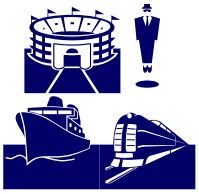
Ten Years that Shook the (Capitalist) World: 1988-1998 (2e)

Colin Edward Egan

Book Overview And Chapter Highlights



Introduction

This document presents an overview and chapter highlights of the second edition of *Ten Years That Shook the (Capitalist) World: 1988-1998 (2e)*, a book by Colin Edward Egan.

It is a replica of the book's website.

Ten Years That Shook the (Capitalist) World: 1988-1998 (2e)

Available at amazon

The first edition of the book was published in October 2018. This second edition was published in December 2021 and can be purchased in print and electronic formats from Amazon (click/tap the image above/left).

Summary

This book opens with an introduction to the essential principles of 'Free Trade, Globalization and International Business' before exploring the nature of uncertainty, risk and decision-making in ‘unknowable’ times.

Ten Years then embarks on a fascinating exploration of an extraordinary decade in modern economic and business history during which globalization forces combined to create the hi-tech, inter-connected world we live in today.

The journey commences in 1988 with markets in turmoil, greed in the ascendency (a sign of things to come), walls falling, curtains opening, Germany reunifying, China emerging, the USSR collapsing, George Soros taking on the Bank of England, the fractious 1992 process limping towards a European Single Market following five centuries of turmoil and terror — and all of this within four years!

As the decade progressed, the Chinese dragon fiercely roared and its economy soared. Japan wilted while the 'Asian Tiger' economies of Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan, and Thailand flourished before many then floundered. The US quietly blossomed in a sustained period of real (non-inflationary) economic growth underpinned by cumulative annual productivity gains and technological progress.

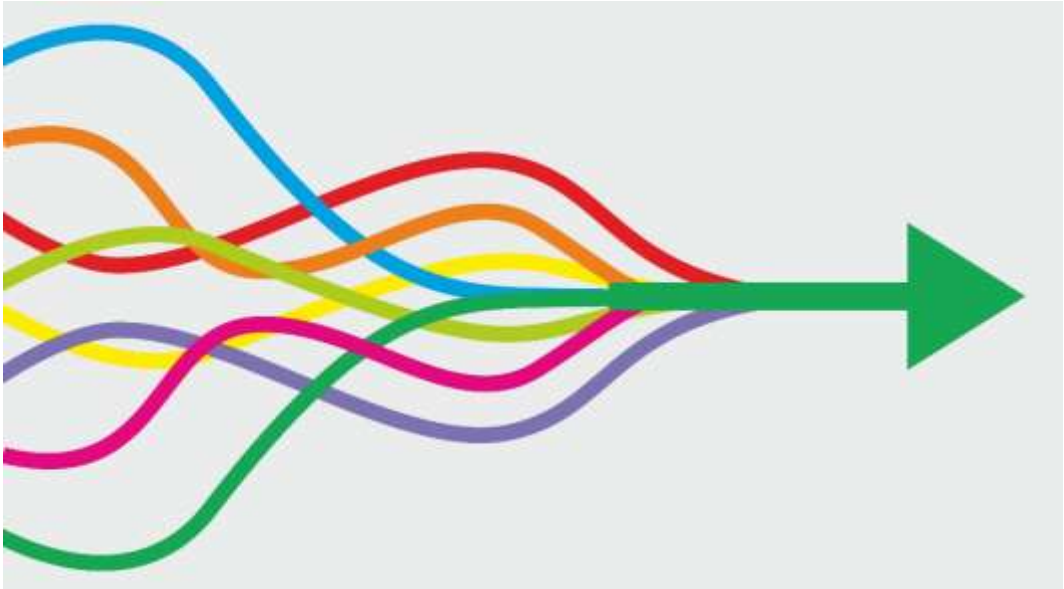
At the outset of our tumultuous ten years, the much-maligned and misunderstood WTO, with all its rules and regulations and deterrents and structures and commitment to fair play, was still on the horizon. Meanwhile, the General Agreement on Tariffs and Trade (GATT) meandered along its half-century journey towards a belated birth of multilateral, rules-based ‘free trade’ in 1995.

In our decade, global financial markets were characterized by extreme turbulence that saw capitalism face-off against two varieties of communism, witnessed dramatic transformations in information and communications technologies, and concluded with the Asian financial crisis and the newly minted Russian state defaulting on its sovereign debt in 1998, threatening Wall St. in the process.

Ten Years That Shook the (Capitalist) World: 1988-1998 (2e) chronicles these cataclysmic events and addresses many burning questions that define the modern era:

- What is globalization? And was it designed?
- Why do countries trade? And is it 'free'?
- Risk, uncertainty and chance: Does God play dice?
- The Berlin Wall falls, Germany reunifies, Comecon unravels, the Soviet Union dissolves, the Cold War ends: Game over? Or end of Round One?
- What is liberal democracy? And did history end?
- A tale of two Chinas: What happened and why?
- The EU is born, kicking and screaming. But did this success sow the seeds of future failure?
- What is the WTO? And does it matter?
- Who invented the internet? And how did it happen?
- Capitalism versus communism: Final score or half-time?
- Is there a case for optimism?
- 20/20 vision: Doom and gloom or new enlightenment?

Over many decades there have been multiple interruptions to the smooth progression of globalization, as our studied decade in *Ten Years* amply demonstrates. Despite this, by taking a long-term historical perspective, it is possible to recognise that the forces driving it forward have far outweighed those working against it.



Preamble

During research for a textbook on international business, an intriguing series of apparently *unrelated* 'episodes' of events and historical processes revealed significant *interrelated* changes in three broad areas within a relatively short timeframe: the decade 1988-1998. These *globalization dynamics* have shaped the modern era, and they fall within the following categories:

1. Multiple interruptions to the long march of globalization, a progression that had accelerated dramatically since 1945.
2. 'Once in a generation' geopolitical and economic disruptions, including the dramatic collapse of the USSR, the end of the Cold War (round one), the formation of the European Union and the extraordinary rise of China and Taiwan as global economic powerhouses.
3. 'Step-change' developments in communications infrastructure, underpinned by the convergence of the telecommunications and information technology sectors alongside emerging 'disruptive' business processes.

Since two significant episodes - the 1987/88 and 1997/98 global financial crises - bracketed a decade during which these globalization dynamics unfolded, the 'Ten Years…' title for this book selected itself.

An introductory chapter presents an overview of the fundamental principles of free trade, globalization and international business, alongside a discussion of uncertainty, risk and decision-making in 'unknowable' times. This 'sets the scene' for the 1988-1998 decade that is analysed.

Context

There are decades when nothing happens;
and there are weeks when decades happen.

Vladimir Ilyich Lenin (1870-1924).
Political theorist, Russian revolutionary,
first premier of the Soviet Union.

Our ignorance of history causes us to slander
our own times.

Gustave Flaubert (1821-1880).
French novelist (literary realism).

Contents

Preface (Unabridged)

Introduction

In 1993, along with my colleague Professor Peter McKiernan at Warwick Business School in the UK, we published a book in partnership with the *Economist Intelligence Unit* (EIU) titled Inside Fortress Europe: Strategies for the Single Market. The text examined the principles of global business strategy alongside a discussion of the political and economic processes involved in creating the European Single Market of twelve member states on January 1st 1993.

Twenty-five years later, it seemed important and relevant to reflect on the period between that significant event and the UK's momentous decision to leave the now enlarged twenty-eight member state European Union following the June 2016 Brexit referendum. In 2018 I published a 'sequel' book: Outside Fortress Europe: Strategies for the Global Market. Its objective was to provide a cross-functional, multi-disciplinary perspective on the challenges of 'organizational life' and strategy development in a highly competitive and complex global business environment (the second edition of this book was published in 2021).

During the research for the book, an intriguing series of apparently *unrelated* 'episodes' of events revealed significant *interrelated* changes in three broad areas within a relatively short timeframe:

1. Multiple interruptions to the long march of globalization, which had accelerated since 1945.
2. 'Once in a generation' geopolitical and economic disruptions, including the dramatic collapse of the USSR, the end of the Cold War (round one), the formation of the European Union and the extraordinary rise of China and Taiwan as global economic powerhouses.
3. 'Step-change' developments in communications, underpinned by the convergence of the telecommunications and information technology sectors alongside 'disruptive' business processes.

To include detailed coverage of these developments in Outside Fortress Europe: Strategies for the Global Market would have detracted from its focus as a book on global strategic management.

Since two significant events - the 1987/88 and the 1997/98 global financial crises - bracketed a decade during which these episodes unfolded, the Ten Years That Shook the (Capitalist) World: 1988-1998 title (hereafter, *Ten Years*) for this book selected itself. The first edition was published in 2018. This second edition expands the core themes of the original and presents a more detailed analysis of the significant events and historical processes explored in this tumultuous decade. A new chapter outlining essential principles of free trade, globalization, and international business 'sets the scene' for the 1988-1998 decade that is analysed. It also explores the nature of uncertainty, risk and decision-making in 'unknowable' times. The book as a whole has benefited from extensive feedback sought from its readers and numerous academic colleagues.

Alternative Facts and Fake News: The Referencing Antidote

Any book is necessarily selective in the body of knowledge from which it assimilates and articulates its ideas, and the current text provides no exception to this general observation. In a similar vein, all writing projects must be highly selective in their coverage of any article or book they review. The problem here is interpretation, and there always lurks the danger that the author is unwittingly misleading the reader about the intentions and meanings within the original source or, much worse, is guilty of plagiarism.

If there is any doubt in the reader's mind regarding the integrity of content, there is no substitute for seeking out original sources, articles or books and examining these for themselves. This is one reason why a book such as this is fully referenced. A more positive reason for full referencing is to allow the reader to take any specific topic of interest and follow it through to its broader domain. In the book's final section, references to every source cited throughout its pages are provided to assist this.

As a final observation regarding the use of references by readers, well-written articles and books have very thoughtfully constructed titles. They will convey meaning and insight into the main thrust of their content. For the reader with the time to do so, it is worth looking at these references as they arise to garner further insight on the scope of the work being cited. For the speed reader, the disruption to comprehension associated with traditional footnotes and endnotes is omitted.

For all readers, additional commentary and recommendations for further inquiry are included throughout the book, which, while relevant at that juncture, would disrupt the flow of the narrative. At these points, the 'tumbling dice' graphic distinguishes between the chapter's principal focus and the supplementary information provided.

Z versus S: Linguistics and Globalization

The typical reader would not believe how much managerial time the publishing industry consumes on apparently trivial topics such as language, especially English! One such subject relates to which version of English to use in English-language books: British English or American English, a prominent topic being the use of 's' or 'z' in words such as organi?ation or the spelling of words, e.g. 'programme' or 'program'. As the latest edition of The Economist Style Guide notes:

> *The differences between English as written and spoken in America and English as used in Britain are considerable, as is the potential for misunderstanding, even offence, when using words or phrases that are unfamiliar or that mean something else on the other side of the Atlantic.*

For many publishers, the preference is American English, not just because of the obvious size and business potential of the US market but also because in large parts of the world where English is taught as a second language (e.g. Indonesia) or is the country's 'official' language (e.g. Philippines), the lingua franca is American. In this book, the predominant usage is British English except for three words: (i) organization; (ii) internationalization; (iii) globalization. Broadly, globalization is used as an external, macro-

concept, for example, *the globalization of markets*; internationalization is used as an internal, company-level concept, for example, *the internationalization of the firm*.

Book Structure

The dramas, events and historical processes that played out in the ten years of the book's title feature in Chapters One through Twelve, broadly in chronological order from 1988 to 1998.

The Introduction, *Free Trade, Globalization and International Business*, provides the context and lays down the principles which underpin the analysis featured in these twelve chapters. It explores the degree to which historical events, processes and globalization dynamics can be interpreted with reference to an established knowledge base rather than as a series of unrelated random (chance) occurrences. This assessment subsequently explains the rationale behind the pervasive presence of tumbling dice from the book's front cover onwards.

The Introduction does not adhere to the time brackets of the extraordinary decade *Ten Years* focuses upon, but it does include multiple important issues and themes that are referenced throughout its pages.

Similarly, while the Epilogue reflects upon and interprets the chapters it follows, it also provides additional content that examines critical issues in globalization dynamics and international business which fall outside the scope or timeframe of the book's principal focus.

Appendices

Two appendices are presented in the book. Appendix One, *1998 - 2018: A Brief Overview*, offers summaries of three significant disruptions to globalization that arose in the two decades following the ten years covered in this book. A comprehensive list of resources for further inquiry is provided.

Appendix Two, *Milestones in the History of Globalization*, provides a timeline of significant milestones in 'the long march of globalization', from Ötzi 'the Iceman' millennia ago to Donald Trump's international trade shenanigans and the impact of the smartphone and social media network revolutions at the time of writing this book.

Despite it being designated an Appendix, many readers would benefit from reading the *Globalization Milestones* before studying the book itself.

A Personal Note

In 1995 I published Creating Organizational Advantage which enjoyed both critical and commercial success. Like most popular business books, it was 'of its time', capturing a moment and addressing a zeitgeist that tended to suggest internationalizing companies, especially from countries such as Japan, Taiwan and South Korea, were doing 'more of the same', only cheaper and/or better and, consequently, were taking market share from their lumbering, sloth-like Western counterparts.

A second edition of this book was considered but time moves on, and new ideas emerge. The publisher of the first (and only) edition has agreed to the inclusion of passages of the original Creating Organizational Advantage text in this book. Many of the ideas are the same, just updated. And more potent.

My teaching expertise lies exclusively in post-experience education, including MBA, MSc and Executive Development Programmes. My consultancy practice facilitates business education programmes, courses, seminars, workshops etc., on subject domains relating to international business, global strategic management, innovation, marketing and branding.

Throughout the book, I draw heavily upon my experience of working worldwide as a business advisor to the technology giants IBM (1994-2002) and Royal Philips International (1989-2012). This was a monumental period of technological transformation, rivalling anything arising during previous epochs of the industrial revolution but much more intense, immediate and impactful.

Royal Philips International began many corporate restructuring initiatives in the early 1990s following a difficult period addressing intense competition and emerging technologies. But there were also potential opportunities for the company beyond technology, its traditional focus, especially in the emerging markets of Central and Eastern Europe and Southeast Asia. While Philips had the physical infrastructure in the regions, it needed to develop organizational capabilities and competencies to realise the potential of these multiple markets. I worked closely with my great friend Carlos Casali, a Philips executive, designing and delivering business education programmes in these emerging economies from the early 1990s onwards.

My collaborative academic writing projects have been educational and bond-building, most notably with Professor Peter McKiernan (Inside Fortress Europe: Strategies for the Single Market, 1993) and Professor Sue Bridgewater (International Marketing Relationships, 2002).

All positions, activities and collaborations have provided me with the luxury of observing the international business world in action. Much of what I 'know' has been learned vicariously from the executives and students I have worked with and from my scholarly friends and mentors, who were also my collaborators and confidants.

Concluding Remarks

Over and above the aforementioned, any errors throughout the book remain my own. If I have misunderstood or misrepresented a scholar in my interpretation of their work, or a manager/student regarding their endeavour, my intention is not to offend. As the essayist and poet G.K. Chesterton observed, "it is the most sincere compliment to an author to misquote him. It means that his work has become a part of our mind and not merely of our library."

Colin Edward Egan, Rugby, UK, November 2021.

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Introduction

Free Trade, Globalization and International Business.

to take part "in a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress".

The Economist, September 1843.

Introduction Highlights

In 1991 hikers in the Austrian Ötztal Alps discovered a mummified body protruding from a melting glacier. Archaeologists dated the frozen remains at 5,300 years old and gave him the nickname Ötzi, 'the Iceman'. They were able to demonstrate that he was travelling between two locations, contending with confidence that he was moving with the purpose of exchanging goods, one community to another. Consequently, we can claim that the oldest *proven* profession in history is trading (not prostitution) and that Ötzi was engaged in a 'go-to-market' strategy, the first international marketing manager!

International trade, free or otherwise, is undertaken within a framework of political economy. Briefly, in the liberal model, economic resources are allocated through the interaction of supply and demand. Consumers have free choice in what to buy, and firms have free choice in what to produce. This is the essence of economic liberalism, a philosophy based on the twin principles of consumer sovereignty (freedom to choose) and self-interest (rational choice).

The profit motive ultimately drives firms to produce efficiently and consumers to maximise their own satisfaction. In his 1776 two-volume five-book magnum opus, An Inquiry into the Nature and Causes of the Wealth of Nations, the founding father of political economy and the greatest proponent of liberalism, Adam Smith, described the process as follows:

> *Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interests in his own way and to bring both his industry and capital into competition with those of any other man, or order of men.*

The fundamental principle underpinning this liberal form of economic organization is free competition and a market mechanism that links individual decisions (demand) to aggregate output (supply). As Smith further noted, "every individual intends only his own gain and is in this as in many other cases led by an invisible hand to promote an end which was no part of his intention". He proposed the theory of *Absolute Advantage* to explain the logic of specialisation and exchange for wealth creation via trade between nations.

In 1817 David Ricardo published *On the Principles of Political Economy: And Taxation* in which he expanded Smith's ideas to include the opportunity cost calculus (choice) of producing goods within and between countries and demonstrated that, under most conditions, a nation would still benefit from trade even if it had an absolute advantage over every product category than that of another country, i.e. in *principle* it could be self-sufficient in all goods, a condition known as autarky (economically independent/self-sufficient). In *practice*, however, Ricardo argued that engaging in the international exchange of goods enhances productivity and enables greater wealth creation for *all* participant countries. Ricardo's theory of (free) international trade is known as *Comparative Advantage*.

Smith and Ricardo: International trade creates mutual country benefits.

In a liberal form of economic organization, the role of government is primarily to set an institutional framework that facilitates rather than obstructs freedom of choice. In

developing his thesis on the wealth of nations, Adam Smith for the first time *integrated* these twin themes of government and economy.

Both Smith and Ricardo were firm believers in free trade between nations, and Ricardo actively agitated against the Corn Laws. These were tariffs that made imports more expensive. They protected the aristocratic agrarian rich but were punitive towards the urban poor during a period in time when Britain was at the forefront of the industrial revolution driven by an emergent, entrepreneurial 'middle' class.

The Corn Laws, the last bastion of British mercantilism, were repealed in 1846 and still provide the benchmark for the institutionalisation of international free trade principles to the present day. This single event is undoubtedly the primary milestone in the history of the international free trade movement because, for the first time, it addressed reality, not philosophy — actions, not words.

The epigraph to this Introduction is the rationale provided by the publishers of The Economist when the magazine was launched in September 1843, three years before the repeal of the Corn Laws Act. It conveniently describes the philosophy of *Ten Years*, and I unashamedly borrow it.

In 1933 the Swedish economist, Nobel Laureate Bertil Ohlin, published a *dynamic* theory of comparative advantage and international trade based upon the work of his PhD mentor Eli Filip Heckscher and his own doctoral research.

Factor endowment theory (commonly known as Heckscher-Ohlin theory) develops the Ricardian comparative advantage concept by acknowledging that countries are blessed with factors other than land, labour and capital. In essence, he transformed them into *factor categories*. So, for example, 'land' embraces location, topography, resources, climate and so on. Historically, 'capital' would reflect *accumulated* resources collected by countries, most commonly expressed as 'treasure' and treated in theory as a static construct.

In the context of international trade, Ohlin referred instead to dynamic *capital movements*. These are financial transactions made by individuals, firms and government

bodies to compare receipts and payments arising from trade in goods and services, accounted for in macroeconomics as the 'balance of payments'.

Consider Malaysia, for example, which has a comparative advantage in rubber and peanut oil as a function of its location and rainforests, and it is indeed one of the world's biggest exporters of these commodities. But it also uses its exotic location of beautiful coastlines and abundant coral reefs to 'export' tourism. Alongside trading rubber and peanuts with other nations, tourism revenues enable the country to accumulate foreign currency reserves to buy things it doesn't have, e.g. advanced technologies, and also to attract Foreign Direct Investment (FDI) from companies such as HP, a long-term partner.

The Competitive Advantage of Nations: A Theory of Everything?

In a critique of the explanatory power of factor conditions (land, labour, technology, capital etc.) which underpin most fundamental principles of international trade, and addressing the 'competitive avoidance' tendencies of countries (and companies), Harvard economics professor Michael Porter argued that traditional theories do not address the real-world country challenges of seeking out, securing and, if necessary, rejuvenating a nation's true comparative advantage.

