

The Contemporary Crisis in Globalization and its impact on Latin America with special reference to the Caribbean region of Latin America

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Introduction

This contribution evolved out of a panel discussion that was organized around a series of questions concerning the development and evolution of globalization since the 1990s; the potential consequences of the current political crises for the future of globalization processes; and the major implications and lessons on the way forward for Latin American and Caribbean economies and societies. The following sections first make reference to major features of globalization and to the earlier discourse on its implications, which remain relevant to our analyses of the contemporary tendencies. Thereafter, I discuss the consequences of these new developments for countries and regions in the South. The final section examines the outlook specifically for small, developing economies in the Greater Caribbean sub-region of Latin America and the Caribbean.

I. The development and evolution of globalization since the 1990s

The discussion draws from three definitions and observations about globalization. Mittelman (1997:3) describes it as

“a worldwide phenomenon [...] a coalescence of varied transnational processes and domestic structures, allowing the economy, politics, culture and ideology of one country to penetrate another. The chain of causality runs from the spatial reorganization of production to international trade, to the integration of production and to the integration of financial markets [...] driven by changing modes of competition,

globalization compresses the time and space aspects of social relations [...] (it is) a market-induced, not policy-led process”.

In the light of recent big data developments and the acquisitions of massive amounts of personal data allegedly to influence voters' political behaviour, one might modify Mittelman's conclusion to add that globalization is increasingly technology-led, and the political and policy dimensions require more and more attention. Bisley (2007:6) places more emphasis on the social dimensions of globalization, defining it as “a set of social consequences which derive from the increasing rate and speed of interactions of knowledge, people, goods, capital between states and societies”. Finally, Amartya Sen (2002) gives a timely reminder that globalization is neither new nor is it primarily Western as many of the main drivers and actors of globalization both historically and currently are located far away from the West.

We can agree on the following properties of globalization. It has always been characterized by its uneven nature and its inequalities, both within and between countries, as much by its widespread exclusion and marginalization effects as by increasing prosperity. Major social disruptions have also been inherent to globalization. Globalization has been driven by technological changes, many of which are very beneficial, but we are now at the point where ever-increasing automation and artificial intelligence raise fundamental ethical questions about the relevance of human beings, the value and broader functions of human labour, about the overall organization of human societies and their relationship with the ecosphere.

Globalization has also been driven by policies of deregulation, and has been characterized by cycles of volatility, rising vulnerability for all societies, and by the privileging of transnational economic actors. Globalization has been characterized by tremendous human mobility, by dislocations and migrations due to shifting labour market opportunities, economic deprivation for many, conflicts and social turmoil, natural and man-made disasters.

There have been some globalization “winners” among emerging economies, notably among the very large economies like China and India and agile smaller economies like Chile, Singapore, or Mauritius. Many, but not all of those who have benefited substantially from globalization are located in the Asia-Pacific area. However, the spread of globalization tendencies and the rise of new global economic actors has had positive effects for many other Southern economies, even if they have been more limited in duration – investment flows, trade increases

especially in commodities, power modifications in global governance processes and more pronounced shifts towards multipolarity with the opportunities for more diversified development partnerships.

However, contemporary globalization has also been especially stressful for developing societies. Even more than the rest of the world, they have had to engage in a constant struggle to adapt to and keep abreast of the requirements of the global economy, to deal with its demands and volatility, and they have limited capacity to buffer their economies from periodic shocks associated with the latter. This has been one of the defining characteristics of the experience of globalization in Latin America and the Caribbean.

The contemporary trend of a retreat from globalization in major Western societies is really “a chronicle long foretold”, to paraphrase Gabriel Garcia Marquez. Dani Rodrik, way back in 1997, posed the question “Has Globalization gone too far?”. He argued that global integration, national sovereignty and democracy were incompatible. Ashok Bardhan (2009) reformulated and expanded on Rodrik’s argument by stating the incompatibility of globalization, free market principles, democracy and national policy independence. To the four elements that he lists, we should add a fifth element, namely the new technologies which in many respects may be profoundly disruptive for the future of work and therefore for social well-being. Both Bardhan and Rodrik focused their analysis and forebodings primarily on the leading industrialized societies in the West, and the reactions of their populations to the changes wrought by globalization to their national institutions, value systems, social protection mechanisms and social contracts. Such issues are equally cogent in emerging economies but have generally received less attention, perhaps because it was felt that the latter actors, riots notwithstanding, could not interrupt the overall process of globalization.

