

THE WORLD IS FLAT: A BRIEF HISTORY OF THE TWENTY FIRST CENTURY

By
Thomas L. Friedman.
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Thomas Friedman has won the Pulitzer Prize three times for his work at the New York Times, where he writes a regular syndicated column. He is also the author of numerous books, including the popular 1999 book on globalization, "The Lexus and the Olive Tree."

Friedman's premise is that computing and telecommunications technologies have done more than speed up the world—they have transformed the nature of commerce and society. This transformation has huge implications for business, geopolitics, and individual survival in a world that now operates by a new set of rules. I no longer compete only with those in my industry who are located nearby. A large company can lose out to a small company a world away. An individual in Indiana can lose a job to an individual in India or South Africa. No government, business, or individual is immune to these forces, so we had better understand them. Numerous examples of companies operating around the world were cited. In one section he recounts an order placed for a Dell laptop computer. Each part of the computer is listed below and it's country of origin:

Dell Inspiron 600m Notebook:

Part/Function	Mfg/Assembly
Online order to Assembly	Penang Malaysia
Intel processor	Penang Malaysia Philippines. Costa Rica, Malaysia or China
Memory	Korea (Samsung) Taiwan (Nanya) Germany (Infineon) Japan (Elpida)
Graphics Card	China (MSI or Foxconn)
Cooling Fan	Taiwan (CCI or Auras)
Motherboard	Shanghai (Samsung or Quanta) Taiwan (Compal or Wistron)
Keyboard	China (Alps or Sunrex or Darfon)
LCD Display	South Korea (Samsung or LG Philips) Japan (Toshiba or Sharp)

Wireless Card	Taiwan (Chi Mei Optoelectronics, Hannstar Display, or AU Optics) China (Agere or USI) Malaysia (Arrow)
Modem	Taiwan (Askey or Gemtek)
Battery	China (Asustek or Liteon or Foxconn) Malaysia (Motorola) Mexico (Sanyo) South Korea (SDI or Simplo)
Hard Drive	Taiwan (SDI or Simplo) Singapore (Seagate) Thailand (Hitachi or Fujitsu)
CD/DVD	Philippines (Toshiba) Indonesia (Samsung) China and Malaysia (NEC) Indonesia or China or Malaysia (Teac)
Carrying Bag	China (Sony)
Power Adaptor	China (Tenba, Targus, Samsonite, or Pacific Design)
Power Cord	Thailand (Delta)
Memory Stick	China (Liteon, Samsung or Mobility) China, Malaysia or India (Volex) Israel (M-Systems) Malaysia (Smart Modular)

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The book covers familiar territory for many. Certainly the interconnectedness of the world through telecommunications is not new, nor is the relentless march of new technology bringing us mobile computing and new forms of collaboration. But Friedman does a remarkable job assembling the pieces together into a coherent whole. His illustrations, interviews, and stories are a delightful way to pull the picture all together.

The book is written in multiple parts, but can be summarized in three: flattening forces that are changing the world; implications for these changes in business and society around the world; and, the required response to this changing world from corporations, governments and individuals.

The first part provides few new insights but does set theme of the book. The third part becomes more political as he weighs in on the issues of religion, politics, and education -- often with insight but sometimes with vast oversimplification.

But the heart of this book is in the middle—where the implications of the technological change are worked out in terms of new structures for business and drastic changes in societies. This part of the book contains great insights and challenging ideas. It is something every business person, educator, and government official should read,

understand, and discuss. You don't have to agree with all he says to benefit from his remarkable set of ideas.

My review of this book will look at the forces that have flattened the world;
A summary of implications from the changes in business and society and, the author's reasoning on how the anti-globalization movement has lost touch with the world's labor movement.

Friedman categorizes globalization in three phases. Globalization 1.0 represents the period when countries were globalizing, lasting from 1492---when Columbus set sail, opening trade between the Old World and the New World---to around 1800. The second great era, Globalization 2.0 was the phase when companies were globalizing, lasting roughly from 1800 to 2000, interrupted by the Great Depression and World Wars I and II. The key agent of change, the dynamic force driving global integration during this time, was the rise of multinational companies. Around the year 2000 we entered a whole new era: Globalization 3.0. Globalization 3.0 is shrinking the world from a size small to a size tiny and flattening the playing field at the same time.