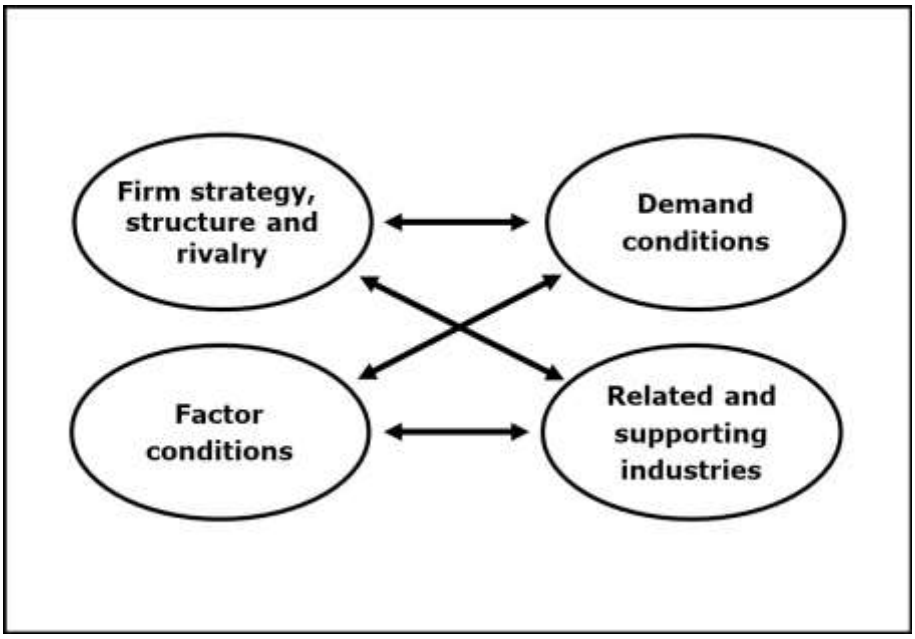
Porter embarked on a four-year study and examined ten major trading nations in-depth: Denmark, Germany, Italy, Japan, Singapore, South Korea, Sweden, Switzerland, United Kingdom, United States. Alongside these major industrial countries, Porter chose other nations to vary widely in size, government policy toward industry, social philosophy, geography, and region.

The research focused on documenting the process of gaining and sustaining national competitive advantage in relatively sophisticated industries and market segments. The findings were published in 1990 in a mammoth 855-page tome, The Competitive Advantage of Nations, a new paradigm to explain world trade, investment and innovation. It combined macroeconomic international business concepts with Porter's

more familiar territory, the principles and practice of business strategy and competitive dynamics.

Determinants of national competitive advantage.

A fundamental question addressed by Porter's research was why a particular nation had historically achieved international success in a specific industry, e.g. Germany in cars, Italy in fashion, Switzerland in pharmaceuticals. In seeking a comprehensive explanation, he proposed a "diamond system" of four attributes that shape the national context in helping to promote or impede the creation of a nation's competitive advantage. An adapted model of his framework is presented in the 'Determinants of International Competitive Advantage' illustration below.



Determinants of International Competitive Advantage.
Adapted from Porter, M. E. (1990). The Competitive Advantage of Nations.

The diagramme's simple presentation disguises the complex interactions between governments, industries and companies in the conduct of international trade. The double-headed arrows which link the four dimensions in the illustration demonstrate two fundamental factors which combine international business *theories* with international business *practice* in the Porter diamond framework. *First*, each element of the diamond

impacts the others, i.e. they constitute a *nexus* of inter-dependence. *Second*, the four elements of the diamond must be in alignment.

In this schema, the effect of one determinant is contingent on the state of the others. For example, favourable *demand conditions* (e.g. well-informed and discerning consumers) will not lead to competitive advantages unless the intensity of *industry rivalry* is sufficient to trigger a corporate response to them.

The complex interplay of the complete system provides a unique context for international competitive advantage and is extremely difficult for other nations to copy. Once in place, the system tends to be self-reinforcing over lengthy timeframes.

The diamond system is influenced by two additional factors: chance and government. *Chance* events create discontinuities that can significantly and radically change industry structure. Examples include wars, technological breakthroughs and changes in political regimes. *Governments* can create and foster competitiveness or impede the development of an appropriate dynamic within the diamond. Overt interference, protectionism, shelter strategies, slack anti-trust regimes (which protect monopolies) and the "narcotic" of government subsidies will hinder a nation's industries from developing natural and sustainable international competitive advantages.

Conversely, careful stimulus through the four attributes of the diamond can inject dynamism and innovation within the system. For example, investments in training and education fundamentally and lastingly affect factor conditions, although the positive results may only be visible in the medium or long term.

Taiwan provides a good example. While it was busy building the manufacturing base underpinning its export drive in the 1960s and 1970s, it simultaneously financed many citizens to study abroad. In the mid-1980s, a quarter of PhD students studying electronic engineering in the US were from Taiwan. On their return, these 'returnees' helped transform the country from a basic manufacturing assembly 'clone economy' to a high-tech, R&D-driven powerhouse.

Decades later, Taiwanese companies dominate multiple global technology industries. Foxconn is well known as the manufacturing force underpinning Apple's extraordinary success from the noughties onwards. Less well-known is Taiwan Semiconductor Manufacturing Co. (TSMC), the world's largest contract manufacturer of semiconductor chips (integrated circuits, or 'chips') that power smartphones, laptops, cars, watches, refrigerators and more, including the much-lauded 'internet of things'. Its better-known customers include AMD, Apple, Intel, Nvidia, Qualcomm and, indirectly, multiple global industrial sectors, including automotive, defence and aerospace.

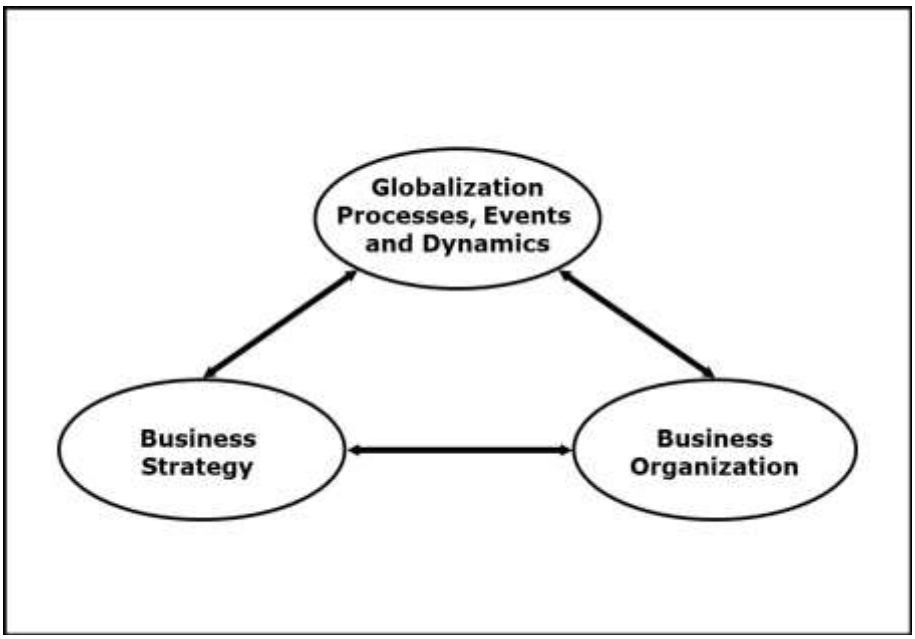
Two key themes emerge from Porter's research, each of which has enormous significance in today's competitive international business climate.

1. There appears to be a convergence of economic systems around the classical microeconomic models first proposed by Adam Smith and David Ricardo, particularly regarding the structure of markets and the Darwinian impact of competitive forces.
2. The importance of sophisticated consumers as a vital force in the economic process is emerging as a profound driver of international competitiveness and company strategy.

In the passages which follow, I continue the discussion of international trade. However, the emphasis will shift from why *countries* should engage in international trade towards a rationale for why *companies* should consider conducting enterprise beyond their national boundaries. In parallel, I also explore the complexities they are likely to encounter in assessing the attractiveness of country markets for such international business adventures.

The Globalization Phenomenon and the International Business Strategy Response

The illustration below shows the three broad dimensions of international business strategy.



The Globalization-Strategy-Organization Nexus.

The decade examined in this book focuses on the Globalization Processes, Events and Dynamics 'oval' depicted in the illustration above. *Ten Years* emerged from a broader research project exploring global business strategies and business organization in the context of these globalization dynamics.

The opportunities for companies to design and implement successful international business strategies by adopting a structured and systematic approach to strategic management, marketing, innovation and branding, backed up by efficient operations and supply chain management, are potentially huge.

Despite this, traditional organizational structures such as multinational corporations (MNCs), designed for a different competitive era, have struggled to come to terms with the globalization phenomenon. This challenge has been made significantly more difficult by dramatic changes in the global communications infrastructure over the last two decades.

Other companies have grasped the opportunities that globalization presents with open arms. For example, Taiwanese company Foxconn, a manufacturer of global products such as those marketed by Apple and Samsung, now has its own aspirations to build a global brand. Meanwhile, new(ish) companies such as Airbnb, Alibaba, Amazon, Baidu,

Booking.com, eBay, Etsy, Facebook (Meta), Google (Alphabet), Just Eat, LinkedIn, Lyft, Netflix, Snapchat, Tencent, Twitter, TikTok, Uber, WhatsApp and Zoom have taken the opportunity to establish international business structures and processes from scratch, becoming genuinely global in an extraordinarily brief period. These firms should be examined from a perspective commonly described as *born global brands*, and, unsurprisingly, many have been acquired with this in mind (e.g. Microsoft/LinkedIn, Meta/WhatsApp).

Furthermore, the global internet infrastructure has opened tremendous opportunities for smaller companies (SMEs) to access international markets from which they were excluded in the past, facilitated by 'new economy' companies creating their own global, virtual marketplaces, including Alibaba, Amazon, eBay, Etsy, Facebook and The Hut Group. Consider the following observation from Jack Ma, the co-founder and former executive chairman of Chinese company Alibaba:

> *e-commerce is not for big companies or developed countries. It's for developing countries, young people and small businesses. We should not let world global trade be controlled by 60,000 big companies. We should make technologies and policies to encourage six million, 16 million or 60 million businesses. Alibaba will make it happen.*

In the next section of this chapter, I briefly introduce the research of Professor Pankaj Ghemawat of Stern School of Business, New York. He has taken a contrarian view on globalization by focusing on the practical challenges of conducting business strategy in the context of the new world order of international free trade described thus far.

Specifically, he questions the 'fashionable' lexicon of words and phrases such as 'glocalisation', 'shrinking world', 'think global, act local' etc., which, he claims, excessively trivialise complex phenomena. Ghemawat argues from a business strategy perspective that his 'laws' of 'semiglobalization' and 'distance' more closely reflect the real world of international business and strategy than is generally acknowledged in the mainstream debate:

> *semiglobalization opens up far more interesting strategic opportunities for firms than would be available in a world where globalization is either negligible or complete.*

His research amongst executives revealed that multinational companies typically overestimate the extent of globalization and therefore exaggerate the attractiveness of foreign markets. They also underestimate the challenges and costs involved in foreign ventures, mainly because of a failure to understand 'distance factors', some of which are obvious (e.g. language), others less so (e.g. 'soft' governmental influences).

Ghemawat's research output is unusual in the mainstream literature because it relies heavily on a statistical analysis of historical data that most managers wouldn't understand (or care about) and makes extensive use of acronyms and simplified linguistics that managers like but which many academics treat as trivial. His CAGE framework considers four dimensions that can explain differences ('distance') between two countries: Cultural; Administrative; Geographic, Economic.

The CAGE framework works well as one of several processes in determining foreign market attractiveness and opportunity potential, a key element of risk assessment (see below) in international business strategy development.

To summarise, business strategy is not conducted in a vacuum, hence the importance of understanding its context with reference to political economy and the principles of international free trade I have discussed in this Introduction to *Ten Years*.

Exploring Uncertainty, Risk and Knowledge

Uncertainty and risk permeate all aspects of politics, economics, and society. They relate directly to the dynamic nature of the globalization forces and interruptions that I explore in this book. The developing pace of global business environment change and the increasing complexity of this for political and business strategy decision-making have given a high profile to the importance of accounting for risk amongst policymakers and company executives.

Probabilities, possibilities and uncertainties.

As the causes and effects of risk and uncertainty have become more significant to decision-making, more complex models have been advanced for their analysis. Many such models have proved hopelessly inadequate, mainly because their sophisticated mathematics is complicated to understand or apply. Despite this, the challenge of knowledge acquisition remains one of fundamental importance if sensible political and business policies/strategies are to be created and implemented.

The full complexities underpinning the *principles* of risk analysis are beyond the scope of this book. Still, it is worth mentioning the unique challenges of two critical problems encountered in the *practice* of risk assessment:

1. At the outset, there is a need to recognise that the ability to see the future in any detail is limited to only certain foreseeable events.
2. There is every reason to expect that other events, unforeseeable at present, have a high likelihood of occurring in an unknowable future.

These factors will affect the cognitive expectations and outcome perceptions of decision-makers, and these, in turn, will be dependent upon three sources of uncertainty:

1. Uncertainties in the estimation of results.
2. Uncertainties in projecting the dynamics of the current international business environment into the future.
3. Uncertainties in anticipating competitive reactions (countries in geopolitics, companies in business strategy), particularly in turbulent times.

Similarly, Nassim Nicolas Taleb, who introduced us to the idea of black swans in his 2007 global bestseller The Black Swan: The Impact of the Highly Improbable, challenges the overblown symmetry of cognitive behaviours and criticises an excessive reliance on naïve empiricism:

> *I am saying that a series of corroborative facts is not necessarily evidence. Seeing white swans does not confirm the nonexistence of black swans.*

An uncertain path leads to unknowable outcomes.

Political policymakers and business executives tend to seek solace in hard data and measurable probabilities. But for intelligence creation and successful decision-making, we should also acknowledge the need to 'expect the unexpected' or, as Taleb advises us in the subtitle of his book, to prepare for the impact of the highly improbable.

The implications of risk and uncertainty for decision-making at the political policy and business strategy level indicate the importance of forecasting the variables that affect the global business environment (risk assessment) and taking appropriate actions to address them (risk mitigation).

Risk assessment and mitigation aid decision-making in turbulent environments.

It is essential to understand the "degree of changeability" in the environment, which can be understood as levels of *environmental turbulence*.

In this broader context, it is difficult to resist citing former US Defence Secretary Donald Rumsfeld's cerebral observations on the nature of uncertainty:

> *There are known knowns; there are things we know we know. We also know there are known unknowns; that is to* say *we know there are some things we do not know. But there are also 'known unknowns' - the ones we don't know we don't know. And if one looks throughout the history of our country and other free countries, it is the latter category that tend to be the difficult ones.*

Does God Play Dice?

In this section, I will drop a couple of names of very famous 'pure' scientists before reverting to the 'dismal science' of economics and its companions from the 'social' sciences, including history, sociology, psychology and political economy. These latter disciplines provide the substance of *Ten Years*.

The pure and the social sciences share a joint endeavour and a common query: to what extent it is possible to predict the future and how are such forecasted outcomes determined by current and past events? In a famous 1999 lecture on *determinism* (from which this section borrows its title), 'Does God Play Dice?', Professor Stephen Hawking effectively explains pure science with reference to popular culture and is worth quoting here at length:

> *This lecture is about whether we can predict the future, or whether it is arbitrary and random … The idea that the state of the universe at one time determines the state at all other times [is] a central tenet of science… It implies that we can predict the future, in principle at least. In practice, however, our ability to predict the future is severely limited by the complexity of the equations, and the fact that they often have a property called chaos. As those who have seen Jurassic Park will know, this means a tiny disturbance in one place, can cause a major change in another. A butterfly flapping its wings can cause rain in Central Park, New York. The trouble is, it is not repeatable. The next time the butterfly flaps its wings, a host of other things will be different, which will also influence the weather. That is why weather forecasts are so unreliable.*

Prof. Hawking's lecture addressed the concerns held by Albert Einstein relating to quantum mechanics, who famously observed that "God does not play dice", a defence of 'determinism', a view that all events are determined entirely by previously existing causes rather than apparently random chance occurrences.

Radical Uncertainty, Tumbling Dice and Decision-making

In 2021 Sir John Kay, an economist and business strategy professor, and Lord Mervyn King, a former Governor of the Bank of England, published *Radical Uncertainty: Decision-making for an unknowable future*. In the context of the discussion presented thus far, the authors' short description of the wide-ranging scenarios that define the scope of their book is helpful:

> *We are emphasising the vast range of possibilities that lie in between the world of unlikely events which can nevertheless be described with the aid of probability distributions, and the world of the unimaginable.*

Considering this range as a spectrum, their notion of 'radical uncertainty' deals with the realm of the unimaginable, and the diversity of situations they assess is broad. Crucially, they link these scenarios to what they describe as 'adaptation' and 'embracing' strategies, i.e. coping behaviours that lead to better decision-making whether in politics, business or amongst individuals.

The authors are not remotely suggesting that the absence of information or knowledge should foster defeatism or a 'do nothing' attitude, nor should it justify procrastination:

> *Acknowledging radical uncertainty does not mean that anything goes.*

This brief statement aligns perfectly with the purpose of the twelve chapters that describe and explain events and historical processes in globalization dynamics during the decade we examine in *Ten Years*. It also implicitly suggests that analysing decision-making and events lies on a spectrum of explanation (hindsight) and prediction (foresight), a subject we briefly address in the Epilogue.

In studying many decisions that have been taken in politics, economics, finance and business, one is frequently incredulous at how crass they seemed to be given the knowledge base that *does* exist and is universally accepted. Despite the existence of this 'knowledge base', it often appears that a decision has been made based on the outcome

of a spin of a roulette wheel or the roll of a dice, i.e. it has been taken in a game of chance without any recourse to scholarship.

With the benefit of *hindsight* and looking at it objectively, the decision taken seems absurd. But the real point is that, given the existence of an accepted body of evidence-derived knowledge, why was a particular decision taken without *intelligent aforethought*?

Chaos and complexity: rational choice or tumbling dice?

In 1971 a best-selling novel was published which created a cult following worldwide that exists to the present day. The Dice Man: This book will change your life, by Luke Rhinehart, features a bored psychiatrist who one dull evening decides to add an element of chance to his daily life choices:

> *I became ablaze at the thought: I am right. I must always obey the dice. Lead where they will, I must follow. All power to the die! Excited and proud, I stood for a moment on my own personal Rubicon. And then I stepped across. I established in my mind at that moment and for all time, the never-to-be-questioned principle that what the die dictates, I will perform.*

The protagonist in the novel, Luke himself, would write six options on a piece of paper, ranging from the mundane (go to bed, browse magazines at the news stand, read a particular book) to violent behaviours (rape the neighbour — Luke's best friend's wife). Whatever the decision taken, the odds were stacked heavily against it at the outset (1 in 6) and, "If I played with two dice, the subtleties in probability were much greater". As the novel unfolds, chaos abounds and multiplies as each dice-decision increasingly randomises Luke's life. And death.

In the following chapters, I explore the apparent randomness of globalization dynamics and the uncertainties this creates. But I contend that higher-quality decisions can be taken with reference to established knowledge rather than a simple reliance upon rolling dice in the manner of Luke Rhinehart.

I acknowledge that 'pure' science is not superior to the social sciences, but it is different. So, for example, in the pure sciences, if you break the rule, you change the rule, but to achieve acceptance of this will require multiple replications under intense scrutiny. In contrast, social sciences can accommodate exceptions to the rule and, crucially, can typically explain these with reference to the same knowledge base that created it.

I use a simple graphic featuring tumbling dice on the front cover of *Ten Years* and throughout its pages. The purpose is to emphasise that even in conditions of radical uncertainty or extreme randomness, our constant pursuit of knowledge, combined with endeavour, perseverance and ingenuity, can lead us towards intelligent interpretations of the globalization dynamics we explore in our chaotic and complex decade. As Prof. Ian Stewart argues in his influential 1997 book, Does God Play Dice: The New Mathematics of Chaos:

the question is not so much whether God plays dice, but how God plays dice.

And, in the book's one sentence Epilogue, *Dicing with the diety*, he concludes:

If God played dice … he'd win.

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Chapter One

A Rude Awakening for Globalization.

The only law of history is the law of unintended consequences.

Professor Niall Ferguson, economic historian.

Chapter Highlights

"Greed is good". So said the fictional character Gordon Gekko as the 1980s Wall Street stocks and bonds bonanza continued its seemingly endless progression towards record highs. Then, on October 19th 1987, global stock markets sank faster than they had done just ahead of the Great Depression of the 1930s. This paragraph opens a short chapter that sets the tone for a constant theme that permeates the book's examination of the decade it studies, the crazy world of high finance and the 'madness of (global) markets'.

Unlike the 1929 Wall Street Crash, which led to a prolonged and deep global economic depression, the retreat to protectionist international trade policies and, arguably, World War II, the 1987 'Black Monday' financial collapse was miraculously short-lived. Lazarus-like, markets rose again with a roar of hubris captured perfectly in Tom Wolfe's fictional yarn, The Bonfire of the Vanities.

Meanwhile, in the real world of Wall St., Michael Milken and his associates created 'innovative' mezzanine financial debt instruments, technically known as 'high-yield corporate bonds' but which, amongst those who saw through the ruse, quickly earned the pejorative sobriquet 'junk bonds'. It would have been funny were its implications not so serious.

By the end of the 1980s, debt worship was the new creed. The seminal business book Barbarians at the Gate was soon to be published, a reality-show dramatization of leverage and deceit surrounding the infamous RJR Nabisco management vs Wall St. buyout of the time. Greed was back, with more to come.

The scene is now set for a discussion of an extraordinary period in economic and political history (1988–1998) which had its origins in 18th and 19th Century political economy with the publication of Adam Smith's seminal two-volume, five book treatise on market economics and free trade, An Inquiry into the Nature and Causes of the Wealth of Nations and David Ricardo's 1817 book, On the Principles of Political Economy: And Taxation.

Ten Years explores a decade that embraces more than a century of economic and geopolitical dramas, certainly in terms of significant events and processes and especially with regard to a confluence of apparently unrelated historical strands which define the modern era. These *globalization dynamics* provide the book's focus and are discussed in the following chapters.

