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CENTRE FOR EUROPEAN STRATEGY

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# Midsize, yet global:

## the imperative of punching above weight within the new world order

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## 1. Context: globalization and its meaning for small and midsize states

**The world may not have become flat, just as the distance has not died, but globalization and interdependence are facts of life that hardly anyone can deny.** This holds true, most of all, in the sphere of the economy which, when seen in a comparative perspective, is living through its golden age[1] despite the global financial crisis [Figures 1 and 2]. It may also be argued that globalization has firmly entered into the political, social, cultural and technological domains. Together with the economic development of countries from different regions around the globe, there is on-going convergence[2] towards common values and standards: democracy, freedom, connectivity and the culture of well-being, even if progress is not uniform and set-backs are not infrequent.

Some call it "the rise of the rest", others resuscitate the idea of "the end of history", while caution is also sometimes voiced against the unexpected challenges related to this novel situation. Undoubtedly, **one of the new phenomena in this context is that the security of individual countries has become much more dependent on the global system, and, what is even more important, not necessarily on its military equilibrium** but also on the newly generated economic, social and technological risks (for example:

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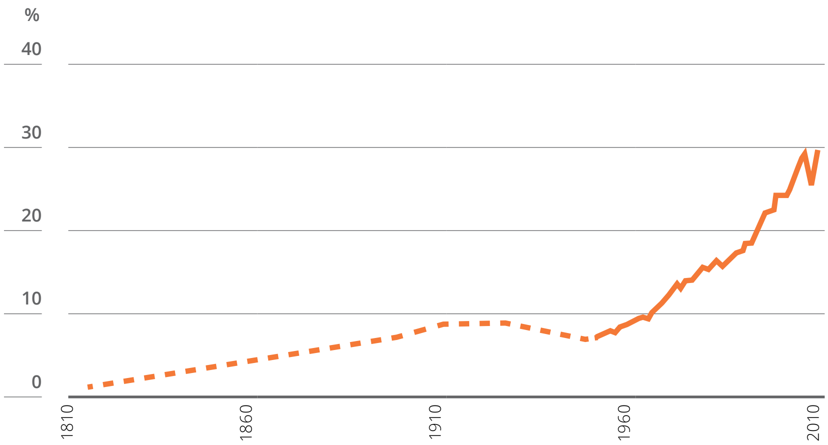
1 A. Subramanian, "This is a golden age of global growth (yes, you read that right)", *Financial Times*, April 7, 2013.

2 K. Mahbubani, "The Great Convergence: Asia, the West, and the Logic of One World", 2013.

**Figure 1.**

Total exports of goods and services as a percentage of world GDP, 1810–2011.

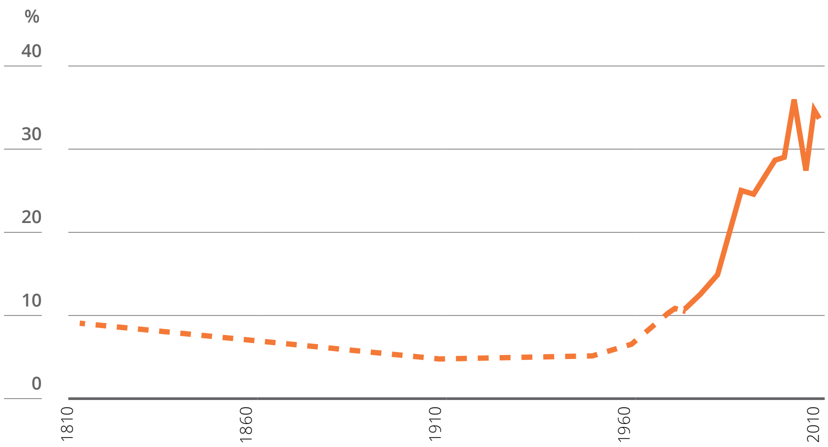



The depth of trade in goods and services has regularly scaled new heights since the end of the Second World War. Trade depth plunged in 2009 but recovered strongly in 2010 and 2011.

Sources: P. Ghemawat, S. Altman, "Global Connectedness Index 2012', DHL, 2012, p. 15.

**Figure 2.**

Historical FDI depth trend 1913–2010.




Foreign direct investment stock as a percentage of world GDP has surged since 1980s, although volatility since 2008 reflects the potential for significant reversals.

Sources: P. Ghemawat, S. Altman, "Global Connectedness Index 2012", DHL, 2012, p. 17.

currency wars, sudden changes in international capital flows, or the transfer of diseases). This is what could be dubbed the 'dark side of globalization'.

But there are two sides to every coin. **Just as the international system has moved to the state of greater interdependence, making individual countries less immune**[3] **and less self-dependent, it has also become somewhat 'flatter'** in the sense of enabling a rising number of states to take part in the global game.

It is for this double reason of new threats plus new opportunities that individual states increasingly need to implement their own globalization strategies as part of their foreign policies. Those times when only great powers or major international institutions had an impact on the shape of global matters seem to belong to the past. **Several factors have made the 'global game' much more democratic.** This is the result of twenty years of relative peace (lack of major interstate conflicts), accompanied by unprecedented ouverture in international trade and finance, several waves of democratization in different parts of the globe (Latin America, Central Europe, and – to a lesser extent – Asia and the Arab World), and the technological revolution, which altogether enabled the fragmentation in the global chains of added value and led to a pronounced economization of international politics.

Due to all these phenomena, a strengthened position of small and medium-sized states[4] in the global politics and economy has been brought to the fore. This concerns, most of all, the so-called 'middle-income countries'[5], that usually have done relatively well in reaping benefits of today's economic globalization but whose further chances would depend on their political ability to shape their course for the future. In order to be able to take active part in the global power-game, they must reach for the fruit that is hanging above them by crafting their own globalization strategies and putting them into practice. What is more, the sheer scale of global interdependencies means that they can no longer permit themselves to ignore this task. If they continue to see long-term security and prosperity as their *raisons d'Etat*, they must find ways to position themselves smartly within a thickening global network of economy, politics and knowledge. It may be argued **that the infamous 'middle-income trap'**[6] **has not only an economic dimension, but also a much larger political and strategic meaning.**

When crafting their globalization strategies, all small and medium-sized states should make a clear distinction between *G minor* and *G major* policies. On the one hand (*G minor*), they must focus on the ways to adapt to current global circumstances. On the other hand (*G Major*), they must reflect on how to strengthen their influence on the shape of globalization as such – and in which direction they would like to push it. In both cases, **globalization will turn out to be for them what they make of it**[7].

Globalization and interdependence are not given once and for all. One of the unintended consequences of the global economic crisis may be a dispro-

3 According to the CEO of PIMCO, Mohamed El-Erian, "those countries that are either indifferent or yet to recognise continuing shifts in the global system are vulnerable. They could easily become victim to hidden currency wars and changes in international capital flows"; M. El-Erian, "How the IMF should respond to a 'three-speed world'", *Financial Times*, April 18, 2013.

4 We define "small states" as those having populations of less than 10 million people. The definition of "midsized states" is more tricky. In our analysis, this group encompasses all states that have populations of more than 10 million people, excluding those countries that for historical reasons or due to their sheer magnitude are already considered as superpowers (United States, China), great powers (Japan, Russia, Germany, France, United Kingdom) or rising powers (Brazil, India). Still, we are aware of the difficulties in a precise delimitation of these categories, which should therefore be seen on a *continuum*.

5 Middle-income countries are the 86 countries that fall into the middle-income range set by the World Bank's World Development Indicators. More: http://data.worldbank.org/data-catalog/world-development-indicators

6 For a detailed discussion about the concept of the 'middle-income trap', see: P. Aghion, H. Harmgart, N. Weisshaar, "Fostering Growth in CEE countries": a country-tailored approach to growth policy, *EBRD Working Paper* no. 118; B. Eichengreen, D. Perkins, K. Shin (2011), "When Fast Growing Economies Slow Down: International Evidence and Implications for China", *NBER Working Paper* no. 16919; H. Kharas, H. Kohli (2011), "What is the Middle Income Trap, Why do Countries Fall into It, and How It Can Be Avoided?", *Global Journal of Emerging Market Economies* no. 3:281; "Middle-income claptrap", The Economist, 406 (8823), February 16–22, 2013, p. 64; M. Spence and the Commission on Growth and Development (2008), "The Growth Report: Strategies for Sustained Growth and Inclusive Development", World Bank; A. Virmani, "Accelerating And Sustaining Growth: Economic and Political Lessons", *IMF Working Paper* no. WP/12/185.

7 A. Wendt, "Anarchy is what state make of it", *International Organisation*, 1992.

portionate retraction from the open system of trade exchange and capital flows – whose worrying signs have already become visible in recent years[8]. In such a case, **small and midsized states may be among those who have the most to lose: not only due to economic effects brought by a hypothetical 'de-globalization', but first and foremost because of its political consequences.** Indeed, globalization (as long as it happens within "sane" limits[9]) can be and has been a powerful consolidating factor for the global security, without mentioning its unprecedented impact on global prosperity. The problem is mostly about how to govern an increasingly globalized reality, and especially how to find a right balance between the still national scope of governments and the global nature of markets[10].

If we see globalization as a scalable phenomenon, we may conclude that the world is in fact less connected than popular notions have led many people to believe[11]. **There remains a large scope for globalization to deepen and broaden.** There are huge differences between individual countries and regions in their level of connectedness to the global network. Europe and North America alone account for 50% of world exports. Together with Asia, they constitute the leading trio of globalization. Latin America, Africa and the Commonwealth of Independent Republics are much less globalized. In most parts, world trade is still very much regionalized: for example, over three quarters of European merchandise exports take place within Europe[12].

Broader implications of the global crisis will only become clear in the years to come. What is valid, however, is the argument expressed by Joseph Stiglitz years before the crisis: that **for decades the economic globalization has been outpacing political globalization**[13]. Small and medium-sized states in particular should take this observation to heart. If they want to take advantage of economic interdependence and avoid its hypothetical dangers, they must make efforts to globalize themselves politically – and do their best to ensure that political globalization at international level functions effectively.

What this means in practice is, to some extent, a series of simple prescriptions. They must develop intellectual resources for strategic thinking and globalized policy-making at home[14]. They should seek to build their niches within the global debate. They should strengthen their voice by leading regional partnerships on specific issues. Finally, they ought to look after their countries' image abroad. However, behind all these efforts, there should be a well-defined underlying agenda as to why and how to position oneself within the globalized world, and what kind of globalization one wishes to have.

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In this report, we characterize a variety of tools that small and medium-sized states have at their disposal when engaging globally, and afterwards, as a matter of exemplification, we analyse two cases of individual states that are coping with the challenge of finding a proper place for them in the global system.

8 P. Ghemawat, S. Altman, "Global Connectedness Index 2012', DHL, 2012.

9 D. Rodrik, "The Globalization Paradox", W. W. Norton & Co., 2011.

10 Ibidem, p. xvi

11 P. Ghemawat, S. Altman, op. cit., p. 22

12 "International Trade Statistics 2012", World Trade Organisation, 2012, p. 12-13.

13 J. Stiglitz, "Making Globalization Work", Penguin, 2006.

14 T. Laohathai, "The Art of Punching above One's Weight", *Policy Paper*, demosEUROPA / Singapore Institute of International Affairs, October 2012.

