2). There is also no common understanding of whether it has produced a quantitative or a qualitative change in global economic and political structures. Furthermore, globalization has often been used as a rhetorical device to advance specific interests or agendas at the expense of others. That is to say, globalization has been invoked by different pressure groups as a concept justifying the ideas and actions of both its proponents and detractors.

Though there is some agreement among scholars and experts that globalization is producing greater interconnections and interdependence, there seems to be little consensus on the degree of integration it engenders and on its pervasiveness. Different views have emerged on this issue. As way of simplification, four different positions can be accounted for: “The first identifies globalization with an increasing homogenization within the global system, which would ultimately lead to assimilation. The second – the ‘strong globalization view’ – contends that homogeneity remains highly unlikely within the global system, but that a range of qualitative and quantitative changes have combined to introduce a new condition, or set of processes, into world affairs that warrant the novel term ‘globalization’. The third position – the ‘weak’ globalization perspective – maintains that many of the undoubtedly important developments of recent decades signal a significant increase of internationalization within the international political economy that has complex but variable consequences for politics, economics and society, but that has not ushered in a distinctively new era in human
affairs. The final – rejectionist – position defends the view that nothing of any great or irreversible significance has taken place” (Jones, 2000). Most observers have dismissed the most radical views, i.e. that globalization is leading to assimilation or that it is not upon us. The crucial debate is thus between the “strong” and “weak” globalization positions.

This chapter is aimed at shedding light on the concept of globalization, analyzing what it implies, and what opportunities it can bring to people around the globe, as well as the costs it may entail. It also takes stock of the challenges affecting public administration in an increasingly interconnected world. An overview of the main causes and characteristics of globalization will serve to highlight the complexities, as well as the challenges and pressures that States are increasingly facing in a globalized world.

1.1. Globalization: a complex phenomenon, involving a variety of global trends and tendencies

Globalization is not a new phenomenon. Interdependence and interconnections among nations and peoples have a long history, which can be dated in parts of the world as early as the XVI century, or even earlier during the time of the Roman, Hellenistic and even Persian Empires. The present process of increased international interconnections and technological innovation may be compared, in some respects, to the transformations of the mid XIX century to early XX century. During that period governmental policies as well as new technologies such as the telegraph, the steam engine, the railways and steam-driven vessels brought about a dramatic increase in world trade, international competition and interdependence (ibid.). Viewed from this perspective, globalization may be considered as an advanced stage of the historical process of interdependence, which although currently accelerating with unprecedented momentum, is by no means irreversible, as it was not in the 1920s. Two world wars abruptly reversed the progress made in fostering international trade as autarchic systems came to replace open economies, and, for decades, a political and ideological divide separated peoples on all continents. Though, as with any historical process there may be a sudden change in the direction of events, in the next few years increased interdependence and cross-border integration, especially in specific economic areas, are more likely than not to continue given the commitment of many countries to further trade liberalization.

Although it is not easy to define globalization, we shall refer to it as increasing and intensified flows between countries of goods, services, capital, ideas, information and people, which produce national cross-border integration of a number of economic, social and cultural activities. Thus, globalization includes a variety of trends and tendencies. It is not a single process, but a combination of different processes. It has increasingly taken on a multidimensional character: not on-

---

Box I.1

THE WORLD ACCORDING TO KEYNES IN 1919

The world depicted by John Maynard Keynes in 1919 in “The Economic Consequence of the Peace” resembles, in many ways, an account from our times: “What an extraordinary episode in the economic progress of man that age was which came to an end in August 1914! The greater part of the population, it is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with this lot. But escape was possible, for any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages. The inhabitants of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend. He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality, could dispatch his servant to the neighbouring office of a bank for such supply of the precious metals as might seem convenient, and could then proceed abroad to foreign quarters, without knowledge of their religion, language, or customs, bearing coined wealth upon his person, and would consider himself greatly aggrieved and much surprised at the least interference. But, most important of all, he regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement, and any deviation from it as aberrant, scandalous, and avoidable”

Source: Keynes. 1919, ch. 2.
ly economic, but also political, social and cultural. As such, we may speak of different globalizations or dimensions of globalization.

2. What is driving globalization?

The forces that lie behind globalization and which have interacted among them producing greater interdependence and integration, may be summarized as follows:

• Trade and investment liberalization policies;
• Technological innovation and the reduction in communication and transportation costs;
• Entrepreneurship;
• Global social networks

2.1. Trade and investment liberalization policies

Technological innovation and entrepreneurship cannot alone explain the process of globalization. We should not forget that the impetus towards greater economic integration has stemmed from the efforts of governments to remove barriers to trade and investment. Increased global integration in a number of economic areas began to intensify in the 1980s when many governments supported economic liberalization. “The latter has included financial sector deregulation, the removal of controls over foreign exchange and enhanced freedom of trade. Financial deregulation has resulted in the progressive elimination of capital controls, the removal of controls over interest rates, and the lifting of traditional barriers to entry into banking and other financial services” (Cable, 1995, p. 3).

State efforts to uphold free trade and to encourage the reduction of trade barriers have been reflected in the eight successive negotiating rounds of the General Agreement on Trade and Tariffs (GATT), which culminated in 1995 with the establishment of a multilateral trading system – the World Trade Organization (WTO). The latter has not only led to the reduction of barriers to trade in goods, but has also proceeded to liberalize services and capital flows. The WTO has also focused more closely on an ever-growing range of policy measures affecting the terms and conditions of market access, such as standards and regulations, subsidy practices, and intellectual property rights (WTO, 1998 Annual Report).

It is of great importance to underscore the political source of economic globalization in order to avoid interpreting this phenomenon as a deterministic force about which little can be done. Economic globalization is not a blind force. It is still individual governments that are setting the policies and the rules of the globalized economy. Thus, we should not forget that the State has played a pivotal role in allowing greater interdependence and economic integration of specific activi-
ties through the elaboration and adoption of market-oriented policies and regulations, at both the international and local levels. Economic globalization can be said to result from policy decisions made by individual countries that allow global market forces to operate.