While the mayhem and market madness of late 1980s Western financial markets described earlier continued to amuse, there were stranger and more profound forces at play in East Germany, Hungry, Poland, Czechoslovakia, Bulgaria, Romania, Yugoslavia, the USSR (as was) and, to a lesser extent, 'nation states' elsewhere in middle and eastern Europe.

And, from the wretchedness of a failed communist-inspired military engagement in Afghanistan, a man whom a smitten Margaret Thatcher famously described as someone "she could do business with" quietly ascended to become the General Secretary of the Communist Party of the Soviet Union: Mikhail Gorbachev.

Gorbachev is most famously known for his twin policies of *glasnost* (openness/political freedom) and *perestroika* (restructuring/economic reform), and I will discuss his legacy in later chapters.

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Chapter Two

Ich bin ein Berliner!

We all breathe the same air, we all cherish our children's future, and we are all mortal.

John Fitzgerald Kennedy (1917-1963).
35th President of the United States.

Chapter Highlights

Just months before he was assassinated in November of the same year, President John F. Kennedy gave an emotive nine-minute 'city hall' oration in West Berlin on June 26th 1963 to a 150,000 person crowd mustered in the square outside Rathaus Schöneberg where it was presented. It was beamed to a global television audience of hundreds of millions and harboured a strong message to his Soviet adversary, Nikita Khrushchev, at the height of the Cold War.

The speech echoed with twin themes of freedom and peace, and Kennedy concluded with the famous statement that:

> *All free men, wherever they may live, are citizens of Berlin. And therefore, as a free man, I take pride in the words 'Ich bin ein Berliner!'*

This simple German phrase (*I am a Berliner*) was used twice in what was J. F. Kennedy's most-watched/listened-to speech in 'real-time', of all time.

To put this in perspective, here's a hypothetical: in 1945, an aspiring PhD student proposes to undertake a comparative analysis of two economic systems - command versus free-market - involving approximatively 600m (human) subjects split evenly between two geographically proximate political systems - communism versus liberal democracy - in a European context raw with fresh wounds gouged by eugenics and pogroms.

Throw in a few hypotheses, observe for 45 years and note what occurs. It is an absurd proposition, but this is what happened between 1945 and 1991 on the continent of Europe.

Winston Churchill, the man who said he knew what would be in the history books because he planned to pen them, had seen the writing on the wall. In his *Sinews of Peace* speech given at Westminster College in Fulton, Missouri on March 5th 1946, Churchill was the bearer of stark news to his captivated audience:

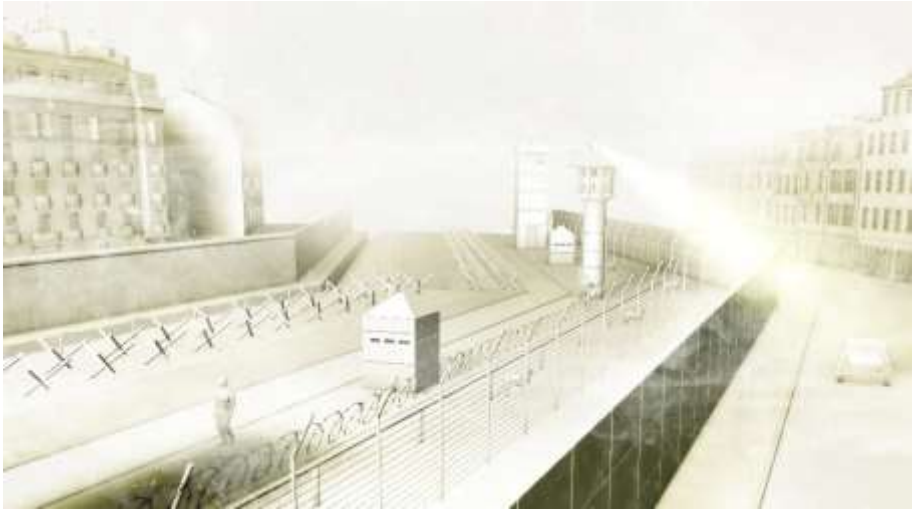
> *It is my duty to place before you certain facts about the present position in Europe. From Stettin in the Baltic to Trieste in the Adriatic an iron curtain has descended across the Continent. Behind that line lie all the capitals of the ancient states of Central and Eastern Europe. Warsaw, Berlin, Prague, Vienna, Budapest, Belgrade, Bucharest and Sofia, all these famous cities and the populations around them lie in what I must call the Soviet sphere, and all are subject in one form or another, not only to Soviet influence but to a very high and, in some cases, increasing measure of control from Moscow.*

Reverting to Kennedy, the 'writing on the wall' was most visibly centred in and coiled around Berlin and, from the vantage point of his podium when making his speech, he could see its ugly legacy, adding:

> *Freedom has many difficulties, and democracy is not perfect, but we have never had to put a wall up to keep our people in, to prevent them from leaving us.*

Twenty-four years later - June 12th 1987 - the uber anti-communist US president Ronald Reagan, speaking in front of the Brandenburg Gate and standing alongside the Berlin Wall, laid down the following challenge to his new Soviet geopolitical sparring partner, General Secretary Mikhail Gorbachev:

> *if you seek peace, if you seek prosperity for the Soviet Union and Eastern Europe, if you seek liberalization, come here to this gate. Mr Gorbachev open this gate. Mr Gorbachev, tear down this wall!*



The Berlin Wall (abstract impression).

Reagan's bravado was bolstered by an unlikely positive outcome of an earlier meeting in Reykjavik, the Iceland capital, on October 11th - 12th 1986. Described as 'the doomed summit that ended the Cold War', the legacy of this 'soft summit' fed into geopolitical realms beyond its stated goals relating to nuclear disarmament and arms control.

Cold War thaw: a fireside chat in Reykjavik, Iceland.

While Kennedy's speech was delivered at the vertex of the Cold War, Reagan's marked the dawn of its nadir. Within two years of President Ronald Reagan delivering this

impassioned speech, the Iron Curtain was breached: not in Berlin, but in Hungary; and not through iron or concrete, but via an open wooden door.

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Chapter Three

The Berlin Wall Falls, Germany Reunifies, Comecon Unravels, The Soviet Union Dissolves.

You can resist an invading army, but not an idea whose time has come.

Victor Hugo (1802-1885).
Poet, novelist, dramatist.

Chapter Highlights

As we will see in the following paragraphs, a widespread anti-communist mood was fermenting in Soviet vassal-states, each with entirely different historical dynamics. Still, there is no doubt that *glasnost*, *perestroika* and, separately, 'step-change communications' such as satellite TV broadcasting contributed to the fervour.

In Berlin, where West and East faced off physically (but through the wall) and in close proximity (a divided city), those in East Berlin could see at close quarters the disparity in material well-being between themselves and West Berliners. In the context of events unfolding elsewhere in Eastern Europe, growing unrest in East Berlin led to the departure of the reviled East German leader Eric Honecker in October. What happened next sounds more like English farce than German precision. With the politburo in confusion, the propaganda minister on vacation and extremely mixed signals coming from Moscow, a dozy East German border guard 'opened the doors of freedom'.

Following the breach of the Iron Curtain in Hungary and the increasingly overt ceding of Soviet hegemony in Eastern Europe, what became known as 'The Peaceful Revolution' took root in the German Democratic Republic (GDR), a series of violence-free initiatives, protests and demonstrations led by intellectuals and church figures and mirrored by vast numbers of people attempting to flee the country. In this context, the GDR's first free parliamentary election took place in March 1990.

Following a fragile start, German reunification was ultimately a great success. It marked a significant turning point in the path of globalization and laid a strong foundation

for creating the EU and its subsequent enlargement. Without the stability of this German powerhouse, the country scenarios outlined in the following paragraphs (Poland, Czechoslovakia, Bulgaria, Hungry, Romania, Yugoslavia, Albania) could have led to entirely different outcomes.

In short measure following these 1989 revolutions (often described as the 'Autumn of Nations') there followed the collapse of Comecon, the Council for Mutual Economic Assistance, an organization founded by Joseph Stalin in 1949 to provide an economic framework under Soviet Union leadership, primarily made up of member (satellite) states of the Eastern Bloc but also including several communist states elsewhere in the world, e.g. Vietnam. It was effectively an economic organization to 'compete' with Western equivalents and, for the most part, provided a degree of economic stability between the two 'trade blocs' (East and West) during the Cold War.

Comecon ceased to exist in the autumn of 1991, shortly followed by the end of the great USSR experiment in the same year. Under mounting pressure on multiple fronts, the Soviet Union dissolved in December 1991 as eleven nation-states declared their independence: Armenia; Azerbaijan; Belarus; Georgia; Kazakhstan; Kyrgyzstan; Moldova; Tajikistan; Turkmenistan; Ukraine; Uzbekistan.

The Rise and Fall of the USSR: 1922-1991.

The Cold War (round one), a complex interplay of ideology, political systems and the struggle for economic hegemony/supremacy was over, for the time being at least.

Following the collapse of Comecon - which had a global footprint - there was an air

of triumphalism amongst ardent anti-communists and socialists more generally. But it must be acknowledged that the complex, long-term nature of geopolitical processes rarely comes to an abrupt end. Undercurrents of discord typically divert and fester, and 'peace' is almost always fragile and fractious.

Cold War: checkmate, stalemate or end of round one?

These were heady days for scholars and practitioners engaged in the study of international business and especially for proponents of the virtues of liberal democracy. And also for political scientists and philosophers trying to make sense of it all.

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Chapter Four

Premature Prognosis: The End of History?

Life is not an illogicality; yet it is a trap for logicians. It looks just a little more mathematical and regular than it is; its exactitude is obvious, but its inexactitude is hidden; its wildness lies in wait.

G.K. Chesterton (1874-1936).
Novelist, poet, essayist, journalist, philosopher.

Chapter Highlights

The breaching and subsequent destruction of the Berlin Wall between 1989 and 1992 represented both a symbolic and tangible series of events which signalled the end of communist-inspired industrial and social organization in Central and Eastern Europe and marked the return of market(ish)-based economies to the former Soviet Union satellite trading nations.

As these momentous events took place, an article titled 'The End of History?' was penned by Francis Fukuyama, an unknown US State Department official and amateur political scientist, published in an equally obscure American journal, *The National Interest*. The thesis which Fukuyama presented was both compelling and powerful and, as time would tell, a tad premature: it claimed that a new geopolitical norm was emerging, and it argued that this would be the final output of a long historical process of continuity and radical change.

The principal tenets of Fukuyama's end-of-history hypothesis concerned the apparent convergence of economic systems and modes of political organization worldwide. The original article was subsequently developed into a book, intriguingly entitled *The End of History and the Last Man*, which simultaneously defended and expanded the original thesis to accommodate real-world, real-time developments since its original publication.

From his observations of historical political and economic developments, Fukuyama argued that there appeared to be a fundamental and sustained trend towards a dominant role for liberal democracy in the global geopolitical system, as even the most totalitarian of political regimes appeared to be moving towards the enfranchisement of the populace and a general freeing-up of markets.

In the liberal economic model, resources are allocated through the interaction of supply and demand. Consumers have free choice in what to buy, and firms have free choice in what to produce. In the context of political economy, it can generally be stated that governments deliver policies that involve a greater or lesser degree of state ownership and a greater or lesser degree of intervention in directing how economic decision making is practised.

Democratic political organization is based on equality, freedom of choice, and the participation of all (eligible) individuals in the decision-making processes that develop and maintain society. In complex democracies, individuals are represented by members of political parties who are free to organize without constraint and create policies that they are mandated to implement if elected by a majority of voters. Terms in office are limited, and the complete system is regulated by 'checks and balances' through the independence of the *executive* (government) and *legislature* (legal system). In the Federal Government of the US, the Constitution stipulates a third branch of government, *judicial*, i.e. the Supreme Court.

This form of political organization, coupled with economic freedoms, has led to capitalism as a dominant global paradigm and has underpinned the globalization of the world economy through free trade, aid, and foreign direct investment (FDI).

The capitalism lexicon.

Perhaps the most famous producer of an 'end of history' thesis was Karl Marx, who, through his studies of politics, economics and society, saw capitalism as one stage of a historical process, a precursor to socialism en route to a truly communist society.

By way of an aside, and to lighten things a little, it's worth noting here an observation on communism from the eminent biologist E.O. Wilson, who specialised in myrmecology, the study of ants: "wonderful theory, wrong species".

The critiques levelled at Marx can be equally directed at Fukuyama. The future is always shrouded in a cloudy present. History helps because it provides a benchmark that may or may not offer some causal explanation of future events.

Furthermore, from an economics perspective, it must be acknowledged that business does not function in a vacuum. It acts upon and is shaped by the environment in which it operates. It is the new world order idea - based on the political and economic freedom of the individual as a desirable finalé to an overlong series of unnecessary if not uninteresting dramas - which defines what Fukuyama describes as 'The End of History':

> *Liberal democracy remains the only coherent political aspiration that spans different regions and cultures across the globe.*

It is plausible that Fukuyama used the phrase 'The End of History' as a political economy metaphor rather than a literal interpretation of emerging trends as he saw them. However, the expression still has a deterministic naïvety that has dogged its author since events took a significantly different turn than he suggested they might, starting more or less when his book was first published.

Between the publication of the original end-of-history essay and during … the Last Man book's writing, there was a rapidly emerging null hypothesis to the otherwise logical thesis which Fukuyama promulgated, one wild inexactitude in waiting:

China.

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Chapter Five

China's Conundrum and the Clash of Freedoms.

The best time to plant a tree was 20 years ago. The second best time is now.
Chinese proverb.

Chapter Highlights

While China quite liked the idea of economic reform, it was less enamoured by political freedom. Fukuyama was firm in his contention that the two freedoms *must* go hand-in-hand, a view which was highly naïve given the hugely different characteristics and histories of the two communist uber-states, the USSR and China.

The People's Republic of China, the PRC, emerged as a geopolitical force following the end of the long Chinese Civil War in 1949, a victory for Chinese Communists under Mao Zedong (aka, Emperor, Chairman, Great Helmsman). He had led the rebellion against the ruling Nationalists Kuomintang (KMT) party amidst a protracted conflict between China and Japan.

The KMT, under its long-time leader and generalissimo Chiang Kai-shek, had already established a retreat on the island of Taiwan (formerly Formosa) ahead of the 1949 fissure, stashing gold, national treasures and foreign currency reserves in anticipation of a temporary period of exile ahead of a triumphant return to the mainland. Two of the world's most powerful trading nations, China (PRC) and Taiwan, the original Republic of China (ROC), were established at the end of the 1945-49 conflict.

Chinese history is fascinating and colourful. It is incredibly tempting to 'stretch' a discussion of dynasties, warlords, silk roads, colonisation, opium wars and even dragons into our focus on globalization. But it would be an unnecessary distraction. It would also be informative to analyse Chiang Kai-shek's China's Destiny alongside Quotations from Chairman Mao Tse-tung (the Little Red Book) for philosophical insights from the two civil war protagonists.

Closer to our focus, the 'Long March', the 'Chinese Communist Revolution', the 'Great Leap Forward' of dismal economic and social reform, the 'Cultural Revolution', the 'Gang of Four' and the 'Red Guards' had little impact on the pace of post-Bretton Woods globalization other than delaying China's contribution to its development and acceleration. Strong evidence for this is provided by Taiwan's extraordinary technology-focused, export-driven industrial economic growth under the equally authoritarian one-party (KMT) government during the period of Maoist mayhem and shenanigans alluded to in the previous sentences.

Five distinct periods relate directly to China's current position in the history of globalization. Following is a brief chronicle of these, starting in 1949 and leading into the decade reviewed in *Ten Years*.

1. The Finalé: China's Long Civil War Ends (1949).

Interrupted by the Sino-Japanese War and Japan's occupation of the Chinese mainland and surrounding islands during the Second World War, the Chinese Civil War began in 1927 between the Kuomintang-led (Nationalist) government of the Republic of China (ROC) and the Communist Party of China (CPC).

The conclusion to this civil war came in 1949 and laid the foundations for two global economic superpowers, the ROC and PRC, separated by just over a hundred miles of water and a lengthy but always uneasy truce.

2. Panda Diplomacy: President Nixon Visits Chairman Mao (1972).

Although the US had remained ice-cold towards the PRC and its ideology since the civil war had ended, following the latter's ascendancy to legitimate status as the 'one China' in the UN in 1971, relations did begin to thaw. President Richard Nixon saw both opportunity and threat in the vast country and persuaded his National Security Advisor, Henry Kissinger, to his line of thinking.

The Nixon-Mao meeting is widely acknowledged as the first move by China to engage with the West and, as such, is a significant milestone in the long march of globalization.

It should be noted that the primary motivation behind Nixon's visit to China was his desire to destabilise the delicate Cold War balance between the USA and the USSR, which at the time resembled a teetering faux-conflict complicated by the Vietnam War. In this, it failed.

China has a long history of *Panda Diplomacy*, dating back to the Tang Dynasty. In recent years it has developed a business in leasing pandas to zoos worldwide, typically for ten years at around $1m a year, with any cubs born reverting to Chinese ownership. Edinburgh Zoo in Scotland currently has two Giant Pandas on a ten-year loan, arranged as part of a £2.6bn UK-China trade deal. The female is Tian Tian (*Sweetie*), and the male is Yang Guang (*Sunshine*). At the time of writing, the pandas remain unproductive on the cub-creation front but are hugely popular amongst families and schoolchildren on social media and at Edinburgh Zoo's PandaCam, although the SquirrelMonkeyCam is more animated!

3. Deng Xiaoping, Modernisation and Special Economic Zones (the 1980s).

For many decades China has been accused of 'stealing' ideas by fair means or foul. But while the focus in recent years has been upon technology and intellectual property theft, it is essential to note that the Communist Party of China has not been shy of 'borrowing' ideas from political science and political economy.

Deng Xiaoping had been sidelined on numerous occasions under Mao's chaotic leadership and had witnessed the disastrous consequences of the Great Leap Forward in both the agricultural and industrial sectors. Moreover, he was undoubtedly very much aware of the impact of Stalin's purges of the 'capitalist' Kulaks and the subsequent failures of various attempts at collectivisation of agriculture in the USSR. Multiple 'private land plots', in contrast, were considered the most productive component of Soviet agricultural output, and it was this model of agrarian reform that began Deng's transformative approach to Chinese economics.

It's off to work we go: happy farmers?

From this foundation, Deng's focus switched to an old idea that had been around in China for many years but never implemented in any systematic manner: special development areas.

Looking at economic development initiatives from as far afield as Ireland (the southern Shannon project), post-war South Korea, closer to home in Guangdong province and across the water to the extraordinarily successful Taiwan, Deng made the following oft-cited (and adapted) observation:

> *We must integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build socialism with Chinese characteristics.*

The means of achieving this evolved into the creation of Special Economic Zones (SEZs). The SEZ's success was replicated and expanded, primarily around eastern coastal areas, south towards Hong Kong and with special attention focused on conurbations such as Shanghai, the mega-city being allowed to attract foreign inward investment and expertise.

China under Deng was characterised by market liberalization and FDI, concisely paraphrased as 'one country, two systems', later to become the philosophy underpinning the Special Administrative Region (SAR) status of Hong Kong and Macao. For the first time in its modern history, China had successfully synchronised agricultural and industrial economic reform.

4. Students Protest; Gorbachev visits Deng; the Tanks Roll (1989).

As the end of the 1980s approached, 'Western' firms (including companies from Japan, Taiwan, South Korea) saw political stability, low-cost manufacturing potential and, further down the line, a vast consumer market in the making in China.

As this chapter's title suggests, Deng faced a conundrum: students in China were agitating in campuses across the country, especially in the more prosperous areas. Given the spectacular success of his economic reforms, Deng pondered how he should respond to the university students' demands which were broad-ranging in scope, a laundry list of political reforms, freedoms and government accountability.

Deng was one of the 'Elders', a veteran of the Long March. He had been on the receiving end of the infamous leadership purges, had witnessed the disastrous Great Leap Forward and, perhaps most important of all, had observed the role of students in the philistine-inspired destruction embodied in The Cultural Revolution under the guise of the (student) Red Guards.

There were many factions in the student body who pitched their tents in Tiananmen Square in 1989 and marched daily in huge numbers. Their ranks were swelled by artists, teachers, historians and journalists. As early as 1988, Deng had observed and intensely disliked the emerging impact on the USSR of Gorbachev's *glasnost* and *perestroika* freedoms and reforms. By coincidence, Gorbachev made an official visit to meet Deng for a summit in Beijing on May 15th 1989 and had to enter the Great Hall by a side entrance as more than 300,000 protestors marched on Tiananmen.

Meanwhile, international reporters covering the summit turned their attention to the protestors and their wish lists. China in general, and Deng in particular, had lost face, directly with their great communist rival, the Soviet Union and, more broadly, with the world at large.

There was extreme tension in the CPC leadership with the most powerful group then (and now), the Politburo Standing Committee (PSC), urging restraint. As a veteran of

the Long March and representing the 'Elders', and with no formal constitutional power base, Deng Xiaoping sent in the tanks.

Tiananmen Square: All quiet on the northern (Beijing) front?

The capitalist community and no doubt Fukuyama-followers watched intently: in the absence of political freedom, what next for Chinese economic reform?

5. Deng's Southern Tour and Reaffirmation of China's Economic Reform (1992).

The atrocities committed in Tiananmen Square and the broader discussions relating to human rights, democracy & dissent, liberal versus conservative, old versus young, and related controversies are beyond the scope of this book but are central to its context.

