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"The neglected aspects of the asymmetric relationship between developed and emerging economies in the globalization game."

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ABSTRACT

The liberalization of capital flows, the rise of the information technology era and the increasing obsolescence of the Nation-State model are some of the characteristics of the "globalization game".

Globalization is considered a healthy phenomenon by the many leading academics all over the world. In their view globalization is a win-win game, since it produces cultural homogeneity, provides opportunities to peripheral nations to join in the world market and strengthens consumer power, amongst providing many other benefits.

After analyzing the reality in more detailed, it can be argued that the globalization phenomenon hides mechanisms that amplifies the disparities among the nations, protecting the status quo.

This article will investigate and highlight neglected aspects of the existing asymmetry in the relationship between the developed industrial economies and the emerging economies, exploring social, cultural and economic aspects of the situation.

INTRODUCTION

Study Motivation

The inspiration for writing this paper emerged during the Ibero-American Academy of Management First International Conference that took place in Madrid, in December 1999.

After presenting our work, concerning game theory and business strategy, we joined the globalization section. During the final debate an Argentinean scholar shared his doubts with the audience saying that his country was not ready to play the "globalization game". He pointed out that the Argentineans were very apprehensive about the invasion of capital from Europe, mainly via Spain[1].

A Spanish fellow argued that those fears are normal. He understood that Spain had gone through a similar situation, years ago, during the construction of the European Economic Block.

What he meant, according to the game theory principles, is that the globalization game has the same rules for every player and is on its very beginning, which means equal chances for all. For him, the globalization game brings benefits to all players.

We interfered arguing that the globalization game is not that simple. We pointed out some existing asymmetries of the game, such as: educational level, cultural model, negotiation power, investment capacity and industrial knowledge. The comparison between Spain's situation a decade ago and the one faced by Argentina nowadays is not a trivial task at all.

We are convinced that globalization must be treated as an asymmetric game among nations and although the majority of the business administration scholars just ignore it, we decided to work on this theme.

Study's Goal and Adopted Approach

The main goal of this paper is the identification of some of the neglected aspects of the existing asymmetry in the relationship between the developed industrial economies and the emerging economies.

[1] Some South-Americans scholars named the present wave of Spanish investments the "2nd Spanish Conquer".

Globalization is a transdisciplinary phenomenon that involves many dimensions, from which we highlight: economic, historical, philosophical, psychological, and sociological, among others. This "mosaic", Carvalho (2000), cannot be fully understood without taking all those dimensions into account.

However, in order to pursue the proposed goal, we will adopt the Business Administration view of the globalization phenomenon as the dominant approach within the course of this work.

Game theory, which is a set of tools used to model conflict situations and competition among players (Brandenburg and Nalebuff, 1996; Azevedo, Carvalho and Silva, 1999; among others), will be used to understand how globalization can be regarded as a game.

Although globalization will be presented in a game form, game theory will not be used extensively. Its main contribution will be the use of its logic and basic concepts.

METHOD

This exploratory study intended to use an original approach concerning the globalization phenomenon. Since the current academic literature lacks specific information about the focus of our research, we decided to work with qualitative information solely. Therefore no empiric data treatment has been used along this paper.

Our approach combined two independent knowledge areas. One was the business administration view of globalization, presented in a brief theoretical review of the theme and the other was game theory – a set of analytic modeling tools.

The basic idea was the use of game theory in order to achieve the article main goal, the identification of the neglected aspects of the globalization game.

The first step was the organization and presentation of a minimum representative review of the business scholars dominant view concerning globalization.

The following step was the selection of useful concepts from game theory. The ones that fitted the article purposes were unequal distribution of initial endowments among the players, information asymmetry, and the non-zero sum nature of the globalization game.

The information gathered from the first part was interpreted according to the logic insights provided by the second one. The study results, the identified asymmetries, emerged from this operation.

The final step was the discussion of the results, supported by the bibliographic references and by real cases mentioned in the literature.

THE BUSINESS ADMINISTRATION VIEW OF GLOBALIZATION

Before presenting an overview of the business administration dominant vision of globalization, we will introduce some fundamental aspects concerning that phenomenon.