The problem is which countries set the rules, whom do they favor and how can the least powerful also influence policy-making in the international arena, and do it in ways that will benefit them. Some countries do not have as much leverage as others do in setting the international economic and political agenda due to significant power imbalances among nations that are reflected in international institutions. As a consequence, the present form of globalization is largely shaped by the rules advanced by one part of the world – namely the most influential – and these rules do not necessarily favor developing countries and countries in transition.

2.2. Technological innovation and the reduction in communication and transportation costs

Technological innovation, as well as the constant reduction in transportation and communication costs is responsible for drastically transforming the ease, speed, quantity, and quality of international information flows, as well as physical communications (Cable, 1995). In particular, information technology and multimedia communications are producing shrinkage of distance and acceleration of change. Due to technological advances in the past 70 years, transportation and communication costs have declined drastically. The end of State monopolies - where and when it has happened - and thereby the introduction of greater competition in the telecommunication sector, is also responsible for a sharp decline in communication costs.

As shown in graph 1 below, the average cost of freight and port charges per ton has decreased from over US$ 90 to approximately US$ 30 constant dollars between 1920 and 1990. The decrease in average revenue per passenger mile between the years 1920 and 1990 has gone from US$ 0.7 to US$ 0.1 as shown in graph 2 below. Moreover, a three-minute call between New York and London has decreased from almost US$ 300 to less than US$ 1 dollar over that period, as shown in graph 3 below, or it can be free over the Internet. The cost of computers has also dramatically decreased over the past years, as well as that of wireless communications. This implies that many transactions can be processed in no time and at relatively low cost.

Indeed, there is no field of technological progress, which has evolved more rapidly, in the past 20 years than information technology (IT). Taking shape through the convergence of semiconductors, computers, telecommunications and software technologies, the information revolution has produced rapid and sustained falls in the cost of processing, storing and transmitting information. Thus, it promises to make the information and knowledge base of humankind available anywhere, anytime, in any language. Businesses and individuals, mainly in the developed world, can now perform a wide number of activities through the information highways in a matter of seconds. The growing interest in this relatively new channel of communication is reflected by the number of Internet sites, which rose by 118% in only two years, i.e. between 1997 and 1999 (NUA, 1999).

During the past decade, two significant developments have greatly accelerated the globalization of information flows. The first is that computers have invaded millions of
households. The second is the emergence and development of the Internet technologies. The former demonstrates that the role of computers has been extended dramatically, not only as a tool for state and business organizations, but also as a household electronic appliance for information retrieval and processing, for education, for entertainment and for communication. The latter leads to a great leap in the technical and human ability to access, interpret and use information. It presages the advent of a national information infrastructure (NII) and a global information infrastructure (GII) in the coming information age.

It has been estimated that in March 2000 there were 400 million personal computers and about 1 billion telephones in the world; 276 million Internet users worldwide with a growth rate of roughly 150,000 persons per day; 220 million devices accessing the World-Wide Web with almost 200,000 devices being added every day. Total world bandwidth (transmission capacity of computer networks or other telecommunications systems worldwide) in 1996 amounted to 200 trillion bits per second. In 2001, there will be a bandwidth of 9,000 trillion bits per second. It is also estimated that, 10 years from now, there will be 1 billion personal computers and 3 billion telephones in the world.

Governments, organizations and business enterprises are seeking to harness the Internet to advertise and disseminate information. There are millions of web-sites, homepages and diverse documents on the Internet, which cover thousands of subjects. At present, web pages total 1.5 billion with almost 2 million pages being added every day. IT has greatly stimulated the globalization of information. Information flows on topics ranging from politics and business to sports circulate among organizations, cities, nations, regions and individuals day and night.

The Computer Industry Almanac has reported that:

- By the year 2002, 490 million people around the world will have Internet access, that is 79.4 per 1,000 people worldwide;
- By the year-end 2005, 765 million people will be connected to the Internet, that is 118 people per 1,000;
- By 2010, Chinese online users are expected to outnumber US users;
- NUA reports that 60 per cent of the world online population will be outside the US by
The Internet (see graph I.4 below), as well as other communication devices, such as the cellular phone and fax machines, have contributed to shrinking distance and time, and have allowed people to connect and communicate instantaneously. The option of being able to access the Internet from special models of cellular phones may also represent a breakthrough in the communication sector, especially for developing countries that have not developed an extensive cable system and are now able to use cellular phones in their daily work activities.

However, as in the case of economic globalization, there is nothing deterministic about globalization via the spread of IT technologies and the Internet. It takes proper public policy frameworks to make it happen. For example, as mentioned above, States have a policy choice to make in the area of deregulating their telecommunication sector. And, increasingly, geo-locating and firewall technologies allow them to shape the freedom of the spread of the Internet. A careful trade-off between perceived advantages and disadvantages is needed here. How to handle the IT revolution promises to constitute one of the most important policy decisions that a State will have to take at the beginning of the new millennium. The so-called digital divide is a by-product of underdevelopment, and lack of financial and human resources. It must be stressed though that public policy is also instrumental in the present magnitude of this divide and in the pace at which it can be bridged.

IT opens new opportunities for increased government transparency, efficiency and effectiveness of its services. It gives the citizens a powerful tool for conducting the public discourse, organizing themselves and challenging, as the case may be, the existing political parties, professional associations, non-governmental organizations, and agencies of State administration – both locally and globally.

IT is rapidly transforming all the sectors of the global economy. It helps to redefine such concepts as competitiveness, quality, delivery, responsiveness and innovation. IT has opened the way to advances in productivity by minimizing waste of raw materials,
labour and time. With modern transportation means such as jumbo jets and container vessels and computerized reservations systems, the globalization of production and services has become a reality. Global information networks are rapidly transforming the ways an enterprise operates. In the last 20 years, both manufacturing and services have become increasingly globalized – a global production system has emerged. It goes without saying that IT is the central driver of this new world trend.

On the negative side, it must be said that the Internet is also being used in detrimental ways. It has become an easy communication device for all sorts of criminal and terrorist activities. This shows that the Internet can be used both in social and "anti-social" ways. The Internet in fact, as any other device, is not a "good" or "bad" tool per se. It is a facilitator. Whether it has a positive or negative impact on society depends on how it is used – perhaps abused – and how its use is regulated.