Capital had flowed to China from Western and Japanese firms in anticipation of bumper rewards, which is what capital does. Billions had been invested, but asset repatriation, expropriation and nationalisation have plagued FDI in the past, especially in countries rich in resources (land, labour, technology, capital) but opaque in political governance.

After Tiananmen, a deep breath was taken by companies who waited to see how the dice would roll: what had widely been seen as a safe bet now had the nasty taste of a highly speculative punt. Billions of dollars of capital had *already* been committed via inward FDI into China.

For more context, China was in negotiations with the UK regarding the handing over of Hong Kong when its lease expired in 1997. As Chris Patten, the 'Last Governor of Hong Kong' observed, an impatient Deng, no doubt with a view to his declining health, told

Margaret Thatcher that the PLA could simply 'march south and take it now'. They could, but they didn't, apparently fearing 'bad publicity'. Beyond irony.

So, the world watched and waited, totally impotent on the China front, dealing with an autocratic, ageing, senile dictator who had overridden the most powerful group within the CPC when he sent the tanks into Tiananmen.

Jonathan Fenby, a chronicler of modern Chinese history, noted that Deng, "in the last major action of his life and one which would set his decisive stamp on the evolution of China into the twenty-first century", embarked on a train journey in 1992. This became known as 'Deng's Southern Tour', a trip during which he made the following widely-reported announcement:

> *We should be bolder in carrying out reforms and opening up to the outside world and in making experimentation; we should not act like a woman with bound feet*.

These words were translated into immediate actions, as Fenby observes:

> *The SEZs boomed. Foreign money poured in. Western firms saw the cost benefits of using Chinese labour. Modern machinery was imported. Tens of millions of migrant workers crowded into the development zones. Annual growth soared. China's role as assembly shop for the world became irreversible.*

In 2021 we know China has far greater ambitions than being a simple 'assembly shop', i.e. providing low-cost intermediate goods to global brands. But by the mid-1990s, the creation of the SEZs had already transformed China's economy.

Shanghai skyline: A Chinese new (SEZ) world order.

Four key factors explain this:

1. Under the CPC, an autocratic political system enabled the rapid and 'forced' mass movement of people into newly created supercities. These were either built upon established conurbations such as Shanghai or developed from scratch.
2. The same political system provided the surety and stability sought by executives making FDI decisions.
3. Whereas inward FDI was initially only allowed to create partnerships with local firms, investment in wholly-owned subsidiaries became possible alongside international joint ventures (IJVs) over time. $bns of inward investment was attracted, the textbook example of a hugely successful IJV in China being Shanghai Volkswagen.
4. Strict rules of FDI engagement ensured that the majority of manufactured goods in China had to be exported, which, in turn, had three favourable outcomes: (i) companies had to produce goods to international quality standards, thus de-emphasising any negative connotations associated with 'Made in China'; (ii) related to the previous point, Japanese, German, Taiwanese and South Korean companies transferred their highest tech manufacturing equipment and process technologies into China; (iii) substantial foreign reserves were quickly accumulated, allowing China to invest heavily in mega-infrastructure projects, including hi-speed railways, super-highways (e.g. between Guangzhou and Hong Kong), airports, nuclear power stations etc.

In a propagandic advertorial, *How China Made It: The political philosophy behind the world's most remarkable success story,* placed by 'China Focus' in *The Economist* on March 10th 2018, a notoriuous Chinese 'political scientist' Zhang Weiwei, widely acknowledged as a high-ranking ideologist in the CCP, wrote:

> *In response to Francis Fukuyama, author of The End of History and the Last Man, now is not the end of history, but the end of the end of history. This is not only good for China but for the West and the whole world, as we can now jointly explore new ways and means for better governance and development in the interest of our common humanity.*

Your right of reply, again, Dr Fukuyama.

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Chapter Six

George Soros versus The Bank of England.

Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.

John Maynard Keynes (1883-1946).
Economist, writer, senior British Treasury advisor.

Chapter Highlights

In the late 1980s, a Hungarian émigré to the UK, George Soros, had written a controversial book called The Alchemy of Finance and, with confidence in its underlying theory of global financial markets, took on and 'broke' The Bank of England.

In the early 1990s, the British government was desperately trying to 'peg' sterling to the European Exchange Rate Mechanism (ERM), which was dominated by a strong Deutschmark. For relatively complex reasons, this currency-pegging policy is rarely successful in the medium to long term. The main monetary lever to manage the process is the manipulation of interest rates by central banks, which, in turn, can wreak havoc on the nasty dynamics between inflation, recession and unemployment.

If there is a substantial gap between 'economic fundamentals' and artificially manipulated interest rates, it presents a red flag to speculative bulls, in this specific case the biggest of them all at the time: George Soros.

In a bizarre few hours on September 16th 1992, named *Black Wednesday* by many commentators, a bullring stand-off ensued between a hapless finance minister raising interest rates by the hour (Norman Lamont) and a calm Soros exploiting the market imperfection this created, cashing in all the while.

This drama had a potentially massive impact on British business, particularly those companies which operated in global markets and had complex financial instruments to manage, e.g. interest rate swaps, convoluted currency hedges, futures and derivatives amongst others.

A day of drama in Threadneedle Street.

The day was chaos writ large, but the British government eventually, and predictably, caved in, and some semblance of economic reality was restored as the currency devalued. The political legacy of that day lives on, including the UK's decision not to join the Euro in 1999. Many of the issues it raised were at the core of the complexities associated with the Brexit discussions that were taking place as the first edition of *Ten Years* was published.

This episode perfectly demonstrates the market volatility induced when political ideology and economic fundamentals clash. Most estimates suggest that Soros earned £1bn at a cost to the Bank of England of £3.3bn — not a bad return for a few hours 'work'.

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Chapter Seven

Japan's Lost Decade?

Capitalism without failure is like religion without sin. It doesn't work.

Allan H. Meltzer (1928-2017).
Economist, Professor of Political Economy.

Chapter Highlights

In 1990, Harvard economist Professor Michael Porter had great publishing success in his global research project aimed at explaining those factors underpinning the competitive advantage of *nations*, not firms, his traditional inquisitive territory. His findings were summarised in the Introduction to *Ten Years*, in the section The Competitive Advantage of Nations: A Theory of Everything?

Like many authors reflecting on country economic performance during the 1980s, Porter eulogized Japan for, amongst other things, creating an *intensely competitive* environment among its domestic industries, leading to extraordinary success for its companies both at home and abroad. However, within months of the book's publication, the Japanese economy spiralled into a deep crisis as, amongst other latent traumas, hyper-inflated asset prices collapsed, most notably equities and property.

Japanese (great) asset wave: high crest, heavy break.

Japan's highly *uncompetitive* financial services sector was hit particularly hard, partly because banks could carry unrealised capital gains on their balance sheets as tangible assets. This accounting practice would have been anathema to large, global 'western' banks but reflected the fragmented nature of the industry structure in Japan.

Smaller banks, for example, were 'propped up' and allowed to survive rather than consolidate or go bankrupt, despite having substantial small company 'toxic debts' on their balance sheets. Furthermore, foreign bank entrants were barred or strongly deterred from competing in the Japanese market.

During the 2007/2008 global financial crisis, mega-banks and financial institutions such as American International Group (AIG) were deemed 'too big to fail' and were therefore bailed out by the federal government in the US and governments elsewhere. By contrast, in early 1990s Japan, it was mid-size community banks which, within Japanese society and culture, were felt to be 'too small to fail' and were therefore supported by government, both national and local, during the period.

The common economic/behavioural factors which existed between these contrasting failure scenarios - separated by two decades - was (and remains) *moral hazard*. This is the implicit or explicit assumption amongst bank executives that bad lending decisions will not be punished and, in parallel, the belief amongst the general public that their cash-in-the-bank deposits are secure.

A fundamental tenet of market economics is that banks *must* be allowed to go bankrupt or, at the very least, restructure in one form or another in times of financial crisis. In Japan during the 1990s that didn't happen, and the Japanese economy endured a decade or more of stagnation interspersed with outbreaks of deflation, described by many commentators as 'Japan's lost decade'.

To add another dimension largely ignored in the Porter thesis, the unfathomable, byzantine nature of *keiretsu* organizations such as Fuji, Hitachi, Matsushita, Mitsubishi and Toshiba confused the competitive landscape.

These long-established mega-firms - so different from post-war newcomers Sony and Honda - were (and remain) diversified conglomerates which span multiple business and financial sectors and have intricate relationship matrices within and between themselves. These impenetrable industrial structures made participation in many Japanese market sectors extremely challenging for non-Japanese companies.

Porterian critique aside, the crucial point here relates to the uneasy categorisation of macro and microeconomic forces when attempting to explain the nature of competition in the context of globalization. As was concluded concerning competitiveness in general when I co-authored Inside Fortress Europe: Strategies for the Single Market with my colleague Professor Peter McKiernan in 1993:

> *We believe that the focus of the debate should be on the industrial level, that is, through strong firms recognizing the primacy of customer-based innovation over government-sponsored protectionist policies.*

More than twenty-five years later, I remain convinced that this fundamental essence of competitiveness, when applied to free markets, is more valid than ever in international business and trade history. The principles are the same, just more: (i) intense; (ii) immediate; (iii) impactful.

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Chapter Eight

Inside Fortress Europe and the '1992 Process'.

The difference between perseverance and obstinacy is that one comes from a strong will, and the other from a strong won't.

Henry Ward Beecher (1813-1887).
Congregational clergyman, social reformer, abolitionist.

Chapter Highlights

With China evolving, Japan wilting and the US nursing its debt hangover, twelve European states were planning the final stages of the biggest Euro-project since the Treaty of Rome was ratified in 1957.

Even earlier, the 1951 Treaty of Paris between France, West Germany, Italy and the three Benelux countries (Belgium, Netherlands and Luxemburg) established the European Coal and Steel Community and laid down the foundations for the European Union (EU), which came into being on January 1st 1993.

The United States of Europe? A Brief History of a European Union

The dream of European unity has a long history. It had liberal and pacifist roots, ideals that floundered in the face of self-destructive, violent interruptions. Intellectual calls for European integration have followed a turbulent path. Though the famous 'Grand Design' attributed to Henry IV of France (1553-1610) is of dubious origin - as such fables tend to be - its legend explicitly referred to a 'Great Republic of Europe'. This entity would join together the disparate kingdoms, principalities and religions of Europe and harness them in peaceful unity.

In their 1814 tract *De la réorganisation de la société européenne (The Reorganisation of European Society*), Henri de Saint Simon (1760-1825) and his doctoral pupil Augustin Thiery (1795-1856) called for the unification of Europe on the basis of a

single constitution. Their thesis emphasised the principle of a European democratic parliament independent of nation-states and empowered to take mediatory action.

Italian philosopher Carlo Cattaneo (1801-69) linked people-to-nation-to-state-to world citizenship through his notion of what is now known as *subsidiarity*, the principle that a central authority should only have a subsidiary function, performing those tasks which cannot be performed at a more local level. Subsidiarity is now a central tenet of the European Union.

Despite their lofty ambitions, such appeals were largely ignored. Europe instead became a continent of nation-states that were individually reluctant to tolerate their dominant neighbours. War and rebellion became the means of solving national-territorial and hereditary disputes as Europe's constituent countries amassed a significant competitive advantage in killing and maiming, mostly each other.

Western European nations were in constant strife from 1550 to the eventual (yet still fragile) peace of 1945. Warmaking and warmongering became the engine of industrial and economic development, the driver of political policy and the glorification of man's noblest instincts and chivalry. Rather than united, the continent of Europe has been restless, fragile, contradictory and pluralist. European unity was the dream, disunity its apparent destiny.

The 1992 Process

For many years it had become common parlance to discuss the '1992 Process' but, as with many things European, events did not quite tally. The formal creation of the European Single Market was on January 1st 1993.

The first-of-the-first-in-the-year is typical for the commencement of major European projects. For example, the then-controversial single currency, the Euro, was officially introduced as an accounting medium of exchange to global financial markets on January 1st 1999, i.e. in the first instance, it existed exclusively as a technical concept with only electronic exchange and transfers being possible. The cash - notes and coins - didn't

arrive until January 1st 2002. Unofficially, the governments of France, Belgium and the Netherlands put massive pressure on retailers to postpone their January sales until the new currency had 'bed-in', this for fear of the ATMs being empty when consumers traditionally let in the New Year with their annual retail therapy!

This Euro trivia may well be Euro-trash, but it was a serious political detail: the same-day launch of a multi-country single currency, in the absence of fiscal (tax) harmonisation, had never been done before, and there was wide and deep scepticism that it would work.

The twelve European Community countries who became signatories to the Single European Act of 1986 (ratified and effective July 1st 1987) to formalise a European Single Market by the end of 1992 were:

- Belgium.
- Denmark.
- France.
- Germany.
- Greece.
- Ireland
- Italy.
- Luxemburg.
- Netherlands.
- Portugal.
- Spain.
- United Kingdom.

When writing the first edition of this book in 2018, there were twenty-eight member states within the European Union, with one about to leave (the UK) and others patiently queuing to join in the fun (e.g. North Macedonia, Serbia, Turkey).

One of the factors Prof. Michael Porter identified in explaining the competitiveness of nations was the extent to which national industries were themselves characterised by intense rivalry. In the run-up to the European Single Market, the characteristic attitude of large national firms from France, UK, Netherlands and, to a lesser extent, Germany, was exactly that: nationalistic; or, perhaps more accurately, country-parochial; or, and worse,

xenophobic. Rather than competing or consolidating, national firms spent energy and resources extensively lobbying their respective governments to protect their privileged positions.

The case of Germany in this context is worthy of particular note. On a GDP per capita basis, Germany was then the world's largest exporter of manufactured goods, and it remains so to the present day. Underpinning this powerhouse performance are not only the usual suspects: VW, Bosch, Daimler, BMW, Siemens, Henkel, Bayer and so on. The driving force of German export success is the *Mittelstand*, 'no-name' small and medium-sized engineering companies who dominate global high-end business-to-business niches, typically employing less than 500 people and mostly family-owned.

In its 1990 annual paper on the World Economy, Japan's Economic Planning Agency pointed to the proposed North American Free Trade Agreement (which embraced Canada in the north and Mexico to the south) and the European Single Market, and predicted a potential shrinkage in world trade:

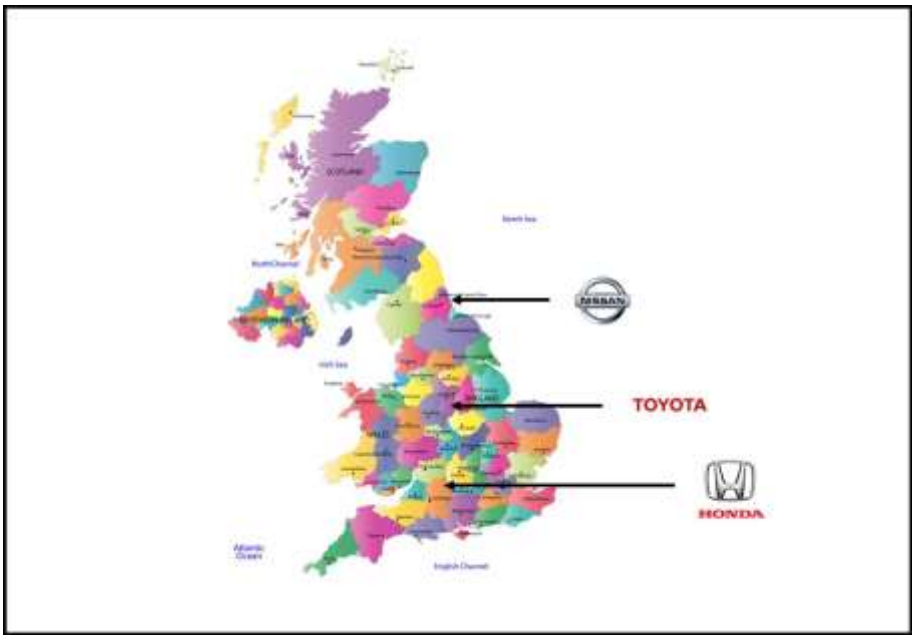
> *The possibility of raising barriers against countries outside the union cannot be denied. We must be vigilant against such a tendency.*

More generally, there was a growing fear amongst many economists and commentators that the emerging trade blocks were more likely to operate as 'Fortress America', 'Fortress Japan' and 'Fortress Europe' than as a spur to driving growth in the world economy.

Japanese concern was not surprising, although the constraint shown in the politeness of the report perhaps was. Japan's response to the emerging trading bloc mentality was in stark contrast to the caustic nature of the attacks on the Japanese at the time by the former French Prime Minister, Edith Cresson, a highly divisive figure in European politics throughout the 1990s:

> *The Japanese have a strategy of world conquest. They have finished their job in the US, and now they are about to devour Europe.*

However, the French position does need to be put in a broader perspective. The UK, for instance, didn't follow the same hard-line xenophobic attitude, a point which commentators argued reflected the fact that Japanese companies had placed 40% of their European foreign direct investment (FDI) in the UK. High profile examples were the car giants Toyota, Nissan and Honda, as depicted in the illustration below.



Made in England, designed by Japan!
1980s Japanese FDI in the UK.

For non-Anglophiles looking at the map above, Honda located its manufacturing facilities in Swindon, Toyota in Derby and Nissan in Sunderland. Arguably, Toyota made the smartest location choice: Derby is the home of Rolls-Royce Aerospace and Canadian engineering company Bombardier Transportation. The city, its universities, colleges, and even its schools exist within a cutting-edge precision-engineering culture unrivalled anywhere outside the US, including Germany and Japan.

The Japanese solution to the dual-issue business case scenario of a strong currency (¥) and unit import quotas was deceptively simple, although it required a long-term planning horizon: manufacture the mainstream high-volume brands inside the walls of

Fortress Europe to get around the quota impositions and export the higher value-per-unit products such as Lexus to extract maximum *margins* from those markets.

Perhaps more illuminating as 1993 approached (and daunting for some European, Japanese and American companies) was the German stance against protectionist measures at the time: it was fervently against them. This position reflected their conviction that German companies could take on and beat their Japanese and other global rivals by any measure of customer value. The evidence was with them rather than those advocating protectionism, and that is how it played out in the decades which followed.

Harvard economist Michael Porter has convincingly argued that the intense rivalry of competing firms in a global industry was highly likely to lead to continuous product and process innovation and competitive success. As he also noted in a rare author-named guest essay in The Economist, *Europe's Companies after 1992: Don't collaborate, compete*, the tendency of European firms to collaborate or clamour for protection during the approach to what was the inevitability of the European Single Market, rather than taking on the business environment challenges it presented them with, would fail. His message was simple:

The secret of competitive advantage is to compete.

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Chapter Nine

Time to Stop Talking. Multilateral, Rules-based 'Free Trade' is (Belatedly) Born: The World Trade Organization.

Persist and persevere, and you will find most things that are attainable, possible.

Lord Chesterfield (1694-1773).
Diplomat, statesman, man-of-letters.

Chapter Highlights

On January 1st 1995, the World Trade Organization (WTO) was formally established with a simple mission:

> *The World Trade Organization deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.*

Its origins are more complex. Along with the World Bank and the International Monetary Fund (IMF), the WTO was first proposed at the Bretton Woods Conference in the USA in 1944, just as the Second World War approached its grim but final conclusion. It ultimately provided the blueprint for a 'New World Order' of free and open trade between nations, a rules-based formula that had its conceptual roots in late eighteenth- and early nineteenth-century economic thought.

The WTO was the end-point of prolonged (and remarkably patient) political negotiations between multiple countries held under the General Agreement on Tariffs and Trades (GATT) framework. This new world order did not arise from luck, the roll of a dice. It was *created*, in an extraordinary battle of wills between a world-renowned British economist (John Maynard Keynes) and a largely unknown American technocrat (Harry Dexter White), in a negotiated order of monumental global impact.

Before the WTO was formally established, the framework for the conduct of international business was the General Agreement on Tariffs and Trade (GATT), known by aficionados of international relations as the General Agreement to Talk and Talk (ha ha).

The origins of GATT were rooted in failure: the attempt by many countries through a United Nations conference on trade and employment to create the International Trade Organization (ITO). This idea was heavily debated during the Bretton Woods negotiations with an explicit acknowledgement that tariffs and other forms of protectionism had contributed to the Second World War and significantly influenced the origins of the First.

As David Ricardo had observed more than a century earlier, free and open international trade has benefits for all country-participants whereas mercantilism (the predominant 'global' business *modus operandi* of his day) is rooted in parochial market closure, treasure accumulation and selfishness, i.e. it is a zero-sum game, winner takes all trade policy. Economic *interdependence* between nations, in contrast, has a happy side effect over and above wealth creation: world peace.

GATT got going on October 30th 1947 with 23 nations as signatories and became operationally effective on January 1st 1948. Its remit was expanded over time - as was its membership - during a long series of 'rounds' of negotiation talks:

- Geneva I (1947).
- Annecy (1949)
- Torquay (1951).
- Geneva II (1955-56).
- Dillon (1960-62).
- Kennedy (1962-67).
- Tokyo (1973-79).
- Uruguay (1986-1994).

Each round had different agendas and the cumulative outcomes achieved were extraordinary given that they progressed relatively smoothly against a geopolitical backdrop that included the still-unresolved Korean War (1950-1953), the complex second Indochina War - more generally known as the Vietnam War - which spanned two decades from 1955, the Cold War (and its proxies) and multiple military skirmishes (e.g. the Falklands War) which tested international relations between countries and continents.