The Globalization Roots

The onward humanity progress cycles are being speeded up. From the establishment of the agricultural societies to the industrial revolution, 10.000 years have passed. From the vapor machines to electricity and from electricity to the electronic age just 200 years have gone. And the transition from the electronic age to the information technology revolution took only a few decades!

The humanity is producing and sharing knowledge at an incredible rate. The world never seemed to be so small before.

Hedley Bull, an international relations scholar, discusses the international system in his 1977's work entitled "The Anarchical Society, a Study of Order in Word Politics". At that time he already pointed out three elements that became essential parts of what is now known as globalization, which are: (1.) the transnational corporations strengthen, (2.) the development of information technology, and (3.) the increase of capital flows.

A transnational organization can be understood as any organized action that operates through the national borders, from enterprises to politic parties and non-governmental organizations.

The existence of transnational organizations is not a new fact in the international politic landscape. No transnational company has caused such an impact as the English East India Company did in the XVI century. It possessed its own army and own lands, (Bull, 1977).

Neves (1996) points out that since the end of middle age, the world has been going trough successive globalization waves. The great discoveries of the XV and XVI centuries that opened the New World doors and the industrial revolution of the XVIII and XIX centuries are important examples.

Analogously, Ohmae (2000) understands that the "new economy" can be considered as a "new continent" discovery. This new continent, claims the author, is not a real one but a virtual instead.

Ianni (1996) also shares the idea that globalization is the consequence of a continuos development process. He understands that this process roots are ancient, but it has intensified itself dramatically since the end of the Second World War.

Furtado (1998) has a different view of globalization. For him it is a returning movement to the original capitalism model, since the more globalized an enterprise is, the less regulatory control the State has over it, raising the firm dependence on the foreign market.

Banas (1996) is another author that perceives a domination movement in the globalization phenomenon. In his point of view globalization is an ambition of the industrialized countries and its respective multinational companies in order to eliminate the barriers to their expansion.

Banas argumentation is supported by Furtado (1998), who points out that the transnational corporations will continue to expand themselves due to the continuos financial power concentration and the international blocks integration process.

The Information Technology Era

Bull (1977) discussion of the world technological unification referenced McLuhan's (1971) "global village" concept.

McLuhan had perceived that the globe was "shrinking" and the interaction between the societies was increasing. These would become the basis of the Information Technology Era.

McLuhan states that we live in a Global Village, a simultaneous happening where time and space has vanished. The electronic media involves everyone simultaneously. He states that the electronic media are beginning to put us back in touch with the tribal emotions which print had divorced us from.

Now people from all around the world can communicate themselves as if they lived in the same village.

The information technology[2] has played an important role in the globalization context, acting as a catalyst, since it has simplified and speeded up processes, it has diminished transaction costs and has made the democratization of information possible.

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[2] Term popularized by Harold Leavitt and Thomas Whisler in their article "Management in the 1980s", published in 1958 at Harvard Business Review.

Holt (1998) defines information technology as the science of creating and using information resources, commonly associated with computational applications, communications and data storage processes and retrieval processes.

The Internet is the icon of the information technology power. The "web" is revolutionizing the business world. "Virtual companies" are emerging and becoming part of the establishment in sectors of the economy former considered as "giants land"[3].

The "virtual world" is leading the world economy into major changes. The markets entry barriers are losing their effectiveness and are being beaten quicker and quicker by the competitors, the products life cycle is becoming smaller and smaller, and the distribution channels are being shortened[4].

The information is flowing in such a speed, and in so many different forms, that even the most remote locations of the world are now linked. This information flow is generating deep cultural transformations. It's the so-called information technology revolution.

The humanity is living a transitional period where the new and the old coexists. The agrarian mentality which became an anachronism due to the obsolescence of the urban *x* countryside conflict coexists with the industrial logic, now outdated by the Information Technology Era (Ianni, 1986).

The Nation State System Increasing Obsolescence

Questions such as the paradox of the simultaneous cultural unification and fragmentation of the societies were discussed long before the globalization term emerged, Brzezinski (1970).

[3] Microsoft and Dell Computers are examples of enterprises that are became winners in a market that IBM seemed to be invincible.

[4] The producer – consumer distance is being reduced since the number of intermediaries is decreasing.

