic power is likely to be multipolar, and this in turn can be expected gradually to reshape the architecture of international governance.

## **Rich country anxieties are somewhat different**

There may well be more anxiety about globalization in rich countries than in poor ones. Certainly the nature of the fears and their foundations in reality are somewhat different.

**Globalization and terrorism.** Evidently, after the attack on the World Trade Center, one of the big fears in rich countries is that globalization has increased the risk of international terrorism. In an important sense this is correct: terrorist organizations have globalized more rapidly than have government efforts to counter them. Given the international structure of modern terrorism, isolated national efforts to counter it have become ineffective—anti-terrorism has become a global public good. As with other such goods, it has been woefully under-supplied. International terrorism has not only exploited the limitations of uncoordinated national efforts, it has also exploited the safe havens available in failed states. Development policy can play an important role in ending these safe havens. Economic weakness is a major cause of state failure; and economic recovery is integral to state reconstruction.

**Globalization and inequality within rich countries.** One of the biggest fears in rich countries is that globalization is leading to greater inequality. This fear has more foundation for rich countries than for poor ones. The evidence suggests that FDI from North to South and migration from South to North both raise wages in the South and reduce wages in the North, other things being equal. Thus, these aspects of integration can be equalizing in the South and disqualifying in the North.

The United States has seen a significant rise in inequality, and credible estimates suggest that migration has played a role in this, though skill-biased technological change and tax policy have also clearly played a role. The very large differences in inequality between equally globalized rich countries suggest that factors other than globalization are more important.

**Globalization and the loss of manufacturing jobs to low-wage countries.** Most developed countries have been shifting employment out of manufacturing during the third wave of globalization. Some of this is due to changes in technology—manufacturing has become less labor intensive—but some of it is undoubtedly due to the movement of manufacturing jobs to low-income countries.

This need not imply rising unemployment or falling manufacturing wages, but rather a shift from manufacturing to service jobs. High-wage manufacturing will not be wiped out. Manufacturing within the

high-income countries has an enormous competitive advantage due to its proximity to its major market. Far from modern technology eliminating these advantages, it might actually be increasing them. The new retail technologies pioneered by Wal-Mart, with information on market conditions passed to suppliers daily, create a premium on very rapid delivery to market. Manufacturing workers in rich countries will continue to earn much higher wages than their counterparts in the new globalizers, simply because they are in the right place.

**Globalization and homogenization.** If globalization forces everyone toward common institutions and policies, then Europe can expect the kind of developments that have occurred in the United States. The United States is the largest and in some respects the most successful economy on earth, generating opportunities for millions of poor people, many of them immigrants from developing countries, to rise to prosperity. But it is not the only model of success. Several European and Asian economies match or exceed the American level of income per capita while having radically different policies and more equal social outcomes. For example, Austria, Belgium, Denmark, Japan, and Norway are relatively open economies. All have far less inequality than the United States with similar average income. By combining prosperity with equity they are the closest the world has yet come to eradicating poverty. Voters in the United States and these countries have chosen substantially different models, both of which work given their respective histories.

Culturally, as societies integrate in many respects, they become more diverse: IKEA has brought Swedish design to Russians, co-existing with Russian design; Indian immigrants and McDonalds' have brought chicken tikka and hamburgers to Britain, co-existing with fish and chips. However, without policies to foster local and other cultural traditions, many fear globalization may indeed lead to a dominance of American culture.

### **Global anxieties**

**Mounting global inequality.** A widespread view of globalization is that it “makes rich people richer and poor people poorer.” This simply does not seem to be true: poverty is falling rapidly in those poor countries that are integrating into the global economy. As Amartya Sen has argued, a more accurate concern would be over the staggering *level* of global inequality rather than its change. In the century before 1980



world inequality increased enormously; since then it has stabilized and may be declining. The pre-industrial world was more equal but much poorer, and returning to such a world is neither realistic nor desirable. Rather, the benefits of modernization must be spread more widely. Since 1980 this has begun to happen: the new globalizers are catching up with the rich countries. Poverty is largely rural; people are seizing the opportunities provided by industrialization to migrate from rural poverty to the first rungs of the urban jobs ladder. But so far, countries with about 2 billion people have not participated strongly in globalization and have been falling further behind.

This pattern of convergence for some poor countries and divergence for others can be changed. Many more poor countries can globalize and join the group that is converging on rich countries. However, it would be unrealistic to expect all poor countries to be able to integrate into global industrial production. Opening up to trade and investment will not do much for people in many of the locations that are stagnating and by itself cannot be the solution to poverty there. For some of the currently marginalized countries, the key problem is poor institutions and policies. In other cases there are severe geographic problems of disease and isolation. While opening up will not do much for these locations, it is also clear that closing themselves off from the world economy has not generated prosperity.

While economic globalization cannot do much to help these locations, social globalization—recognizing an affinity among people that does not stop at national borders—may have more potential. It can be the impetus for global solutions to problems of poor governance, health, and infrastructure.