But in fact, many of the reactions of both developed and developing societies have combined to produce the current shifts. First, large numbers of affected people from developing countries not only stage domestic social protests but vote with their feet and migrate. The ‘push factor’ in such migration comes not only from a lack of economic opportunity at home, but also because the increasing vulnerability of their societies has resulted in increasing insecurity from social instability and political ungovernability. Second, the rising tide of economic insecurity, frustration, nationalism and often xenophobia in many industrialized societies has resulted in a wave of support for populist leaders with nationalist agendas, votes against global and regional

integration, the embrace of zero-sum economic stances and declining support for multilateralism.

To continue the theme of a chronicle long foretold, Cox, Amin, Strange and Gilpin have all analysed the exhaustion of the current system of global capitalism, its inevitable and deepening crises and the need for a profound rethinking and reconstruction of the system. Finally, in this limited, non-exclusive list, Held and McGrew (2002), Jan Aart Scholte (2005), Bisley (2007) and institutional sources like the International Labour Organization (ILO) have written extensively about the need to transform global governance towards more equity and sustainability, and more benign forms of globalization. Despite the contributions of these scholars and many others on the urgent need for globalization reforms, globalization is now at a crucial watershed.

II. The outcomes of the current political crises: the end of globalization or alternative globalizations?

Globalization has definitely slowed down in the aftermath of the 2008 – 2012 economic recession, and there are attempts to reverse its directions by some large Western economies alarmed at the impact on their own societies. This will probably not mean the end of globalization but it will be significantly modified, and will feature a more diverse group of leaders, notably China (Acharya, 2017). The inexorable economic power shift seems set to continue from now to the 2030s with Asia-Pacific dominance in various spheres.

Authorized labour migration flows from Southern to some Northern economies, notably the United States and parts of Europe, are on the decline. This has major implications for many developing countries given the importance of the global labour market for personal and family incomes and for national “Gross domestic product (GDP)”. At the same time, South-South migratory flows are increasing, certainly within the Latin American and Caribbean region. While this is being facilitated in response to labour market demand and humanitarian issues in some countries, many states and societies do not have coherent social integration or other policies in place for large inflows of migrants. There is a pressing need for immigration policies and practices to evolve to meet the changing global and local environments.

In the short to medium term, a more antagonistic globalization is emerging with conflicts brewing over trade, migration and other owner-

ship and control issues. Many societies see globalization as a zero-sum game, only welcoming globalization-friendly policies if they will work primarily for them. Global recession and political upheavals have meant major shocks for multilateral organizations in their missions of conflict management and development cooperation. In the latter context, we witness dramatic declines in donor funding for programmes like climate change adaptation and humanitarian protection that are designed to mitigate the worst consequences of natural disasters, political and socio-economic crises. Multilateral institutions are threatened not only by reduced budgets but by the tensions among leading member states on matters of trade, finance, security and the natural environment. Global governance processes are increasingly dysfunctional and there are urgent calls to overhaul and change the rules of operation in order to strengthen organizations like the World Trade Organization (WTO) (Azevedo, 2018). Other major multilateral bodies experience legitimacy issues, one manifestation of which has been member states' construction of alternative fora in which to deal with political crises.¹ Many organizations face the imperative of extensive reform and renewal if they are to survive current challenges to their relevance.

