

*A Review: R. Baldwin, "The Great Convergence: Information Technology and the New Globalization" (Cambridge: Belknap Press of Harvard University Press, 2016)*

by Nicola Montagna

In the introduction of his book, Richard Baldwin ambitiously says that its reading will “change our way to look at globalisation”. While the aim may sound too pretentious and in some respect misplaced, *The Great Convergence: Information Technology and the New Globalization* is certainly timely. While it is hard to say whether or not globalisation has entered a terminal crisis, it is true that we are witnessing to processes of de-globalisation and relative attempts of national governments to regain some sovereignty. Against the view that globalisation has reached its terminus, this book states that on the contrary it is entering a new phase. Its central assertion is that the radical changes in communication technology around 1990s have transformed the nature of globalization, reducing the costs of production and transferring massive north-to-south flows of know-how. What Baldwin calls “New Globalisation” not only has produced a *great convergence* of profit shares between the most industrialized and some industrializing countries as a consequence of shifting production to the latter, but it also set the basis for a “Third Wave” of globalisation.

In a way, Baldwin adopts a *longue durée* approach and looks at the history of mankind as a long march through globalising processes marked by a series of technological innovations in transportation: the domestication of camel, the invention of navigational technologies, the emergence of steam power, the development of ICT and more recently of telepresence and telerobotics, the new technological drivers of the next phase of globalisation. According to Baldwin, the globalising processes are divided into four phases and started off 200,000 years ago with the first appearance of human beings and the humanization of the globe thorough the movement of people. This idea that globalisation is somehow a-historical is coherent with his conceptualisation of globalisation as “moving things around”, whatever things may mean: goods, ideas, and people. Initially globalization meant a burgeoning of human population travelling to exploit distant

production sites as transportation made moving people to food easier rather than the opposite. In the second phase, which had its onset in around 10,000 BC and ended with the Industrial Revolution, food was brought to people. Some trade happened but it was limited by high transport costs and confined to missing raw materials. With phase three, globalization in modern terms starts. The Industrial Revolution transformed mankind's relationship with the environment in general and distance in particular. The development of steam power dramatically improved the transportation of goods and the cost of moving them fell sharply. This is what Baldwin defines as the Globalization's "first unbundling", that is, the separation of production and consumption. The fourth phase coincides with the ICT revolution. This launched the "second unbundling" since radically transformed communications have made it possible to coordinate production at distance and the offshoring of complex activities to low-wage nations. While the first leap of globalization made moving goods easier and much cheaper, the second transformed the possibility of moving ideas and reducing its costs. This created the conditions for developing countries to participate in global value chains, that is, to compete in particular areas of component supply to the international markets. As a consequence, while the first unbundling created the "Great Divergence" between industrialized and non industrialized economies, the second brought the "Great Convergence" between industrialized nations and the Industrializing Six, with a dramatic share shift from the former to China, South Korea, India, Poland, Indonesia and Thailand.

Baldwin points out a number of radical changes between the third and fourth phases of globalisation and that all stem from the transformation in the international organisation of production. This change is well known and coincides with what is broadly called externalisation of the different stages of production. While traditionally G7 manufacturers produced their goods within factories and industrial districts, the ICT revolution allowed parts of production to relocate to developing countries and take advantage of lower labour costs. This organizational change had many implications. First, the cross-lines of competition has denationalised and become between cross-national. In other terms, competition is no longer between national productions, i.e. cars made in Germany compete with cars made in Japan, but between cross-national production networks. A second implication is that the generation

of value has moved from manufacturing to services, that is, much of value addition takes place in the pre- and post-fabrication stages as a consequence of the second unbundling of ideas and place, as Apple and many other high-tech production show perfectly.

This brings us to a third implication of the “New Globalization” which has to do with the winners and losers. This is the most reticent part of the book and Baldwin spends only a few words to tell us who took advantage and mostly who was left behind from globalization. He tells us that while until the 1980s high-skills workers in G7 nations won and low-skilled workers in G7 nations lost, the New Globalization “adds a new twist to the story”. Because of its nature and being based on know-how, services, and knowledge, the winners are mainly those firms that are able to exploit the new offshoring possibilities. On the other hand, this boosts the industrial production in developing countries and therefore the demand for unskilled workers. According to Baldwin these are the other winners of this new Globalization phase and the lifting of some 650 million people in the industrializing Six, some of them participating in the global value chains, beyond the level of poverty shows how positive the implications of the second unbundling can be. So, are there any losers? There is not much about that in the book if not that it is the low- and medium-skilled workers in G7 nations who suffered most from the delocalization processes.

Finally, this new phase of globalization is “wilder” than the past, operates with a finer degree of resolution on national economy, and is more unpredictable: “One cannot accurately predict which stages and jobs will be affected next in a world where the contours of industrial competitiveness are defined by offshoring firms”. Globalization may impact differently on same skills and same sectors and none is protected in this new situation.

These new and dramatic changes bring the reader to another key part of the book: what sort of policies the G7 should adopt in this completely mutated context? While in the old phase policies bolstering international competitiveness were nation-centred, from education and training to tariffs, the new policies should support nations in “joining international production arrangements to become competitive”. As much of the literature on globalization and its impact, in this book too, emphasis is given to policies in G7 countries fostering human capital, new jobs, and knowledge. Competitiveness policy, according to Baldwin, should focus on the “stickiness” of pro-

duction factors, on service sector jobs related to industry and on helping workers to adjust to the unpredictable globalization rather than resist it.

Baldwin teleological approach to globalization may not change the way we view it, but it will surely give a new lease of life to its enthusiasts and all those who are afraid that the economic crisis and the growth of nationalisms may bring its end. The main concern with this book is its approach to globalization as if it were a second nature of mankind rather than a (quite recent) historical process, which is linked to the development of capitalism and its need to expand the markets. In Baldwin's view, since their appearance human beings had globalization inscribed in their nature. In this context, the only key driver is technology, particularly that technology which reduces the costs of transportation, while the role played by social and historical forces is largely overlooked if not completely forgotten. Even the "third unbundling", which concerns the mobility of people and will give globalization a new leap, not only is it now approaching but also relies on deep and radical technological changes. Telerobotics and telepresence will allow people to carry manual tasks at distance, with a huge reduction of costs and without the need for people to move from where they are. The trouble with this, to me, narrow view is its determinism; that is the idea that globalization processes are a "necessary" aim, and that the limits to globalization may only come from the lack of technological advancements. This explains why Baldwin spends so little about the losers of globalization, which is an aspect that cannot be overlooked so easily. If globalization is a natural and unavoidable force, why should we pay so much attention on the left-behind, those who have not gained much from it? On the contrary, if globalization is now in "crisis" this is also because the "losers" oppose it through their support of nationalist claims, as Brexit, the election of Trump, and the growth of nationalist actors, i.e. Le Pen in France, Herdogan in Turkey etc., just to make a few examples, have shown. While the author seems to downgrade the role that political, social and economic forces played in forging globalization, similarly he overlooks that the current opposition comes more from the emergence of populist anti-globalization forces than technology.