2.3. The role of entrepreneurship in accelerating globalization

Thanks to technological innovations and greater economic liberalization, entrepreneurs, especially multinational corporations, have taken full advantage of more open markets to spread production processes all over the world (WTO, 1999, Annual Report). The opening up of economic opportunities allows the movement of foreign capital, technology and management, largely from transnational corporations (TNCs), to host country entrepreneurs and corporations. As national economies open, mergers between businesses from different countries and purchases or investment in equity of businesses in one country by owners from other countries are becoming more common. Although TNCs are not new economic actors, what has dramatically changed is the way they operate around the world and their increased level of economic power. According to the Commission on Global Governance, the number of TNCs is presently estimated at 37,000 worldwide (Commission on Global Governance Report, 1995).

2.4. International social networks: increase in number and strength

Modern technology, transportation, and telecommunications are transforming, in many ways, how organizations and people operate, cooperate and interface. From a social point of view, new technologies have facilitated greater global integration and awareness through the establishment of worldwide networks. Concern for democracy, human rights, the environment, and poverty is being enhanced by the birth of cross-border social and political networks, whose members are non-state actors such as non-governmental organizations (NGOs) as well as private persons who want to participate in public matters, locally and globally.

To be sure, the growing role of non-state transnational actors adds a novel dimension to globalization. TNCs are becoming increasingly powerful actors within the international arena due to their growing economic power. The creation of international organizations, such as the WTO, brings about new influential institutional actors in the global landscape. Furthermore, the greater role of global civil society is another distinctive feature of globalization, particularly if we consider its increasing relevance in the international policy agenda and process (Ostry, 2000). International NGOs work to aggregate global values and interests like the protection of human rights. Some NGOs work to protect the interests of national groups affected by global forces.

The increased relevance of non-state global players, such as TNCs and international social networks, has set in motion much discussion about the role of the State and its governance capacity in a globalized world, and whether it will be able to manage effectively a diverse range of pressures. In fact, the State is increasingly being pulled in different directions, and must respond to demands, which come from local, as well as transnational groups. Strengthening the State’s networking capacity will be crucial in a complex and interconnected world.
Some see an emerging role for the State as an “orchestrator”, catalyst of ad hoc alliances of diverse capacities and of diverse skills possessed by these many actors for achieving ad hoc developmental goals.

3. The global village: economic and social dimensions of globalization

3.1. Economic globalization

Economic globalization is mainly characterized by the rapid expansion of international trade, foreign direct investment and capital market flows. The last 50 years have seen trade expand faster than output by a significant margin, increasing the degree to which national economies rely on international trade in overall activity (WTO, 1998, Annual Report). The decline in transportation costs and technological innovation, in particular the Internet, have contributed to an increase in the volume of trade, financial flows and speeded-up economic transactions by decreasing the time and methods of delivery and payment of goods and services. In addition, the declining transportation costs have led to a greater mobility of people across borders and have significantly augmented tourism worldwide, as well as a growing migration of workers.

Economic globalization is characterized by:

• Flows of labour, goods, and capital across national borders;

• The emergence of global production arrangements mainly through the activities of TNCs and related foreign direct investments;

• The emergence of globally integrated markets for goods, services and capital.

The increase in international trade is reflected in the following data:

• On an annual basis, merchandise exports grew by 6 per cent in real terms from 1948 to 1997, compared to annual output growth of 3.7 per cent. Put differently, trade multiplied by the factor 17, while GDP grew approximately six-fold during this period. In the case of manufacturers, trade multiplied 30 times, while GDP grew eight-fold (ibid).

• Among rich or developed countries the share of international trade in total output (exports plus imports of goods relative to GDP) rose from 27 to 39 per cent between 1987 and 1997. For developing countries it rose from 10 to 17 per cent (World Bank, 2000, World Development Indicators).

• US firms invested US$ 133 billion abroad in 1998, while foreign firms invested US$ 193 billion in the US.

• Overall world FDI flows more than tripled between 1988 and 1998, from US$ 192 billion to US$ 610 billion, and the share of FDI to GDP is generally rising in both developed and developing countries.

• Developing countries received about a quarter of world FDI inflows in 1988-1998 on average, though the share fluctuated quite a bit from year to year (World Bank, 2000, World Development Indicators). Between 1980 and 1997, private capital flows to developing countries as a group soared to $140 billion from $12 billion.

• The report on financing for development prepared for the UN Secretary-General, notes that during the period 1993 to 1998, 20 countries accounted for over 70 per cent of all FDI inflows to all developing countries. It further notes that the majority of low-income countries have been largely bypassed by private finance from abroad – least developed countries as a group received 0.5 per cent of world FDI inflows in 1999. On the other hand, firms from developing countries themselves increasingly invest abroad. FDI from developing countries increased from 2 per cent of total FDI outflows in the early 1980s to 10 per cent at the end of the millennium.
Globalization of technologies has enabled the internationalization of economic activity. The way multinational corporations operate across borders has in fact greatly changed. The pattern of production has assumed a truly global nature in that the present organizational structure of companies has become increasingly horizontal. This implies that the production process does not take place vertically within the same corporation and that finished products are then exported. Instead, manufacture of the various components of a product takes place in different regions of the world, either through affiliates or through outsourcing to foreign companies. For example, many American products are no longer manufactured within the same company but within the same country. The components may be produced in India, while some parts are assembled in Mexico and others in Bulgaria, and then sold in the US or other markets around the world. This internationalizes the local labor markets and rewards with quality jobs and wealth-creation opportunities the concentrations of highly educated skilled, networked professionals, a fact that has profound public policy implications.

3.2. Social globalization

Globalization of technologies has enabled inexpensive, instantaneous communication and massive diffusion of information affecting styles of politics, culture and social organization. The globalization of technology has contributed not only to the explosive growth of information exchange via the Internet.
The reduction in transportation costs over recent decades, especially air and train fares, has significantly facilitated the movement of people around the globe and has allowed a greater awareness of international issues. People nowadays have greater access to and knowledge of other cultures, as well as social problems and issues. Social protest has also taken on a different form. It is no longer confined to one particular country or to local issues; it transcends national borders. The recent events in Genoa at the G8 summit, in Prague in September 2000 at the International Monetary Fund and World Bank meeting, and in Seattle at the World Trade Organization meeting in 1999, are examples of these new forms of transnational organized movements and of globalization itself.