Parallel globalizations are required, if only to encourage innovative approaches to old challenges, even though they may not always lead to better governance of globalization. Regionalization has been for a long time a major dimension of globalization, and there are major examples in the European Single Market, NAFTA and the integrated value chains of production across East Asia. However, such regionalization is under pressure and is being reconfigured by current developments. Examples include the EU and the trauma of BREXIT, NAFTA's review and renegotiation and the TransPacific Partnership (TPP) which has survived the US opt out in 2017. In Latin America and the Caribbean, many regional and sub-regional groupings, structures and processes are currently dysfunctional, challenged by national political crises, resource issues and polarization of their membership.

What can one make of this confused scenario? Acharya (2017: 279) argues that the reinvention of globalization will be led more by ini-

¹ One major example is the Organization of American States. UNASUR was formed in South America in 2008 and for a few years functioned as a preferred institutional forum to the OAS for political crisis management among its members. Likewise, the Community of Latin American and Caribbean States (CELAC), formed in 2010 does not include the United States and Canada in its membership. The OAS has experienced deepening ideological conflicts and mistrust among its members and was recently shaken by Venezuela's decision in May 2017 to withdraw from the organization.

tatives from the East than the West and “will be anchored more by South-South linkages rather than North-North ones”. This form of globalization will be predominantly economic. He foresees a world of “multiple modernities”, one in which there will be more emphasis on preserving state sovereignty and a reduced emphasis on political ideologies such as the promotion of democracy and human rights protection. He emphasizes not only the multiplicity of actors, interests and partnerships in the new globalized community, but the need for most of these actors to gain greater recognition and assume greater responsibility for the stabilizing and maintenance of global order.

III. The future shape of globalization in Latin America and the Caribbean: major lessons

Latin American and Caribbean societies have been dramatically transformed by globalization since the 1990s. The Greater Caribbean region in particular has experienced successive waves of economic liberalization, productive sector restructuring and the need to adapt practically every decade to competitive strategic shifts in the larger North American economic environment to which it is linked. While some economies like Panama and Costa Rica have coped with the demands of adaptation, others still struggle to find sustainable productive bases for their economies and to make the necessary investments in human and other resources for successful transitions from commodity-based economic activity. Most Caribbean economies are characterized by unsustainable public debt burdens, fragile natural environments threatened by climate change and heavy reliance on a narrow range of service sector economic activities. The latter include tourism, labour migration to North America and elsewhere, accompanied by the despatch of remittances which account for significant proportions of the GDP of the home countries.

For some countries and territories, there is also a significant reliance on low tax offshore financial sectors which are now pressured to comply with increasingly restrictive regulatory frameworks dictated by the European Union and the United States. Likewise for microstates struggling to generate new sources of revenue, economic citizenship has become an attractive form of income generation, albeit one laden with risks and complex questions about the meaning and rights of citizenship. In this context, for the smallest states, the concept of sovereignty is undergoing redefinition. The themes of sovereignty and

citizenship are controversial and contested and will generate debate between state and civil society actors within these jurisdictions for the foreseeable future.

The underbelly of globalization in the Caribbean and Latin America has been the explosion of transnational organized crime, particularly in the trafficking of narcotics and arms. In parts of the region, especially the Greater Caribbean and the Andean countries, crime and violence pose major threats to human security (UNODC, 2013). One can conclude that the major question facing the Caribbean region in the emerging phase of globalization is how to construct more sustainable livelihoods than the existing ones.

Most Latin American and Caribbean economies are open economies, deeply engaged with a range of external markets, not only in North America and Europe but also in the Asia-Pacific zone, and for a few countries like Cuba and Brazil, African markets are also important. However, in the Caribbean, colonial history and geography continue to exercise a major influence over trade patterns. Sixty to eighty percent of goods and services trade is with North America and much of the remainder with EU countries, notably with the United Kingdom. China is gradually emerging as a major economic partner, primarily through physical infrastructure investments and commodities trade. However, Chinese FDI in the Caribbean is still minor, both in terms of overall investment flows to the Caribbean and especially in terms of Chinese FDI in Latin America (Bernal, 2016: 8–9). As globalization is reconfigured towards the Asia-Pacific region, small economies located in the Caribbean Basin may have to navigate between the geopolitical currents of US-China relations and China-Taiwan relations, given their involvement with all three powers. With regard to South-South economic linkages of the Caribbean Community countries, Trinidad, Guyana and Suriname have more diverse trade links with Latin America than their counterparts where the institutional and logistical connections are still lacking.