It is no accident that our two case studies, Singapore and Poland, represent two regions – South-East Asia and Central Europe. This reflects our belief that in today's multipolar political order and within an increasingly interconnected global economy, regions will gain in importance. Regionalization and globalization are not at all contradictory: they go hand in hand. Within this panorama, South-East Asia and Central Europe may have an especially important role to play, as 'testing grounds' for the effort of small and midsized states to engage in the system of global governance. This is not to say that the experiences of both regions are identical. Quite the opposite: while many countries of South-East Asia have already managed to globalize successfully (particularly in the cases of Singapore, Malaysia, Thailand or Vietnam), most of the countries from Central Europe are struggling to find their own global way, having focused almost all their attention in the recent period on achoring themselves in the European Union. What is more, while Singapore has achieved a global position as a relatively small country, Poland is a midsize state, which may translate into a different trajectory for its global endeavour.

It is our belief that individual countries' international position is a reflection of a matrix of political, social and economic factors deeply rooted inside their polities. It is not always material endowments but, first and foremost, transformational dynamics which allow countries to pursue activist foreign and global policies. Therefore, the overarching objective of this report is to argue that, **in today's world, small and midsize states should see participation in global matters as vital not only for their economic growth but also for their long-term security and prosperity**.

**SUMMARY 1.**

"The world beyond great powers. Small and medium-sized states and their points of entry to the process of globalisation".[15]

→ An interdependent world is a world in which the small and medium-sized states can thrive, provided they maintain their flexibility, nurture their potential and prevent others from limiting their room for manoeuvre. They themselves need to ensure the former. The latter will only materialise if they manage to broaden the scope of global governance.

→ Small and medium states need regional and global governance more than regional and global governance needs them.

→ They are for the first time in modern history in the position to both constrain great powers and induce them to go down the path of rules-based engagement.

→ There are several layers at which this debate will be played out. The most important one is that of a durable and sustainable norm with a code of conduct which is respected by all parties.

15 This is a summary of the policy paper written by Paweł Świeboda within the framework of the "Going global in the age of uncertainty" project. Read more: P. Świeboda, "The world beyond great powers. Small and medium-sized states and their points of entry to the process of globalisation", Policy Paper, demosEUROPA / Singapore Institute of International Affairs, October 2012.

- The way to get there leads through a number of processes through which the small and medium-sized powers can strengthen their position onto the levers which they can use to influence the global system.

- Those small and medium-sized states which have reached a position of influence in a short period of time have often done so on the basis of **determined national strategies**. The cases of Singapore, South Korea or Estonia are all instructive examples of the 'escalatory value' of a strong political leadership.

- In the global governance context, the fire power of small and medium-sized states tends to be more meaningful if they **speak on behalf of a group of countries** which claims a significant political weight.

- **Regional integration** which locks in larger countries in a broader pattern of cooperation can be particularly useful for small and medium-sized countries provided that larger partners accept limitations on their power and room for manoeuvre as part of the package. Regional integration structures add a critical weight to smaller countries' standing in the world, offering them a parallel, magnified identity.

- Another opportunity for small and medium-sized states to enhance their global status is through **positioning themselves as hubs** for transport, high quality services or knowledge exchange. Extensive networks and linkages can serve as multipliers of influence.

- **Legitimacy matters** in foreign policy and global affairs. Therefore the basic "entry point" of small and medium-sized states into the process of globalisation continues to be in organisations with universal or near-universal character such as the United Nations or the WTO. They are the necessary "flatteners" of the world.

- New opportunities for small and medium-sized states emerge in the field of **public diplomacy** due to the rise of the new means of communication, including the Internet.

- Small and medium-sized states differ among themselves and have their own specificities in both political and economic terms. Some of them are democracies, others are not. They have one interest in common, however, which will only grow in importance. It is the observance of equal terms for all members of the international system.

## 2. Toolbox: how to make a two-wheel globalization strategy succeed?

Regardless of qualitative transformations that the international system has experienced throughout the last centuries, two big issues of security and prosperity continue to be considered as ultimate criteria of foreign policy, the *raisons d'Etat*. However, what has changed in recent decades – due to unprecedented rise in global trade exchange and financial flows as well as because of convergence in the standards of living and in belief systems among societies around the world – is that the economy has become an unquestionable backbone of global politics. On the one hand, it contributes to the cementing of international security[16] and enables countries to experience an unprecedented period of growth[17]. On the other hand, the system of global governance is far from perfect, generating problems of its own, and thus it must be constantly guarded.

Assuming that small and midsize states are those who can win proportionally the most in the process of globalization, and who correspondingly will have the most to lose in case of a post-crisis de-globalization seesaw, they should craft a two-level globalization strategy:

→ **On level one (*"G minor"*), they must learn to make the best use of the current state of globalization.** This part of the task is very much economy-oriented, and hence it could also be called a 'strategy of interconnectedness'. Individual states should use economic diplomacy, trade policy and a number of internal policies in order to attract foreign direct investment and deepen as well as broaden global connectedness of their economies and societies. This, however, should not be seen as an end in itself but rather as an instrument contributing to long-term security and prosperity, and as a legitimizing asset which may give their countries a stronger title to take part in global political discussions.

→ **On level two (*"G major"*), states must make sure that globalization is taking a direction compatible with their individual interests and needs.** More precisely, in the case of small and midsize states, they must ensure that globalization continues to prosper but its governance is strengthened and democratized. This demands from them that they become internationally active and constructive, for example: standing for non-permanent membership membership in the UN Security Council, formulating policy initiatives within specific sectoral fields, performing a reliable regional leadership and caring for their country's international brand.

**There is, of course, a strong feedback between both levels of such a globalization strategy.** On the one hand, greater interconnectedness can serve as a powerful leverage enabling countries to enter global politics. On

16 Several studies have shown that countries that are isolated economically experience far more military intervention by outsiders; e.g. P. Ghemawat, "World 3.0", Harvard Business Press Books, 2011.

17 A. Subramanian, op. cit.

the other hand, their international standing is crucial for them to be able to mould globalization to their needs and thus to reap maximum benefits of it.

Here, it is tempting to see an analogy between the recent analysis of national development paths by Daron Acemoglu and James Robinson, and the shape of the system of global governance[18]. According to these authors, there is a strong feedback between political and economic institutions of individual countries. The inclusiveness of one bunch of institutions encourages the inclusiveness of the other, enabling a virtuous circle of prosperity and stability. But states may also enter a vicious circle when the exclusiveness of their economic and political systems turns out to be mutually reinforcing.

18 D. Acemoglu, J. Robinson, "Why Nations Fail?", Random House, USA, 2012.

If we transplant this analysis to the area of global governance, we may find out that its economic and political institutions are 'by design' surprisingly inclusive. It is up to individual countries to make use of this inclusiveness in order to take advantage from the positive feedback between politics and economy. Moreover, they cannot ignore this challenge anymore because the 'practical' exclusiveness of global economic and political governance systems may also become self-reinforcing. If they do not care themselves for their own political influence on international settlements, they may miss the opportunity to shape the global system according to their interests, and hence their benefits from economic interconnectedness may become limited.

## 2.1 *"G minor"*: how one can make the best of today's globalization?

Economic globalization is far for complete. Potential gains from further connectedness surpass 8% of the world GDP, exceeding many times the mere 0,1% that the stalled Doha round of trade negotiations is supposed to bring[19]. Even countries that are most interconnected nowadays, like Netherlands or Singapore, have a lot to gain from the deepening and the broadening of their international connections. But the challenge of internationalization is something that less successful countries, many of them small or midsize, should take to heart.

19 P. Ghemawat, S. Altman, op. cit., pp. 64–65

In order to maximize benefits of today's globalization, they ought to use a panoply of instruments simultaneously. Usually, attention is paid to less controversial, traditional measures, such as the signing of free trade agreements or the introduction of incentives for foreign direct investment. However, it is worth remembering that these are only two instruments among many (and probably not the most important). Below we present four further actions which should be taken into consideration when crafting a successful interconnectedness strategy.

### A. Running a modern economic diplomacy

**With the on-going economization of international politics, foreign trade and investment have increasingly become political issues.** It does no longer surprise anyone when the Dutch minister of foreign affairs speaks about "turning contacts into contracts"; when Spanish diplomats emphasise the need to "reap the economic harvest of earlier political efforts"; or when Hilary Clinton promises to treat the promotion of American companies abroad as one of the overarching objectives in American foreign policy.

International exchange has become an increasingly important part in the nations' GDP, but at the same time, due to the fragmentation of global chains of added value and because of a narrowing global competition, it has become a much more complicated issue. On one hand, governments of middle-income countries (like Poland or Chile) see the internationalization of their economies as a necessary condition in order to pass to the next level of development, avoiding the so-called 'middle-income trap'. Foreign direct investments and internationalization of firms are considered as important sources of future innovativeness and competitiveness. On the other hand, national firms and investors increasingly necessitate support from public institutions and government officials in order to be able to take off (in practical terms) on foreign markets.

In order to be effective, economic diplomacy needs – first and foremost – an adequate institutional infrastructure. Several success stories (from United Kingdom, Spain, Sweden or Denmark) point to the need of a complex system of promotion of trade and investment, with a dedicated, specialized agency at its very centre and with a compromise to deepen the dialogue between the business and the state inscribed in its mission.

**There can be different models of such an agency**. It may be dependent on the Ministry of Foreign Affairs, on the Ministry of Economy, or coordinated by both. It may be financed exclusively from public funds or obliged to acquire part of its financing on the market. Each country may search for its own model. What is crucial, however, is stability, coherence and predictability within the system, instead of dispersion of functions between several agencies and a proliferation of chaotic one-off actions on the part of public authorities. A specialized agency should adapt its offer to existing needs of companies and investors, by – for example – distinguishing between a standard, free of charge support (general market research, information on how to do business in a given country) and paid services (detailed market research, logistics help, preparation of a list of potential local partners, etc.). Such an offer should be accessible to all companies, not only to 'national champions'. It should also make clear where are the limits of a possible help from public authorities.

**The agency should be installed at the centre of a wider system** of trade and investment promotion. Promotion should not be targeted only to those companies who are already trying to expand. Just the opposite: it should enter deeply into the internal market, struggling to connect even the smallest local producers to the global network, throughout regular workshops on export opportunities on different markets and by way of a practical support in the challenge of internationalization. For example, the Spanish system co-finances young experts who first experience the complexities of export promotion 'on their own skin', during apprenticeship on a foreign mission, and then are obliged to work for a year in a local company which is looking to expand internationally.

**Finally, governments may come up with additional solutions that would make life easier for companies and investors that are eager to go global.** They may give them a temporary access to their facilities in foreign capitals, under a system that Americans call the 'Gold Key Scheme'. They may also improve the quality of their services by providing the staff of embassies with a dedicated training on economics and trade promotion techniques.

**Behind all a wider system of exports and investment promotion, public authorities need to be dedicated to dialogue with the business community.** Such a cooperation should not be limited to participation of business leaders in one-off official foreign visits, but should above all enable them to continuously discuss with the authorities (in a regular, transparent and inclusive form) their needs and specific obstacles that they encounter on foreign markets.

### B. Setting priorities in the global activity

Once the system of economic diplomacy is ready, the government must take a strategic decision and choose a limited group of countries or regions in which it will support the development of economic links. Such a selection is an obvious necessity in the case of small and midsize states because they do not have sufficient resources to be active everywhere. This is where the problem of the "golden mean" comes in. **Many countries suffer from an "under-stretch", being economically (and, as a consequence, also politically) focused narrowly on their regions. However, when they embark on a globalization strategy, they must be careful not to "overstretch" and not to spread their butter too thin.** Otherwise, their ambitious global move may misfire.

In their choice of strategic regions, governments should by guided by objective criteria. Some candidates for these are: existing or potential long-term development potential of particular countries or regions; their geopolitical significance; seriousness of destabilization risks; already existing links to these countries or regions; geographic proximity; as well as cultural, linguistic and institutional kinship.

For example, in the case of Poland, the selection may look as follows [Table 1], and the government may conclude that it should prioritize the development of links with four regional markets: North America, Far East and ASEAN, Middle East, and Latin America.