International and regional organizations, such as NGOs and transnational networks, based on shared interests rather than on geopolitical similarities have proliferated in the late XX century. NGOs, however, are by no means an "invention" of the past decades (some notable NGOs, such as Save the Children, were founded at the beginning of the XX century, while others even earlier as in the case of the International Red Cross, which was founded in 1868). What has changed is perhaps the increasing number of NGOs and their growing political leverage. Four decades ago, there were fewer than 1,000 NGOs, which operated mostly at the local level. Now at the beginning of the XXI century, the United Nations reports that almost 30,000 NGOs operate internationally. Moreover, NGOs are being increasingly invited to many global fora such as United Nations conferences and meetings and the recent World Economic Forum held in Davos, Switzerland or the recent G8 meeting held in Genoa, 2001. In other words, NGOs are becoming actively involved in policy dialogues.

Although NGOs are generally undertaking remarkable tasks and advancing relevant world causes such as the alleviation of poverty, the protection of children's rights, or the protection of the environment, NGOs have also been criticized for a number of reasons. It has been said that some compete against each other and, once institutionalized, become closed to new ideas and positions. It has also been argued that powerful NGOs are mainly based in developed countries and are not as transparent and accountable as they expect other public and private agencies to become. But most fundamentally, it should not be forgotten that, despite their relevance in articulating and expressing a diversity of interests and concerns, NGOs should not be confused with political parties, as they are not democratically elected. Therefore, their opinions and positions regarding different social and political issues are not representative of the people’s will, as they have not received a mandate to represent them. However, increased access of its members to information and networking creates a pressure for increased relevance and improved internal governance of NGOs. This is bound to make them more responsive to the changing global circumstances and to the opinion of their constituencies.

Social globalization is a phenomenon which poses new challenges for the nation-State. In fact, the State becomes increasingly involved in a web of intricate interests and needs in order to respond to a growing number of demands on issues which are not solely limited to its territory. This requires the State to hone its role as mediator and develop new skills to deal with diversity.
4. The opportunities of globalization

4.1. Greater economic opportunities

Greater economic openness, foreign direct investment, and transfer of technologies present potential opportunities for economic growth. Free trade promotes specialization among different regions, allowing them to apply their own comparative advantages; it also expands the consumption opportunities of countries by providing increased opportunities to buy goods and services from other countries.

It is very important to keep in mind that international trade is not a zero-sum game with absolute winners and absolute losers. On the contrary, trade benefits all countries because it enhances the choices of the consumer and the quality of products. If competitive, it lowers prices and raises real wages. It is also worthwhile to underline that contrary to what is commonly believed, "countries are not in any degree in economic competition with each other", or that "any of their major economic problems can be attributed to failures to compete on world markets" (Krugman, 1994, p. 6). Firms compete; countries do not. "If the European economy does well, it need not be at the expense of the United States; indeed, if anything a successful European economy is likely to help the U.S. economy by providing it with larger markets and selling it goods of superior quality at lower prices" (ibid.). Moreover, the evidence is very strong that real GDP growth is related mainly to domestic productivity growth, not to balance of trade or to productivity relative to competitors. "Even though world trade is larger than ever before, national living standards are overwhelmingly determined by domestic factors rather than by some competition for world markets" (ibid.). Trade is largely static, while productivity, which is driven by technical change, is dynamic and for that reason is primarily responsible for economic growth. Therefore, focusing on international competitiveness may lead to unwise decisions on domestic, as well as foreign policies.

Economic globalization has also provided opportunities for developing countries in that it opens new markets for export and attracts foreign capital, which aids development. Economic globalization is also conducive to a transfer of technologies and know-how, which increases productivity. Foreign investments in developing countries have also increased employment. Another positive effect of globalization is greater competition among firms, which has benefited consumers who have access to products at increasingly lower prices.

"Integrating with the world economy is a powerful vehicle for growth and poverty reduction in developing countries, but it would be still more powerful if the rich countries further increased the openness of their own economies" (Stern, 2000, p. 5). In fact, we should recognize that many sectors like textiles and agriculture, which could provide real new opportunities for developing countries, have not been liberalized. We should also recognize the concern about intellectual property rights, and the use of anti-dumping practices, which seem to discriminate against producers in developing countries.

4.2. Greater global social awareness and opportunities for democracy

The widespread use of modern communication devices – such as the Internet – and the media have meant a greater awareness of human rights violations, child labour abuses, corruption, and violence. The advancements in information and communication technologies and the reduction of transportation costs, have provided people with new tools to support and disseminate the causes of democracy, human rights, transparency, and alleviation of poverty. This increased awareness has led to international pressure on specific countries to abide by certain rules and democratic values. In some ways, it may be said that globalization is a positive process in that it forcefully brings to the attention of the international community abuses and undemocratic practices. Due to technological advances, non-state actors...
have been able to form effective global alliances, which are not subject to control on the part of repressive national governments and act as advocates of specific policies.

The new information age is also widening the range of information available to anyone anywhere, enhancing and modernizing the exchange and sharing of information, training and education. The potential of on-line education for reaching individuals living in remote areas is of great importance, especially for developing countries. Greater access to education is in fact a basic prerequisite for people to be able to participate in a well-informed way in public life and make informed decisions. Information technology, the satellite, the cellular phone and the global media are also contributing to the integration of the fastest growing developing countries in the global economy. The future expansion and use of these technologies may further increase such opportunities. "From struggles around human rights, the environment and workers strikes around the world to genuinely trivial pursuits, the Internet has emerged as a powerful medium for non-elites to communicate, support each other's struggles and create the equivalent of insider groups at scales going from the local to the global" (Sassen, 1998, p. 12).

