

THE WORLD IS FLAT

THE TWENTH GLOBALIZED WORLD IN
THE TWENTY-FIRST CENTURY

THOMAS L. FRIEDMAN

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About The Author

- ❑ **Thomas L. Friedman** (born July 20, 1953) is an American journalist, columnist, Marshall Scholar and multi Pulitzer Prize winning author.
- ❑ His foreign affairs column , which appears twice a week in The New York Times, is syndicated to one hundred newspapers worldwide. He has written extensively on foreign affairs including global trade, the Middle East and environmental issues.
- ❑ He has won the Pulitzer Prize three times and he has been a member of the Pulitzer Prize Board from 2004 until the present.



About The Author

□ Bibliography

- From Beirut to Jerusalem (1989)
 - The Lexus and Olive Tree: Understanding Globalization (1999)
 - World after September 11 (2002)
 - The World is Flat: A Brief History of the 21st Century (2005)
 - Hot, Flat and Crowded: Why Need a Green Revolution (2008)
- “The World is Flat” was on the New York Times Best Seller list from its publication in April 2005 until May 2007. Since July 2006, the book has sold more than two million copies.

Contents

- How the World Became Flat
- America and the Flat World
- Developing Countries and the Flat World
- Companies and the Flat World
- Geopolitics and the Flat World
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While I Was Sleeping

- ❑ Today, it is now possible for more people than ever to collaborate and compete in real time with more other people on more different kinds of work from more different corners of the planet and on a more equal footing than at any other previous time in the history of the world – using computers, e-mail, fiber-optic networks, teleconferencing and dynamic new software. And that is what this book is about.
- ❑ The flattening of the world means is that we are now connecting all the knowledge centers on the planet together into a single global network, which –if politics and terrorism do not get in the way- could usher in an amazing era of prosperity, innovation and collaboration, by companies, communities and individuals.

While I Was Sleeping

- ❑ There have been 3 great eras of globalization.
- ❑ The first lasted from 1492 – when Columbus set sail, opening trade between the Old World and the New World – until around 1800. I would call this era **Globalization 1.0**. It shrank the world from a **size large to a size medium**.
- ❑ **Globalization 2.0**, lasted roughly from 1800 to 2000. This era shrank the world from a **size medium to to a size small**. In this age, the key agent of change and the dynamic force driving global integration was multinational companies. These multinationals went global for markets and labor, spearheaded first by the expansion of the Dutch and English joint-stock companies and the Industrial Revolution.

While I Was Sleeping

- ❑ In the first half of this era, global integration was powered by falling transportation costs, thanks to steam engine and the railroad.
- ❑ In the second half by falling telecommunication costs – thanks to telegraph, telephones, the PC, satellites, fiber-optic cable and the early version of the World Wide Web.
- ❑ And now **Globalization 3.0** is shrinking the world from a size **small to a size tiny and flattening the playing field** at the same time.
- ❑ *In Globalization 1.0 countries were globalizing,*
- ❑ *In Globalization 2.0 companies were globalizing,*
- ❑ *In Globalization 3.0 individuals are globalizing.*

While I Was Sleeping

- ❑ The flat-world platform is the product of a convergence of the personal computer (which allowed every individual suddenly to become the author of his or her own content in digital form) with fiber optic cable (which suddenly allowed all those individuals to access more and more digital content around the world for next to nothing) with the rise of work flow software (which enabled individuals all over the world to collaborate on that same digital content from anywhere, regardless of the distances between them).
- ❑ No one anticipated this convergence. It just happened –right around the year 2000.
- ❑ Although Globalization 1.0 and 2.0 were driven primarily by European and Americans, Globalization 3.0 is going to be driven mostly by non-Western and non-white individuals.

The Ten Forces That Flattened the World

- ❑ The world has been flattened by the convergence of ten major political events, innovations and companies.
- ❑ **Flattener #1: 11/9/89 – The New Age of Creativity: When the Walls Came Down and the Windows Went Up**
 - The fall of the Berlin Wall didn't just help flatten the alternatives to free-market capitalism and unlock enormous energies for hundreds of millions of people in places like India, Brazil, China and the former Soviet Empire.
 - Also, the Berlin Wall was not only blocking our way; it was blocking our sight – our ability to think about the world as a single market, single ecosystem and a single community.
 - Before 1989, you could have an Eastern policy or a Western policy, but it was hard to think about a “global” policy.

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❑ **Flattener #2:** 8/9/95 – The New Age of Connectivity: WWW

- The concept of World Wide Web – a system for creating, organizing, and linking documents so they could be easily browsed over the Internet – was developed by British computer scientist Tim Berners-Lee and he posted the first Web site in 1991, while he was consulting for CERN.
- The telephone and the modem made it possible to establish physical connections between all the world's PCs.
- As hugely important as Berners-Lee's invention was the creation of easy to install and easy to use commercial browsers. The first popular browser was Netscape that went public on August 1995.
- In 5 years, the number of Internet users jumped from 600,000 to 40 million. At one point, it was doubling every 53 days.