And factor in the collapse of the USSR, the Chinese economic reform hiatus of the early 1990s and the creation of the European Single Market to underline how the patient persistence of GATT participants and negotiators led to a degree of unprecedented stability for international trade. The final pieces of this complex jigsaw during the Uruguay Round addressed two specific concerns of 'developed countries', the twin issues of trade in services and intellectual property protection in all its forms.

The persistence pay-off: rules-based international trade.

On January 1st 1995, the WTO replaced GATT as the independent regulator of global commerce. The following paragraph is taken from the WTO website page titled *History of the Multilateral Trading System*:

> *From the early days of the Silk Road to the creation of the General Agreement on Tariffs and Trade (GATT) and the birth of the WTO, trade has played an important role in supporting economic development and promoting peaceful relations among nations.*

The following numbered list outlines the ten major roles, ambitions and aspirations which fall within the WTO's remit and define its purpose:

1. Cut living costs and raise living standards.
2. Settle disputes and reduce trade tensions.
3. Stimulate economic growth and employment.
4. Cut the cost of doing business internationally.

5. Encourage good governance.
6. Help countries develop.
7. Give the weak a stronger voice.
8. Support the environment and health.
9. Contribute to peace and stability.
10. Be effective without hitting the headlines.

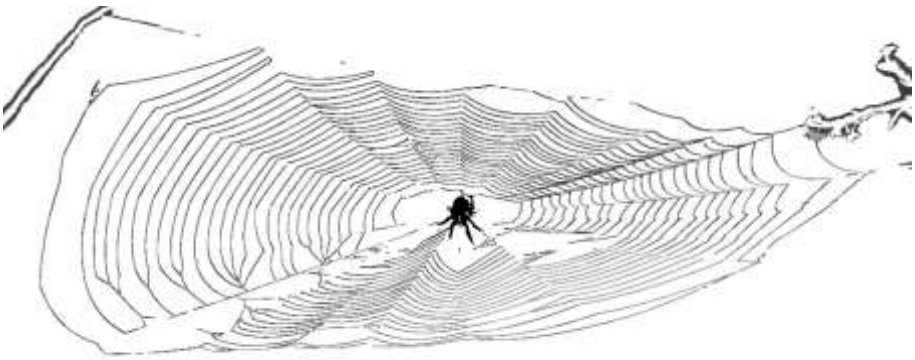
While it may sound overly utopian, it should be acknowledged that these lofty goals represent the desired outcomes of 164 member countries and provide the 'round-table' context for the discussion forum which the WTO enables. The hard-fought rules that GATT delivered to the WTO in 1995 still provide the legal framework for the conduct of international trade in 2021.

Much criticism of the WTO is misplaced, partial or demonstrates misunderstanding and ill-judgement. The three pillars of the WTO are:

1. Tariff commitments.
2. Transparency.
3. Non-discrimination and most favoured nation (MFN) rules.

Most favoured nation rules require countries to treat tariffs and taxes on goods and services the same, regardless of the foreign countries they originate from. As with all legal frameworks, there are exceptions and exemptions to this MFN rule, notably regional trade agreements such as those embodied within the EU, which legitimately grants preferential terms to goods originating from those members *within* its *external* borders.

This WTO exemption 'permission' explains why the UK (or any other exiting EU member, for that matter) has to negotiate multiple new international trade agreements, having departed the European Single Market it joined in 1993.



The tangled web of international relations.

In the next chapter, I leave geopolitics and the messiness of international relations behind and explore an arguably greater double-edged force in the globalization process that arose in the mid-1990s and is driving its current momentum: information technology and 'step-change' communications catalysts.

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Chapter Ten

Windows ’95 and the ‘Invention’ of the Internet.

The Web as I envisaged it, we have not seen it yet. The future is still so much bigger than the past.

Sir Tim Berners-Lee.
Computer scientist, engineer, ‘inventor’ of the internet.

Chapter Highlights

Bill Gates is a huge Rolling Stones fan. (Urban) legend has it that when Microsoft was planning the spectacular launch of Windows ’95, Bill invited Mick to his *Xanadu 2.0* mansion in Washington State to discuss using the Rolling Stones’ 1981 single *Start Me Up* for the August 1995 mega-event and beyond.

The reason for wanting to use that specific ditty was to emphasise the redesign of the messy user interface of previous Windows incarnations, primarily focusing on the all-new ‘Start’ button. The PC would burst into life when clicked, just like the song itself following its opening riff. But the Rolling Stones didn’t do jingles or allow their music to be used for such trivia: they were a blues band, cats, not a hippy-happy-bursty pop-tart group. The song *was* used, so what happened?

Gates was famous for two things while studying at, and before dropping out of, Harvard University: (i) he didn’t attend *any* lectures remotely related to the subject he’d enrolled for (law), preferring instead to play with the university’s computers and to read advanced math texts for further fun; (ii) playing poker. Jagger, meanwhile, is famous for many things over and above singin’ the blues, and, like Gates, he has a passion for poker.

Other than the protagonists, nobody knows precisely what went down during that brief Seattle sojourn apart from the playing of a legendary poker game between the two venerable poker faces. Someone was bluffing, but the song played on. The subsequent spin from the two parties’ publicity machines suggested that a fee was agreed for using

the tune, the actual figure paid ranging from $15m (the Stones) to "a fraction of that amount" (Microsoft).

This poker fable may seem somewhat remote from the didactic themes of *Ten Years*. But it's not and, as we'll see when discussing the central theme of communications as an accelerant of globalization, it represents one of many 'step-changes' en route to the 'Internet-of-Things' and the world of social networks, social media and 'Big Data' which characterise the contemporary era.

Windows '95: communications gateway to the world.

In developing Windows '95, Microsoft's original product development programme was based on a closed system for internet access, creating Microsoft Network (MSN) to compete with CompuServe and America Online (AOL). These were known as portals, and the business model was firmly rooted in effective supply chain management based upon 'push' strategies. But Sir Tim Berners Lee had 'invented' the internet, i.e. www (html), and Netscape offered a free web browser to end-users. The business model had become 'open systems' overnight.

Knowing full-well the legal challenges they were likely to encounter by 'bundling' Internet Explorer free with Windows '95, Microsoft brazenly ignored them and executed

an extraordinary strategic U-turn, essentially creating an open-system, completely 'free' global internet platform on its huge installed base of networked PCs worldwide.

This is arguably the single most significant 'step-change' communication breakthrough in the history of globalization and, without doubt, the quickest in terms of its global impact.

A couple of years before the launch of Windows '95, the computer giant IBM posted an $8bn loss, then the biggest in American corporate history. This was a landmark moment-in-time that sent shockwaves throughout corporate and business school communities worldwide. Affectionately known as 'Big Blue', IBM was for many years the biggest of the big 'blue chip' US public corporations.

But by the early 1990s, although it was financially strong (courtesy of past glories), the company was commercially bankrupt, riddled with organizational malaise. What could have gone wrong? IBM became strong again; how so?

Following a string of devastating results, the Board of IBM recruited an industry outsider as Chair and CEO; he was a change agent, a fresh-pair-of-eyes, a fixer: Lou Gerstner.

At first, not much happened and IBM seemed doomed to a vicious cycle of decline-restructure-decline-restructure ad nauseam. But then they got lucky — an uncomfortable concept for many economists, primarily because luck can't be measured, unlike, for example, chance (which can be assigned a probability).

IBM's vast wealth was built around the mainframe computers they sold and the global monopoly-like market share these monolithic big data crunchers enjoyed. The company's high margin earnings came from the software and services these machines needed to function but, by the early 1990s, the whole technology package was being *disrupted* on multiple fronts.

It is important to note that the technologies discussed in the following passages are intrinsically irrelevant.This is a case history about markets (customers and competitors), not products and services.

Mainframes were no longer mainstream as powerful networked PCs (courtesy of Cisco Systems, Compaq, Dell, Taiwanese 'clones' etc.) began to dominate enterprise computing. New hardware entrants (e.g. Amdahl, Apollo, EMC[2], Hitachi Data Systems, HP, Sun Microsystems, Wang Laboratories), substitute software technologies (e.g. Oracle databases, SAP ERP solutions) and 'full-service' service providers (e.g. Anderson Consulting, EDS and KPMG) entered IBM's enterprise 'space', companies which offered better value and customised solutions.

In the lexicon of strategic marketing, IBM had been 'cherry-picked' on a segment-by-segment basis by sharper, more agile, customer-focused competitors. Many of these rivals were unfamiliar to the company while others were naively aided and abetted by it. IBM had previously created the open-system PC market in response to a perceived threat from the Silicon Valley upstart Apple. In its race for a 'PC in a year', the company outsourced key PC technologies, including microprocessors from Intel and an operating system from Microsoft branded as IBM PC-DOS. The poker-minded genius of Bill Gates negotiated the rights for Microsoft to sell the operating system in wider market spaces. They branded the software MS-DOS (Microsoft Disk Operating System), a name widely and pejoratively labelled QDOS by technologists: Quick and Dirty Operating System!

A key point to note in this business case scenario is that IBM, famous for its proprietary closed-systems business model, *inadvertently* laid the foundations for a global, accessible, scalable, affordable communications infrastructure, in the first instance because they were genuinely afraid of a small bunch of hippies from California.

The good news for IBM - the lucky bit - was that mainframes were back in vogue as the internet explosion was set in motion by the circumstances described above. They were renamed 'servers', demand for them proliferated, factories were expanded, workers re-

employed, and the infrastructure for what we now know as cloud computing was established in 'server farms' worldwide.

Considering all the above, this was an unprecedently intense period of technological convergence, especially in telecommunications and IT more generally, and it was remarkable for two key characteristics:

1. It was not orchestrated by any single 'conductor' – it just 'happened' by the 'invisible hand of the market' so presciently observed by Adam Smith.
2. It happened at lightning speed from a commercial perspective. And, for the record, in amongst all this technology turmoil, the world's first online retailer was quietly born on July 5th 1994: Amazon.com.

As a final remark, Windows '95 was not just a *symbol* of the internet as a step-change-communications factor in the progress of globalization. It was a *communications catalyst*, bringing 'overnight' global online access to anyone, anywhere in the world, so long as they had use of a PC, whether at home or work. If the global telecommunications infrastructure was the internet highway, Windows '95 was its traffic management system.

The internet goes global.

That was some poker game between Bill and Mick. And uber-symbolic: the dawn of a new era in the history of globalization, not because of what happened then per se, but because of what happened next, writ large.

In the next chapter of this book, I return to the complex world of geopolitics and financial markets: "Oh! What a tangled web we weave". But, in truth, weave it we must…

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Chapter Eleven

Globalization Interrupted: George Soros Returns, the Asian Financial Crisis, Russia Defaults.

Teach a parrot the terms supply and demand and you have an economist.

Thomas Carlyle (1795-1887).
Philosopher, mathematician and polemicist.

Chapter Highlights

In the late 1990s, the general advice given to those managers conducting business in Thailand had two standout elements over and above the typical corporate travel recommendations:

1. Do not insult the King or Royal Family in any way, shape or form. This is a serious consideration in the conduct of international trade at the corporate level, especially where the foreign country is proudly republican (e.g. France, Germany) or frequently critical of the monarchies they do have (e.g. UK, Netherlands). Cultural *sensitivity* is a fundamental requirement for success as an international manager. Cultural *arrogance*, sadly, remains too common in the conduct of international business by multinationals, both by employees and the companies they work for. Be warned. *Lese-majesty* in Thailand will land you in jail: that experience won't be pleasant, and you might be there for an indeterminate time, but you *will* deserve it. Forewarned is forearmed: don't do it.
2. Also, do not mention George Soros, preferably not at all, and definitely not with any hint of respect for the man.

The first point above is deadly serious. I have the travel advisory to prove it, provided by a major multinational company I was consulting for in Thailand during this period. The second point is not a joke. Soros became a hate figure amongst large swathes of Thailand's population, a focal point of blame for the devastation to the country's economy caused by the collapse of the Thai baht in 1997. He frequently figured in mass-market news channels and public news postings, always in a highly negative fashion.

Whether the vitriol was justified will not be debated here, nor will the culpability of the Thai politicians and civil servants responsible for Thailand's failed monetary policy be assessed in any depth.

The Asian Financial Crisis

Whether your opinion of Soros is that he is a financial genius or a sordid speculator preying on the vulnerable is a discussion for a different forum. What happened is what matters when we come to explore the impact on the global economy of this 'little local difficulty' and the implications of this for the steady expansion of international trade and Foreign Direct Investment (FDI) into emerging and 'frontier' markets.

What Soros did was a de facto déjà vu of what he had previously done to the UK government in 1992. He correctly judged that the Thai baht was unsustainably over-priced and shorted it on a massive scale. Simply put, he thought the baht would devalue, backed his judgement and reaped the rewards.

Although the UK and Thailand scenarios had the same outcome (currency devaluation), the economic and political contexts of the two were markedly different. In both cases, Soros and his team carefully analysed the political motivations behind the two countries' macroeconomic policies of setting a currency peg, always a perilous financial markets strategy when undertaken by overly ambitious or hubristic governments.

The critical point of departure between the UK and Thailand was that, although they 'lost' the skirmish, the UK could afford to take the battle to Soros. Although initially defiant, the Thais had to concede, lacking the foreign reserves to stay in the fight. They were forced to float the baht on July 2nd 1997, allowing its value to be determined by global currency markets. This, in turn, caused a chain reaction, eventually culminating in a region-wide economic drama, subsequently labelled the *Asian financial crisis*.

Like dominoes, in a process that economists call *contagion*, the currencies of other high growth countries in Southeast Asia collapsed (followed later by South Korea and Japan), wreaking havoc in the process and disturbing global financial markets. In tandem,

stock market valuations slumped across the region, as did other asset prices (e.g. property), while corporate and private debt soared. After Thailand, the countries most affected were Indonesia, South Korea and Malaysia, while Hong Kong, Laos, the Philippines and even China were hurt. The little local difficulty had globalized.

It should be noted that a full economic recovery was achieved relatively quickly in the region, reflecting a defining characteristic of emerging and frontier markets: turbulence and tranquillity, aka volatility.

Turbulence and tranquillity in Southeast Asia.

Russia Defaults

Undoubtedly the most significant single event at this time in terms of its global impact was that Russia, shortly after the onset of the Asian financial crisis and now under the stewardship of Boris Yeltsin, devalued the rouble on August 17th 1998, defaulted on its domestic debt and declared a moratorium on the repayment of its foreign debt.

Although not directly linked to the Asian crisis via trade or financial transfers, the 'Russian flu' had many similar economic problems, albeit tinged with a soviet hue of corruption, oligarchy and anti-capitalist political sentiment.

It is important to note that the debt default was the *effect*, not the *cause,* of the Russian crisis. At the time, the country's Central Bank employed a 'floating peg' policy toward the ruble, which meant it managed the ruble-to-dollar exchange rate within a relatively narrow band (range). In practice, the Bank would intervene in currency markets by selling or buying rubles using its foreign reserves. As was the case with Thailand, this worked well as long as those reserves were plentiful and the economic conditions were benign.

For multiple reasons and long before the debt default, the Russian economy was in desperate need of reform, as was its fragile political system. The inability of the government to implement a series of coherent reforms dramatically eroded investor confidence which, in turn, instigated a vicious cycle of currency (ruble) and asset sales, the latter including property, stocks and bonds. This then put further downward pressure on the ruble, which forced the Central Bank to deplete foreign reserves through their interventions which again sapped investor confidence.

All of this happened just seven years after the collapse of Comecon and the dissolution of the Soviet Union. It sent shock waves throughout the capitalist community eager to invest in the new country, either to exploit its natural resources (e.g. in a joint venture with a Russian oil & gas company) or to tap into its fast-growing attractive demographic profile: young and relatively affluent consumers.

More generally, the Asian financial crisis commencing 1997 and the simultaneous Russian default in its wake sent shivers throughout the corporate world, shook investors to their core and forced recalibrations of the numerous FDI risk indices which multinational companies rely so heavily upon.

Except for the two World Wars of the twentieth century and the Great Depression that separated them, the combined impact of the Asian financial crisis and the Russian debt default delivered the most significant single systemic jolt to global financial markets in the history of the world economy.

Like an economic tsunami, the shockwaves it produced jumped continents and landed in Greenwich, Connecticut, USA, threatening Wall St., New York City, in its turbulent wash.

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Chapter Twelve

Why Genius Failed and No One Noticed.

The difference between genius and stupidity is that genius has its limits.

Albert Einstein (1879-1955).
Genius.

Chapter Highlights

This chapter will be narrowly focused because the implications of what arose in the sorry story it relates did not have the same long-term systemic impact on globalization dynamics as the chapters which precede it. But it should have been more widely noticed.

In the passages that follow, I have no option but to include words and concepts from the lexicon of financial economics. These will be kept to a minimum because they mustn't distract from the book's purpose, which is to highlight significant historical events, processes, themes and globalization dynamics that define our decade. And to make sense of them.

The story I tell may cause some confusion and a heavy dose of incredulity. Confusion because the issues are complex, and economists are notoriously fractious in how they conduct and communicate their 'dismal science'. Disbelief because the central characters employed by the company I scrutinise, Long Term Capital Management (LTCM), are Nobel prize winners who should have known better when doing what they did.

But we can seek solace that we are in good company, the genuine genius Sir Isaac Newton (1643-1727), mathematician, astronomer, physicist, theologian, lockdown philosopher etc., who caustically observed (having made a fortune in stocks before promptly losing it again):

I can calculate the motions of heavenly bodies but not the madness of money.

With these observations made, let's take a (random) walk down Wall St., the beating heart of global capitalism, which opened chapter one: "Greed is good".

On Wall Street…

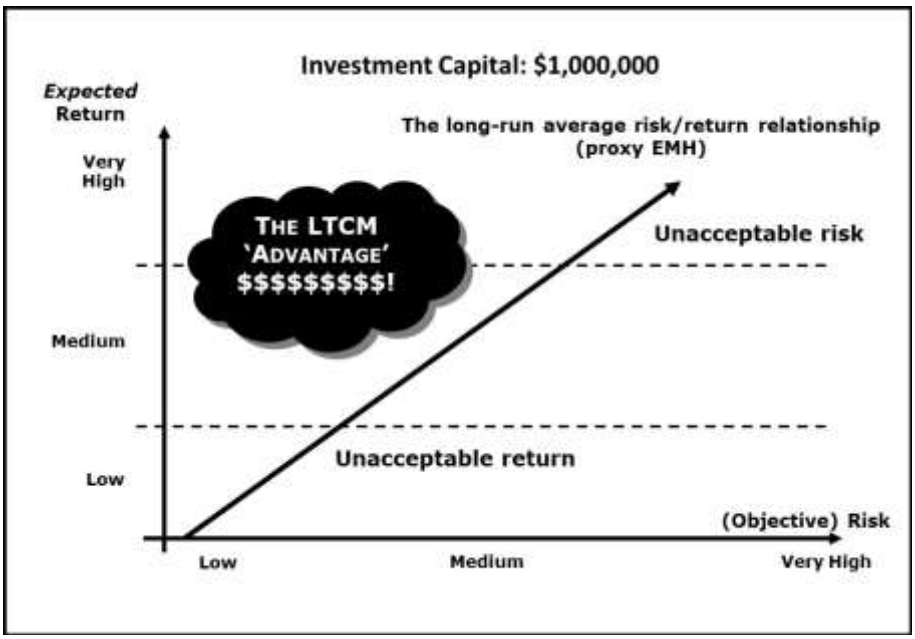
The Efficient Market Hypothesis.

Traditional financial economics argues that it is impossible for investors to 'outperform' asset markets, a theorem known as the Efficient Market Hypothesis (EMH). Numerous scholarly research projects (and some frankly frivolous but fun experiments involving Florida 'seniors' and, separately, monkeys) have demonstrated that highly-paid Wall St. and City of London fund managers are not worthy of the generous remuneration packages they receive.

In both finance and economics, behavioural sciences are in the ascendency, challenging fundamental theories associated with the EMH and other aspects of behavioural economic life, perspectives ranging from Nobel-laureate-academic to lightweight-facetious. Also, please take note of John Maynard Keynes's oft-cited observation that "the market can stay irrational far longer than you or I can remain solvent".

The illustration on the next page presents a proxy for EMH, graphically demonstrating the three interacting elements of finance and investment theory: (i) Investment; (ii) Risk; (iii) *Expected* Return.

Let us assume that investment capital is a fixed amount, say, $1m. Risk is presented here on the horizontal axis as an *objective* factor, a proxy for broader market acceptance of the risk associated with any asset class or portfolio. The emphasis on *expected* return as depicted on the vertical axis relates to the behavioural dimension of investment theory, i.e. it describes the *motivation* underpinning investment decisions made by an individual or group of like-minded investors.



Explaining the Efficient Market Hypothesis (EMH).

So, for example, why *would* someone invest in a very high-risk project? Cynically stated, they are greedy, like fictional character Gordon Gekko ("greed is good") or the very real Jordan Belfort, the *Wolf of Wall Street*.

Or they have *animal spirits*, "a spontaneous urge to action" (attrib. John Maynard Keynes). Or they are caught up in the bubble-blowing *madness of crowds* (attrib. Charles Mackay). Or they are consumed by *irrational exuberance* (attrib. Robert Shiller). Or they think they are smarter than the market (e.g. Profs. Merton and Scholes of LTCM). Or they are deluded. Or, less critically, because they know what they are doing, can afford to play the game and are prepared to lose their money (e.g. Wayne Rooney).