5. Current trends and challenges affecting public administration in a globalizing world

Despite the immense advancements in all spheres of human activity, the increased global wealth, and the opportunities unleashed by globalization, the world today still faces great challenges. These in turn affect public administration in a number of ways. The State and its institutions are, in fact, increasingly subject to pressure both from the domestic and international arena. New challenges and old threats suggest that the State, especially in developing countries, needs to be strengthened and to operate differently from the past. The challenges that are affecting how the State operates and that call for major innovations in public administration are manifold. Poverty, inequality, civil wars, and the spread of deadly diseases, including HIV/AIDS, are compromising the prospects of many developing countries for a better future. It is important to emphasize that all of these problems are not caused by globalization, as some may argue, but rather by local under-development that does not allow people to take full advantage of the opportunities of integrating into the world economy.

Furthermore, while it is true that globalization carries many opportunities in its trail, it is also true that it has costs for the people who are integrating into the world economy. Every change has adjustment costs. However, refusing to embark on a process of change on these grounds is short-sighted. Technical change also entails costs, which are even higher than those produced by globalization, but not for this reason has it been or should it be rejected. "Modern technology and increasing economic integration have been a positive force in eradicating poverty and development throughout times" (Sen, 2001). Thus, "the predicament of the poor across the world cannot be reversed by withholding from them the great advantages of contemporary technology, the well established efficiency of international trade and exchange, and the social as well as economic merits of living in open, rather than closed, societies – what is needed is a fairer distribution of the fruits of globalization" (ibid.). In other words, integrating into the world economy has costs, but not integrating has greater costs in terms of lost opportunities. The challenge then is how to ensure that people can benefit from globalization, while minimizing the costs of adjusting to a changing domestic and international environment (UN, 2001, A/56/127-E/2001/101).

5.1. Alleviation of poverty and inequality

It is becoming increasingly evident that so far globalization has benefited only a relatively small number of countries and that some regions of the world are still not integrated
into the world economy. Moreover, as may be seen in the next chapters, some States have not yet adapted to increasing interdependence and as a consequence many have suffered from the adjustment costs of globalization. As stated by Helleiner at the 10th Raul Prebisch Lecture organized by the United Nations Conference on Trade and Development in December 2000: "The challenge – both at the national and global levels – is, through conscious policy choices, to make the new globalized system ... work for maximum human welfare. The task before us all is to make globalization functional, to 'civilize' it" (Helleiner, 2000, p. 5). In order to turn globalization into an opportunity for all, we need a new vision for the future, a vision that goes beyond what Soros calls "market fundamentalism" (Soros, 2000). In fact, "in recent decades an imbalance has emerged between successful efforts to craft strong and well-enforced rules facilitating the expansion of global markets, while support for equally valid social objectives, be they labour standards, the environment, human rights or poverty reduction, has lagged behind" (UN, 2000, Millennium Report, A/54/2000). It is becoming quite clear that, while globalization has great potentials, without appropriate domestic conditions it can have negative effects for many people.

Eradicating poverty and ensuring sustainable development should form the raison d’être of public administration. Half the world, nearly 3 billion people, lives on less than US$ 2 a day while the richest 20 per cent of the global population receive more than 80 per cent of the global income. Inequality still persists between countries in the world at large, while intra-country inequality offers a mixed record, with some countries and regions improving their condition, while others have fallen into greater inequality. Actually, whether inequality is increasing or not is besides the point. As stated by Nobel Prize winner Amartya Sen: "the basic concerns relate to the massive levels of inequality and poverty – not whether they are also increasing at the margin" (Sen, 2001).

It is a fact that a significant part of humanity does not have the capacity to influence its own living environment, let alone the international political arena. The impressive technological advances only benefit a small proportion of the world’s population. Despite globalization, many of the poorest countries remain marginalized from world trade and investment. Social and economic polarization is still widely spread. Therefore, it may be said that a sophisticated, globalized, increasingly affluent world currently co-exists with a marginalized global underclass (Commission on Global Governance Report, 1995, p. 139).

But how is poverty and inequality in the developing world linked to globalization, and is it a consequence of globalization per se? According to some observers economic globalization leads to a “race to the bottom” characterized “by the progressive movement of capital and technology from countries with relatively high levels of wages, taxation and regulation to countries with relatively lower levels” (Spar and Yoffe, 2000, p. 37). This is said to force countries to reduce wages and social spending. However, other observers have maintained that globalization has favoured higher standards in the protection
of working conditions and environmental standards, as well as higher wages than those offered by local employers. By refusing to operate under specific conditions, some corporations have contributed to the improvement of working and environmental standards.

The relationship between globalization and development is quite complex and should be analyzed in a non-ideological, impartial way. First of all, openness to foreign trade is far from being the only or most important factor in fostering development (actually, trade is a small factor in the economy), nor is globalization solely responsible for creating disparities between rich and poor. As a matter of fact, human development, the reduction of poverty and increased output of goods and services depend on national policies, as much as or more than the international environment. Therefore, domestic policies, both in developing and developed countries, are greatly responsible either for their poor economic performance or for the persisting gap between rich and poor.

As shown in Part Two of this Report, the cross-section evidence on the relationship between openness and the size of central governments, as measured by expenditure and taxation, shows that there is no conflict between openness and government expenditure. On the contrary, governments of open economies tend to spend a significantly larger portion of their GDP and collect the additional taxes needed for this task. Opening to the world economy might be accompanied by a reduction in the size of government only if policy-makers believe that small government is a condition for open markets. In reality, there is no evidence in the decade of the 1990s that openness led to a reduction in the size of government.

The majority of the "globalizers", then, actually registered increases in expenditure and tax revenue. Therefore, there is no evidence that globalization weakens the State. The ILO has reached the same conclusions and has emphasized that "up to now some of the countries with the most open economies have the highest levels of social spending (for example, most of the Nordic countries, Austria, Germany, the Netherlands). Open national economies in the global economy do not have to have lower social spending. On the contrary, a higher level of social protection would appear to be necessary in countries that are more exposed to external risks or have to undergo difficult structural adjustments" (ILO, 2001, p. 45). In this respect, it is important to anticipate that the State will have a very significant role to play in a globaliz-
ing economy. For the citizens to take advantage of the opportunities of globalization, they need access to high quality education, health care, information and communication technologies (ICT), social safety nets, and infrastructure. The role of government is to secure for the citizens affordable access to these services.