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❑ **Flattener #3** – Work Flow Software:

- In 1980s people started to use PCs to author their own content in digital form, which they printed out on paper and then exchanged with others by hand or surface mail and finally email.
- Then people could save digital content on their PC's, which they transmitted around the Internet, with the help of standardized protocols, collaborating with anyone anywhere.
- And finally today, we have reached a point in work flow that machines are talking to other machines over the Internet using standized protocols, with no humans involved at all.

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- **Flattener #4** – Uploading: Harnessing the Power of Communities
 - The genesis of the flat-world platform not only enabled more people to author more content and to collaborate on that content. It also enabled them to upload files and globalize that content –individually or as part of self-forming communities – without going through any of the traditional hierarchical organizations or institutions.
 - The newfound power of individuals and communities to send up, out and around their own products and ideas, often for free, rather than just passively downloading them from commercial enterprises or traditional hierarchies, is fundamentally reshaping the flow of creativity, innovation, political mobilization and information gathering.

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❑ Flattener #5 – Outsourcing

- By the late 1990s, the fiber optic bubble was starting to inflate linking India with the United States and the Y2K computer crises started gathering on the horizon. And the world need India because of its computer schools, technical colleges and IT personnell.
- By early 2000, e-commerce business emerged but engineering talent was scarce and demand from dot-coms was enormous. As a result, outsourcing from America to India, as new form of collaboration exploded.

❑ Flattener #6 – Off shoring

- On December 11, 2001, China formally joined the World Trade Organization. China's joining the WTO gave a huge boost to another form of collaboration – off shoring.

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- ❑ Outsourcing means taking some specific, but limited, function that your company was doing in-house – such as research, call centers, or accounts receivable – and having another company perform that exact same function for you and then reintegrating their work back into your overall operation.
- ❑ Off-shoring, by contrast, is when a company takes one of its factories that is operating in Ohio and moves it offshore to Canton China. There it produces the very same product in the very same way, only with cheaper labor, taxes, health-care costs and subsidized energy.
- ❑ The more attractive China makes itself as a base for off-shoring, the more attractive other developed and developing countries competing with it, like Malaysia, Thailand, Ireland, Mexico, Brazil and Vietnam, have to make themselves.

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❑ **Flattener #7 – Supply Chaining**

- Supply chaining is a method of collaborating horizontally – among suppliers, retailers and customers – to create value. Supply chaining is both enabled by the flattening of the world and hugely important flattener itself, because the more these supply chains grow, the more they force the adoption of common standards between companies (so that every link of even supply chain can interface with the next), the more they eliminate points of friction at borders, the more the efficiencies of one company get adopted by the others and the more they encourage global collaboration.
- To appreciate how important supply-chaining has become as a source of competitive advantage and profit is a flat world think about Wal-Mart. It is today the biggest retail company in the world, and it does not make a single thing. All it “makes” is hyper-efficient supply chain.

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- There are 2 basic challenges in developing a global supply chain:
 - One is global optimization. The total cost of delivering the parts on time from all corners of the globe to the factories or retail outlets has to be lower than the competitors.
 - The second major challenge is coordinating supply with the hard to predict demand.

- **Flattener #8 – In sourcing**
 - Not every company, indeed very few companies, can afford to develop and support a complex global supply chain of the scale and scope that for example Wal-Mart has developed.

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- In sourcing came about because once the world went flat, the small could act big – small companies also could suddenly see around the world. Once they did, they saw a lot of places where they could sell their goods, manufacture their goods, or buy their raw materials in a more efficient manner.
- Most of the small and big companies (Nike, Toshiba, etc) didn't know how to or cannot manage a complex global supply chain on their own.
- In sourcing companies (like UPS) come and analyze the manufacturing, packaging and delivery processes and design, redesign and manage the whole global supply chain.

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□ 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.
- In-forming is searching of knowledge. It is about self-collaboration – becoming your own self-directed and self-empowered researcher, editor and selector of entertainment, without having to go to the library or the movie theater or through network television.
- Google is now processing roughly 1 billion searches per day, up from 150 million just three years ago.

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- Today's consumers are much more efficient – they can find information, products, services, faster than through traditional means. They are better informed about issues related to work, health, leisure, etc.

□ **Flattener #10 – The Steroids:** Digital, Mobile, Personal and Virtual

- The first steroid is about computing: Computational capability, storage capability and input/output capability. Every year, we can digitize, shape and transmit more words, music, data and entertainment than ever before.
- The second steroid involves breakthroughs in instant messaging and file sharing.
- The third steroid involves breakthroughs in making phone calls over the Internet.