Reverting to the EMH illustration above, I have refrained from naming specific asset classes, but I can provide generalised examples along the horizontal (objective) risk axis, from lowest to highest.

Low: the lowest-risk asset class in this category is sovereign debt (bonds) issued by stable, advanced economies, e.g. US Treasuries, UK Gilts, German Bunds, French OATs etc. Cash-in-the-bank is the most common 'mass-market' example in this category. Still, bank deposits do come with a risk caveat: the notion of *moral hazard* and the principle that banks must be allowed to go bankrupt to constrain their lending behaviour. 'Blue-chip'

corporate bonds (debt) would also feature within this low-risk spectrum, towards its higher end.

Medium: the typical profile here would be of a balanced, diversified portfolio of cash (for liquidity), bonds (for income) and equities (for liquidity, income and capital gain). The biggest risk investors take here is the potential loss of capital. A large majority of the general public will be invested in this risk category, primarily through their long-term savings for retirement and mainly through statutory pension funds. Most 'active' fund managers will earn their living from managing these investment portfolios. Most funds will be linked to a stock-market index, e.g. FTSE 100/250, Dow Jones, S&P, CAC, DAX, Nikkei, Nasdaq etc. Taking the US as an example, blue-chip, dividend-paying, relatively safe ('old economy') companies are typically listed on the S&P 500. The FAANGs (Facebook- now Meta - Apple, Amazon, Netflix, Google - now Alphabet) represent riskier, higher growth-focused companies and are primarily listed on Nasdaq.

Very High: tulips from Amsterdam; the millennium dot.com casino; the sub-prime slice & dice (as seen in the award-winning docu-drama movie, *The Big Short)*; the bitcoin bonanza; the unquoted biopharma equity stock-picker; etc.

I conclude this discussion of 'the madness of money with another aphorism from Warren Buffet:

> *I will tell you how to be rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.*

All of which brings us to our main feature: the rise and fall of Long Term Capital Management.

Long Term Capital Management

The title of this chapter is unashamedly borrowed and adapted from the international best-selling book by Wall Street Journal reporter and author Roger Lowenstein (2002): When Genius Failed: The Rise and Fall of Long-Term Capital Management (How One Small Bank Created a Trillion-Dollar Hole). The company

concerned is Long Term Capital Management (LTCM), registered in Delaware but headquartered in Greenwich, Connecticut.

LTCM was founded in 1994 as a hedge fund management firm (to circumvent regulation) by John Meriwether, the former vice-chairman and head of bond trading at Soloman Brothers during the heady days of the late 1980s. The geniuses are two famous scholars noted for their econometric modelling of markets and managing assets via leverage and hedging to provide their wealthy clients with (promised) above-normal returns (depicted as the LTCM 'Advantage' in the EMH illustration above). These were the quants, the 'Masters of the Universe'.

The professors were Myron Scholes and Robert Merton. They were awarded *The Nobel Memorial Prize in Economic Sciences* in 1997 for their contribution to the creation of the Black-Scholes model, a conceptual framework for valuing derivatives, including options such as 'calls' or 'puts' (continuous-time options pricing) amongst other 'tricks of the (dismal science) trade' of financial economics.

Reflecting on the discussion in the previous chapter and the economic tsunami crossing continents, while countries such as Thailand, Indonesia and Malaysia were relatively 'small fish' in the grand scheme of global finance, Russia was a different prospect. It has vast natural resources, massive nuclear capability and a centralised and highly politicised macroeconomic management system.

Along with other supposedly hedged trading positions, LTCM had invested heavily in Russian local currency bonds but left itself horribly exposed to a 'liquidity trap' when Russia defaulted, a problem compounded by similarly misjudged investments in complex financial derivatives and apparently 'safe' corporate bonds. For example, the fund had invested heavily in Fiat bonds, assuming that the Italian automobile manufacturer had the same low-risk profile as 'blue chip' stocks such as US firms IBM, The Coca-Cola Company and GE.

The liquidity trap scenario is both incredibly simple and horrendously complex to explain within the subject domain of financial economics. Let's deal with the simple aspect

first. Cash is king, which is a proxy for liquidity. If you are heavily in debt and have an unexpected 'cash call', say for funeral expenses, you can't afford the cost: pay-day loans loom large.

Reverting to LTCM, the complexity *shouldn't* have concerned investors because their trust was placed in the famous professors to handle it, two Nobel laureates with their magic models for hedging bets and taking care of their clients' cash. But no amount of quantitative analysis could predict the enigmatic nature of Russian government behaviour or, indeed, the intricate political relationship between the Italian government and Fiat, another investment made (corporate bonds) by LTCM.

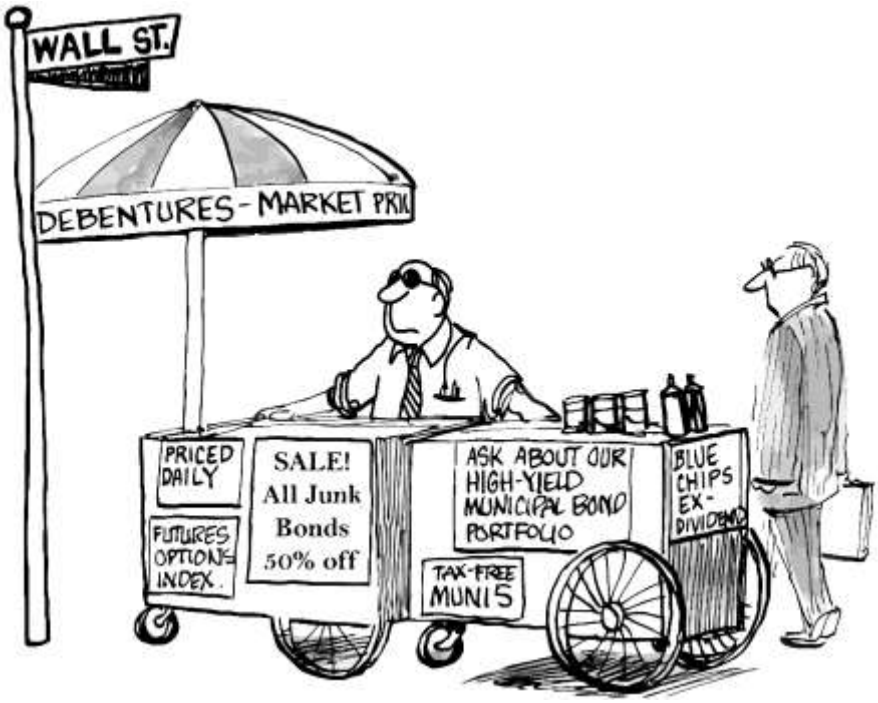
So the real question should be *why* genius failed, not *when*. The latter is easy: 1998, the end of our turbulent decade. The former is equally straightforward: hubris in the form of excessive self-belief to the extent that the professors just kept digging that financial black hole when faced with mounting evidence that it was getting deeper. As former French President Charles de Gaulle pithily observed, "Genius sometimes consists of knowing when to stop".

Following the Asian Financial Crisis and the Russian sovereign debt default, and with a growing realisation that bigger banks with deeper pockets were mirroring their trades and cashing out, LTCM was busted, and the genius professors knew it. In short order, losses accumulated to $4.6bn and the piggy bank was emptied of its moolah. For financial geeks, here is where the cash evaporated; for laity, it doesn't make a difference — what happened next is what matters most:

- $1,6bn in swaps.
- $1.3bn in equity volatility.
- $430mn in Russia and other emerging markets.
- $371mn in directional trades in developed countries.
- $286mn in dual-listed company pairs which entice arbitrage, for example, Shell, which has separate listings in London and Amsterdam (Class A and Class B equities).
- $215mn in yield curve arbitrage (a bond 'thing').

- $203mn in S&P 500 stocks (puts, calls, shorts, longs and the rest).
- $100mn in junk bond arbitrage.

The fund had collapsed abruptly, marking the most extensive single fund failure in the history of market capitalism and the investment industry up to that point in time. Reverting to this chapter's title, the reason that 'no one noticed' is because that is the way the New York financial sector wanted it to be. 'Encouraged' by the Federal Reserve of New York, which was seeking creditor involvement in a rescue, the industry rallied around and bailed itself out.



The madness of money.

With LTCM, greed was back, and it would return, along with its companion and enabler, *moral hazard*. But that is in another decade and for a different book.

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Epilogue (Unabridged)

Capitalism versus Communism: Half-Time or Perfect Storm? And a Case for Optimism.

Sunshine is delicious, rain is refreshing, wind braces us up, snow is exhilarating; there is really no such thing as bad weather, only different kinds of good weather.

John Ruskin (1819-1900).
Art critic and patron, draughtsman, philosopher, philanthropist.

Students of history will recognise that the title of this book is derivative. It is 'borrowed' from a classic example of reportage, John Reed's immersive account of the 1917 Russian Revolution: Ten Days That Shook the World. First published in 1919, here is the description of the work from the editor of the Penguin Classic reprint:

> *A contemporary journalist writing in the first flush of revolutionary enthusiasm, [Reed] gives a gripping record of the events in Petrograd in November 1917, when Lenin and the Bolsheviks finally seized power. Containing verbatim reports both of speeches by leaders and the chance comments of bystanders, set against an idealized backcloth of the proletariat, soldiers, sailors, and peasants uniting to throw off oppression. Reed's account is the product of passionate involvement and remains an unsurpassed classic of reporting.*

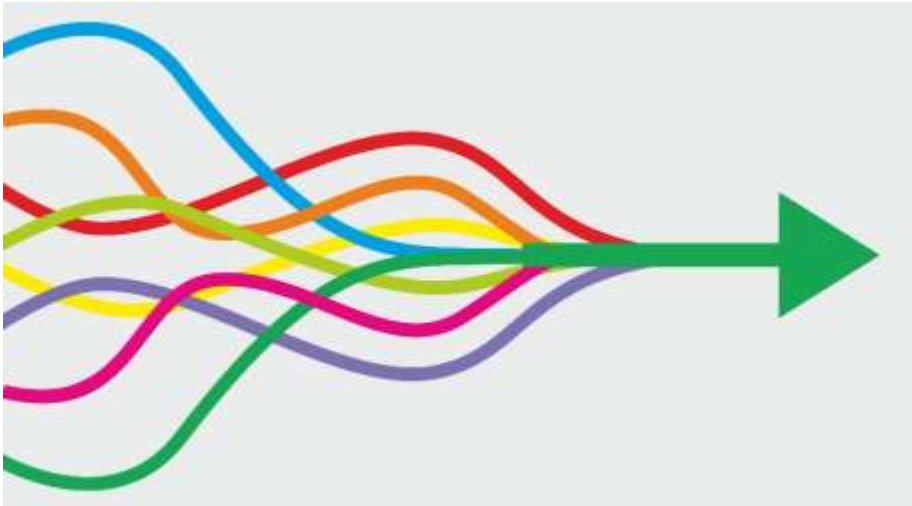
Reed's passion was for the Bolshevik cause and socialism more generally, and he was unashamedly honest in stating this in his book's introduction. But his admiration was for the cerebral Lenin, not the brutal Joseph Vissarionovich Stalin who sowed the seeds of the ultimate failure of the Soviet dream (see Chapter Three). The novelist and social commentator George Orwell presciently foresaw this eventual failure in Animal Farm, published in 1945 when criticising 'Uncle Joe' was unfashionable, to say the least, especially in America.

The most memorable (and frequently quoted) line from Orwell's allegorical novella is "All animals are equal, but some animals are more equal than others". The inequality

alluded to in this sentence has been widely interpreted as a cause for the relative demise of communism vis-à-vis capitalism, but this is fundamentally flawed for two key reasons:

1. It assumes that communism has failed, which, as demonstrated in this book, as a *political system* it continues to thrive in a nation of 1,411,778,724 souls in China; add to this 93,000,000 in Vietnam, 25,000,000 in North Korea, 12,000,000 in Cuba and more.
2. It assumes that capitalism as an *economic system* delivers equality in wealth. As French economist Thomas Piketty has demonstrated in his thought-provoking and successful book, Capital in the Twenty-First Century, this is patently not the case. The principal surprise is that - in contrast to what Marx had predicted - the considerable *inequality* in wealth that capitalism has created hasn't (yet) attracted any significant, sustained, 'beyond state' rebellious reaction. From this perspective, the capitalist/communist nation-state has survived and prospered, North Korea and several 'communist legacy' countries excepted regarding prosperity.

What *has* undoubtedly triumphed is market economics. As I have chronicled throughout this book, so has international free trade and globalization's long march (see Appendix Two) that was engineered in the aftermath of World War II (see the Introduction).



Multiple strands in the long march of globalization.

In a guest piece for *The Economist*, the current Director-General of the WTO, Ngozi Okonjo-Iweala, has presented her manifesto for rejuvenating the multilateral trade deals

that underpin and drive the globalization process (see Chapter Nine). She also challenges those who argue that such progress is stalling:

> *The idea that global trade is waning has become widely accepted. Yet the perception is far from reality. Fears of de-globalization are not matched by evidence of companies abandoning foreign suppliers for domestic ones, or less trade in intermediate goods. On the contrary, global trade for merchandise is at a record high. And the overwhelming majority is conducted on the basic tariff terms that governments extend on a non-discriminatory basis to all WTO members, in line with the organization's "most-favoured-nation" principle.*

Capitalism versus Communism: Half Time? Or Perfect Storm?

This book aims to convey the dramatic series of simultaneous discontinuous changes and events that arose in an extremely short timeframe during the 1990s, a turbulence unknown since the Second World War. During this extraordinary decade, and as the Cold War ended, political systems diverged further while economic systems based on 'free' markets converged as the principal means of 'doing business' as globalization progressed. In the 21st Century, a new political economy is taking shape: its direction of travel is shrouded in uncertainty, 'disruption' and multiple discontinuities.

Capitalism versus Communism: the perfect storm?

It should be acknowledged here that there is a danger in presenting capitalism and communism as a pure dichotomy in which the two are polar opposites, although I do accept that the 'versus' in this section's title suggests this to be the case. A detailed

discussion of the semantics involved and the debates they embrace is beyond the scope of *Ten Years*, but a brief discussion is warranted.

There is a tendency in much of the literature to describe communism as a political system and capitalism as an economic system, i.e. comparing the two is akin to contrasting chalk and cheese. But there is also a rich stream of thought which expresses itself under the banner of *Authoritarian Capitalism*.

In Chapter Five, for example, we discussed China's economic reforms under Deng Xiaoping in the 1980s and early 1990s. As discussed there, he stated that "We must integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build socialism with Chinese characteristics", an almost perfect euphemism for the concept of authoritarian capitalism when examined alongside the actions Deng took, e.g. the creation of Special Economic Zones (SEZs) which required rapid and 'forced' mass movement of people into newly created supercities.

Russia is also frequently cited as an example of authoritarian capitalism, particularly following the collapse of the USSR, discussed briefly in Chapter Eleven in relation to the background events which led to the country's debt default in 1997.

At the time of writing - autumn 2021 - Xi Jinping of China and Vladimir Putin of Russia have manoeuvred politically to secure effective lifetime presidencies. Russia is increasingly likened to a dictatorship, and both countries have made provocative territorial military gestures part of their respective foreign policies.

Both China (2001) and Russia (2012) are fully signed up members of the WTO, which has international free trade and market economics as its rules-based platform. Their entry into this post-Bretton Woods institution represent highly symbolic moments in economic history wherein the two communist giants have effectively agreed to play by the rules of the capitalist game (see Chapter Nine).

There are no clear answers to the two questions raised in this section's heading. However, as captured in this laconic quote, Deng Xiaoping's economic philosophy does offer a clue: "It doesn't matter whether a cat is black or white as long as it catches mice".

Many contemporary observers suggest that the true nature of competition on the global stage in the context of globalization dynamics is *authoritarian capitalism* versus *liberal capitalism*. And the likely winner? Only time will tell, and only a fool would tell you otherwise.

Essential Issues in Trade, Globalization and International Business Not Covered in This Book

Every writing project has its limitations and, while not wishing to pre-empt legitimate critique, it does need to be acknowledged that, within this book's scope, significant regions of the globe have been largely or entirely overlooked, including:

1. The populous markets within the Indian sub-continent (e.g. Bangladesh, India, Pakistan).
2. The populous markets within Africa (e.g. Ethiopia, Kenya, Nigeria, South Africa).
3. The populous markets within South America (e.g. Brazil, Chile, Mexico; the perennially troubled Argentina; the oil-blessed but bankrupt Venezuela).
4. Much of Southeast Asia.
5. The rich and poor countries of the middle east where wealth is directly related to the land-luck of oil deposits.
6. The sanctions-restricted Iran.
7. The coup-prone Egypt.
8. The ever-turbulent Turkey.

The following *Issue Categories* in trade, globalization and international business stray beyond the boundaries of our studied decade, but they do influence and are influenced by it. As ever, historical events and processes have antecedents and consequences and can rarely be considered in isolation of each other.

1. The spectre of Middle East conflict remained (and remains) ever-present, as does the menace of OPEC, which caused so much devastation to Western economies and geopolitical stability during the 1970s and '80s and left a legacy that influenced the decade explored in this book. However, it should be noted that OPEC remains

vulnerable to the threat facing all cartels, 'legitimate' or otherwise: the rogue member, in this case, a powerful supplier who breaches production targets for financial or political gain (e.g. Saudia Arabia). Furthermore, ambitious oil exploration projects, significant advances in drilling technology (e.g. for deepwater extraction), oil 'substitutes' such as shale, new oil & gas extraction processes such as fracking and a political determination amongst many countries not to be dependent on foreign oil (e.g. the US), all combine to undermine OPEC's previous influence.

2. The multiple agendas of 'Climate Change' institutions and movements permeate all aspects of society, economics and geopolitics, and have done for decades. And they will continue to do so in the future, but with greater intensity and deeper scrutiny. As I compose this sentence, the 2021 United Nations Climate Change Conference (COP 26) in Glasgow, UK, has concluded with a spat over the coal lexicon. The multiple-language countries China and India insisted on last-minute changes to the multiple-nation (English language) climate pact, forcing a change to the pledge to "phase out" coal with one to "phase down" its use. This semantic nuance brought the British minister presiding over the event, Alok Sharma, to tears as he closed the conference. And the UK Prime Minister Boris Johnson expressed his frustration at the watered-down outcome:

   > *While many of us were willing to go there, that wasn't true of everyone. Sadly that is the nature of diplomacy. We can lobby, cajole, encourage, but we cannot force sovereign nations to do what they do not wish to do.*

   Johnson's subtle reference to national sovereignty underlines the complexity of international relationships and diplomacy between nation-states regarding geopolitical agreements. The Swedish schoolgirl and environment campaigner Greta Thunberg's Cop 26 'brief tweet summary' will probably linger longer: "Blah, blah, blah".

3. From a broader-based economics perspective, there is no explicit discussion made in this book relating to the Marshall Plan, which played a hugely significant role in the

post-war reconstruction (and political stability) of Western Europe. See Steil, The Marshall Plan: Dawn of the Cold War, for an authoritative account of the Marshall Plan and its role in the collapse of post-war US-Soviet Relations and the origins of the Cold War (discussed in Chapters Two and Three of this book).

4. The role of the World Bank in developmental economics in the post-Bretton Woods era is paid little attention in this book. The Bank's remit primarily focuses on providing loans and grants to low- and middle-income countries for capital projects such as infrastructure. Throughout the decade this book covers, the World Bank spent much energy 'cleaning up' the legacy of controversial policies it had pursued during the previous decades, many of which left the poorest countries with substantial debt burdens. In our decade, the World Bank also took an active role in financing global 'public goods' such as malaria control, ozone-depletion damage reversal and preventing deforestation in areas such as the Amazon. For example, the Bank has increasingly refused finance for commercial logging ventures or any infrastructure projects that would potentially harm the environment. When assessing the World Bank's historical performance and prescribing its future direction, Clemens and Kremer argue for a policy focus on reducing poverty worldwide. Their article was published in 2016 in the influential Journal of Economic Perspectives, and the Bank has adopted its central tenets:

> *The Bank's greatest impact comes from its role in the dramatic policy changes many developing countries have undertaken in multiple sectors that most economists would consider likely to reduce poverty, either by increasing growth or promoting equity.*

5. The role of the IMF in post-war economic stability has been alluded to, for example, regarding the collapse of Comecon (Chapter Three) and the Asian financial crisis/Russian debt default (examined in Chapter Eleven). The institution has not been explored in any detail, not least because it has a long and chequered history that takes it beyond the book's scope. It is highly controversial from some perspectives; for

example, it is often informally referred to as the 'capitalism roadshow' by its critics and even its potential beneficiaries (e.g. Malaysia in 1997). At the core of its operations is 'conditionality', a set of policies and conditions that the IMF requires from a country in exchange for providing financial resources. The funds will be withheld if the conditions are agreed upon but not met. The IMF requires collateral from countries for the loans it dispenses. It also requires that *any* government seeking its assistance - capitalist or communist, democratic or despotic - adjust its deemed macroeconomic imbalances through closely scrutinised policy reforms. Known as the 'Washington consensus', such reforms include fiscal (tax and spend) discipline, budget reductions, subsidy reductions, privatisation, financial liberalisation, trade liberalisation and, in some cases, an insistence on breaking up import substitution programmes by opening markets up to inward Foreign Direct Investment (FDI). The overall goal is to reduce government involvement levels in macroeconomic management and encourage a shift towards free-market economics (see the Introduction). 'Big name' countries that have sought IMF funding include the ever-volatile Argentina (frequent clients) and a reforming Russia during the 1990s. One of the earliest and biggest beneficiaries was the UK, which sought $4bn in 1976 to address the chronic sterling currency crisis it faced (at the time, this was the largest loan ever to have been requested from the IMF). The IMF's loan conditions required drastic budget cuts by the UK's government, many of which were anathema to the ruling Labour Party's left-wing. The Party fractured, and within three years, Margaret Thatcher, a firm believer in the supply-side macroeconomic policies underpinning the IMF's economic blueprint, won the 1979 General Election. Only half of the loan facility was drawn down, and the outstanding debt was settled before Thatcher assumed power.