If globalization has exerted negative effects on certain countries, it is because many countries lag in developing a strong institutional framework, as well as solid social policies and networks to cope with negative externalities, as discussed in the following chapters. External factors, such as the global trading environment, are also crucial in creating greater opportunities or in posing constraints on a country’s economic growth. Once more, the trading rules have so far benefited more the industrialized countries than the less developed ones. For example, the European Union has lifted barriers on import of raw materials from Africa, but not on refined products, which would compete with local European products. As stated in a keynote address by United Nations Under-Secretary-General and Executive Secretary of ECA, K.Y. Amoako: "For all the talk on free trade, the World Bank estimates that high tariffs, anti-dumping regulations and technical barriers to trade in industrialized countries cost sub-Saharan African countries $20 billion annually in lost exports. In other words, we lose more because of trade barriers than we gain because of aid! If rich countries want unfettered access to our markets, we require that they open their markets to us so that we can earn, rather than beg, our way out of poverty. Democratization, transparency, accountability and good governance at the national level must be replicated at the international level!" (Amoako, 2000, p. 1).

In the words of Secretary-General of the United Nations, "we should be concerned about jobs, about human rights, about child labour, about the environment, about the commercialization of scientific and medical research. We should also be concerned about the desperate poverty in which so many people in developing countries live. But globalization should not be made a scapegoat for domestic policy failures. The industrialized world must not try to solve its own problems at the expense of the poor. It seldom makes sense to use trade restrictions to tackle problems whose origins lie in other areas of policy. By aggravating poverty and obstructing development, such restrictions often make the problems even worse. Practical experience has shown that trade and investment often bring not only economic development, but higher standards of human rights and environmental protection as well. Indeed, the people in developing countries generally insist on higher standards, once they get the chance to do so" (Annan, The Wall Street Journal, Nov. 24, 1999).

5.2. Advancement of human rights and democracy

Globalization and greater openness to the world economy can benefit fully a country and its people only in the presence of solid democratic institutions, which help redistribute the gains from open trade and from greater exchange. However, despite the progress made by many countries in building democratic institutions and protecting human rights, democracies are still fragile in some regions of the world and protection of minority rights is not guaranteed. In some parts of the world, civil society at large and especially minorities are still not fully integrated into the social and economic fabric of the countries they live in. Many suffer from discrimination, deprivation of basic rights, and abuse from the authorities. Promoting democracy and, in many cases, democratization is a pre-requisite to ensuring the respect of human rights, but it is not sufficient. Proper values and broad encompassing interest of the governments is needed. Freedom of speech, association, assembly, religion, and political participation, among others, are cornerstones of a constitutional democracy. Freedom from arbitrary arrest, unlawful detention, let alone torture and slavery, are recognized as inalienable universal rights.

Advances have been made in this field in the
past decades especially since the 1980s when the so-called "third wave" of democratization spread to many parts of the world. So far an increasing number of countries have acknowledged and recognized the rights contained in the Universal Declaration of Human Rights adopted by the United Nations General Assembly in 1948. Yet, there are still too many cases of human rights violations in many parts of the world. This poses a great challenge to national and international governance institutions.

5.3. Protection of the environment and sustainable development

Environmental degradation poses significant challenges to public administrations world-wide. Economic liberalization and the lifting of barriers to trade and commerce in many countries around the world has provided the corporate sector with greater opportunities for investment and profit, as well as higher access to new markets, especially in the developing countries. The opening up of "new frontiers" has, however, also accelerated the depletion of natural resources and has produced higher levels of industrial pollution. Although, as is well known, environmental degradation is not a consequence of globalization per se, greater access to and exploitation of previously protected areas is creating further risks for the environment. Worldwide unsustainable consumption patterns, especially in the G-8 countries, is resulting in increasingly higher demands of energy. Examples of environmental degradation can also be found in the former centrally planned economies of Eastern Europe. The challenge with which States are confronted, in this respect, is to combine openness to the world economy with policies aimed at protecting the environment.

“Already 20% of the world’s population consumes 86% of its total resources, while the poorest 20% of the population consumes only 1.3% of these same resources. ... Each year between 5 and 7 million hectares of agricultural land are lost as a result of soil degradation or urbanization. Another 16 to 20 million hectares of tropical forests are sacrificed as a result of inadmissible practices. More than 1 billion people have no access to clean drinking water. About 2.8 billion people have no access to sanitary facilities. Tangible evidence of these problems includes the quality of our air, the taste of our water, and the vast expansion of congested living areas and despoiled countryside” (Ospina, 2000, p. 32).

Though there is still much discussion about the entity of human-induced climate change, experts agree that industrial pollution and the emission of fossil fuels are damaging our global ecosystem. According to a recent Report of the United Nations Intergovernmental Panel on Climate Change (IPCC) "available observational evidence indicates that regional changes in climate, particularly increases in temperature, have already affected a diverse set of physical and biological systems in many parts of the world (UN, 2001, IPCC, p. 3). The report, to which numerous scientists and a great number of experts worldwide contributed, also states that "climate changes during the 21st century have the potential to lead to future large-scale and possibly irreversible changes in Earth systems resulting in impacts at continental and global levels" (ibid., p. 6). Events such as droughts, floods, avalanches, heat waves and windstorms are subject to increase. Natural systems at risk include glaciers, coral
reefs and atolls, mangroves, boreal and tropical forests, polar and alpine ecosystems. Because of their vulnerability, it is the poorest and least adaptable parts of the world that will suffer most from climate change in the next 100 years. "Most less-developed regions are especially vulnerable because a larger share of their economies are in climate-sensitive sectors and their adaptive capacity is low due to low levels of human, financial and natural resources, as well as limited institutional and technological capability" (ibid.). According to the IPCC report, the damages that could derive from climate change are manifold, including:

- Decreased water availability for populations in water-scarce regions;
- Dangers for human health, i.e. increase in vector-borne diseases such as malaria in tropical countries, or heat stress morbidity and mortality in North America;
- Decrease in agricultural production, especially in Africa and Latin America;
- Widespread increase of flooding for many human settlements;
- Rising sea levels, which will affect particularly Small Island States resulting in the displacement of millions of people;
- Collapse of many eco-systems (ibid.).