**Table 1.**

**The selection of Poland's strategic regions, depending on the importance of different criteria.** Source: ownanalysis.

| Criteria for the Polish economic diplomacy | North America | Far East and ASEAN | Turkey, Middle East and North Africa | Latin America | Indian Peninsula* | Central Asia | Subsaharian Africa | Australia and Oceania |
|---|---|---|---|---|---|---|---|---|
| Existing or potential longterm development potential | 3 | 3 | 2 | 2 | 3 | 1 | 2 | 0 |
| Geopolitical significance | 3 | 3 | 2 | 1 | 3 | 1 | 2 | 0 |
| Already existing links to Poland | 3 | 2 | 3 | 2 | 0 | 1 | 0 | 0 |
| Geographic proximity | 2 | 1 | 3 | 1 | 2 | 2 | 2 | 0 |
| Cultural, linguistic and institutional kinship | 3 | 1 | 1 | 2 | 0 | 1 | 1 | 3 |
| Destabilization risks (minus points) | 0 | -1 | -3 | -1 | -3 | -2 | -3 | 0 |
| TOTAL | 14 | 9 | 8 | 7 | 5 | 4 | 4 | 3 |

0 – zero or very limited, 1 – low, 2 – medium, 3 – high * India, Pakistan, Afghanistan, Bangladesh, Ceylon, etc.

## C. Re-positioning oneself upwards on the ladder of added value

**The next step is to reflect not on the direction, but on the character of links to the world. The government must remain profoundly aware of its country's position within the global chain of added value, and it must seek to move it upwards in the area of technological sophistication.**

Considering that today's chains of added value have become increasingly fragmented, the World Trade Organization (WTO) together with the Organization for Economic Cooperation and Development (OECD) have concluded that official data no longer reflect the realities of the global economy[20]. As part of their "Trade in Added-Value Initiative", they have released a map of economies showing the importance of foreign value added in their gross exports. For example, Mexico may be a successful global trader but foreign value added amounts to a relatively high 30% of it exports. Not surprisingly, almost half of those 30% are produced in the US, especially in the sectors of electrical and transportation equipment. Still, foreign value added should not be treated as something to be easily scorned at. Take the example of Germany. Foreign value added corresponds to about a quarter of its gross exports. The bulk of it comes from German firms with production facilities in Central Europe.

What are then implications of this new perspective which looks not only on the 'bright side' of foreign trade but also on its hidden distortions? On the one hand, countries should aim at increasing their share in the production of added value. On the other hand, however, they may have to pass through a period during which they remain assemblers and outsourcers before they become more self-dependent and sophisticated economies where a greater portion of added value is produced. There are no clear standards to this transformation and the situation of individual countries is very much

[20] C. Jones, C. Giles, "WTO and OECD add value to trade debate", Financial Times, January 16, 2013.

contingent upon their geography and history. Thus, we may consider Germany, United States and South Korea as successful examples of insertion within the global chains of added value, even though the share of foreign added value in their export amounts to, respectively, 25%, 10% and 40%.

What really matters here is whether a given economy manages to re-position itself over time, using know-how acquired thanks to foreign direct investment or due to international trade exchange in order to build an endogenous industrial base and a knowledge base. There exists a rising consensus among economists that this, at some point, may require a top-down action of prioritizing certain sectors or branches which are reckoned to be sufficiently strong, prospective or internationally connected.

### D. Globalizing the society

All the aforementioned activities should be further strengthened by a dedication of public authorities to promoting global thinking within the society and to strengthening its non-economic international connections.

First of all, states should make the best use of public institutions that have a direct impact on how their societies think about the world:

- Public TV and radio in particular may serve as powerful tools to promote public interest in global issues, provided that the value of high quality foreign affairs reporting is appreciated. This demands political leadership to stick to the 'mission' that public media should carry on their shoulders and to resist the temptation of entering into the lowest-denominator competition with private media.

- Besides, curricula of primary and secondary schools may be adjusted in a way that introduces more balance between national and international issues, thus encouraging students to see their culture and history in a wider context of global connections.

Secondly, governments should promote the development of non-economic links between their country and the rest of the world:

- They have an important role to play in the case of internationalization of science. The Brazilian case may serve as an inspiring example here. Recognizing a low level of internationalization that characterized the Brazilian system of higher education, and taking into consideration novel challenges related to the fast economic growth of this country, president Dilma Rousseff launched in December 2011 a two billion dollar program "Science without borders" with an outstanding objective of qualifying 100,000 Brazilian students and researchers in top universities worldwide through 2014[21], among them in the best universities in Britain[22]. The program also seeks to attract talented young researchers from abroad to work at universities in Brazil.

21 "Brazil's Science Without Borders Program", Secretariat for Social Communication (SECOM) of the Federative Republic of Brazil, December 2011.

22 I. Burckhardt, "Indians and Brazilians vie to study in UK", Financial Times, September 6, 2012.

→ Another area for a prospective global cooperation is urban policy. Cities have an important role to play as major gateways for their countries' globalization practices. At the same time, cities cope with specific issues of their own (including spatial coherence, investment attractiveness, citizens' participation in local governance, or the development of a knowledge base) that they may tackle best by learning from mutual experiences. For instance, large cities in the developing world could learn a lot from Medellin, Bogota or Porto Alegre – all the three Latin American metropolia having already acquired a fame of 'living legends' in the area of urban innovation.

## 3.2 "*G major*", how to strengthen one's standing in international politics?

**Economic exchange does not happen in the vacuum. Political security is a necessary precondition for international trade and investment.** What is more, international politics can have a profound impact on economic opportunities within the global system. Political leaders are the ones who negotiate and sign free trade agreements. They can also give political impulses to the development of certain economic sectors worldwide: like in the case of the climate policy and its impact on the market of renewable energy. Finally, economic globalization has become such a complicated and contentious subject that intergovernmental political decisions are crucial determinants of its scope, pace and direction. It is particularly clear in current discussions over intellectual property rights in the age of internet technologies, or in the case of foreign companies' access to public procurement markets, for example in China.

**All of these suggest that small and midsize states should aim at being "in the room" and "at the table" whenever important decisions are being taken.** This may enable them to strive for such a scope, pace and direction of globalization which would be consistent with their needs and interests. In general terms, their interests lie in global stability and economic interconnectedness as it is only in this context that they can emerge from the shadow of superpowers' rivalry, thus gaining both in political importance and in economic opportunities.

In order to establish a strong position within global politics, governments should demonstrate ambition and innovativeness in their political actions, leadership within thematic niches and in their respective regions, and – last but not least – take care of their country's international brand. Then, they must use the acquired political position to join high-level political debates on the future shape of economic and political globalization.

### A. Showing global ambition

Notwithstanding the apparent pre-eminence of economic issues on the current global agenda, international security is still the most important political challenge. It is widely acknowledged that without the relative peace of the last 20 years, globalization could not have obtained the same scope and depth that it has achieved. À rebours, the development of international economic connectedness is seen as a powerful pacifying factor in regional and global politics. Given the prevailing importance of security issues, states should engage actively in the work of the UN Security Council, including through seeking non-permanent membership.

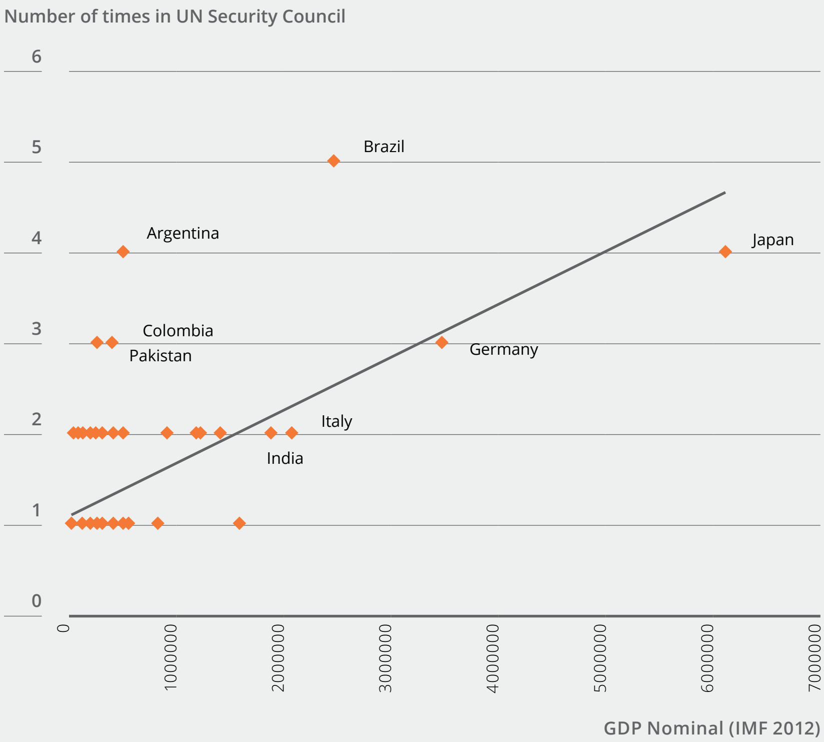
**FRAME 1.**

**Non-permanent seat in the UN Security Council vs country's nominal GDP.**

Not all countries consider participation in the UN Security Council (SC) as an instrument in their foreign policy. There are 71 modern nations that have never been part of the SC, among them Saudi Arabia and Switzerland[23]: both belong to the twenty richest countries in the world. In the following presentation we take into account only those countries that have done it at least once since 1989. The underlying assumption is that a country that succeeded in being elected into the SC at least on one occasion must have made some effort to achieve it and therefore must have seen an important value in this endeavour.

As Figure 3. demonstrates, an overwhelming majority of countries that have been elected to the SC since 1989, have done it only once. Those countries that have done it more than once are usually either rich or middle-range countries (with only exceptions of Rwanda, Gabon, Costa Rica and Morocco). Four countries (Brazil, Japan, Germany and India) may be considered as special

**Figure 3.**
**Non-permanent seat in the UN Security Council vs country's nominal GDP (including G4 countries).**



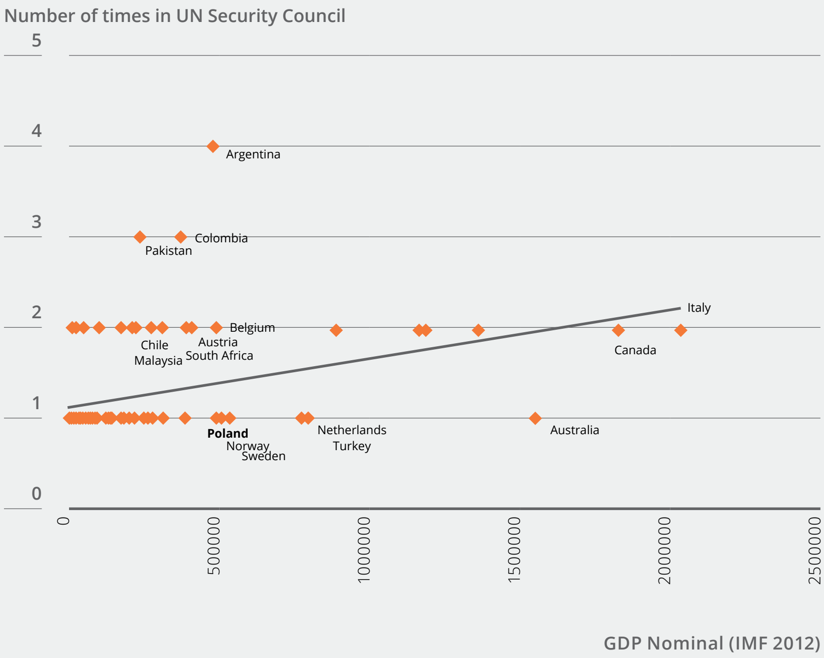

23 The case of Switzerland is special in that this country has officially entered the United Nations community only recently, in 2002. It seeks to become a non-permanent member of the SC in the 2022–23 period.

cases because they are the most serious candidates for an extended SC, forming the so-called Group of Four (G4).