6. The powerful positive impact of diasporic remittances on developing economies such as Bangladesh, India, Pakistan and the Philippines is acknowledged here but not elaborated upon, even though it grew significantly and consistently in our studied

decade. On a related theme, inward investments to China from overseas Chinese workers in the early days of Deng's reforms in the 1980s contributed to China's economic stability and growth, an important 'hidden' factor underpinning Deng's success which I explored in Chapter Five.

7. Finally, microfinance is a global financial services category designed for individuals and small businesses who lack access to conventional banking and related services. It includes microcredit, which provides small loans to poorer clients in already 'poor' countries. Payment systems, savings and checking accounts and microinsurance are also categorised under the microfinance label. These simple, low-key services aim to reach excluded, mostly poorer populations and segments within them, including the socially marginalised and geographically isolated. The principal goal of most microfinance initiatives and projects is to help these communities become self-sufficient at an ultra-local level. The microfinance movement is diverse, incorporating savings banks, agricultural and development banks, specialised rural banks, financial cooperatives and credit unions. Geographically, the highest concentration of microfinance accounts is in India, with high growth penetration taking place in West Africa and, most recently, in Eastern and Southern Africa. Some providers are private enterprises, many are state-owned or assisted, with Non-Governmental Organizations (NGOs) playing an increasingly important role. The highly fragmented microfinance 'ecosystem' makes it difficult to measure, both in its scale and impact on developmental economics, particularly as compared to the role of traditional trade and aid in securing stable economic prosperity in a wildly diverse political sphere. The Nobel Peace Prize in 2006 was awarded jointly to the Bangladeshi microfinance/microcredit social entrepreneur and civil society leader Muhammed Yunus and the bank he founded, the Grameen Bank. It provides a rare, universally acknowledged example of the direct relationship between economic principles and societal peace (also, see the discussion relating to the pacifist principles underpinning

the early arguments for European integration in Chapter Eight). The Nobel Peace Prize awarded to Yunus and Grameen Bank recognised:

> *their efforts through microcredit to create economic and social development from below… lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty… across cultures and civilizations, Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their own development.*

Predicting the Future is a Torrid Task

Far too often, 'Epilogues' in nonfiction books waste words reviewing what has been written and read already, whereas their purpose should be mildly reflective but primarily forward-looking. An excellent example of this can be found in How Britain Really Works: Understanding the Ideas and Institutions of a Nation by former *Times Literary Supplement* editor Stig Abel. In the book's brief epilogue, Abel announced that his wife was pregnant with their third child, Phoebe, when writing his book. He envisioned a state-of-the-nation vista of how Britain might look when his unborn child reached her teenage years in the 2030s. While this writing technique is not unique, it is well executed with reference to his book's essence.

In the following sections, I will aim to emulate (steal) Abel's literary insight but, in the field of globalization and its impact on international business strategy, I wouldn't dare to dream so far ahead. Recall the quote from Lenin cited in Chapter One: "There are decades when nothing happens; and there are weeks when decades happen." Events, dear reader, events…

Looking Back and Reflecting

This book opens in late-1987 with global financial markets in turmoil, greed in the ascendency (a sign of things-to-come), walls falling (but a trend which would be reversed), Germany reunifying, China emerging (while ground-strafing its protesting students), the USSR collapsing, George Soros rupturing the UK's monetary policy, the fractious 1992 process limping towards a European Single Market, and all of this within four years.

As the decade progressed, the Chinese dragon fiercely roared and its economy soared. Japan wilted while the 'Asian Tiger' economies of Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand flourished before many floundered. The US quietly blossomed in a sustained period of real (non-inflationary) economic growth underpinned by cumulative annual productivity gains and technological progress.

At the outset of our tumultuous ten years, the much-maligned and misunderstood WTO, with all its rules and regulations and deterrents and structures and commitment to fair play, was still on the horizon. Meanwhile, the General Agreement on Tariffs and Trade (GATT) meandered along its half-century journey towards a belated birth of multilateral, rules-based 'free trade' in 1995.

In our decade, global financial markets were characterized by extreme turbulence that saw capitalism face-off against two varieties of communism, witnessed dramatic transformations in information and communications technologies, and concluded with the Asian financial crisis and the newly minted Russian state defaulting on its sovereign debt in 1998, threatening Wall St. in the process.

Ten Years chronicles these cataclysmic events and addresses many burning questions that define the modern era:

- What is globalization? And was it designed?
- Why do countries trade? And is it 'free'?
- Risk, uncertainty and chance: Does God play dice?
- The Berlin Wall falls, Germany reunifies, Comecon unravels, the Soviet Union dissolves, the Cold War ends: Game over? Or end of Round One?
- What is liberal democracy? And did history end?
- A tale of two Chinas: What happened and why?
- The EU is born, kicking and screaming. But did this success sow the seeds of future failure?
- What is the WTO? And does it matter?
- Who invented the internet? And how did it happen?
- Capitalism versus communism: Final score or half-time?

Looking Forward to a New Enlightenment and a Case for Optimism

According to Edwin Land, founder of Polaroid, “Optimism is a moral duty”. My preferred observation on the subject comes from the barrister and ‘Rumpole of the Bailey’ author, John Mortimer: “Pessimism is the best basis for a cheerful disposition. It means that I am constantly surprised”.

Despite such positivity, much is made of the impact of social media being excessively negative, and there does seem to be an air of doom and gloom if one is foolish enough to get sucked into its sticky entrails or become hooked on 24/7 rolling news channels: they have to say something and, if they become too cheerful, you may as well switch channels and watch something more ecumenically evangelical. Bad news sells. The print media are desperate and with good reason. Even ‘quality’ newspapers are seduced by the seductive power of ‘clickbait’ in their online presence as ‘digital natives’ engage in ‘doomscrolling’, the obsessive hunt for bad news that has fuelled so much of the web and social media in recent years.

But it’s not all bad.

In 2018, the highly respected linguist, author and philosopher Steven Pinker provided a welcome respite from the doomsayers with a reassessment of humanist progress and a renaissance of the enlightenment philosophy.

Optimism breaks the status quo.

He did so with reference to solid ideas and hard statistics: we are, for the most part, leading much better lives from many dimensions of measurable or intangible perspectives. As the back cover blurb of his book states and my studying of it verifies:

> *If you follow the headlines, the world in the 21st century appears to be sinking into chaos, hatred, and irrationality. Yet Enlightenment Now shows that this is an illusion - a symptom of historical amnesia and statistical fallacies. If you follow the trendlines rather than the headlines, you discover that our lives have become longer, healthier, safer, happier, more peaceful, more stimulating and more prosperous - not just in the West, but worldwide. Such progress is no accident: it's the gift of a coherent and inspiring value system that many of us embrace without even realizing it. These are the values of the Enlightenment: of reason, science, humanism and progress.*

Furthermore, as *The Economist* noted in a 2017 special briefing on one aspect of globalization - regional inequality, primarily in wealthier, developed economies including the UK, Germany and in the mid-west USA, there are many 'Left-behind places'. But in the briefing, they also devote attention to those economic policies that governments, both national and regional, can adopt to address the problem. This message should be heeded, but that it is not a new idea should also be acknowledged. In his most impactful book, The Affluent Society, the influential economist John Kenneth Galbraith recognised that capitalism is great at creating wealth but less good at distributing it more equitably or allocating it in a more meaningful way for the benefit of broader society. This book was originally published in 1958 when America was drenched in post-war prosperity and ahead of the tidal wave of consumerism so perfectly captured in the TV drama series *Mad Men*.

Starting in the Introduction, I have discussed the seminal, visionary work of Adam Smith, and without doubt, his Wealth of Nations treatise can be seen as a blueprint for capitalism. Perhaps the most enduring critique of his philosophy has related to its emphasis on 'self-interest', which was at its core. But, as Pinker notes:

> *Smith was not saying that people are ruthlessly selfish, or that they ought to be; he was one of history's keenest commentators on human sympathy. He only said that in a market, whatever tendency people have to care for their families and*

> *themselves can work to the good of all. Exchange can make an entire society not just richer but nicer, because in an effective market it is cheaper to buy things than to steal them, and other people are more valuable to you alive than dead.*

Following is a positive metaphor deeply rooted in the humanistic tradition which Pinker so eloquently describes.

The Jar: A Metaphor for Work-Life Balance.

A philosophy professor stood before the class with some items on the table alongside her lectern. When the class began, wordlessly, she picked up a very large, empty mayonnaise jar and proceeded to fill it with rocks, each roughly 2" in diameter and of uneven shape. She then asked the students if the jar was full. They agreed that it was. The professor then picked up a box of pebbles and poured them into the jar. She shook the jar lightly. The pebbles, of course, rolled into the open areas between the rocks. She asked the students again if the jar was full. They agreed that it was. The professor then picked up a box of sand and poured it into the jar. Of course, the sand filled up the tiny spaces that existed between everything else. She asked once more if the jar was full. Despite suspecting upcoming deceit but enjoying the entertainment not generally associated with a heavy subject, the students responded with a unanimous "Yes!". The professor then produced two cans of beer from under the podium and proceeded to pour their entire contents into the jar, effectively filling the empty space between the sand. The students laughed.

"Now," said the professor, as the laughter subsided, "I want you to recognize that this jar represents your life. The rocks are the important things — your family, your partner, your health, your children. Things that if everything else was lost and only they remained, your life would still be full. The pebbles are the other things that matter, like your job, your house, your car. The sand is everything else — the small stuff. If you put the sand into the jar first," she continued, "there is no room for the pebbles or the rocks. The same goes for your life. If you spend all your time and energy on the small stuff, you will

never have room for the things that are important to you. Pay attention to the things that are critical to your happiness. Play with your children. Take time to get medical check-ups. Take your partner out dancing. There will always be time to go to work, clean the house, give a dinner party and fix the car. Take care of the rocks first - the things that really matter. Set your priorities. The rest is just sand."

One of the students raised his hand and cheekily inquired what the beer represented.

The professor smiled. "I'm glad you asked. It just goes to show you that no matter how full your life may seem, there's always room for a couple of beers".

The fashionable focus on work-life balance alluded to in 'The Jar' is not new. Arnold J. Toynbee (1889-1975), philosopher of history, a long time ago contended that:

The supreme accomplishment is to blur the line between work and play.

The Benefits of International Free Trade Face Political Obstructionism

From political economy to competitive advantage, there have been two recurring themes throughout this book:

1. The benefits of free trade between nations to society and economies have been proven over centuries, not decades, despite opposing forces, including world wars, cold wars, financial catastrophes, and global pandemics.

2. The critical role of free markets (supply and demand) in driving customer choice, competitive dynamics, innovation and productivity is equally proven, a powerful testament to the wisdom and prescience of their early proponents, Adam Smith and David Ricardo.

In a well-regarded and widely disseminated discussion paper for the Institute of Economic Affairs, Free Trade And How It Enriches Us, Prof. Donald Boudreaux praises international free trade as an *economic* principle but draws attention to the vagaries of *political* interference with its progressive impact.

> *The case for free trade has been familiar to economists since the work of Adam Smith in the late eighteenth century and David Ricardo four decades later. But politicians keep forgetting it, if they ever knew it … The 50-year post-World War*

II international consensus in favour of free trade was a triumph of wise policy over demagoguery. Alas, that consensus is collapsing.

The free trade lexicon.

Prof. Boudreaux was writing at the height of Donald Trump's rhetoric surrounding his 'America First' isolationist US foreign policy stance. Trump's bombast was backed up by:

1. Replacing the North American Free Trade Agreement (NAFTA) with the United States–Mexico–Canada Agreement (USMCA), ratified by all three countries in March 2020.
2. Triggering US/EU tit-for-tat tariff-setting.
3. Initiating aggressive on-off trade wars with China.
4. Undermining the post-Bretton woods rules-based institutional frameworks discussed in the Introduction, i.e. the WTO, IMF and the World Bank.
5. Numerous geopolitical destabilising decisions, including withdrawal from the Paris Climate Accords (effective 2016) and The Joint Comprehensive Plan of Action (the Iran nuclear deal, implemented 2016).
6. Threatening to 'defund' NATO amongst other international military organizations and affiliations.

At the time of writing this second edition of *Ten Years*, Trump was gone. The world is now waiting anxiously to decipher the international trade and foreign policy posture of the new(ish) US Administration, focussing in particular on which elements constitute the emerging 'Biden Doctrine'.

Despite the above, the economics of Adam Smith and David Ricardo have stood the test of time, as Smith's most recent biographer, Jesse Norman, observes:

> *And there is one thing that Smith gets triumphantly, monumentally right, that guarantees his place among the immortals: he sets himself to address the foundational question of how far the pursuit of individual self-interest through cultural and market exchange can yield economic growth and socially beneficial outcomes. That marks the moment at which economics starts to come of age.*

Knowledge

In the Introduction to *Ten Years,* I discussed uncertainty, risk, risk assessment and mitigation. And I also contemplated randomness as a greater terror. As I conclude the book in this Epilogue, it is worthwhile revisiting the observations made by Sir John Kay, an economist and business strategy professor, and Lord Mervyn King, a former Governor of the Bank of England, from their 2021 book Radical Uncertainty: Decision-making for an unknowable future:

> *We live in a world of radical uncertainty in which our understanding of the present is imperfect, our understanding of the future even more limited, and in which no one person or organisation can hold the range of information required to arrive at the 'best explanation'.*

It is rare to see the complex interrelatedness of macroeconomic and microeconomic issues discussed within one book. The 'decision-making' in the book's title could refer equally to economic policies determined by politicians and institutions such as the WTO, the IMF, the World Bank and international business strategies developed by corporations. Information and knowledge can be used to 'look back and explain' or to 'look forward and predict'. Regarding the latter category, we can meticulously and systematically reduce information interpretation errors by adhering to a structured approach such as the one presented below:

1. Issue Identification:
   (*opportunities, threats, critical success factors*).
2. Data:
   (*processed*).

3. Information:
   (*compiled*).
4. Intelligence:
   (*analysed*).
5. Knowledge:
   (*interpreted*).
6. Political, economic or business strategy decisions:
   (*evidence-based*).
7. Performance review, evaluation and control:
   (*favourable/adverse outcomes*).
8. Do it again!
   (*iterate*).

This knowledge management process is adapted from the complex markets analysis process presented in Chapter Five, *Analysing Global Markets and the Intelligent Company* of Outside Fortress Europe: Strategies for the Global Market. In that book, I present comprehensive lists of the data set categories that provide the essential inputs into a robust intelligence creation process if managed correctly.

Ten Years has examined significant events and historical economic and political processes as they have unfolded over the decade under study: 1988-1998. I have extended the analysis to provide a similar but brief assessment of the two decades that followed, and this is included as *Appendix One: 1998 - 2018: A Brief Overview*. In Appendix Two, I present a comprehensive table of significant milestones in 'the long march of globalization', from Ötzi 'the Iceman' millennia ago to Donald Trump's international trade shenanigans and the impact of the smartphone and social media network revolutions at the time of writing this book.

And Finally

A series of questions concludes this book. Do we take a chance and roll the dice to make our decisions and determine our future? Or do we study, think, learn, and apply the great ingenuity, patience, perseverance, endeavour, stubbornness, and sheer bloody-

mindedness that distinguishes our species and its innate humanity? Can we cooperate, or must we compete? Is big data big enough? Will the machines learn, and will our intelligence be artificial or natural or both? And how do we compute complexity? As Albert Einstein observed:

> *Any intelligent fool can make things bigger and more complex. It takes a touch of genius and a lot of courage to move in the opposite direction.*

I give the last word on wisdom in this book to Plato (423-347 BCE), Greek philosopher and higher education pioneer:

A good decision is based on knowledge, not numbers.

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Appendix One

1998 – 2018: A Brief Overview.

Things never go so well that one should have no fear and never so ill that one should have no hope.

Turkish proverb.

Appendix One Highlights

From the perspective of the progression of globalization, the two decades which followed the one featured in this book were relatively calm in comparison, with one notable exception: the financial crisis commencing late 2007. And, of course, the 'small' matter of Brexit amidst the craziness of a unique episode in British politics.

From the early 2000s, India began to open its economy, the liberalisation of its market being matched with the overseas ambitions of its domestic companies, for example, the huge conglomerate Tata Group.

More generally, frontier and emerging markets did what most emerging markets do: they continued to emerge, albeit with a *predictable* degree of volatility. In a general period of steady development, there were three significant discontinuities beyond the scope and timeframe of the current book and the decade it covers, but which are identified and briefly discussed in the following sections. Direction is given to curated further resources for readers keen to explore the events and the contexts within which they unfolded.

First: The Dot.Com Boom and Bust: 1999-2003 (approx.)

Financial economists distinguish between systemic risk and specific risk, and I will adapt and borrow their classification here. For our purposes, a *systemic* event has a global impact; a *specific* event affects one country (or region) or one sector.

The dot.com boom and bust is an example of a specific, 'periodic event'. It primarily impacted the 'tech sector', and many of the business failures were pretty predictable

using tried-and-tested innovation screening techniques. The 'bust' in the 'boom and bust' refers to the funds lost by investors and is par for the course when capital is speculative- rather than investment-focused — think of Bitcoin, Etherium (Ether) and any number of cryptocurrencies for contemporary examples.

'Old economy' companies did see some depression in their equity performance during this period but recovered robustly when investors' appetite for hard cash rather than false promise returned. For those seeking additional reading materials on this dot.com drama, I recommend:

- Michael Lewis, 2000: *The New New Thing: A Silicon Valley Story*.
- John Cassidy, 2002: *Dot.Con: The Greatest Story Ever Sold*.
- Roger Lowenstein, 2004: *Origins of the Crash: The Great Bubble and its Undoing*.
- Don Tapscott, 2014: *The Digital Economy: Rethinking Promise and Peril in the Age of Networked Intelligence*.

Capital is greedy. It gravitates towards high (and often ephemeral) returns, and many of the dot.com business failures were readily predictable with even scant perusal of key economic indicators.

For example, IBM tracked a single data point, household penetration of broadband internet connection, to assess the uptake of 'e-commerce' in mass consumer markets. This percentage figure remained stubbornly low for many years, suggesting that e-commerce, including 'e-tail', was primarily a business-to-business opportunity, not a mass-market consumer pot of gold that many dot.com startups were chasing.

Dot.com boom & bust: lucrative bet or sucker punch?

Despite the failure of many companies lured into the dot.com financial black hole, the IT and telecommunications infrastructure investments during this boom and bust period provided the foundations for the technological 'platforms' (e.g. fintech, martech) that came to prominence a decade later.

Second: Global Financial Markets Meltdown: 2007/08; Onwards and Ongoing

This discontinuity provides a textbook example of a *series* of parallel systemic events converging, creating by any measure the most extensive economic shock in the history of capitalism and presenting a considerable milestone in the long march of globalization.

The immediate beneficiary from a publishing perspective was the estate of J.K. Galbraith, whose 1954 book, The Great Crash 1929: The Classic Account of Financial Disaster, soared to the top of all the bestseller charts as people ran to the economic history literature to work out what the hell was going on! It is well worth reading and highly relevant, even now. I also recommend:

- Andrew Ross Sorokin, 2009: *Too Big to Fail: Inside the Battle to Save Wall Street* (and/or watch the movie).
- Michael Lewis, 2010: *The Big Short: Inside the Doomsday Machine* (and/or watch the movie, an award-winning cinematic 'docudrama').
- Hank Paulson, 74th United States Secretary of the Treasury, 2010: *On the Brink: Inside the Race to Stop the Collapse of the Global Finance System*.
- Timothy Geithner, 75th United States Secretary of the Treasury, 2015: *Stress Test: Reflections on Financial Crises*.
- Ben Bernanke, former Chairman of the Federal Reserve and distinguished scholar of The Great Depression, 2017: *The Courage to Act: A Memoir of a Crisis and its Aftermath*.

And from the UK perspective:

- Gordon Brown, British Prime Minister at the time of the crisis and self-proclaimed saviour of the world, 2010: *Beyond the Crash: Overcoming the First* [sic] *Crisis of Globalisation*.

- Alistair Darling, British Chancellor of the Exchequer at the time of the crisis, 2012: *Back from the Brink: 1000 Days at Number 11*.

The forces that precipitated this calamity were a combination of greed, financial product mis-selling (e.g. mortgages, car leases) to vulnerable consumers by commission-only salespeople, financial product development by mathematical whizz-kids who bamboozled ignorant bank executives and, the worst crime, a palpable failure by governments and their regulators to understand or acknowledge what was happening on their watch.

Not if, but when: the bear bites back.