The IPCC report concludes that, despite these negative previsions, there is hope for the future provided that environmental policies are sustained. In particular, it is strongly recommended that climatic risks be included in the design and implementation of national and international development initiatives. Countries have the capacity to reduce global warming and to reverse environmental degradation. But it is essential that all countries uphold the commitments made at summits in Rio and Kyoto. In this respect, "the ten-year review of the decisions of the Rio Summit in 2002 will provide an historical opportunity to the global community to reinvigorate the spirit of Rio. This 2002 Summit must address the major challenges to sustainable development, particularly the pervasive effects of poverty on a large proportion of the Earth's inhabitants, juxtaposed with excessive and wasteful consumption and inefficient resource use that perpetuates the vicious circle of environmental degradation and people's impoverishment" (UNEP, 2000, Annual Report, p.5).

The "Malmö Declaration", which resulted from UNEP's First Global Ministerial Environmental Forum in Sweden in May 2000, stated that: "We can decrease poverty by half by 2015 without degrading the environment, we can ensure environmental security through early warning, we can better integrate environmental consideration in economic policy, we can better coordinate legal instruments and we can realize a vision of a world without slums" (UNEP, 2000, First Global Ministerial Environmental Forum). However, whether these goals will be achieved or not largely depends on the political leadership and will of the developed countries – who are the greatest consumers of energy and polluters – as well as of the developing world.

5.4. Mobility of workers and migration

The increase in migration of workers, especially from developing countries to the developed world, is posing serious challenges to public administration systems around the globe. Although migration is by no means a new phenomenon and is actually less extensive than in the past, it should not be underestimated and deserves to be addressed from a developmental approach. States must become more attuned to these new realities and find incentives to retain skilled workers within their borders, while also ensuring that social networks are in place to support workers who suffer sudden unemployment. It is known that globalization has produced greater economic insecurity, especially among vulnerable groups of society in both developed and developing countries. People fear losing their jobs as companies can easily relocate to regions of the world where wages are lower. Although this is a serious social problem in the short-run, governments can
play a significant role in providing relocation grants and in promoting re-training programmes for the unemployed. It is also important to keep in mind that in the long run the benefits deriving from restructuring the economy more than compensate for the costs of transition.

It is also worthwhile noting that although capital crosses borders rapidly, the same cannot be said for labour. In fact, even though labour has become more mobile, it is only the skilled workers who have legal access to and can benefit from a globalized economy. The migration of skilled workers represents a problem because of its "brain-drain" effect on developing countries, whereas the migration of unskilled workers is a quite controversial issue in political and social terms.

As indicated by the Executive Secretary of ECA: "Several hundred thousand highly educated Africans live and work abroad, while Africa spends $4 billion of its Overseas Development Assistance (ODA) per annum on buying foreign expertise. Over 100,000 experts from developed countries are currently employed in Africa. The brain drain is destroying the core of Africa’s knowledge-producing institutions and universities. Very few of these academic refugees are going to the more flourishing countries within the continent, most of which have adopted restrictive approaches to immigration at times bordering on xenophobia" (Amoako, 2000). In some countries, high unemployment rates and pessimism regarding the prospects for improvement in the foreseeable future have accelerated a wave of emigration, which is creating problems at both the country of origin and destination.

Migration and brain-drain have taken on proportions which compromise the prospects of many developing countries to build a better future. The employment situation in many developing countries and need for high-level skills constitute a pressing problem, to which the countries affected and the international community must turn their attention; both are vitally concerned with these questions. Another critical question in many developing countries, but also in the western world, is related to the working conditions in many multinational corporations and local firms.

5.5. Demographic trends: ageing population and impact of HIV/AIDS

It is crucial that public administration remains very aware of what is taking place on the demographic sphere so as to adjust itself and its services accordingly. In mid 2000 the world population reached 6.1 billion and is currently growing at the annual rate of 1.2 per cent or an increase of 77 million people per year. Particularly rapid growth is expected among the group of 48 countries classified as least developed.

One of the most alarming health crises is related to HIV/AIDS, which is threatening to reverse a generation of accomplishments in human development. Some 50 million people have been infected with HIV since the early 1970s; 16 million have died. The impact of the HIV/AIDS epidemic is worsening in terms of increased morbidity, mortality, and population loss.

Globally, the number of elder persons (60 years and older) will more than triple, increasing from 606 million today to nearly 2 billion by 2050. At the same time, international migration is projected to remain high during the XXI century with the more developed regions expected to continue as net receivers of international migrants on an average gain of about 2 million per year over the next 50 years. Because of low fertility, this migration has a significant impact on population growth in the more developed regions.

These demographic trends are posing a serious challenge to national and international governance systems. In developing coun-
tries, governments will have to deal with a wide range of problems related to the exponential increase in population and the propagation of deadly diseases. In the developed world, administrative systems will have to undertake a number of reforms in order to meet the needs of the increasing number of elderly and an increasingly diverse society.

5.6. Bridging the digital divide

Information technology opens new vistas for humankind. IT promises to improve our study, work and leisure. IT offers possibilities to broaden and accelerate the global integration of information networks, of economic activities, and of social, political and cultural pursuits. Currently, however, many developing countries and countries with economies in transition are only passively integrated, if at all, into the global economy. The unequal access to IT is creating what is known as the digital divide generally between rich and poor countries and also within countries.

Technological penetration is still very low in developing countries and in recent democracies if compared to the developed world. In this respect, only those who have access to the Internet and a variety of communication devices are globally connected, whereas a great part of the world cannot reap the benefits of globalization and are left at its margins. Many developing countries are still struggling to have nation-wide electricity, and infrastructures are still inadequate. In addition, the cost of computers is, in relative terms, very high for many inhabitants of the developing world. Most enterprises in these countries have neither the capacity nor the means to be active players in the globalization process.

