



## Why Globalization is Imperfect In the Eyes of A Rep

*How do you feel about globalization nowadays? With trade imbalance and the budget deficit, the effects of globalization appear more ominous than ever before. What went wrong? The world is becoming dependent on one super power as a supplier, and you should not be surprised to learn that it is not us/U.S. Only by correcting this imbalance can the world become a safer place. Economic power may be more of a threat than military might. Read on and you will find out why this should be of major concern to all businessmen – reps, their partners and principals/suppliers.*

**T**he motivation for this article was based on a story that was published in the January issue of Foreign Policy Magazine. It was written by a group of well-credentialed political science professors at UC Berkley. They contend that the world today is more dangerous and less orderly than it should be. About 10 to 15 years ago, most Americans viewed the world as tranquil and serene and their expectations were that it would stay that way forever and a day. But, au contraire, the reality has been the opposite. The world has more international terrorism and nuclear proliferation today than it did in 1990. What has happened to social progress? Many international institutions have been victims of corruption and the world has experienced pandemic diseases and dramatic climate changes. Strong religious and cultural ideology has fueled hatred and hatred fuels the machines of war. Lastly, the global financial system is more unbalanced and precarious.

### **Why Is This Happening?**

It wasn't supposed to be like this. The end of the cold war was supposed to make global politics and economics

easier to manage, not harder. What went wrong? Many Americans now feel that globalization has a significant dark side. The freighters that carry Chinese products, mostly electronics and appliances, to the U.S. also carry drugs. Airplanes that fly passengers non-stop from major U.S. cities to China and back also transport infectious diseases, not to mention the viruses that are traveling throughout the global Internet. Worse yet are the extremist ideologies that can easily spread and be accessed via cyberspace. When the Internet was conceived, we all saw the good and not the evil. Today it is more of a SPAMALOT and less of a B to B.

### **What If?**

As we all know, there are thousands of U.S. manufacturers who aspire to lower their labor costs and enjoy higher profits. What if their dreams came true and every last one of them could out-source their production to China? Would you consider this to be a celebratory occasion? If so, just think about the consequences. It would mean that every factory would close and that our country would be totally dependent upon China

for finished products. But that's what it is coming to. As Lou Dobbs wrote in his book, we are exporting America in the name of profit. To this author, it's a scary thought that we have placed so much dependency in the hands of a (friendly) Communist government. Wouldn't you be friendly as well if you were receiving billions of dollars from the U.S. in export business?

### **Conventional Beliefs**

It appears that the current U.S. business strategy is to push more trade, more connectivity, more markets and more openness. Why? America does it for a good reason. Corporate moguls here benefit from globalization more than any other country in the world. Many of our elected officials acknowledge globalization's dark side, but attribute it to the exploitive behavior of criminals, religious zealots and dictator that can be eliminated. Hopefully, we'll see the day.

### **What's Changed?**

Even though many things have changed, the U.S. budget deficit is still spinning out of control. Politicians in both parties like the idea of cutting

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taxes in order to reduce budget deficits. This is nothing if America does not have responsible fiscal management. China's low labor cost is a powerful magnet to U.S. manufacturers. It used to make sense to take advantage of low labor rates, but not any more. Our nation's dependence on China, India and whoever comes next is simply a risk not worth taking, especially in the field of technology. Our automotive industry has already been decimated and is drowning in red ink. Manufacturing jobs have been replaced by those in the service sector, i.e. Wal-Mart, Walgreen's and a myriad of big box chains.

### **Observation**

The predominance of American power has many benefits, but the management of globalization is not one of them. The mobility of ideas, capital, technology and people is hardly new. Many think that the rapid advance of globalization is counter-productive to our country. The next statement may come across as crass, but to many people it's true. America's power lies primarily in our nuclear armament and not in the fact that we are an economically sound behemoth. Our country has never had a greater trade imbalance (it's been going on for 30 consecutive years), budget deficit, credit card debt or loss of critical jobs in the manufacturing sector. And a weak manufacturing sector means that reps and distributors will have fewer accounts to call on – that's already happening.

### **China Dependence**

With the current corruption in the Russian and Brazilian economy, there is little incentive to outsource jobs and manufacturing to these two nations. Brazil has a high inflation rate, high interest rates and high import duties to protect their domestic industry – all good reasons not to go there. Russia may look like a good choice if you are shipping into Europe, but their big negatives are poor logistics and organized crime. India has a fairly stable economy, but it's no great shakes. Experts feel that they are 10- 12 years behind China.

### **Energy Dependence**

There are 193 countries in the world and none of them are energy independent. They rely on energy producing nations that won the geological lottery. According to the experts, our dependence on oil will probably not change for at least 30 years. Hopefully our corporations will plow their profits into R&D for energy alternatives, as opposed to outsourcing manufacturing and jobs to China. Isn't it obvious that we are enabling the Chinese to become a super power every time we buy stocks and bonds in a company that feels China is the short term and sure fire approach to profit?

### **Summary**

America cannot indefinitely stave off the rise of another super power. In today's world we are all interdependent and networked. A shift in the balance of global power could ultimately help the U.S. manage some of the most costly and dangerous outsourcing. As the international playing field levels, the scope of problems and the threat they pose to America will ideally decrease. When that happens, the U.S. will find globalization is less of a burden and more of an opportunity. ■