

THE WORLD IS FLAT: THE GLOBALIZED WORLD IN THE TWENTY-FIRST CENTURY.

FLATTENER #6: “OFFSHORING”

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"Every morning in Africa, a gazelle wakes up. It knows it must run faster than the fastest lion, or it will be killed. Every morning a lion wakes up. It knows it must outrun the slowest gazelle, or it will starve to death. It doesn't matter whether you are a lion or a gazelle. When the sun comes up, you better start running."

INTRODUCTION

The world is flat, the economic, political and commercial frameworks are going from being rigidly vertical to being downright horizontal.

Globalization is a reality that affects all of us. Globalization is a dynamic and multidimensional process. In fact, it is not a phenomenon that has appeared from day to day. The author talks about how much internet has influenced globalization.

In this brief assessment, I have started by explaining in a general way my view of the book, where are we going? That is, I have tried to go beyond the term plane and find another meaning to the work or the terminology "flat" and try to link to some theories.

It is also important to see where we come from, therefore, I thought it appropriate to study a flatter. So, I have deepened in offshoring. In the same way, due to the importance of the productive factor I work in an economic model.

First, we give an explanation of the book and then we will focus on the offshoring and its relation to the general point of view.

OVERVIEW

The earth is flat, written by the American Thomas L Friedman, in which explains and justifies that the earth has gone flattened, specially, trough ten flatteners. Starting with the Collapse of the Berlin Wall (11/9/89), not only for the event, if not for those consequences linked. After this chapter, going through different points that today are seen as something frequent, such as offshoring or out shoring, but three decades ago it was unthinkable. This best-selling end explaining the "current" technology, in particular the wireless technology.

The flat adjective is not addressed to topographical meaning, if not an economic metaphor that tells us that the world is a flat land, at the same level. That is to say, the globalization that has taken place and is taking place has led to the disappearance of distances, the accesses... All the participants of globalization are playing with "similar"/" same" conditions, all of them are playing on the same card table and each one has to play their cards as best they know or can.

AWARE OF WHERE WE ARE AND WHERE ARE WE GOING?

Using the topographic meaning, we are the ones that walks on the plain without knowing where we are going. However, we are aware that we are walking on the plain, might I should say that nowadays we are already driving. Although we are moving forward, we are not aware of the speed. In addition, we can see lions and gazelles running. Also, we have left behind all the hills with complicated roads, and now the road seems easier. But it looks like there is three possible ends on the way of this plain.

The first one, continuing with the example of the plain, it is possible that we will be able to move forwards infinitely, towards Globalization 4.0? Continues innovation? Friedman support partly this option: "If India and China move in that direction, the world will not only become flatter than ever but also, I am convinced, more prosperous than ever." Following the Albert Einstein statement, "Only two things are infinite, the universe and human stupidity, and I do not know about the former". I presume that globalization will not be boundless.

The second one, we continue advancing, it seems that it is flat. But finally, we will find a wall - that we have not seen, or we did not want to see-, that will not allow us to do more.

- The resources collapse, Malthus theory of stationary state. People live at subsistence level, there is no growth.
- Social complexity: As the population grows, the decreasing performance of various food supplies begins to threaten social complexity. Tainter's theory of collapse.

The last one, understanding that the world is flat, like a world end or edge, where the boats fall over the edge, point of no return. There are different aspects that can lead us to that point:

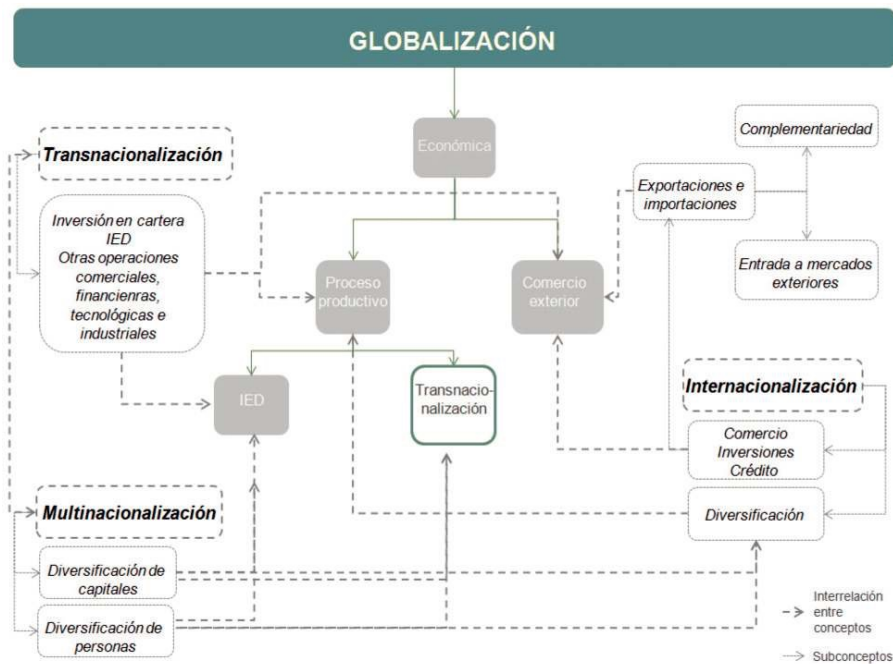
- Milton Friedman published an article — "The Social Responsibility of Business is to Increase its Profits." Milton Friedman, 1970 — in The New York Times Magazine. In this article, Friedman argued that the only objective of firms was to increase profits for their shareholders. As Friedman, most neoclassical authors support the idea that CSR is not compatible with the goal of profit maximization. The environment is being punished, especially for our excesses; as much of citizens, customer, like companies, like states ... and we must take measures, but the end is the precipice.
- The capitalism world flat. Is the capitalism going to this edge? His supremacy is over? Utopia or next reality? Idea supported by Marx. However, Fredric Jameson and Slavoj Žižek, don't think so, "It is easier to imagine the end of the world than it is to imagine the end of capitalism"
- Global governance. The world has moved from a vertical model (order and control) to a horizontal model (connection and collaboration). A global way of governance will appear, and the states governance will disappear?

OFFSHORING “FLATTENER 6”

¿Cause or Consequence? The author explains the flatteners as a cause of globalization however, offshoring could be a process resulting from globalization.

Clear example of offshoring given *"When a company takes one of its factories that it is operating in Canton, Ohio, and moves the whole factory offshore to Canton, China. There, it produces the very same product in the very same way, only with cheaper labour, lower taxes, subsidized energy, and lower health-care costs."* Firms want to minimize the costs, in other words, maximize their benefits. Everyone wants to be the one who gets the most benefits from the game. We can see the predominance of corporates.

This image explains quite good the globalization of the productive process, so there is a “transnacionalización” (offshoring) which is characterized by a worldwide dispersed location of the different activities.



Source: Arzadun, Paula (2012)

OFFSHORING FOCUS IN CHINA.

Chinas entered into WTO (World Trade Organization), so they are on the same card table – even allow for greater competition in the playing field—. However, according to Friedman statement, “I don’t know who the lion is and who is the gazelle.” We don’t know the role that every player is going to take.

The Rise of the East, developing countries take advantages to growth, “China had opened up to get the advantages of trade with the West”. Although, West is taking the comparative advantage of less cost in production. Internal relocation of a company’s production or other processes to a foreign land to take advantage of less costly operations there, but not just costs;

First win-win strategy, corporates move there to produce with less costs—but Friedman advise that “the biggest mistake any business can make when it comes to China is thinking that it is only winning on wages and not improving quality and productivity— and the China economy¹ get benefits from this Foreign Direct Investment. China made an attractive legal framework² to attract FDI. In addition, China said, “We are on one course.” It means, we are on the same way, same game, on the capitalism game.