What is more interesting, then, is the performance of the rest (neither permanent members, nor G4 countries), which is what we show on Figure 4. It is instructive to depict the situation from the perspective of Poland: a mildly prosperous country that has been in the SC only once since 1989. As the Figure demonstrates:

**Figure 4.**

**Non-permanent seat in the UN Security Council vs country's nominal GDP (excluding G4 countries).**




There are countries that were elected to the SC more often than Poland, despite having a comparable GDP. Most of all, Argentina has already done it four times, while Belgium has done it twice.Moreover, there are countries that are poorer than Poland, and yet they have been elected to the SC more often: twice (Austria, South Africa, Malaysia, Nigeria, Chile, Portugal, Algeria, Romania, Morocco, Costa Rica, Gabon, Rwanda) or even three times (Colombia and Pakistan).

Still, there are five countries that exhibit an even more serious 'underperformance' than Poland, being richer in terms of nominal GDP but having been elected to SC only once in the analysed period. This group includes Norway, Sweden, Netherlands, Turkey and Australia.

Similarly, Italy, Canada and India may be considered as 'underachievers', having made it only twice despite belonging to the group of 12 richest countries in the world. All the other countries in this group have already done it at least three times or are permanent members of the SC.

Apart from the four countries that are considered as the most serious candidates to the reformed Security Council (Germany, Japan, India and Brazil; the so-called G4), and which for that reason usually serve as non-permanent members more frequently than others (since 1989, Brazil has done it 5 times, Japan 4, Germany 3, while India only 2), there are also small and midsize countries that manage to punch above their weight.

This is the case of **Argentina** which has already entered into the Security Council four times since 1989, a worldwide record for a country outside G4. This is particularly striking when we compare Argentina to Mexico: a country with roughly the same GDP/capita and a three times larger population, but having made it up to the Security Council only twice in the same period. Mexico turns out to be underperforming also if we compare it with Colombia – which made it three times since 1989 even though its population is 40% of the Mexican one and its GDP/capita only 60%.

When we move to Europe, we will see that relatively small countries like Belgium, Portugal and Romania have already entered the Security Council twice since 1989, whereas Turkey (with much larger population and of greater geopolitical importance) as well as Poland (wealthier and twice as populous as Romania; not much poorer than Portugal; twice more populous than Portugal and Belgium counted together) have made it only once in the same period. It is only recently that Turkey and Poland have 're-discovered' the strategic importance of membership in the Security Council. They are officially bidding for 2015–16 and 2018–19 periods respectively.

**B. Demonstrating initiative and leadership**

Still, membership in the UN Security Council is only one among many instruments that governments can use to influence global politics and boost their international position. Small and midsize countries may find it more appropriate to look for 'niches' in other areas, especially those that are less contentious than the security policy. There are numerous examples of such a political and economic 'smart specialization':

→ **Denmark** has been a leader of global efforts to address the climate policy challenge. It is a power-house of renewable energy technology, with the Vestas company having been, until recently, the dominant player on the world market for wind farm equipment. Through hyperactive diplomacy, Copenhagen played a key role in consolidating understanding on the need for a new global climate agreement. The Danish Prime Minister became an interlocutor of global leaders on the issue. The country hosted the United Nations Climate Change Conference in December 2009. Its national, Connie Hedegaard is currently the EU Climate Commissioner. There might be disagreements about the substance of Denmark's policy framework but there is no question its influence became widespread[24].

[24] P. Świeboda, op. cit.

- **Chile** has managed to establish the position of a rising *mecca* for global entrepreneurs. Some have even started to talk about the "Chilecon Valley"[25], pointing to the successful replication of the Silicon Valley model in the Latin American country. This is largely the result of a government-led program "Start-Up Chile" which offers promising business brains from around the world $40,000 in financial support and fast-tracks paperwork to get their ideas off the drawing board and up and running[26]. But behind that there is a strong liberal economic culture which puts Chile on par with New Zealand as the zippiest country to incorporate a company, according to the World Bank's *Doing Business* rankings.

- **New Zealand**, despite being a relatively small and isolated economy, has become renowned for its initiative and leadership in the area of trans-Pacific free-trade integration. Together with Chile, Brunei and Singapore, New Zealand has been one the founders of the Trans-Pacific Strategic Economic Partnership. Since its signature in 2005, this partnership has absorbed a lot of attention on both sides of the Pacific. Several countries are now participating in negotiations of its expanded version, including Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

### C. Going regional before going global

Regional integration and leadership should be treated as a precondition for small and midsize countries to go global. There are several reasons for it.

**First of all, regional integration usually 'locks in' large countries in a broader pattern of cooperation, thus boosting the relative position of smaller states**[27]. For example, the governance system within the EU is heavily skewed towards the latter. In the Governing Council of the European Central Bank, the Governor of the German Bundesbank has the same voting power as the Governor of the National Bank of Malta, a tiny Mediterranean island. The Council of the European Union maintains a system of rotation through which all states (including the very small Cyprus, Malta or Slovenia) have the same opportunity as the others to shape the agenda and manage the EU's business for six months. This enables all the Member States to use the EU as a powerful leverage in their political and economic activity at the global arena. It makes them more easily recognizable, thus helping to attract investors, traders, tourists or students from other parts of the globe. It also helps to shape a parallel, magnified identity among the societies of smaller countries, thus enabling them to make one step forward towards effective globalization. Similar things might just as well be said about Asian countries integrated into the structures of ASEAN.

**Secondly, regional cooperation can help small and midsize countries (who usually have to operate with very limited resources) to boost efficiency of their globalization strategies by sharing costs and efforts**.

25 "The lure of Chilecon Valley", *The Economist*, October 13th, 2012.

26 J. Webber, "Chilecon Valley: LatAm's anti-Brazil", *Financial Times*, January 28, 2013.

27 P. Świeboda, "The world beyond great powers. Small and medium-sized states and their points of entry to the process of globalisation", Policy Paper, demosEUROPA and Singapore Institute of International Affairs, October 2012.

Instead or apart from investing in their individual country brands, they may decide to bet on a 'regional brand'. This, to a large extent, was the story of the ASEAN. The same seems to be happening right now with countries of the Pacific Alliance (Chile, Colombia, Mexico and Peru) who concluded that if they joined their forces and integrated their markets, they would become a much more attractive partner for Asian and European partners. Also, in the context of Central Europe, there have been preliminary discussions among Visegrad-4 countries (The Czech Republic, Hungary, Poland and Slovakia) about setting common trade representations outside Europe.

But the benefits of regional coordination are not limited to the commercial sphere. In the political area, the firepower of small and midsize states tends to be more meaningful if they speak on behalf of a group of countries[28]. This is especially important for small states that very often have limited intellectual, institutional and financial capacities and thus may prefer **to 'outsource' part of their global job** by ceding their support onto a larger regional partner. For example, this is the way that smaller Visegrad countries (the Czech Republic, Hungary and Slovakia) are at times perceiving the group's leadership performed by Poland – a midsize state, larger then the remaining three taken together.

[28] Ibidem.

Finally, regionalisation may just as well be treated as 'globalisation on a small scale'. If local companies manage to internationalize regionally, they should become better prepared and more disposed to venture into global markets. If national universities become more open to students from the region, this should help them to acquire a more international profile and develop global connections. If governments succeed in carrying out political initiatives on cooperation with their regional counterparts, this should make them much more credible and efficient in their activity on the global arena. All in all, regions should be treated not only as leverage for a global strategy of a given country, but also as its proving ground.

### D. Taking care of the country's brand

**Public diplomacy and economic diplomacy can be seen as two sides of the same coin.** While the latter is supposed to boost interconnections between the national economy and foreign markets, the aim of the former is to increase global demand for the country's overall offer, be it economic or cultural. National brand campaigns are increasingly seen as a necessary tool to achieve this objective. As Peter Van Ham put it in a *Foreign Affairs*[29] article: "We all know that America and Made in the U.S.A. stand for individual freedom and prosperity; Hermes scarves and Beaujolais Nouveau evoke the French art de vivre; BMWs and Mercedes-Benzes drive with German efficiency and reliability. In fact, brands and states often merge in the minds of the global consumer."

[29] P. Van Ham,"The Rise of the Brand State", *Foreign Affairs*, September/October 2001.

**The role of brand campaigns is not limited to trade and investment. The second objective of national brands is to strengthen the image of individual countries within the global politics.** Scandinavia or Canada are, on one hand, associated with eco-friendly products, while on the other hand they have a strong say in global climate and environment debates. This is a clear example of a positive feedback between politics and national economy.

Last but not least, country's brands can reinforce **national identity and self-esteem**, thus encouraging citizens to auto-perceive themselves through the lenses of an interconnected world. In this way, brand campaigns can also be seen as part of 'G minor' strategies aimed at boosting global thinking within the society. Colombia is an inspiring example here. Through a series of three ambitious campaigns ("Colombia is passion", "Colombia, the only risk is wanting to stay", and "The answer is Colombia"), governments in Bogota have managed to improve not only foreign perception of this Latin American country, infamous for drug trafficking and civil kidnapping, but also boosted the self-esteem of Colombian residents.

For the country's brand strategy to be effective, money is only one factor among many. What is just as important is the consistency of the message, its authenticity and attractiveness. Still, the expenses of individual countries on their brand campaigns say a lot about the level of their ambition. Canada is usually[30] seen as one of the most attractive country brands in the world. But it also spends a lot on promotion: about 91 million USD a year. Australia and the US (also among leaders) are even more generous when investing in their image: they spend 106 and 110 million USD respectively. Recently, developing countries have joined the club of nations that invest heavily in their brands. In the Latin American context, Columbia spent 3,7 mln USD on its new campaign at home and is going to spend further 8 mln USD to promote it abroad. The government in Quito spent 40 mln USD on the "Ecuador Love Life" campaign. Similar initiatives cost Costa Rica 20 mln USD, Chile 25 mln USD, Peru 15 mln USD.

30 The most recognized national brands' rankings include: FutureBrand Country Brand Index; The Anholt-GfK Roper Nation Brands Index; as well as Bloom Consulting Country Branding Ranking.

**There is a striking correspondence between the country's position in brand rankings and the breadth of its global interconnections.** Among the first fifteen (out of total 118) most attractive nations[31], eleven belong to the group of fifteen nations interconnected most broadly to the world[32]. It is tempting to see a mutually reinforcing relationship here. On one hand, the widening of international connections can boost the country's image abroad. On the other hand, investing in the image can help a given country in the development of these linkages, by both encouraging its residents to go global and inviting foreign investors to discover a new destination.

31 According to FutureBrand Country Brand Index 2012–13.

32 P. Ghemawat, S. Altman, op. cit.

What is more, the examples of **Canada**, **New Zealand**, **Finland** and **Singapore** show that the breadth of international connection is not a necessary condition if one wants to build a strong brand. All the four have managed to create a recognizable global image even though their connections to the global system are neither broad, nor (with the exception of Singapore) even deep.

It is tempting to score different countries according to these two criteria and on that basis assess their global recognition. Countries ostensibly above the curve (Chile, United Arab Emirates, Canada, New Zealand) could be judged as ‘over-performers’, having achieved a stronger global recognition than the breadth of their interconnections would predict. By analogy, countries situated below the curve (South Korea, Netherlands, China, Vietnam, Poland) may be treated as ‘underachievers’ whose breadth of interconnections predisposes them to a better global recognition, that is a higher brand rank.