Some authors understand the globalization phenomenon as the growing trend that leads to the increase of the disparity between how the world economy works and how the societies are structured.

In other words, the nation-states are organized in such a way that they can no longer support the speed of change imposed by the economy. The nation-state model increasing obsolescence is undeniable.

Ohmae (1995) is more enthusiastic: "Nations-states are eroding as economic actors. Regions-states are taking shape. It is not a question of maybe or perhaps. It is happening".

The authors from outside the social politic field, specially the business administration ones, tend to exaggerate this obsolescence process. Forjaz (2000), for instance, says: "From these authors perspective, whose normally aren't political scientists, the state has totally lost its importance as a decision maker agency, having succumbed to the powerful globalized market and to the capital flows that do not respect the national frontiers."

By mid 1990's, the 100 strongest economic entities list displayed 51 enterprises against just 49 countries. The sum of the 200 largest international corporations' income was higher than the sum of all world countries GNP's, except the nine richest ones, Anderson and Cavanagh (1995).

Similarly, from the business world point of view, globalization is based on the belief that the world is becoming more homogeneous and that the distinctions between the internal markets are being weakened or even disappearing, Czinkota e Ronkainen (1995).

Bertrand (1994) studied the markets evolution and found out that the economic globalization started when the developed countries domestic markets achieved their maturity. In addition, Abreu (1999) pointed out that the maturity of Ohmae's (1985) "triad" (USA, Europe and

Japan), during the 80's increased the economic interdependence among the companies.

Chronologically that moment coincides with the end of the cold war. Czinkota and Ronkainen (1995) argued that the cold war was a barrier to globalization, since the world ideological division restricted the international trade.

The enterprises from both sides of the iron curtain were able to reduce their direct investments in their home countries due to the end of cold war, Forteza e Neilson (1999).

Porter and Wayland (1995) go further, for them the forces that drives the globalization of competition were already present since the end of the second world war.

The Globalization Phenomenon in Business Administration

So far, we have reviewed the dominant ideas concerning the globalization phenomenon in the social studies field.

For some scholars globalization is the ultimate stage of the continuous humankind historical development, (e.g. Bull, 1977; Neves, 1996; and Ianni, 1996), for others it is a historical rupture that has been taking place since the end of the cold war, (Czinkota and Ronkainen, 1995; Abreu, 1999; Bertrand, 1994). In addition globalization is understood as the result of the capitalism dominance (e.g. Banas, 1996; Ianni, 1996), as well as related to the increasing obsolescence of the nation-state system (Ohmae, 1995; Levitt, 1983; Furtado, 1998).

There are, for sure, relevant contributions from other fields, however we will remain focused on the business administration vision.

Because the term "globalization" became a buzzword, Randolph (1990), Chase-Dunn (1998) and Parker (1998), since an agreement about its meaning has not been achieved yet, we consider relevant define it.

The definition presented below was elaborated by Azevedo and Bertrand (2000), and is focused on the business administration point of view. It is based on Levitt (1983), Yip (1995), Bartlett and Ghoshal (1989), Hout et al. (1982), Keegan (1995), Bertrand (1994), Parker (1998), among others:

> *"Globalization is the set of transformations faced by companies as a consequence of the contemporary phenomenon constituted by: (1) the empowerment of transnational organizations; (2) the information technology evolution; (3) the increasing flows of capital, merchandise, and data across national borders; and (4) the tendency of world markets homogenization."*

Globalization consensus in the Business Administration Academy

Investigating works from the business academy concerning globalization some consents are found.

A fundamental agreement emerged after Levitt's (1983) classical work, in which he states that globalization propelled the firms to obtain gains of scale based on information technology and transportation improvements. Almost all business administration studies regarding globalization are consentient about this statement.

For Barney (1997) the search for gains of scale is justified by scope gains in all phases of the productive value-chain. Hamel and Prahalad (1985) agree that the main motivation for a firm that wants to go global is the search for a global scale. They point out that the structure composed by a set of independent parts is always less efficient then an integrated network of activities.

Another important consensus is extracted from Yip's Total Global Strategy (1995). He draws the attention to the fact that the economic globalization is benefiting both company and consumer. The public profits from having access to better quality and lower priced goods as the enterprises enhance their competitiveness due to cost reduction associated with an increased production volume.