If China wants to compete even surpass EU and US on this game it has not to just attract “non-qualified production process”, I mean, that china has to develop and show other strong cards. “China is developing very rapidly and making the shift from low-grade products to high-grade, high-tech ones.” But also has weak cards, not all can be benefits and strength “a lot of traditional, slow, inefficient, and protected sectors of the Chinese economy are being exposed to some withering global competition”

If Corporates want to take the China chance, they have to know that it will not be a smooth process, as Friedman has reported due to different aspects —ex; cultural aspects, bureaucratic...—. Nevertheless, he claims that “Over time, adherence to WTO

¹ “China wanted to attract foreign manufacturers and their technologies—not simply to manufacture 1 billion pairs of underwear for sale in China but to use low—wage Chinese labor to also sell 6 billion pairs of underwear to everyone else in the world”

² “Foreign companies that if they shifted factories offshore to China, they would be protected by international law and standard business practices” [...] “And it agreed to submit itself to international arbitration in the event of a trade dispute with another country or a foreign company”

standards will make China's economy even flatter and more of a flattener globally" but "China will never be truly flat until it gets over that huge speed bump called "political reform." Also explain by his own experience how he tries to run a business there.

"China is a threat, China is a customer, and China is an opportunity," But until when? Has the decline of China begun? China was / is a reference of offshoring "The more attractive China makes itself as a base for off—shoring, the more attractive other developed and developing countries competing with it, like Malaysia, Thailand, Ireland, Mexico, Brazil, and Vietnam, have to make themselves." Will this give way rise of the rest? Everyone wants to play, and also gets benefit. They have to check their cards and see how to play them, to win little by little and so gain reputation.

FACTOR OF PRODUCTION: LABOUR

Globalization has favoured access to factors of production. It is not work that has been globalized, but the work process. The classical economists considered that to produce goods and services it was necessary to use resources or productive factors: land, labour and capital. This classification of factors is still widely used today.

Labour is inseparable from the worker, unlike the capital factor, potentially easy to globalize. Therefore, people can not or should not be mobilized in the global market in the same way as other factors of production, such as capital. They can not move around the world in real time, like capital; they can not be stored, as if to accumulate, move from one market to another in search of the best cost relation, etc.

Friedman is not supporting the production factors mobility theory; as he is a good liberal economist, defence of free trade and the offshoring. Even though offshoring has brought negative consequences to US employment (in short term at least). He defends the comparative advantage of Ricardo, taking the comparative advantage of salaries and then export to other countries to be more competitive in the market.

At no time, Friedman speaks of qualitative adjectives or just, neither his well-being, or about that their capacity for struggle and negotiation have been radically diminished. Just, that it is an opportunity for capitalism to continue growing and strengthening. Therefore, we know who the beneficiaries of this, and precisely will not be the worker or citizen. In fact, it has negatively affected salaries "Globalization has

driven down wages in the economic sectors of the developed countries facing strong competition from the same sectors in developing countries. These sectors employ mainly unskilled workers." Antonio Quesada (2019)

CONCLUSION

I said "same" or "similar" conditions, but I don't think that all the players are in the same conditions. There are alliances in the game, reputation, power...The strategy that they are following is growth, get benefits so sustainable development is not considered on the plans of the players.

Where we are going, no one knows precisely, however we have to put measures to what we have created, bad management, as in so many other areas. And how are we going? "Taxonomy of collapses; black elephants mean, evident but chosen to be ignored".

I could see in the book a Friedman view of new macroeconomic-classic thinking. I do not share my way of seeing the economy with Friedman's point of view. The view should be more human, utilitarian, talk about inequalities and justice not just try to identify winner and loser, opportunities and threats. He talks about work as if he talks about money.

"We are no lions neither gazelles so, labor is the bread that we will eat tomorrow"

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