## FRAME 2.

**‘Underperformers’ vs ‘overachievers’: comparing attractiveness of countries to the breadth of their global connections.**

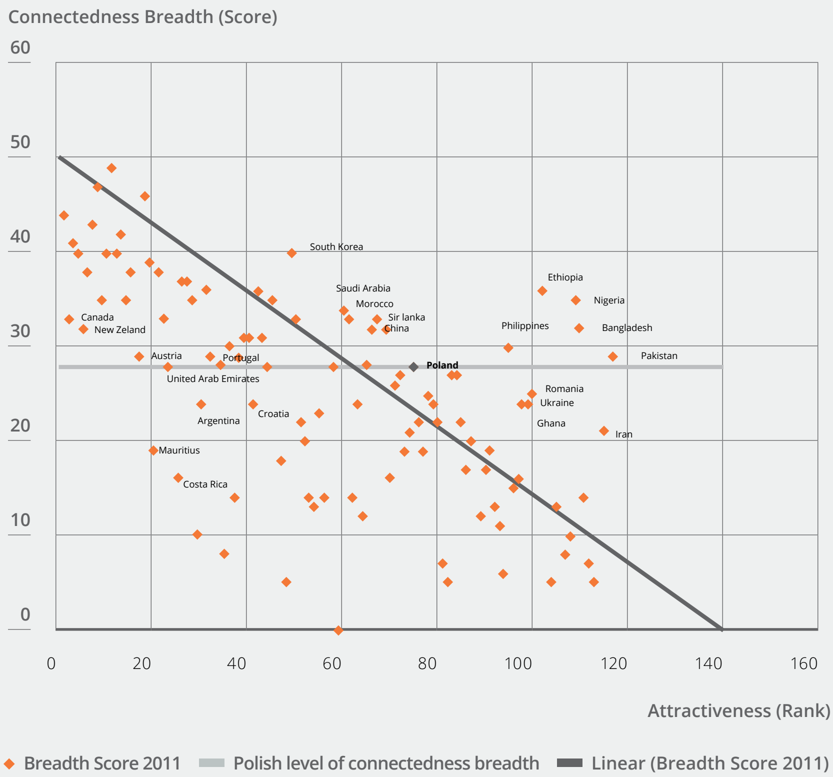
In the chart below we compare the breadth of global connectedness for 117 countries (based on DHL report) with their rank in the Country’s Brand Index (based on FutureBrand 2012–13 Index).

The broader the scope of a country’s connectedness to the world, the better should be its rank in the brand index.

The Figure 5. below demonstrates that there are several exceptions to this empirical rule:

### Figure 5.

**Attractiveness of countries vs the breadth of their global connections.**



Countries such as Canada, New Zealand, Austria, Mauritius or Costa Rica are 'overachievers' who turn out to be much more 'attractive' than the breadth of their connectedness predisposes them to;

Countries such as South Korea, Saudi Arabia, Morocco, Sri Lanka, China, Vietnam, Philippines, Ethiopia, Nigeria or Bangladesh are 'underperformers' who turn out to be much less 'attractive' than what could be expected by the breadth of their global connections.

At the same time, this chart may serve as a demonstration of Polish 'under-performance'.

Poland's score in the breadth of connectedness is comparable to the one of Egypt, the Czech Republic, Portugal, Chile, United Arab Emirates or Austria, yet our brand is perceived as less attractive than that of those countries. What is more, there are countries like Argentina, Croatia, Mauritius or Costa Rica who are connected to the world less broadly than Poland, and still they perform much better in the ranking of national brands. Poland's closest neighbours on the chart include Russia, Nepal, Indonesia, Qatar and Bahrain – which means that both the breadth of Polish connectedness and brand attractiveness are comparable with that of those countries. Meanwhile, all of Poland's Visegrad-Four partners (the Czech Republic, Hungary and Slovakia), with whom the country tends to compare itself, obtain better results, much closer to the trend.

The recommendation for Poland, just as it would have been for every other country, is to try to move up the curve: on the one hand, broadening global connections in order to improve the international recognition of the brand; on the other hand, investing in the image (soft power) in order to gain a position more consistent with its importance (hard power).

### E. Taking position in international economic debates

**The global economic crisis has led to the opening of the 'Pandora box' with a multitude of questions related to the shape of economic globalization in an ever-changing political and technological context.** Issues under intensive discussion today include: transnational protection of intellectual rights, regulation of the Internet, access to public procurement markets of foreign countries, governance structure of international economic institutions (International Monetary Fund, World Bank), etc. What is more, new global risks have become apparent: currency wars, global imbalances, financial protectionism (just to name a few of them), with all their potentially destructive impact not only on major actors but also on the theoretically non-related parties, small and midsize states among them.

For the international community to cope with these new issues and risks, formal and informal relations among heads of states and governors of international institutions have become crucial. **Governments that do not seek to participate in such discussions (regardless of how abstract they may seem from their local perspective) condemn themselves to self-exclusion from the decision-making process and thus become totally dependent on what others agree without them.** This may turn out to be a particularly undesirable outcome in the case of small and midsize states, which very often do not have the habit (not to mention intellectual and institutional capacity) to participate in complex high-level economic discussions, whereas their needs and interests are in many respects conflicting with those of big states that deal cards.

This forms a clear example of a correlation between political power and economic interests, and therefore of a degree of tension between *G minor* and *G major* globalization strategies. **The more a country becomes engaged in the global economy, through international trade and finance, the more vulnerable it becomes to changes in the global institutional architecture, and therefore the stronger position it must seek in international politics in order to ensure that the shape of solutions agreed among world leaders corresponds to its individual needs and interests.** It would be a mistake to assume that a country's political position will strengthen automatically as a function of its growing economic importance. Especially those that until recently have not had the habit of contributing to international or global debates, may have to fight hard to achieve a leadership position at the negotiating table and a place in the room. This demands from them that they deliberately aim to punch above the weight to which they had become accustomed.

**Poland's** proactive and constructive participation in the current debates over the reform of the eurozone may serve as an insightful illustration here. Despite being (as yet) outside the monetary union, Poland has succeeded in achieving a relatively strong position in today's debates over its architectural reform. The Warsaw government has subscribed to all major political initiatives that aim to deepen Europe's economic integration: most of all, by adopting the Fiscal Pact and supporting the creation of the banking union. Notwithstanding rising popular discontent with the scenario of Poland's accession to the eurozone (in March 2013, a record of 63% Poles opposed it[33]), the government has repeatedly stated that it treats this option as one of its most important European policy objectives. In 2013 alone, the commitment has been officially reiterated by the Prime Minister, the Minister of Finance and the Minister of Foreign Affairs. The underlying reason explaining such a firm stance on the euro is that the Polish government is conscious of radical power shifts taking place within the EU. The eurozone is clearly becoming the Union's 'hard core' whereas countries that do not belong to the monetary union are condemned to progressive marginalization. Therefore, the decision to join the eurozone 'as soon as possible' is based not only on an economic cost-benefit analysis but also (if not most of all) on political criteria. At the same time, perceiving its future as that of the eurozone member, the Polish government has become active in the current discussions over its reform, as it seeks to have an impact on the shape of the monetary union that it is supposed to enter.

33 R. Milne, "Latvia, reaching for the euro", *Financial Times,* April 23, 2013.

Unfortunately, as we will see in the following chapter, the Polish government is still almost exclusively focused on the European political environment, which effectively prevents it from having a say on global economic settlements – just as important from the perspective of its long-term prosperity and security. Therefore, while Poland's proactive role in regional economic debates must be praised, the Warsaw government should not fail to participate in the global discussions as well.

**SUMMARY 2.**

"The art of punching above one's weight"[34].

- International relations have been transformed in a way which creates many more windows of opportunity or "points of entry" forsmall and medium-sized states in Southeast Asia to shape the agenda of regional organisations as well as influence outcomes in international affairs.Diplomacy becomes a much more important tool than ever before and the way these small and medium-sized Southeast Asian states conduct their diplomacy is key not only to their own safety, survival and relevance, but also to our understanding of the evolving power relations in Southeast Asia – and in the Asia Pacific – over the next decade.

- The first and immediate catalyst for power shifts taking place in East and Southeast Asian regions has been the **resurgence of China**.

- Instead of merely reacting to the interactions taking place between great powers, the small and medium-sized states within ASEAN have deliberately chosen to rely on a combination of three key instruments. First, they have sought to preserve their autonomy by trying to moderate great-power rivalry through "**enmeshing**" the major powers in ASEAN, along with other ASEAN-centric multilateral institutions.[35] Second, each of the small and medium-sized Southeast Asian states also seeks to actively engage with old alliances and new friends all over the world bilaterally as well as multilaterally while threading carefully between the US and China. Finally, the small and medium-sized Southeast Asian states promote deeper cooperation as well as integration among themselves through a range of multilateral initiatives as well as development projects.

- In short, the small and medium-sized states in ASEAN have been much more than bystanders since the end of the Cold War. They have consistently been trying to be "masters and subjects" of their own region, rather than objects of the actions of major powers and it is the great power rivalry, especially between the US and China, that has provided ASEAN members with more windows of opportunity, both through bilateral and multilateral means, to exert their role and preferences in international politics.

34 This is a summary of the policy paper written by Tanya Laohathai within the framework of the "Going global in the age of uncertainty" project. Read more: T. Laohathai, "The art of punching above one's weight", Policy Paper, demosEUROPA / Singapore Institute of International Affairs, October 2012.

35 Evelyn Goh (2005), "Great Powers and Southeast Asian Regional Security Strategies: Omni-enmeshment, Balancing and Hierarchical Order", Working Paper No. 84, p. 4 (Institute of Defence and Strategic Studies: Singapore)

- The role played by ASEAN is not insignificant, particularly given the profound distrust among these major powers, including between the US and China. Like in the case of their views on globalisation, the small and medium-sized ASEAN members tend to regard the great power rivalries as something that needs to be managed, rather than as an exogenous force.

- The second transformative change we have been witnessing is the predominant view around the world that the **multilateral approach to globalisation is weakening**. This has led small and medium-sized states in ASEAN to be even more actively engaged in bilateral and regional diplomacy, particularly when it comes to issues that directly affect their national interests because they have learned, especially through their experience of the 1997/98 Asian financial crisis, that help from extra-regional powers may not always be at hand.

- The third transformative change that we have seen has to do with major risks emanating from **Asia's growing insecurity in energy and other vital resources**. The growing competition for energy and resources is a common trend all over the world but numerous studies have pointed out that East Asia will have a more profound impact on global energy security than any other region since its increasing demand for energy fuels, spurred principally by China, is expected to continue to grow at more than twice the world average in the next few decades.

- **Singapore's international prominence** has been widely recognized despite the conventional assumption that small states focus on a narrow functional and geographical range of issues, and generally keep low levels of engagement in world affairs. In addition to its economic achievements, Singapore has, in fact, been generally regarded as an "over-achiever" for it has been a major force behind regional cooperation in Southeast Asia, an energetic promoter of institutions such as ASEAN and much more.

- All small and medium-sized states will continue to be faced with the **dilemma between "wanting to" and "having to"**. But they would do well in seeking to influence the outcomes of international politics by, first of all, getting themselves out of the mental trap that their limited size only means weakness and investing in proactive and creative diplomacy.

# 3. Case Studies

South-East Asia[36], together with Central Europe,[37] may be considered as 'testing ground' for small and midsize states' globalization strategies. In both regions, we will find small countries (Singapore, Estonia) that, despite limited endowments, have already succeeded in leaving their stamp on global politics. We will also find midsize states (Malaysia, Thailand and Vietnam; Poland and Czech Republic) which, with a varied record so far, have embarked on their way towards global recognition.