The Forces that Flattened the World

Flattener #1---11-9-89 When the Walls came down and Windows went up.---- The fall of the Berlin Wall didn't just help flatten the alternatives to free-market capitalism and unlock enormous pent-up energies for hundreds of millions of people in places like India, Brazil, China, and the former Soviet Empire. It also allowed us to think about the world differently—to see it as more of a seamless whole, as a single market, a single community. The critical mass of IBM PCs, and the Windows operating system came together in roughly this same time.

Flattener #2---8-9-95 When Netscape Went Public---The browser technology was one of the most important inventions in modern history. The PC-Windows flattening phase begat the Netscape browsing-e-mail phase and the two together enabled more people to communicate and interact with more other people anywhere on the planet than ever before.

Flattener #3---Work Flow Software---The development of internet software and transmission protocols that could connect any of my software programs to any of your software programs.

Flattener #4---Open Sourcing---The collaborative innovation of many people working in gifted communities just as innovation in the industrial era was characterized by individual genius. The free software movement is to get as many people writing, improving, and distributing programs for free like GNU/Linux. (University of Helsinki-Linus Torvald).

Flattener #5---Outsourcing---This means taking some specific, but limited, function that your company was doing or could not do in-house---such as solving the Y2K computer crisis at the turn of the century, (this led to the mad rush for Indian brain power), specific research, call centers, or accounts receivable—and having another company perform the exact same function for you and then reintegrating their work back into your overall operation.

Flattener #6---Offshoring---For example, when a company takes one of its factories that is operating in Canton, Ohio, and moves the whole factory offshore to Canton, China. There, it produces the very same product, only with cheaper labor, lower taxes, subsidized energy, and lower health-care costs. China's joining the WTO took Beijing and the whole world to a whole new level of offshoring—with more companies shifting production offshore and then integrating it into their global supply chains.

Flattener #7---Supply-Chaining---Also known as Just-In-Time, supply-chaining is a method of collaborating horizontally—among suppliers, retailers, and, and customers—to create value. Wal-Mart's ability to bring off this symphony on a global scale is an example of this flattener.

Flattener #8---Insourcing---Insourcing, known as “synchronized commerce solutions”, where the whole journey from a company factory, to warehouse, to the customer, to a repair location is never touched by the original manufacturer. This is a whole new form of collaboration creating value horizontally and is exemplified by traditional package delivery firms like UPS.

Flattener #9---In-forming---Never before in the history of the planet have so many people —on their own—had the ability to find so much information about so many things and about so many other people. Google, Yahoo, MSN Web Search are the total equalizers.

Flattener #10---The Steroids---Digital, Mobile, Personal, and Virtual are the new technologies that are amplifying and turbo charging all the other flatteners. “Digital,” means that, thanks to the PC-Windows-Netscape-work flow revolutions, all analog and processes-are being digitized and therefore can be shaped, manipulated, and transmitted over computers, the Internet, satellites, or fiber-optic cable. “Virtual” is the process, of shaping, manipulating, and transmitting this digitized content at very high speeds, with total ease thanks to all the underlying digital pipes, protocols, and standards. “Mobile” means that, thanks to wireless technology, all this can be done from anywhere, with anyone, through any device and can be taken anywhere. “Personal” means that it can be done by you, just for you, on your own device.

Globalization 2.0 was really the era of mainframe computing, which was very vertical—command-and-control oriented, with companies and their individual departments tending to be organized in vertical silos. Globalization 3.0, which is built around the convergence of the ten flatteners and particularly the combination of the PC, the microprocessor, the internet and fiber optics, flipped the playing field from largely top-down to more side by side.

Implications of these changes in Business and Society

We are now in a huge transition as companies are coming to understand not only their power in a flat world but also their responsibilities. This is no time to be sitting on ones hands, thinking exclusively in traditional left right, consumer-versus-company terms. Instead we should be thinking about how collaboration between consumers, companies, and governments can maximize the benefits and opportunities of the flat world, providing protection for those who have difficulty with the transition, without resorting to protectionism or runaway capitalism. Freidman suggests a policy blend built around

broad categories of action: leadership, muscle building and, cushioning. Here are his conclusions in each of these categories.