Yip (1995) detected that acting globally requires a global value chain. Activities such as research, development, design, buying, manufacture, marketing sales, distribution and service must be located around the world as a function of each industry specific needs.

Research and development, for instance, tend to be located in poles which produce state of art technological innovation, where specialized work force combined with low labor cost can be found.

Some western companies established research centers in the former URSS because of their skilled scientists, who were able to contribute to the research and development of commercial products, Yip (1995).

The following is a precious example of the global value chain: The Madza Miata MX-5 sport car was designed in California and financed via Tokyo. The prototype was built in Worthing, England, and the assemblage is made in the US and in Mexico using electronic components developed in New Jersey and produced in Japan, Ortiz (1992).

If this concept is expanded to the limit, the world can be regarded as an integrated set of specialized regions, where each one plays a different role, according to its specific abilities.

For each global productive process, there is a distribution of roles among nations. Some countries concentrate their efforts in research and development (intellectual production), certain provide the raw material, some supply the inputs and parts, and others are responsible for the low cost assemblage.

A complementary point of view is presented by Porter's "Clusters and Competition", first published in 1991 and reedited in Porter (1998). The cluster concept also considers that the different industrial sectors tend concentrate themselves in specific regions around the globe. Clusters are geographic concentrations where companies, specialized suppliers, service providers, and related industries entities interact via cooperation and/or competition. The author claims that specialized clusters are essential to provide competitive capacity to the countries.

Globalization has created a new competition pattern since the enterprises were propelled to explore the competitive advantages offered by the different world regions. Thus, in order to achieve optimal results, the companies will search for the needed inputs everywhere around the globe, Barlett and Ghoshal (1992).

The necessity to integrate the firms activities across the national borders was mentioned by Porter (1990 a). A few years later, this issue was already considered an agreement among the scholars, Porter and Wayland (1995).

Other authors suggests that even intangible resources such as brand positioning (Abreu, 1999; Bucklet and Carter, 1999) and companies critical competencies (Conn and Yip, 1997; Frenkel and Royal, 1998) are being transferred across boundaries.

Thus, a consensus about the necessity of reaching a global scale and adopting a global value-chain has also been achieved.

Another convergence point is the homogenization of the markets. Ohmae (1985) has identified an emerging consumer group in the United States, Europe and Japan triad composed by 600 million people. According to him, that group can be treated as a single market segment since the consumers have a similar behavior. The appearance of this mega-market allows the global marketing practices.

The business administration academia understands that global companies must attend this new globalized market.

When countries receive foreign investments, as stated the by Ohmae (1995), they are welcoming foreign ownership and foreign products. According to the author, the nations will welcome whoever employs their people productively, improve their quality of life, and give them access to the best and cheapest products in the world.

A leading portion of the business administration academia is in accordance with that way of thinking. The consensus is that the countries will only manufacture the goods that allow them the achievement of competitive advantage. The other products shall be imported from different specialized regions. This process will benefit all consumers of the world since they will have access to cheaper and higher-quality products.

Singaporeans, for example, enjoy better and cheaper agricultural products than Japanese, although Singapore has no farmers, nor farms of its own, Ohmae (1995).

Knowledge management is considered, by some scholars, as a key factor to explain the globalization of enterprises.

For Boone e Kurtz (1998) one of the advantages of the global company is the possibility of accumulating knowledge from different parts of the world. They illustrate this principle by showing that when a company goes abroad its comprehension capacity increases. The firm becomes more sensitive to consumer behavior, gets in touch with new distribution alternatives and products. Kim and Mauborgne (1993), see the global knowledge as a powerful tool when shared among the whole organization.

GAME THEORY AS A MODELING TOOL

Game Theory and some Basic Game Types

After the publication of John von Neumann and Oskar Morgenstern's seminal work "The Theory of Games and Economic Behavior", in 1944, a new modeling tool, called game theory, was developed.

The essence of game theory's models is the representation of reality into game forms. In its early day's game theory's approach was one of winners and losers, called zero sum games. In these type of games the sum of the player's payoffs (the total values of the game) do not change. In other words, what one player loses is equal to what the others win. Therefore there is neither value creation nor destruction.