Below we give a short account of Singapore's and Poland's globalization efforts, with a double objective: on one hand, juxtaposing a small and a midsize state; on the other hand, putting together one story of success and another one of a country that is still searching for its global vocation.

## 3.1 Singapore, the art of managing globalization

Singapore is a relatively small country, with a population of just about 5 million but at the same time with the 36th largest economy in the world (at the level of Chile, Nigeria or Finland). Its GDP per capita is estimated to be among the highest in the world, comparable only with Qatar, Luxembourg and Norway. What is more, Singapore is the 2nd most interconnected country in the world, after Netherlands. Singapore's merchandise exports exceed its GDP by 58%, which may be explained by the fact that the country serves as one of the most important trade hubs in the world. Its global interconnections are deep rather than broad, a characteristic typical for a small country.

Being a small country and an exceptionally open economy, Singapore is also very vulnerable to globalization forces. This is why, in its case, globalization must be managed wisely. In managing globalization, the Singapore government encourages certain forms of globalization within the society while it discourages others[38]. The overall character of Singapore's management of globalization may be described as a 'bifurcated globalization'. In this, the government adopts and actively promotes and promulgates international standards when it comes to areas that are economic in nature or that support economic growth – such as finance and trade, as well as the immigration of "talent" and the connections offered by modern telecommunications. However, this acceptance of globalization is far less apparent in the arena of political and social values and practices. There, the state still tries to maintain a conservative Asian approach in the Singaporean society, shielding away global views and influences deemed by the ruling elite to be questionable or even offensive. Bifurcated globalization is an effort to allow Singapore to internationalize mainly economic policies while retaining certain notions of tradition and conservatism that protect specific dominant interests in politics and society.

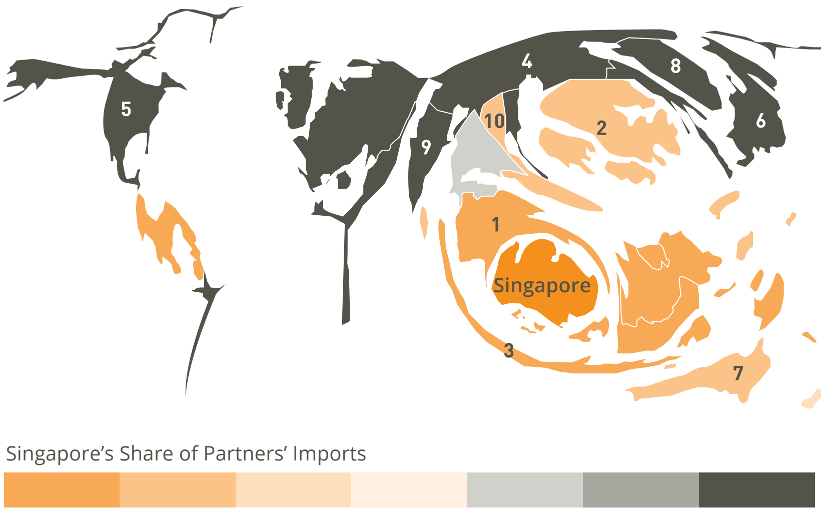
36 ASEAN countries: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Burma, Cambodia, Laos and Vietnam.

37 V4 Countries (Poland, Czech Republic, Hungary, Slovakia), plus the three Baltic States (Lithuania, Letonia end Estonia).

38 S. Tay, "Managing globalisation: national and international influences in Singaporean policy", *Policy Paper*, demosEUROPA / Singapore Institute of International Affairs, May 2013.

**Map 1.**

**Singapore's merchandise exports, 2011.**




**Top Export Destination**

1. Malaysia (13%)
2. Hong Kong (12%)
3. Indonesia (11%)
4. China (11%)
5. USA (6%)
6. Japan (5%)
7. Australia (4%)
8. South Korea (3%)
9. India (3%)
10. Thailand (3%)

**Major Eport Products**

Machinery and equipment (including electronics and telecomunication), pharmaceuticals and other chemicals, refined petroleum products

Source: P. Ghemawat, S. Altman, "Global Connectedness Index 2012", DHL, 2012, p. 211.

In economic relations, Singapore is very actively involved in ASEAN initiatives and other forms of economic architecture at the global, regional and bilateral levels. Its activism has not been without influence. Singapore adopts a liberal internationalism in economic policy, generally seeking opening of markets and reciprocal opening that is consistent with the World Trade Organization (WTO) or indeed ahead of its standards.

This is clearly driven by the dependence of Singapore on high levels of trade and the benefits of its participation the global economy for growth. The prospect of global trade liberalization under the WTO has been in a long stall from the 'battle of Seattle' in late 1999 and into the present coma-like condition of the Doha Round. As such, even though multilateral agreements are Singapore's preferred option, Singapore policy-makers have pursued bilateral and regional Free Trade Agreements (FTAs) as arrangements that promote commitment to open markets, expanded international trade and the promotion of Foreign Direct Investment (FDI).

Singapore has ensured that a series of bilateral economic agreements have been negotiated to link it economically to the largest economies in the world, Japan, the United States of America and China (in order of conclusion) which are also major trading partners. Of these, the agreement with Japan, formally named the Japan-Singapore Economic Partnership Agreement (JSEPA) is significant as the earliest intra-Asian trade agreement, which has influenced many others across the region. The JSEPA was also the first ever bilateral economic agreement for Japan and paved the way for Japanese agreements with a number of other ASEAN members. Perhaps JSEPA may also be of interest in that it was the first agreement to try to go beyond the basic FTA's efforts in the reduction of tariffs and non tariff barriers and to look at the behind-the-border issues that can limit or foster closer economic integration.

Singapore's FTA with the United States is also notable for being the only agreement the Americans have with South-east Asia and, indeed, for a long time until the recent ratification of the Korea-US FTA, it was the only such agreement the US had with an Asian country.

To convince potential partner countries of the merits of an FTA, Singapore has used elements such as the liberalization of services and systems for investments from the partner country, and vice-versa. As such, the Singaporean FTA strategy has helped drive and has itself been driven by forces of globalization. Singapore's current approach is to seek "WTO-plus" agreements in its FTA negotiations, rather than attempting to undermine the WTO process. Singapore has been a strong supporter of attempts to conclude the Doha Round at the WTO level, with former Minister of Trade and Industry (and later Minister of Foreign Affairs) George Yeo playing a key role in previous efforts to reach an agreement.

Beyond bilateral FTAs, Singapore is part of wider regional FTAs that have been established between the entire ASEAN grouping and external partners, and participates in negotiations to further deepen ASEAN's engagement with key trading partners. Singapore co-chaired the ASEAN-South Korea FTA talks and has chaired various working groups connected to other ASEAN FTAs. In many cases, Singapore has worked to conclude a bilateral agreement before the wider ASEAN agreement was reached – with Japan, India, South Korea. In these cases, rather than trying to keep the benefits of the FTA for itself, Singapore has actively sought to facilitate the accession of others to similar arrangements on a region-wide basis. Thus, Singapore's bilateral FTAs have supported the wider ASEAN-plus FTA process and integration within ASEAN itself, all aiming towards a more globalized, open system. As of 2012, talks for a European Union-Singapore FTA have been concluded, as part of long-term efforts to eventually reach a broader EU-ASEAN FTA.

In addition to ASEAN's efforts to build closer ties with external trade partners, the grouping is also aiming to establish an ASEAN Economic Community by 2015. The closer integration and realization of the ASEAN Economic Community (AEC) has always been a key goal for Singapore, as a strong and competitive ASEAN is important for Singapore's own future, and may allow Singapore to play a bigger role in the South-east Asian economy and the global economy as a part of ASEAN.

The role of the state in the Singapore economy has been crucial to its ability to pursue these FTAs and the overarching strategy of economic liberalization. Ever since Singapore's modernization and development after independence, the government has traditionally held tight control of the economy and, more, stated corporations that have actively participated and indeed help build the Singaporean economy. Many of the largest and best-known Singaporean companies were started and indeed are still substantially owned by the Singapore government, through Temasek Holdings. These include SingTel, Singapore Airlines, DBS Bank, Keppel, CapitaLand, and SembCorb. However, there are major stakeholders in the Singapore economy are multinationals with considerable and long-term presence in the country. As such, the Singapore government does not face as much pressure from private corporations and industries against liberalization.

Yet even as Singapore goes global in the economic sphere, other areas are deemed sensitive, and these areas are where the government actively resists international norms and pressures[39]. Indeed, because of the contrast with Singapore's rapid liberalization in economic policy, the sensitivity and persistence of national social norms seems especially strong.

39 Ibidem.

Perhaps the clearest example of this is from the field of human rights. Singapore has enjoyed a fairly good record in the observance of human rights generally, without any gross and systemic violations of core human rights against citizens, like mass disappearances, torture or state violence. However, Singapore makes explicit its differences with the international community over human rights.

In Singapore's first Universal Periodic Review in May 2011 under the United Nations Human Rights Council (HRC), Singaporean representatives rejected a considerable number of suggestions put forward by other states for improvements. These included suggestions that Singapore should ratify core UN conventions e.g. the International Convention against Torture and the two International Covenants on Political Rights, and on Economic Social and Cultural Rights.

In between the economic areas where Singapore actively pursues globalization and liberalization and the areas of human rights where the government has explicitly carved out and given reasons for difference from international and Western norms, there are various areas where Singapore's policy response has been moderated – shifting away from original national positions, towards a stance that may be judged to be closer to international norms, but still not fully in line with those norms[40]. A number of these areas are women's rights, environment and climate change, migrant workers and human trafficking as well as disaster relief and humanitarian assistance.

40 Ibidem.

All in all, Singapore is more open to globalization and to regional forces than most other countries. The state chooses to pursue globalization, to reach out to the region and the wider world beyond ASEAN. This choice impacts both economic progress and security. However, regional policy remains a difficult question. Singapore cooperates with ASEAN neighbours but there are still challenges.

Singapore has welcomed external influences in the economic sphere, for instance in the policy governing trade, investment and commerce. In contrast, Singapore's adoption of norms when it comes to politics and society has been more moderate. Singapore will not adopt international standards on some matters, or has only partially embraced such norms. However, the choice of Singapore's policies for economic openness, increasing competition and economic creativity will likely bring social and political changes.

Can globalization be managed? Is globalization a "one-way street", consisting only of Western influence? Or can small and medium-sized countries elsewhere in the world make it a "two-way" street? Globalization is characterized as a deepening and widening phenomenon; once a country begins opening up, processes of change cannot be stopped. However, Singapore has demonstrated that it is possible to manage and exert some control over these changes.

As Singapore's experiences with economic globalization have shown, where a small and medium-sized state is aligned with prevailing global agendas, it can play a role in shaping these agendas to its own ends. If the practices of a small and medium-sized state differ from global norms, the process is more of a "one-way street". However, it is still possible to have "speed strips" along the road to manage external influence.

**SUMMARY 3.**

"Managing globalisation: national and international influences in Singaporean policy"[41].

→ If globalization constrains state decisions, the government of Singapore would be amongst those to face a constrained choice in its policies. However, this is not the case. Globalization is a factor that must be recognized, but its force can be managed, directed, limited or increased, as the experience of Singapore demonstrates.

→ In **managing globalization**, the Singapore government encourages certain forms of globalization within the society while it discourages others. **Bifurcated globalization** is an effort to allow Singapore to internationalize mainly economic policies while retaining certain notions of tradition and conservatism that protect specific dominant interests in politics and society.

→ In economic relations, Singapore is very actively involved in ASEAN initiatives and other regional economic architecture at the global, regional and bilateral levels. Its activism has not been without influence. Singapore adopts a liberal internationalism in economic policy, generally seeking opening of markets and reciprocal opening that is consistent with the World Trade Organization (WTO) or indeed ahead of its standards.