The Triple Convergence

- ❑ It is the triple convergence –of new players, on a new playing field, developing new processes and habits for horizontal collaboration – that is the most important force shaping global economies and politics in the twenty-first century.
- ❑ In 1985, the global economic world consisted of North America, Western Europe, Japan, as well as chunks of Latin America, Africa, and the countries of East Asia. The total population of this global economic world, taking part in international trade and commerce, was about 2.5 billion people.
- ❑ By 2000, as a result of the collapse of communism in the Soviet Empire, India's turn, China's shift to market capitalism, and population growth all over, the global economic world expanded to 6 billion people.

The Triple Convergence

- ❑ As a result of widening, another roughly 1.5 billion new workers entered the global economic labor force. Maybe only 10 percent of this new 1.5 billion – strong workforce entering the global economy have the education and connectivity to collaborate and compete at a meaningful level. But that is still 150 million people, roughly the size of the entire U.S. workforce.
- ❑ Also, these societies are improving their education levels continuously. According to Institute of International Education, 80,466 Indian students enrolled in the US (the largest foreign student population), followed by 62,523 from China and 53,358 from South Korea.

Is Ricardo Still Right?

- ❑ David Ricardo (1772 – 1823) was the English economist who developed the free trade theory of comparative advantage, which says that if each nation specializes in the production of goods in which it has a comparative cost advantage and then trades with other nations for the goods in which they specialize, there will be an overall gain in trade and overall income levels should rise in each trading country.
- ❑ So if all these Indian technies were doing what was their comparative advantage and then turning around and using their income to buy all the products from America that are their comparative advantage.
- ❑ But a policy of free trade must be accompanied by a focused domestic strategy aimed at upgrading the education so that people will be able to compete for the new jobs in a flat world.

Is Ricardo Still Right?

- ❑ And it must be accompanied by a foreign strategy of opening restricted markets all over the world, thereby bringing more countries into the global free-trade system.
- ❑ As lower-end service and manufacturing jobs move out of Europe, America and Japan to India, China and the former Soviet Empire, the global pie not only grows larger – because more people have more income to spend – it also grows more complex and more new jobs.
- ❑ There may be a limit to the number of good factory jobs in the world, but there is no limit to the number of idea-generated jobs in the world. Mexico specialized in making tires and China specialized in making camshafts and America specialized in overall automobile design.

Is Ricardo Still Right?

- ❑ On the other hand, in a flatter world a country can and will lose its comparative advantage in one field much more quickly than in the round world.
- ❑ Today, India and China are competing in many fields once seen as the exclusive preserve of developed Western nations. These developed countries will need to adapt and move into still newer fields, much more quickly, if they want to maintain their standards of living. At the same time India and China will lose their comparative advantage in certain lower-rung fields, like basic manufacturing or textiles, to places like Vietnam or Madagascar.

The Untouchables

- ❑ Globalization went from globalizing industries to globalizing individuals. Today every young American would be wise to think of himself or herself as competing against every young Chinese, Indian and Brazilian.
- ❑ So the key to thriving, as an individual, in a flat world is figuring out how to make yourself an “untouchable”. Untouchables are the people whose jobs cannot be outsourced, digitized or automated. The untouchables in a flat world will fall into 3 broad categories:
- ❑ First are people who are “special or specialized”. These people perform functions in ways that are so special or specialized that they can never be outsourced, automated or made tradable by electronic transfer.

The Untouchables

- ❑ Second are people who are really “localized” and “anchored”. They are untouchables because their jobs must be done in a specific location, either because they involve some specific location, either because they involve some specific local knowledge or because they require face-to-face, personalized contact or interaction with a customer, client, patient or audience.
- ❑ Third category includes the middle-class jobs. Many of them are now under pressure from the flattening of the world. These new middle collaboration jobs will be in sales, marketing, maintenance and management, but what they will all demand is the ability to be a good horizontal collaborator, comfortable working for a global company and translating its services for the local market, wherever that may be.

The Right Stuff

- ❑ Our parents were sure that they were going to live better than their parents and that we, their children, were going to live better than them. We are growing quite concerned that we are not going to retire as well off as our parents did, and our kids probably are not going to be as well-off as we were.
- ❑ In the future, how we educate our children may prove to be more important than how much we educate them.
- ❑ The most important ability you can develop in a flat world is the ability to “learn how to learn” – to constantly absorb, and teach yourself new ways of doing old things or new ways of doing new things.

Conclusion: Imagination

- ❑ There has never been a time in history when human imagination wasn't important, but it has never been more important than now, because in a flat world so many of the tools of collaboration are becoming commodities available to everyone. So many more people now have the power to create their own content. There is one thing, though, that has not and can never be commoditized and that is imagination –what content they dream of creating.
- ❑ Analysts have always tended to measure a society by classical economic and social statistics: its deficit to GDP ratio, its unemployment rate, etc. Such statistics are important but another important measure is: **Does your society have more memories than dreams or more dreams than memories?**