Third: Brexit: 2016 Onwards; and Upwards?

Jean-Claude Junker, President of the European Commission between 2014-2019, is allegedly fond of a tipple or three, especially to numb the tedium of the endless round of summits and such-like that went with the job. At one such dull event, he was overheard slurring:

> *I have met two big destroyers. Gorbachev who destroyed the Soviet Union, and Cameron who destroyed the United Kingdom.*

Harsh words indeed. I have dealt with Gorbachev already, so let us briefly look at how the United Kingdom ended up in its state of Brexit stasis following the referendum of June 23rd 2016.

First things first, British Prime Minister David Cameron did not have to call the Brexit referendum. He may have felt honour-bound to do so because it was in the Conservative Party manifesto which brought him to power. But this is British politics; honour?

And Cameron had form in breaking political promises: And Cameron had form in breaking political promises: in September 2007, he had given a 'cast-iron guarantee' that he would hold a referendum on the Treaty of Lisbon if elected. This treaty updated the Maastricht Treaty of 1992 and the Treaty of Rome of 1957. It created a more powerful European Parliament, established a long-term role of President of the European Council, made the Charter of Fundamental Rights legally binding on member states and was widely seen by Eurosceptics across the political spectrum as a powershift away from national electorates.

Also, reflecting a greater fear, it was perceived as diluting UK sovereignty while advancing EU integration. Regardless of this, Cameron changed his mind on the referendum pledge he had made.

The Brexit referendum was binary, i.e. 'should we stay or should we go?' The winning margin for go was low (4%). Still, the turnout was extraordinarily high for a British plebiscite (72%), a fact under-reported in the general Brexit debate and indicative of the passions the issue raised at the time and which continue to fester. A visibly shocked, pink-cheeked Cameron resigned to write his truncated political memoir and, following some textbook Tory shenanigans, was replaced by Theresa May.

Second things second, British Prime Minister Theresa May did not have to call a General Election. She had steadfastly said on numerous public occasions that she had no intention of doing so. But this is British politics and she did so anyway, throwing away the relatively comfortable majority the Conservative Party would have had for a few more years and leaving it at the mercy of two handfuls of Northern Irish politicians: ten Westminster MPs.

As an economist, I have no more to offer on these political contrivances. For spectacular insights into the trials and travails of both Cameron and May and the whole

Brexit farrago, I strongly recommend two companion books by Tim Shipman, the *Sunday Times* Chief Political Commentator, ideally to be read in sequence and preferably in one sitting:

1. *All Out War: The Full Story of How Brexit Sank Britain's Political Class (2017)*.
2. *Fallout: A Year of Political Mayhem (2018)*.

Volume Three of Shipman's Brexit trilogy is scheduled for publication in February 2022. The deal should finally be done by this time — almost six years after the drama began with the Brexit referendum.

Maybe.

Brexit beckons...

In 2021 two 'insider' perspectives on Brexit machinations and melodramas were published. One is by Michel Barnier, the Frenchman who had the snappy job title 'European Commission's Head of Task Force for Relations with the United Kingdom', i.e. he was the EU's chief negotiator: My Secret Brexit Diary: A Glorious Illusion.

The second Brexit insider book was by British politician Gavin Barwell, Downing Street Chief of Staff to Prime Minister Teresa May during the Brexit negotiations from 2017 until July 2019: Chief of Staff: Notes from Downing Street. Barwell describes his mixed feelings about writing the book, especially with Brexit negotiations still ongoing, but justified it to himself by noting excessive misreporting:

The last two years of the May government were among the most turbulent and important in modern British political history. The existing accounts are second-hand, at best partial and at worst get important details wrong.

It all began with Greece, this 'EU exit' lexicon, the key difference between that country and the UK being that Greece was threatened with expulsion while Britain chose to leave. 'Grexit' was a verb-cum-noun coined by Ebrahim Rahbari, Citigroup economist, at a point in time - May 2012 - when it looked highly likely that Greece would be forced into sovereign debt default.

While the Greeks somehow managed to stay within the fold, the United Kingdom embarked upon a highly complex divorce, well-covered elsewhere and drearily documented day-by-day in hourly news coverage, ad infinitum, ad nauseam, ad absurdum.

Along with Grexit came the potential threat of Italexit, Frexit, dePartugal and CzecOut, as one amused blogger blogged. Then came the very tangible Brexit referendum of June 23rd 2016, signalling the departure of the United Kingdom of England, Wales, Scotland and Northern Ireland from the European Union.

Calls for a second referendum by the 'Remoaners' (the lexicon grew) were always unlikely to be heeded, especially following the landslide Conservative Party victory in December 2019; a complex campaign with a simple message: 'Get Brexit Done'.

(Br)exit day: January 31st 2020.

As a final remark, my favourite witticism relating to the UK's negotiation stance during the Brexit negotiations came from a tweet by Xavier Bettel, the Prime Minister of Luxembourg:

They were in with a load of opt-outs. Now they are out and want a load of opt-ins.

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Appendix Two

Milestones in the History of Globalization.

I don't know where I'm going from here, but I promise it won't be boring.

David Bowie (1947-2016).
Musician, songwriter, actor, genius, etc.

Appendix Two Highlights

The list of significant globalization milestones provided in the table below is broadly chronological. However, history rarely plays out linearly, as I have discussed frequently throughout the pages of *Ten Years*.

Major events often have limited lasting impact, e.g. the 'Great Exhibition' of 1851, while apparently minor events have huge ramifications. The latter was spectacularly demonstrated when a single event, the assassination of Austria's Arch Duke Franz Ferdinand in tiny Sarajevo, led to the global conflagration known as The Great War. Similarly, Japan's attack on Pearl Harbour on December 7th 1941, famously described by President Franklin D. Roosevelt as "a date which will live in infamy", enticed the previously neutral USA to enter World War II and changed the course of history in previously unimaginable ways.

When starting the first edition of this book in early 2018, nuclear Armageddon seemed on the cards as Supreme Leader of North Korea, Kim Jong-Un, brandished his bombs, and US President Donald Trump bragged about the size of his buttons and warned of "Fire and Fury". By the time of the manuscript's submission later in the year, the two shared an emerging bromance and planned a lovefest in Singapore.

The image below illustrates the rationale behind the phrase 'long march' as I use it throughout *Ten Years* to describe the path of globalization. The bright light at the end of the long milestone-lined road does not suggest that the direction of travel is universally agreed upon. Nor does it present a *deterministic* historical journey. It will lead somewhere, but where it goes, nobody knows: Shangri-La? Or Armageddon?

Globalization Milestones on the road to – where?

Any list such as this is defined as much by what it leaves out as what it includes, and this globalization milestones compilation is no exception. The prime selection criterion used for which events should be included was the *global* impact made, either short or long term. Purely *local* events were not included, but that is not to say they were unimportant, especially for those constituents and stakeholders affected.

Writers on globalization *dynamics* come from diverse backgrounds and disciplines, and there is a broad spectrum of opinion along the optimistic (Shangri-La) to pessimistic (Armageddon) range regarding likely outcomes. But a strong consensus exists relating to the role of communications as a catalyst and/or accelerator/retardent of globalization's *progress*.

This is particularly true in economics and geopolitics, disciplines that feature heavily in this book. In the 'Milestones' table presented below, I separate significant 'Step-change Communications' events and processes from the rest and highlight them at the end of each time period within which they most readily fit.

The table of globalization milestones that follows is made up of several samples drawn from the complete listing featured in Ten Years That Shook the (capitalist) World: 1988-1998 (2e).

The Globalization Milestones

5,300 Years ago (approx.)	In 1991 hikers in the Austrian Ötztal Alps discovered a mummified body protruding from a melting glacier. Archaeologists dated the frozen remains at 5,300 years old and gave him the nickname Ötzi, 'the Iceman'. They were able to demonstrate that he was travelling between two locations, contending with confidence that he was moving with the purpose of exchanging goods, one community to another. International trade, if not born, or 'free' (who knows?), is proven.
1700s	The First Industrial Revolution begins: Mid-18th Century, Great Britain. Empire building and colonisation. European mercantilism dominates world trade.
1776	Adam Smith publishes *An Inquiry into the Nature and Causes of the Wealth of Nations*: • 'Invisible Hand' of the market (allocation of scarce resources). • Consumer sovereignty (the customer is king). • Theory of Absolute Advantage. • Birth of classical economics. • A proponent of liberalism.
1800s - 1914	**1817**: David Ricardo publishes *On the Principles of Political Economy: And Taxation*: • Theory of Comparative Advantage. • Campaigning for free trade intensifies. **1840s**: 'Golden Era', 2nd phase of the industrial revolution; railway boom financed by the creation of equity (stock) markets. **1843**: *The Economist* magazine is launched to lobby for liberal democracy and free trade. **1846**: UK Corn Laws repealed: free trade; the ascendancy of business over aristocracy. **1851**: The Great Exhibition, Crystal Palace; the height of Britain's global industrial and military strength. **1868**: Meiji Restoration; Japan 'opens its doors' to international trade. Gas, oil, electricity etc. The Wright Brothers fly; early 'flight machines' built. **Late 1800s**: <u>Step-change Communications</u>: Technology breakthroughs: steamships/ocean-bed cables laid/telegraph/telephone.

	Early 1900s: Step-change Communications: Internal combustion engine refined and Henry Ford creates automobile mass manufacturing processes; luxury cruise liners (plus freight) expand, especially transatlantic routes linking the Americas with Europe; aircraft manufacture scaled-up and output accelerated as First World War unfolds.
	Sample Break
1944 - 1949	**1944**: Bretton Woods Conference, USA: John Maynard Keynes returns. Keynes and Harry Dexter White lead the charge; blueprints agreed for 'A New World Order': • International Monetary Fund (IMF). • General Agreement on Tariffs & Trade (GATT). • The World Bank. **1949**: Chinese Communists rebel against Kuomintang (KMT); Mao Zedong ascends in mainland China (People's Republic of China, PRC); KMT under Chiang Kai-shek retreat to Taiwan (Republic of China, ROC).
1950s / 1960s	US Wealthy. Japan recovers. Europe reconstructs. **1950-1953**: Korean War; South Korea protected by the USA. China's 'Great Leap Forward'; huge backwards step. Two-front Cold War: The Russian Bear (NATO protects); The Chinese Panda (huge USA military presence in and around South Korea, air bases in Japan etc.). Colonisation, empire and mercantilism unravel (e.g. UK in India, France in north Africa). **1951**: Treaty of Paris. France, West Germany, Italy and the three Benelux countries (Belgium, Netherlands and Luxemburg) establish the European Coal and Steel Community and lay down the foundations for the European Union. **1957**: Treaty of Rome creates the European Economic Community (EEC). **1960**: OPEC Created: Sovereign state ('legitimate') cartel formed. South Korean market protected from international trade; giant *chaebol* conglomerates created: Samsung, Hyundai, Kia, Lucky Goldstar (LG) etc. Export at marginal cost prices. Step-change Communications: *Containerization*: American transport entrepreneur Malcolm Purcell McLean introduces the intermodal (rail/road/sea) shipping container; this

	revolutionises freight transportation and the logistics of international trade. He was persuaded to give patented designs to industry, bringing standardisation of shipping containers, improved reliability, reduced cargo theft, lower inventory costs, shortened transit times. Step-change Communications: Federal Aid Highway Act, 1956, lays the foundations for US Interstate Highway System. Step-change Communications: Commercial jet airlines and global airport infrastructure developed. Step-change Communications: IBM develops commercially viable mainframe computers and supporting software and services.
	Sample Break
1979 - 1980	**1979**: Margaret Thatcher becomes PM in the UK. **1980**: Ronald Reagan elected 40th President of USA, inaugurated 20 January 1981. **1979/1980**: Milton Friedman (with wife, Rose) publishes *Free to Choose: A Personal Statement*. Neo-classical economics; principles of monetarism; a blueprint for macro-economic management; dominant economic philosophy to the present day.
1980s	Deregulation of global financial markets (e.g. Big Bang, UK, 1987). Privatisation in the UK. Privatisation in France. China under Deng Xiaoping: 'socialism with Chinese characteristics'; 'one country, two systems'; market liberalization, FDI allowed and Special Economic Zones (SEZs) created along the east coast and south-east Guangdong province. **10 March 1985**: Michael Gorbachev becomes General Secretary of the Communist Party of the Soviet Union. Enacts policies of *glasnost* (openness/political freedom) and *perestroika* (restructuring/economic reform). **1989**: Tiananmen Square: student protests quashed by Deng's orders and PLA 'June Fourth Incident'. Question-mark hangs over China's economic reforms. Step-change Communications: Apple launch Macintosh personal computer; feeling threatened, IBM launch initiative 'PC in a Year'; partners with Intel, Microsoft; presents open

	systems architecture, fostering IBM-compatibles (e.g. Compaq) and 'clones' ('Made in Taiwan'). Step-change Communications: 'Natural monopoly' status of national telecommunications infrastructure dissolves; AT&T (Ma Bell) broken up in the US in 1984, Baby-Bells are born; privatisation of BT in UK, 1984; scene set for further privatisations, direct competition (e.g. Cable & Wireless in the UK) and emergent disruptive technologies. Step-change Communications: First-generation cellular infrastructure developed. Step-change Communications: Rapid development of distributed networked computing: Local Area Networks (LANs) and Wide Area Networks (WANs) lay foundations for www revolution which follows.
	Sample Break
1990s	Berlin Wall falls / Comecon collapses. USSR dissolves. Cold War (round one) ends. **3 October 1990**: German reunification (German Unity): A process culminating in the German Democratic Republic ('East Germany') and the Federal Republic of Germany ('West Germany') forming the reunited nation of Germany. Berlin comes together as a single city and regains status as the German capital. Deng reaffirms China's economic reform program in 'Southern Tour'. **7 February 1992**: Maastricht Treaty (Treaty on European Union) signed by the twelve member states of the European Community. **16 September 1992**: George Soros versus Bank of England: Soros wins. **1 January 1993**: European Single Market established. **1 January 1994**: North American Free Trade Agreement (NAFTA) created. **1 January 1995**: World Trade Organization (WTO) replaces GATT as the independent regulator of global commerce; India joins. Privatisation in Russia: the return of the oligarchs. Privatisation in Central and Eastern European (CEE) countries. Japan: 'The Lost Decade' - failure of bank regulation and asset management is the core problem. **1 July 1997**: Hong Kong 'Handed Over' to China George Soros versus Bank of Thailand: Soros wins; Asian financial meltdown (The 'Asian financial crisis'); Russian Federation defaults.

	Genius fails: Long Term Capital Management (LTCM) collapses but no one notices (except author Roger Lowenstein, who exposes the scandal). **1 January 1999**: 'virtual' European monetary union and Euro launched. dot.com 'economy' emerges. Step-change Communications: Global Positioning System (GPS), started by (and under control of) US Military in 1973, becomes fully operational and accessible in 1995. Step-change Communications: Cisco Systems develop mass-market internet infrastructure networks. Step-change Communications: Tim Berners Lee (not Al Gore) 'invents' the internet: creates HTML and integrates internet protocols at CERN laboratories, Switzerland. Step-change Communications: Amazon founded by Jeff Bezos in 1994; perfectly poised to exploit the coming Windows 95 revolution. Perfect timing and entrepreneurial prowess, or good luck? Step-change Communications: Windows '95 and rapid WWW global expansion. Step-change Communications: Open skies industry deregulation in the US and rise of the low-cost airline sector. Step-change Communications: Rapid developments of fibre-optic telecommunications networks in 'developed' countries.
	Sample Break
2010 - present	**22 August 2012**: Russian Federation joins WTO. **18 March 2014**: Russian Federation annexes Crimea; dropped from G8. **23 June 2016**: the British public votes with a small majority (but large turnout) to leave the European Union; Brexit negotiations begin. **8 November 2016**: Donald Trump elected 45th President of the United States of America; electoral platform included 'Make America Great Again' and hinted strongly at protectionism and trade wars. **20 January 2017**: Donald Trump presidential inauguration. **29 March 2017**: Teresa May signs letter to Donald Tusk, President of the European Council, invoking Article 50 of the Treaty on European Union; letter hand-delivered by two civil servants travelling business class to Brussels on Eurostar. Cost of tickets? £985.50p.

	8 March 2018: Donald Trump announces punitive tariffs on steel and aluminium imports, citing 'national security' to by-pass WTO rules. Brexit processes meander. China launches 'Belt and Road Initiative' (BRI). Xi Jinping's 'project of the century'. Step-change Communications: iPhone and Android drive smartphone revolution. Social media and social networks develop, e.g. MySpace, Facebook, Twitter, Snapchat, LinkedIn, Tencent, TikTok, WhatsApp. Chinese giant Baidu has 2bn active users worldwide. Step-change Communications: 'Big Data' and 'Cloud' computing creates impact. Step-change Communications: 'Virtual' global marketplaces created by Alibaba, Amazon, eBay, Etsy, Facebook, Google. The smallest of small firms can now access global markets. Step-change Communications: 5th generation cellular technology. Step-change Communications: Artificial Intelligence (AI); Virtual Reality (VR); Machine Learning/Deep Learning.
27 April 2018	Korea Summit: Moon Jae-in (down-South) and Kim Jong Un (up-North) get friendly, crisscrossing no man's land into each other's DMZ trenches: end-of-war or silent night?

Concluding Remarks

A broadly chronological list like this could never be fully comprehensive unless presented with a different scope or redefined with a narrative presented in book form.

Over many decades there have been multiple interruptions to the smooth progression of globalization, as our studied decade in *Ten Years* amply demonstrates. Still, by taking a long-term historical perspective, it is possible to recognise that the forces driving it forward have far outweighed those working against it.

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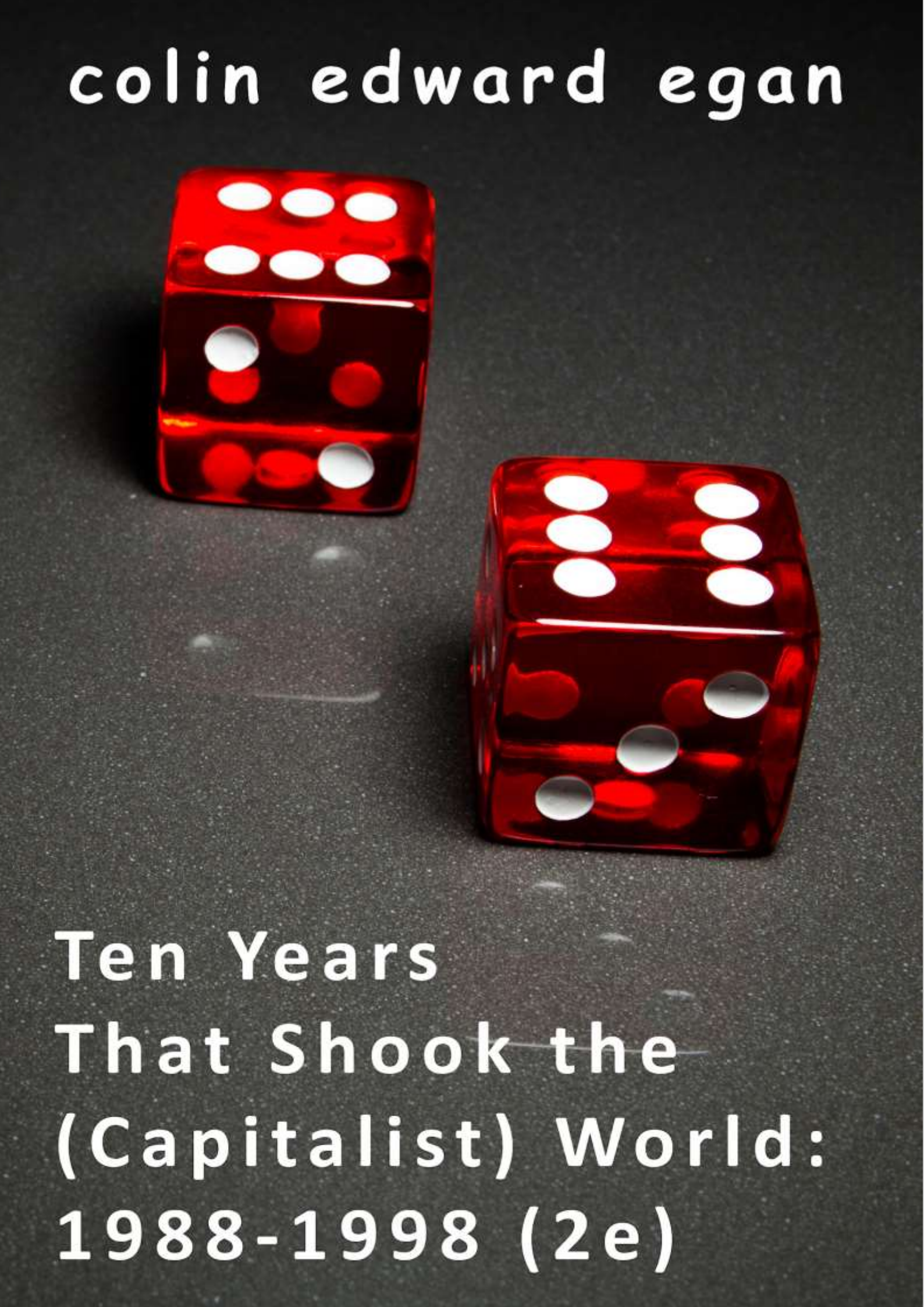

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