41 This is a summary of the policy paper written by Simon Tay within the framework of the "Going global in the age of uncertainty" project. Read more: S. Tay, "Managing globalisation: national and international influences in Singaporean policy", Policy Paper, demosEUROPA / Singapore Institute of International Affairs, May 2013

- → Yet even as Singapore goes global in the economic sphere, other areas are deemed sensitive, and these areas are where the government actively resists international norms and pressures. Indeed, because of the contrast with Singapore's rapid liberalization in economic policy, the sensitivity and persistence of national social norms seems especially strong.
- → In between, there are various areas where Singapore's policy response has been moderated – shifting away from original national positions, towards a stance that may be judged to be closer to international norms, but still not fully in line with those norms.
- → Globalization is characterized a deepening and widening phenomenon; once a country begins opening up, processes of change cannot be stopped. However, Singapore has demonstrated that it is possible to manage and exert some control over these changes.

## 3.2 Poland, on its way beyond Europe

In terms of population and domestic product, Poland occupies a relatively high position on the global ladder[42]. The Polish economy is 19th largest in the world (GDP measured by purchasing power parity), ahead of Argentina or Saudi Arabia who are members of G-20, unlike Poland. Its GDP per capita (also in terms of PPP) is twice as high as the world's average, giving it 44th position globally. Poland's population of 38 million is the 33rd largest in the world and 6th largest in the EU: after Germany, France, Spain, Italy and Great Britain. All of this gives Poland a strong mandate to position itself as the most important out of Europe's twelve "new member states" that entered the EU in 2004 and 2007, and one of the Old Continent's prospective leaders.

42 A. Balcer, "White Eagle's Eye View. Internationalization of Polish foreign and economic policy as a prerequisite of global influence", *Policy Paper*, demosEUROPA / Singapore Institute of International Affairs, May 2013.

**Over the last decade, Poland has managed to cement its strong position within European politics and economy.** Poland has moved firmly to the centre of gravity of the EU political system, signing up to by far the most important legislative initiatives, remaining on track to Eurozone entry, floating its own ambitious political concepts ('Eastern Partnership') and arguing for deeper, 'federal' integration in the future. In addition, Poland has been in the centre of a system of alliances in the EU, cooperating with France and Germany in the Weimar Triangle, with Central European neighbours in the Visegrad Group, with special interest groups such as 'friends of cohesion policy' and with the Baltic states in another regional cooperative set-up"[43]. It may be added that, over the recent years, the Polish economy has been one of the brightest spots in Europe immersed in the crisis.

43 P. Świeboda, op. cit.

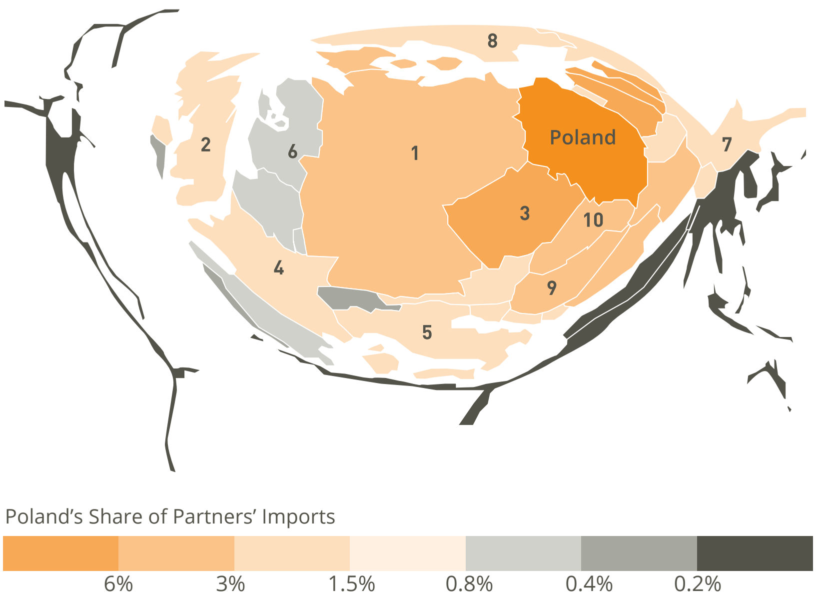
**Nevertheless, when seen from a distance, Poland still seems to be punching below its weight "globally", despite all of its potential of a midsize power.**

This is reflected, most of all, in the priorities of the Polish foreign policy, focused almost exclusively on European affairs. The only exception is the security sphere[44], though even here clear signs of 'underachievement' are visible. Since 1989, Poland has participated in more than 30 military missions (as part of UN, NATO and EU). The great majority of them took place outside Europe (e.g. in Afghanistan, Cambodia, Chad, Democratic Republic of Congo, Iraq, Lebanon, Namibia) and Poland very often contributed with one of the largest contingents. However, this military engagement has not been accompanied by a corresponding diplomatic activity. Since 1989 Poland served only once as a non-permanent member in the UN Security Council, whereas countries like Colombia and Pakistan have made it three times in the same period, and Romania (a significantly poorer and twice less populous country than Poland, belonging to the same region of Central and Eastern Europe) has already made it twice. Only recently, Polish government has taken an official decision to candidate for non-permanent seat in the Security Council for the 2018–19 term.

[44] A. Balcer, op.cit.

**Map 2.**

**Poland's merchandise exports, 2011.**




**Top Export Destinations**

1. Germany (27%)
2. U.K. (7%)
3. Czech Rep. (6%)
4. France (6%)
5. Italy (6%)
6. Netherlands (5%)
7. Russia (4%)
8. Sweden (3%)
9. Hungary (3%)
10. Slovakia (3%)

**Major Eport Products**

Machinery and transport equipment (37.8%), intermediate manufactured goods, miscellaneous manufactured goods

**Source: P. Ghemawat, S. Altman,"Global Connectedness Index 2012', DHL, 2012, p. 202.**

**Poland's insufficient level of globalization is also visible in its economic connectedness to the world whereby a high degree of regionalization is explicit**[45]. Almost 90% of Polish exports go to other European countries. Poland's economy is particularly dependent on the German one, where a quarter of exports are directed (an equivalent of all the other eurozone members counted together). This has been a 'good omen' during the times of crisis, but in the future it may make Polish economy much more vulnerable and dependent on the economic situation in Europe, and within the Eurozone in particular.

Recently, the Ministry of Foreign Affairs of Poland has assumed a more active role in the area of economic diplomacy. Official visits to Latin American and Asian countries have been joined by a strong representation from the business community. At the same time, the Ministry of Economy has designed special instruments of support for companies willing to try their luck on five markets, officially identified as the most prospective for Polish exporters and investors: Algeria, Brazil, Canada, Kazakhstan and Turkey. Still, the institutional system of promotion of trade and investment seems to be deficient, most of all due to a fragmentation of tasks and responsibilities between various organisms that are subordinated either to the Ministry of Economy or to the Ministry of Foreign Affairs; and because of a traditional political rivalry between those two departments. There is no central agency that would support the development of international connections by the Polish business, and the type of services that existing institutions provide are sub-optimal, targeted to national champions or those companies that are already thinking globally.

This is not the whole story about the Polish 'global under-stretch'. Poland occupies the last place in the EU in terms of a percentage of foreign students in the entire students' community. They represent a modest 1,4% of all students at Polish universities[46]. Poland's official development assistance (ODA), which traditionally constitutes an important tool in strategies of political globalisation, is also meagre. According to OECD, Poland's ODA got stuck on the level of 0,08% of GDP, while (as a matter of comparison) Turkey, a considerably poorer but globally much more active country, has managed to radically increase its development assistance over 0,2% of GDP[47].

Last but not least, **the consciousness of global challenges among the Polish public opinion is still very weak**. In this case we have to appeal to proxy measures, like the penetration of internet, the knowledge of English, the quality of the public TV or the share of book and newspaper-readers among the population. What is striking, is that in most of these criteria Poland is lagging behind not only Western Europe, but also some of the other Central European countries, like the Czech Republic or Estonia. As Adam Balcer observes, "pushing international issues into the margin of the public debate is happening at the moment when life of an average Polish citizen is exposed more than ever to developments in the international environment (like the euro crisis, global economic slowdown, the challenge of international terrorism, or threats to supply chains of strategic resources)"[48].

45 P. Ghemawat, S. Altman, op. cit., p. 202.

46 A. Balcer, op. cit.

47 Ibidem.

48 Ibidem.

**It should not be of any surprise that the Polish 'undone homework' on globalization is reflected in the low international ranking of the country's brand.** According to the FutureBrand "Country Brand Index 2012–13", Poland occupies 75th position among 118 countries. Not only is it lagging behind all Western European countries, but also behind its most important regional partners: Czech Republic (44th), Hungary (65th) and Slovakia (73rd). In the whole Europe, only Bulgaria, Bosnia & Herzegovina, Russia, Albania, Ukraine, Romania and Serbia get worse results.

**This poor score may be explained largely by a lack of a consistent brand campaign and by insufficiency of initiatives that would go beyond Europe. Still, it is incommensurate with the actual level of Poland's global activity.** As has been said, Poland occupies 39th position out of 140 countries in the ranking of global interconnectedness, which can be judged as mediocre (as compared to the Czech Republic or Hungary) but still situates this country in the first quarter of the world. Moreover, Poland is a country with a rising capacity to assume the role of a regional leader, something it has already demonstrated in many cases: like in the EU's budgetary negotiations or in its policy towards Eastern Europe. Finally, Poland has authored or co-authored some promising global initiatives, including: the Community of Democracies, an intergovernmental organisation spearheaded by Polish Foreign Minister Bronisław Geremek and U.S. Secretary of State Madeleine Albright; or the European Endowment for Democracy, proposed by Polish Foreign Minister Radosław Sikorski in January 2011, soon after the beginning of the so-called 'Arab Spring'.

All of this suggests that Poland's brand problem comes not only from its global 'under-stretch' (visible in particular in the spheres of economy, politics and science) but also from its inability to exploit the activities in which it has already invested time and resources. Most of all, **Poland – unlike Scandinavian countries, Chile or South Korea – has not yet identified an organising principle in its global positioning.**

There are multiple candidates as to what could be the Polish *'specialité de la maison'*. In the political sphere, 'democratic transition' features as the most credible one. Poland could just as well position itself as 'Europe's special envoy for midsize powers'[49], building strong partnerships with similar countries from other regions: Turkey, South Korea, Colombia. In both cases, its well-considered political activity on international arena could contribute to an increased global ambition, initiative and opportunity of the business community and to a greater consciousness of global challenges among the society, with all the vicious circle effects that these imply. On the contrary, if Poland –with its large but not unlimited potential of a midsize power – does not organise its global activity according to a certain guiding principle, then its political influence on the global arena may continue to be imperceptible while its economic globalization may remain chaotic and timid. All of this would make Poland much more vulnerable to the challenges of globalisation than the current international context, undeniably favourable for self-confident small and midsize states, predisposes it to.

[49] Ibidem.