The digital divide, however, is not a phenomenon which characterizes exclusively developing countries. An increasing gap in opportunities is also being witnessed in many industrialized countries due to this divide. It is mostly the young middle class who have access to information technology, whereas the poor as well as the older generations are being left out of the information revolution with great repercussions on their employment opportunities. Recent surveys indicate that, in the industrialized world, typical network users are middle-class, young adult or adolescent, and male. The poor, disabled, older or poorly educated have not been introduced into the new technology and may continue to be excluded from it. In many developing countries, access to the Internet remains a distant dream. Knowing how to access the Internet, as well as to master computer softwares and other communication devices, is today a must in the skilled work place. We live in a society in which information is power and wealth is based on knowledge.

On a more positive note, modern information technology offers both countries and individuals dramatic opportunities to leapfrog into the future, speeding up their economic and social development. While many developed countries have spent enormous sums investing in IT, many of the resulting IT products and services have now become available at prices that may soon be affordable to enterprises and households in the developing countries. The current trend of IT towards distributed processing and network computing is also very much in favour of developing countries because it provides them with low cost and low risk – as well as high benefit – strategies to develop their information capacity and thus participate in the global information society.

With rapidly declining costs for both computers and telecommunications, it has been possible to place computer power on the desktops of individuals and to communicate with anyone anywhere. This has given rise to a trend of end-user and network computing, which allows an organization to take an evolutionary instead of revolutionary strategy. By means of wireless technology, developing countries are now able to quickly build up basic data-communication networks and information infrastructures with less investment, without having to wire thousands of miles of cables.

Because of the shift from mainframe to personal computers and networking (access to
The threat that international crime, particularly terrorism and drug traffic, pose to the world and the increased interdependence brought by globalization should not be overlooked.

5.7. Combating international criminal networks

The speed and ease of transactions through the Internet as well as the greater openness of national borders have also been used in negative ways by criminal organizations, including terrorist groups. Corruption has also taken on a transnational dimension, and trade has extended to the illicit commercialization of women, children and human body organs. Oftentimes, the Internet is being used to facilitate such “transactions”. Moreover, due to the many advances in technology and communication devices, criminals have been able to trade in illicit drugs and weapons with greater ease than ever.

The threat that international crime, particularly terrorism and drug traffic, pose to the world and increased interdependence brought by globalization should not be overlooked. Terrorism, in addition to the criminal taking of innocent life, can destabilize societies by undermining confidence in government institutions and inspiring fear in the population. Drug traffic results in untold harm to individuals and the consequent losses of human capital. Given their nature, only States can combat these terrible crimes. The State, with all its institutions, has no doubt a pivotal role to play in this fight.

6. Too much or too little globalization?

“...The problem is not that we have too much globalization but rather too little” (UN, 2000, Millennium Declaration, A/RES/55/2). The benefits of globalization have been unequally distributed and many people have been marginalized from this process. Even in countries that have integrated into the world economy not everybody has benefited from globalization as States were not prepared to cope with some of its negative effects.

Thus, the foremost preoccupation should be to ensure that the benefits of globalization are evenly spread throughout the developed and the developing world, while addressing its negative effects. The problem is not whether to go global, but rather how to globalization. In other words, globalization has the potential of increasing prosperity and human development for all, but this is predicated on how it is pursued. In turn, this depends on democratic processes being in place at the subnational, national and international levels, as well as on the balance of power and measure of equality among the world’s nations.

Indeed, globalization may be said to bring greater opportunities to many countries provided specific conditions are met. It can foster prosperity, only if free trade principles are not upheld at the expense of consumers’ health and the environment and if profits are not gained at the expense of workers’ basic rights. That is to say, greater market openness cannot be divorced from a profound debate about common social goals and complementary policies. Human dignity and the promotion of enhanced quality of life should become an integral part of the international policy agenda. Accordingly, globalization cannot mean the abandonment of all things to market forces. In other words, “the economic sphere cannot be separated from the more complex fabric of social and political life, and sent shooting off on its own trajectory. To survive and thrive, a global economy must have a more solid foundation in shared values and institutional practice. It must ad-
vance broader and more inclusive social purposes” (UN, 2000, Millennium Report, A/54/2000, p. 3).

As emphasized in the Bangkok Declaration of February 2000, “globalization can be a powerful and dynamic force for growth and development. If it is properly managed, the foundations for enduring and equitable growth at the international level can be laid. For that, it is essential to persevere in the search for consensual solutions through open and direct dialogue that takes account of the fundamental interests of all (UNCTAD X, 2000, Bangkok Declaration).

“With globalization there is a growing need for binding international regulations, a need for international conventions and institutions that cover cross-border transactions” (Beck, 2000, p. 130). Appropriate regulations and conventions should ensure that globalization does not limit the freedom of people around the globe, but rather empower them to unleash their creative forces. But for people to be able to seize the benefits of globalization another set of conditions should be met, i.e. basic needs must be satisfied.

This is especially true in developing countries where people can actively take part in the world trading system and benefit from the rapid transformations that mark the beginning of this millennium, but only if the quality and access to education and health are ensured; if physical infrastructures, including transport and communication networks, hospitals and water systems are built or improved; if poverty amidst plenty is reduced; and if the technology gap is narrowed – that is to say, if people have greater opportunities to make choices. As argued by Sen, “what people can positively achieve is influenced by economic opportunities, political liberties, social powers, and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives” (Sen, 1999/a, p. 5). In this respect, the State has a very important role to play.

It should be kept in mind that globalization does not have the same impact everywhere and that its effects vary according to domestic conditions, in particular to whether a country has in place adequate institutions. Therefore, to label globalization in absolute terms as either a totally positive or negative phenomenon is a reductive approach. It should not be demonized nor sanctified, nor should it be used as a scapegoat or a panacea for all the major problems that are affecting the world today.

In this context, “what we need is a better understanding of how to translate our values into practice, and how to make new instruments and institutions work more effectively” (UNEP, 2000, Annual Report, p. 1). This now brings to the fore important questions. What is the role of the State in a globalizing economy? How is globalization affecting the role and functioning of the State? Have the reforms aimed at reducing the role of government and reshaping State bureaucracy in many developing countries helped them to seize the benefits of globalization? What institutional structures and policies are best suited to cope with globalization? What are the responses that States, as well as regional and inter-governmental organizations have provided and can provide for the future in order to cope with the many challenges globalization is posing? These issues are addressed in the following chapters.