Leadership: If President Bush made energy independence his moon shot (ala Kennedy), in one fell swoop he would dry up revenue for terrorism, force Iran, Russia, Venezuela, and Saudi Arabia onto the path of reform---which they will never do with \$50-a-barrel oil—strengthen the dollar, improve his own standing in Europe by doing something huge to reduce global warming.

Muscles: We cannot guarantee any lifetime employment. But we can guarantee that government and companies will focus on giving you the tools to make you more lifetime employable. The “muscles” workers need most are portable benefits and opportunities for lifelong learning. What is needed is one simple universal portable pension scheme that would get rid of the confusing welter of the sixteen different tax-deferred options now offered by the government and consolidate them into a single vehicle. This plan would be opened with the first job with contributions by the employee and the employer. A similar plan has been proposed by the Progressive Policy Institute.

How about a portable health care program? The idea is to set up a state-by state collective purchasing pool the way Congress and federal employees now cover themselves. These pools would set the rules and create the marketplace in which insurance companies could offer a menu of options. Each employer would then be responsible for offering this menu of options to each new employee. Everyone would have to be covered.

Make tertiary education, if not compulsory, government subsidized for at least two years, whether it is at a state university, a community college, or a technical school. JFK wanted to put a man on the moon. How about every American man or woman on a campus.

How about an immigration policy that gives a five-year work visa to any foreign student who completes a Ph.D. at an accredited American university in any subject?

Cushioning: Many of the old corporate and government safety nets will vanish under global competition. Social security is good; however, a welfare system that discourages people from working is not good. Wage insurance needs to be added. This would compensate an individual for his old job, for a set period of time, while taking on a new job and learning new skills. To qualify for wage insurance, workers seeking compensation for job loss would have to meet three criteria. First, they would have to have lost the job through some form of displacement---offshoring, outsourcing, downsizing, or factory closure. Second, the job would have to have been held for at least two years. And, third, the wage earner would not be paid until they, found a new job, which would provide a strong incentive to look for work quickly and increase the chances to get on-the-job retraining. Workers who met these three conditions would then receive payments for two years, covering half the drop in their income from their previous job (capped at X \$'s per year).

Anti-globalization has lost touch with the Worlds labor movement

The anti-globalization movement emerged at the World Trade Organization conference in Seattle in 1999 and then spread around the world in subsequent years, usually gathering to attack meetings of the World Bank, the IMF, and the G-8 industrialized Nations. From its origins, the movement that emerged in Seattle was primarily a Western-driven phenomenon, which is why you saw so few people of color in the crowds. The violence at Genoa, 9/11, and tighter security measures fractured the anti-globalization movement. The more serious “how-we-globalize” groups did not want to be in the same trench with the anarchists out to provoke a public clash with police, and after 9/11, many American labor groups did not want to appear to be taken over by anti-American elements. This became even more pronounced when, in late September, 2001, three weeks after 9/11, anti-globalization leaders attempted a rerun of Genoa in the streets of Washington, to protest the IMF and the World Bank meetings there. At the same time, the dot-com bust actually drove globalization into hyper-mode by forcing companies to outsource and offshore more and more functions in order to save on scarce capital. The Chinese, Indians, and Eastern Europeans were some of the biggest beneficiaries of globalization and it was no longer possible to claim that this phenomenon was devastating the world’s poor. Just the opposite: Millions of Chinese and Indians were entering the world’s middle class thanks to the flattening of the world and globalization.

So as the “how-we-globalize” forces drifted away, and as the number of Third World people benefiting from globalization began to grow, and as America under the Bush administration began to exercise more unilateral military power, the anti-American element in the anti-globalization movement began to assume a much louder voice and role. As a result the movement itself became more anti-American and more unable and unwilling to play any constructive role in shaping the global debate on how we globalize, precisely when such a role has become even more important as the world has gotten even flatter.