Migration and its development effects are a key dimension of globalization for countries in Latin America and the Caribbean, most of which have significant diasporas primarily in North America but also in Europe and increasingly in other countries of the Americas. Migration to the latter increased by over 39% between 2009 and 2012 (OAS/OECD, 2015: xviii). Between 2010 and 2013, migration into Latin America and the Caribbean increased by 17% per annum on average which may be due to reduced movement to OECD destinations and

increased intra-regional mobility. Much of the migration flow within the Caribbean region is said to come from other Caribbean countries (OAS/OECD, 2015). Remittance flows back to origin countries are a significant economic dimension of migration, amounting in the case of some Greater Caribbean countries to over 30 percent of GDP in 2017. Even with the hard-line anti-immigration policies adopted by the US Trump administration, US-LAC remittance flows increased by 8 percent in 2017 (InterAmerican Dialogue, 2018). Anti-globalization positions in the US are manifested strongly in the Greater Caribbean region in anti-immigration policies which include current US moves to end the Temporary Protected Status of thousands of Central American and Haitian nationals in the US, to return DACA individuals to their countries of origin and proposals to impose a tax on remittances. These developments, as well as the abrupt halt to the US-Cuba normalization process in 2017 will be seminal to Caribbean-US relations over the next five or more years and the spin-off effects will drive regional and hemispheric integration and Greater Caribbean societal engagement with other development partners.

A significant economic lesson that can be drawn concerns the extent to which countries in the Caribbean derive their livelihoods primarily by supplying a range of services, likewise the extent to which they are reliant on and participate in the global transportation sector. However, data collection on their service sectors remains patchy and under-recorded, under-measured and policies are made intuitively rather than being based on transparent and accurate data on the service industries and their significance to local economies. There needs to be greater emphasis on improving local data collection and analysis of service sector activity and on lobbying for more effective data collection and measurement techniques on trade in services in international institutions.

Another major lesson is the absolute imperative to democratize consultations and decision-making on global and national economic policy, paying more attention to the social dimensions of globalization and looking at ways of organizing LAC societies that rely more on local and indigenous resources. Climate change is directing us along this path. Significant multilateral partners are ECLAC/CEPAL, the United Nations Development Programme (UNDP) and the ILO in exploring the social dimensions of globalization, human development and social protection in the LAC region. Resources must be allocated to maintaining and expanding such programmes and specially to programmes that expand opportunities for marginalized communities and for young

people. Latin American and Caribbean youth must play a major role in national and regional governance, particularly in deliberations and decisions concerned with technology choices for the societies and the reform of education systems. Technology and education are crucial elements in Latin American and Caribbean strategies for sustainable human development and youth are the people who have the greatest stakes in evolving globalizations.

Acharya (2017:280) argues that “the maintenance of world order depends on regional orders”. Although most regional institutions in Latin America and the Caribbean are experiencing crises of legitimacy, relevance and resources, stronger and more effective regional governance is still an important element in building LAC actors’ capacity to participate in the new phase of globalization and to cope with its destabilizing aspects. The need to ensure the functioning of regional governance mechanisms is evidenced by the deepening forms of regionalization such as migration flows and other transnational activities. Despite shrinking state budgets, LAC actors must be prepared to contribute more national resources and to search for innovative approaches to financing global and regional institutions that contribute to sustainable development of our societies and enable us to constructively coordinate stances in the global space.

There is a need to focus research on the roles and practices of Southern partners in global and regional governance and on how to bring greater transparency, accountability and sustainability to LAC governance processes. There is the need to consciously and reflectively develop and deepen relationships with emerging powers, exploring their visions of local and global governance, their models of cooperation, and the interactions between their societies and Latin American/Caribbean ones in the process of collaboration and exchange.

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