**Global warming.** Economic development, spurred by globalization, creates new environmental problems that must be tackled at the global level. An important worldwide fear is that governments will not move effectively to limit greenhouse gas emissions and roll back global warming. There is broad agreement among scientists that human activity has led to global warming and that much greater climate change is in store unless collective, corrective actions are taken. Where the problem comes from is clear. Seven economies (the E-7) account for 70 percent of CO<sub>2</sub> emissions. The United States, with only 4 percent of the world's population, emits nearly 25 percent of greenhouse gases. China is the second largest emitter, followed by the EU, the Russian Federation, Japan, India, and Brazil. In per capita terms the United States (with 20 metric

tons per capita) is far ahead of other economies in terms of CO<sub>2</sub> emissions. Per capita emissions in China, Brazil, and India lag far behind those of the developed countries, and these disparities must be taken into account in any global agreement to roll back the emissions that cause global warming.

**Globalization and the power of governments, labor, and capital.** As a country integrates into the global industrial economy the role of government does not diminish. Traditional functions such as education still must be carried out, and to a higher standard, while government takes on new functions such as social protection and environmental regulation. In some areas of policy—notably macroeconomic management—room for maneuver is reduced. However, governments retain a wide range of choice over distributional policies. Occasionally, governments compete with each other by offering subsidies to attract new plants in those industries characterized by agglomeration and large scale. This is wasteful; to avoid it governments are increasingly cooperating, setting rules that limit incentives.

Since workers find it very difficult to organize across national borders, firms can potentially reduce the bargaining power of nationally organized unions by operating in multiple clusters and threatening to relocate investment between clusters. This may gradually lead to wage convergence among manufacturing clusters within high-income countries, although quite large differences between labor costs in manufacturing have proved persistent.

The evidence that wages have risen so rapidly in the new globalizers suggests that labor is empowered by rapid growth more than it is threatened by the greater mobility of capital. The jobs that are shifted to low-income countries do not pay as much as those that are lost. Capital probably gains as a result of this shift: workers in low-income countries usually have less power in their relationship with management, although the main winners are the people who buy the cheaper manufactures. Although wage jobs in low-income countries pay less than those in high-income countries, they are usually much better relative to the average work available in the society. Most manufacturing workers in high-income countries are not well off relative to others in their society. By contrast, most manufacturing workers in low-income countries earn far above the national average income.

Globalization intensifies competition, and this actually weakens the market power of capital. There is clear evidence of a squeeze in price-cost margins, suggesting that the power of national monopolies and cartels has

been reduced. However, the world currently lacks an adequate regulatory authority to address problems of global market power. As with global warming, this is an important example of problems outpacing global policy.

## **Building an inclusive world economy: An agenda for action**

**R**ECENT GLOBALIZATION HAS BEEN A FORCE FOR POVERTY reduction, and has helped some large poor countries to narrow the gap with rich countries. However, some of the widespread anxieties are well founded: globalization could be much more effective for poor people, and its adverse effects could be substantially reduced. In important respects global policies are not keeping pace with global opportunities and global risks. In our report we propose an agenda for action, both global and local, that could make globalization work better and help countries and people that have been marginalized. In part our agenda overlaps with the agenda of those who protest globalization, but it is diametrically opposed to the nationalism, protectionism, and anti-industrial romanticism that is all too prominent. Our study highlights many actions that could help make globalization more beneficial. Of these, we will emphasize seven that we see as particularly important for making globalization work for the poor.

Participation in an expanding global market has basically been a positive force for growth and poverty reduction in developing countries. There are, however, very significant barriers to trade and a *first* area for action is a "development round" of trade negotiations. A "development round" should focus first and foremost on market access. Rich countries maintain protection in exactly the areas where developing countries have comparative advantage, and there would be large gains to poor countries if these were reduced. Furthermore, developing countries would gain a lot from better access to each other's markets—barriers between them are still higher than those from developed countries. These improvements in access are best negotiated in a multilateral context.

Developing countries have a good argument that trade agreements should not impose labor or environmental standards on poor countries. Communities all over the world are struggling to improve living standards and labor and environmental conditions. There are positive ways

that rich countries can support this. A real and positive commitment, however, requires real resources (more below on this). Imposing trade sanctions on countries that do not meet first world standards for labor and environmental conditions can have deeply damaging effects on the living standards of poor people and for that reason is unconstructive. Furthermore, there is all too much danger that trade sanctions to enforce these standards will become new forms of protectionism that make the poor worse off. The more general point here is that trade agreements should leave countries free to take different institutional approaches to environmental standards, social protection, cultural preservation, and other issues. Among globalized countries there is great diversity of institutions and cultures, and we see no reason why economic integration cannot respect that.

Our research shows that open trade and investment policies are not going to do much for poor countries if other policies are bad. The locations in the developing world that are prospering during this most recent wave of globalization are ones that have created reasonably good investment climates in which firms, particularly small domestic firms, can start up, prosper, and expand. Hence a *second* key area for action is improving the investment climate in developing countries. A sound investment climate is not one full of tax breaks and subsidies for firms. It is rather an environment of good economic governance—control of corruption, well-functioning bureaucracies and regulation, contract enforcement, and protection of property rights. Connectivity to other markets within a country and globally (through transport and telecommunications infrastructure) is a key part of a good investment climate. A bad investment climate hits agriculture and small firms even harder than bigger firms.