**FRAME 3.**

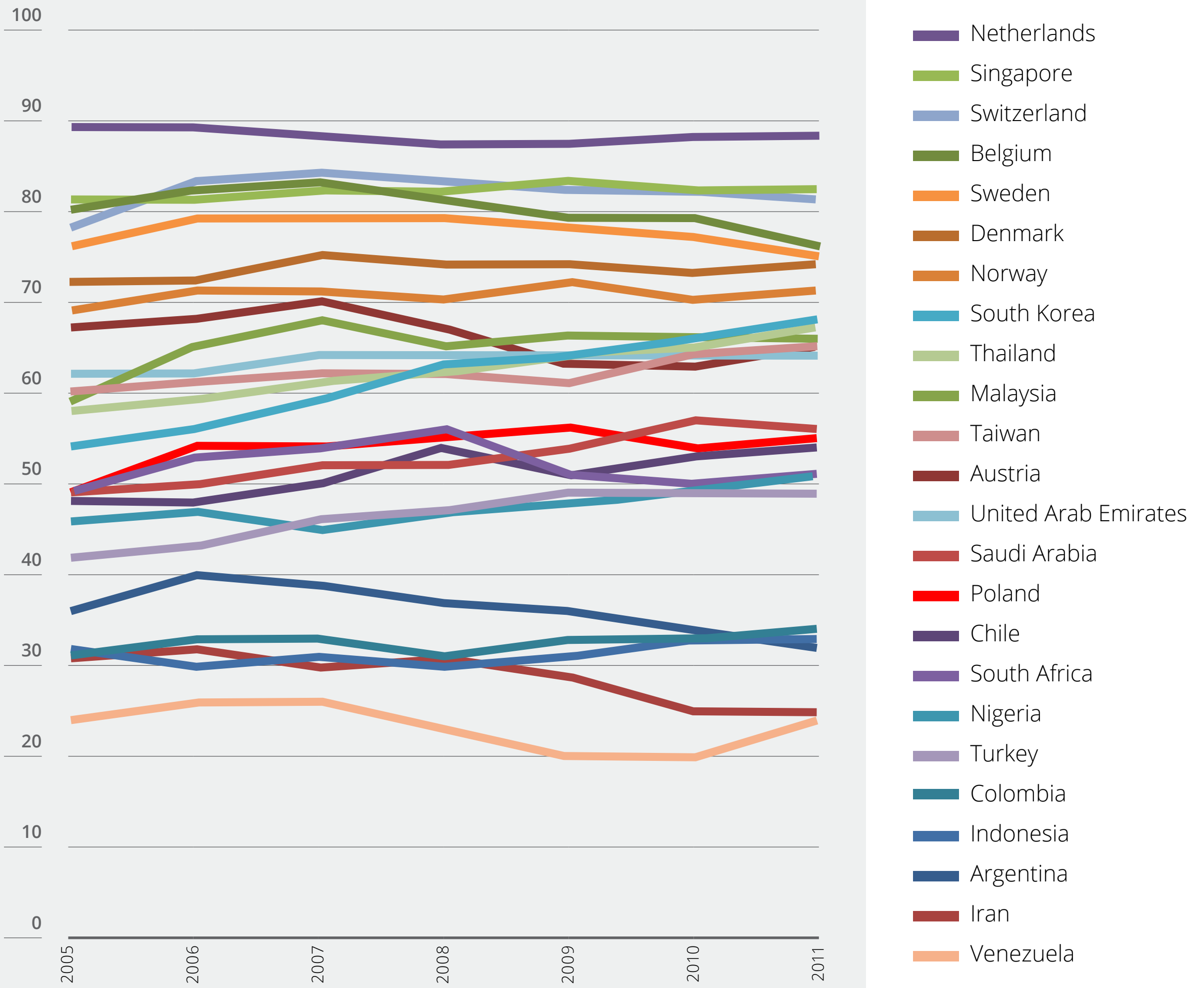
**Global connectedness vs nominal GDP.**

We analysed the performance of two dozens of countries, half of them being Poland's immediate 'upstairs' neighbours in the IMF nominal GDP ranking, and another half being its immediate 'downstairs' neighbours.

As Figure 6. demonstrates, this group of countries includes both some of the most connected economies in the world (Netherlands, Singapore, Switzerland, Belgium, Sweden, Norway) and some of the world's greatest outsiders (Venezuela, Iran, Argentina). Poland is situated right in the middle, among South Africa, Chile, Saudi Arabia, Turkey and Nigeria. Poland's interconnectedness score has increased from 49 in 2005 to 55 in 2011, which may seem encouraging – especially if we compare Poland to South Africa (49 in 2005, 51 in 2011).

**Figure 6.**

**Connectedness Score 2005–2011 among middle-income countries.**



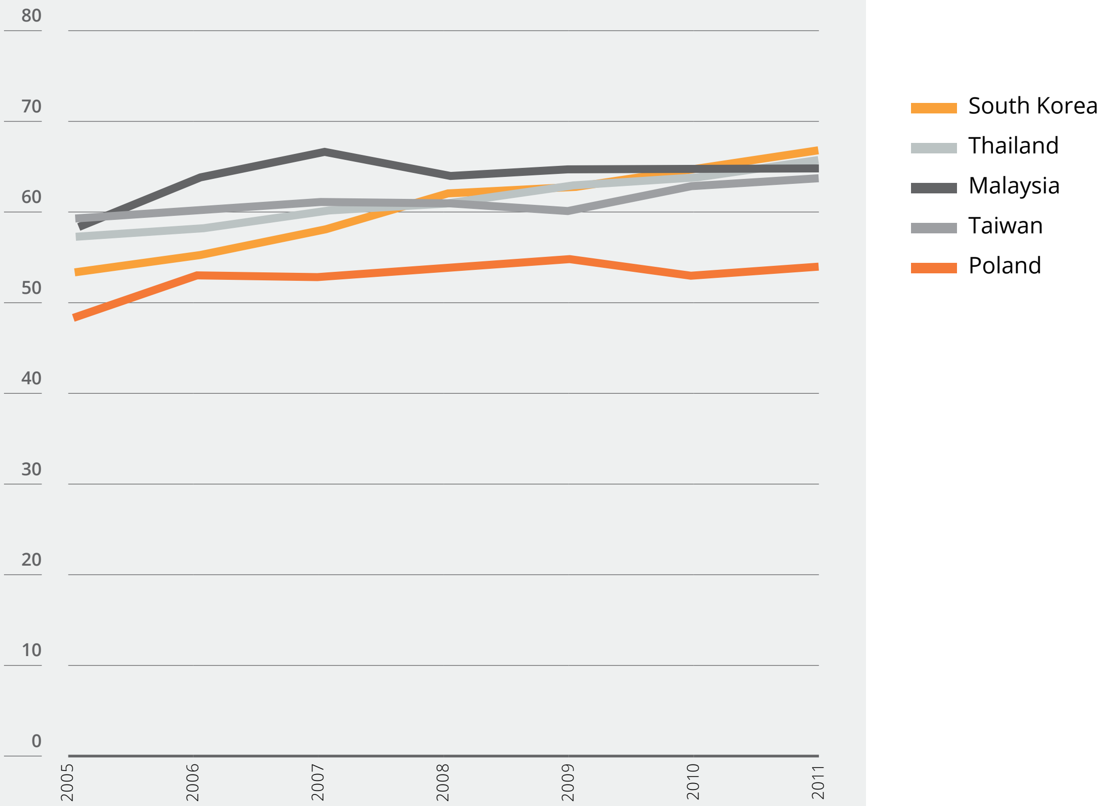

Source: P. Ghemawat, S. Altman, "Global Connectedness Index 2012", DHL, 2012.

However, if we compare Poland to a group of more successful economies from South-Eastern Asia, we will arrive at much less favourable conclusions. As Figure 7. demonstrates, the economies of South Korea, Thailand, Malaysia and Taiwan are all much more connected to the world than Poland, with scores between 10 and 13 higher than Poland's 55 points (2011). Still, what is the most striking, is the progress that South Korean economy has experienced throughout the last decade, increasing its score by an astonishing 14 points (as opposed to Poland's 6). The story of Thailand is also inspiring: it increased its score by 9 points becoming in 2011 the 15th most interconnected country in the world (it ranked 28th in 2005). South Korea advanced from 34th to 14th position, whereas Poland moved meagrely from the 40th to the 39th rank.

All of this suggests that Poland may benefit a lot from becoming inspired by Asian examples in looking for its strategy of global connectedness.

**Figure 7.**

**Global Connectedness Score 2005-2011: Poland vs selected countries in South-East Asia.**




Source: P. Ghemawat, S. Altman, "Global Connectedness Index 2012", DHL, 2012.

**SUMMARY 4.**

"White Eagle's Eye View. Internationalization of Polish foreign and economic policy as a prerequisite of global influence".[50]

- The structure of the Polish economy has undergone a tremendous change in the last two decades. Its transformation was based on integration with the EU which included foreign trade, inflow of FDI as well as EU funds. Poland has turned into an export-driven economy with relatively high level of FDI stocks. At the same time, the EU has become a centre of gravity for the Polish foreign policy.

- Indisputably, EU countries in the coming decades will remain Poland's key economic and political partners. However, a clear intensification of Polish economic and political relations with non-European countries should become a priority objective for Poland. Two main reasons are the global tectonic shift of economic and political power (rise of non European countries, particularly emergence of East Asia) and internal needs for new external sources of economic growth (innovations, new markets, FDI) due tothe previous drivers being exhausted.

- Success of the internationalization of the Polish foreign and economic policy will depend to a large extent on: creating a strategy of internationalization based on an appropriate assessment of Poland's internal needs; invention of an original organizing principle legitimizing Poland's engagement on the global scene (Poland as an European emerging midsize power); concentration of forces due to the limited assets on key regions or countries (bilateral relations, regional level, international organizations); financial commitment and institutional enhancement of Polish foreign policy.

[50] This is a summary of the policy paper written by Adam Balcer within the framework of the "Going global in the age of uncertainty" project. Read more: A. Balcer, "White Eagle's Eye View. Internationalization of Polish foreign and economic policy as a prerequisite of global influence", Policy Paper, demosEUROPA / Singapore Institute of International Affairs, May 2013.

# 4 Epilogue

Globalization is never given once and for all. In 1910, the British writer Norman Angell published a best-selling book "The Great Illusion. A study of the Relation of Military Power to the National Advantage". He argued that due to growing economic interdependence, war had become unthinkable; the nations of the world would either be deterred from going to war or would hurriedly end any conflict soon after it started[51]. Four years later, World War I broke out.

**Is today's globalization that much different? In many ways: yes.** As two of the first figures in this report demonstrate, the scale of international trade and investment is unprecedented. What is more, the fragmentation of global chains of added value seems to have introduced a qualitative transformation into the global context, making individual economies much more interdependent and consequently much more tied together within a dense network

[51] J. Mann, "'The Great Convergence: Asia, the West, and the Logic of One World' by Kishore Mahbubani", Washington Post, February 22, 2013.

of mutual connections. Still, an answer to the question of whether globalization has made interstate war obsolete is far from straightforward.

Some economists suggest that a right balance should be found between globalization and national authority, in order to preserve the positive side of global settlements while at the same time avoiding those risks that excessive globalization might provoke. As Dani Rodrik argues in "Globalization Paradox": "The imbalance between the national scope of governments and the global nature of markets forms the soft underbelly of globalization. A healthy global economic system necessitates a delicate compromise between the two. Give too much power to governments, and you have protectionism and autarky. Give markets too much freedom, and you have an unstable world economy with little social and political support from those it is supposed to help"[52].

52 D. Rodrik, op. cit., p. xvi

**Meanwhile, instead of answering a generic question about the globalization's *quo vadis*, we may rather ask about a strategy that individual states should choose within today's context in order to reap maximum benefits from globalization as it is nowadays; to be able to influence its future global course according to their needs and interests; and to manage its impact on domestic affairs.**

The underlying message of this report is that small and midsize countries, having acquired at least intermediate level of development and the status of middle-income economies,have an intrinsic interest in supporting economic and political globalization, largely because of their own long-term security and prosperity. They may not have the power to reverse the tide, individually,in case of a sudden de-globalization wave (if such were the consequence of eventual disputes among the most powerful countries). But as long as the course is towards more and better globalization, they should jump on the bandwagon and seek to use it to their own purpose. They should keep in mind that such a window of opportunity may not always be open. After all, globalization will largely turn out to be for them what they make of it.

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