Developing a sound investment climate is primarily a national and local responsibility and should focus particularly on the problems facing small firms. Employment in the small and medium-sized firms in towns and rural areas will be central to raising the living standards of the rural poor. Communities can use foreign investment and the international market for services to strengthen the investment climate. The presence of foreign banks in the local market strengthens the financial infrastructure. With the right incentives, foreign investment can efficiently provide power, ports, telecommunications, and other business services.

The evidence is quite strong that integration with the global market raises the return to education in different types of countries (both rich and poor). The higher return to education can be a positive thing, as it

encourages households to invest in their children. But this highlights the importance of good delivery of education and health services—the *third* element in our agenda. If poor people have little or no access to health and education services, then it is very hard for them to benefit from the growth spurred by integration. With poor social services, globalization can easily lead to mounting inequality within a country and persistence of extreme poverty. For the newly globalizing developing countries as a group, there has been impressive progress in educational attainment—especially for primary education—and decline in infant mortality, suggesting that many locations have made the complementary investments in social services that are critical to ensure that the poor benefit from growth. The combination of strong education for poor people and a more positive investment climate is critical for empowering poor people to participate in the benefits of a more strongly expanding economy. But empowerment goes much deeper than this. It is about organizing property rights and governance in a way that involves poor people in decisions that affect their lives.

While integration has on average been a positive force for growth and poverty reduction in developing countries, there are inevitably specific winners and losers, especially in the short run. This is true in rich and poor countries. The firm-level evidence shows that much of the dynamic benefit of open trade and investment comes from more “churning” of plants—less efficient ones die, and new ones start up and expand. With this comes more labor market churning as well—probably the key reason why globalization is so controversial. It raises wages on average in both rich and poor countries, but there are some significant losers. Thus, the *fourth* area for action is to provide social protection tailored to the more dynamic labor market in an open economy. This is important to help individual workers who will lose in the short run from opening up, as well as to create a solid social foundation on which households—especially poor ones—feel comfortable taking risks and showing entrepreneurship. We try to document what works in a relatively rich country, and for formal sector workers, and what works in poor countries and for the large number of poor in the informal sector and rural areas. If policymakers do not put workable social protection measures into place, then many individual people will be hurt and the whole integration undertaking becomes suspect.

The *fifth* component of our action program is a greater volume of foreign aid, better managed. Aid should be targeted to a number of different

problems. The evidence shows that, when low-income countries reform and improve the investment climate and social services, private investment—both domestic and foreign—responds with a lag. It is precisely in this environment that large-scale aid can have a great impact on growth and poverty reduction. Thus, while creating a sound policy environment is primarily a national and local responsibility, the world can help societies making difficult changes with financial support. Supporting low-income reformers—both at the national level and at the local level—is a key role for aid. Another important role for aid is to address some of the specific health and geographic challenges of marginalized countries and people. We have emphasized that there are locations that face difficult geographic challenges and that policy reform alone is not going to do much in these places. More aid should be targeted to research into health and agricultural technologies that could make a large difference in locations suffering from malaria and other challenges. Beyond research, there is obviously a need for assistance to deliver these health innovations to those who would benefit from them.

Our *sixth* area for action is debt relief. This is a kind of aid, but we do not want our recommendation here to get lost in our more general call for greater aid. Many of the marginalized countries, especially in Africa, are burdened with unsustainable debts. Reducing the debt burdens of these countries will be one factor enabling them to participate more strongly in globalization. Debt relief is particularly powerful when combined with policy reform (improvements in the investment climate and social services). Debt relief should make a significant difference for countries that have reasonably sound policy environments for poverty reduction, as in the HIPC initiative. It is important to put debt relief in the larger context of the overall foreign aid for marginalized countries. Debt relief should not come out of the existing envelope for aid (in which case little of real value will result) but rather needs to be complemented with greater overall volumes of assistance.

The six areas that we have highlighted for policy action on globalization are primarily in the economic realm and aim to raise the income and living standards of poor people. However, our report also examines a wide range of non-economic issues—power, culture, environment—and presents evidence about the effect of globalization on these important issues. We highlight many specific actions that can mitigate the risks and costs of globalization. Here in the action program, the *seventh* measure to highlight is the importance of tackling

greenhouse gases and global warming. There is broad agreement among scientists that human activity is leading to climate change and that disastrous global warming is in store unless collective, corrective action is taken. This is one example of a critical area in which there is a lack of effective global cooperation at this point. It is also one of the global problems that is going to particularly burden poor countries and poor people if it is not addressed.

The falling costs of communications, information, and transport that have contributed to globalization will not be reversed, but the reduction in trade and investment barriers could be reversed by protectionism and nationalism—as happened in the 1930s. However, protectionism and nationalism would be a profoundly damaging reaction to the challenges created by globalization. The problems must be addressed, but they are manageable. The reasonable concerns about globalization can be met without sacrificing the potential for global economic integration to dramatically benefit poor countries and poor people. Many poor people are benefiting from globalization. The challenge is to bring more of them into this process, not to retreat to the insularity and nationalism of the 1930s.