However, there exist some games where the total value changes. That means, the players interact in such a way that value can be created. That's the contemporary focus of game theory – the non-zero sum games.

Non-zero sum games are related, as stated by Matheews (1997), to cooperative games. If there are many players taking part at a non-zero sum game, they will tend to establish alliances among them in order to maximize their individual payoffs.

Competition or cooperation? For Azevedo, Carvalho and Silva (1999), the increasing competitiveness of the business world propels companies to search for an equilibrium considering these two options. That is the base of the "co-opetition" concept created by Branderburger and Nalebuff (1996).

Some non-zero sum games are called win-win, because they do not generate losers. In such games every player ends up with a greater outcome than they started.

Another important distinction, suggested by Osborne and Rubinstein (1994), is related to the "information set" available to each player. Some games are "perfect information games", since every player has complete information about the others.

However, the majority of the games are "imperfect information games", where information is private. Thus, some players have more information than others, having the opportunity to make better decisions.

The Game Mechanics

The games complexity varies according to the number of players, their nature, the initial endowments and the number of game levels.

The gain possibilities arise from the differences between players: their preferences, productive capacities, expectations, and information set, among others, McMillan (1992).

The player's interaction generates the game outcome, which may not always be efficient. There are games where both players would have preferred an alternative outcome, but depending on the logic of the game it may be unachievable.

In general, the player's initial endowments are not equal. In fact they can vary greatly: some may have more information, more bargaining power, more reputation than others may. The difference between endowments generates the game asymmetries.

Thus, having a better initial endowment is an important advantage since it enhances the player position during the game.

THE GLOBALIZATION GAME ASYMMETRIES

The Globalization Game

The Globalization phenomenon can be treated as game. However, it is not a simple game. Actually it is a very complex one, since it is played in multiple levels.

At first glance, three basic levels can be promptly identified: the individuals, the enterprises and the nations.

The game complexity increases as function of the nature of players. Because countries are much more complex entities than individuals or even enterprises, the nations level is the most difficult and complicated game stage.

Our approach to the globalization game will be focused, firstly on the nations sphere and secondly on the enterprises level.

One crucial aspect of the globalization game is the role of specialization among nations. As we mentioned before, (Barlett and Ghoshal, 1992; Yip, 1995; Porter, 1998; and others), the international specialization allows the global corporations to gain production scale and cost reduction.

In McMillan (1992) words: "National income is highest when a country specializes in producing those goods that it is relatively efficient at producing, and importing other goods".

The game's intrinsic output maximization logic conducted the companies, and by consequence the nations, to the global specialization scenario. Because the globalization game is a nom-zero sum one the players understood that by specializing themselves, more value to could be added to the game, instead of playing replicated roles.

Specialized players will inevitably have different sets of information.

The global specialization asymmetries emerge from the fact that different roles imply in different asymmetric payoffs. Since the initial endowments were not equally distributed among the players in the beginning of the game, its presumable that they also cannot have the same global value chain *status*.

So, the countries that wish to change their roles in the global value chain must overcome strong barriers.

Sources of Asymmetries in the Globalization Game

The developed countries interests prevalence over the developing ones suggests that the globalization game is an asymmetric one.

Based on our review of the globalization phenomenon and on game theory's key points, we propose the following sources of asymmetries:

i. The initial endowments of the players are not equal;
ii. The initial differences tend to generate unequal information access capabilities, bargain power, resources, and reputation, during the game progression;
iii. Cooperative movements, typical of non-zero sum games, are represented in the globalization game by players grouped in economic blocks, creating additional benefices for some players; and
iv. The global role specialization implies that some players will add more value to the game than others will, generating discrepant payoffs.

These proposed asymmetries will now be analyzed in more detailed, investigating reality through game theory's eyes.

Observing the Reality with "Game Theory's" Eyes

Consequences of Role Specialization in the Global Value Chain

The role specialization in the global arena became possible because of the nation state model increasing obsolescence, whose main characteristics are the diminishing commercial barriers and the free flow of capital, information and goods (Ohmae, 1995; Anderson and Cavanagh, 1995; among others).

The hypothetical model of an integrated world without borders and divided into specialized regions hides some cruel *status quo* maintenance mechanisms that are being ignored by the business administration scholars.

If only the intra-firm mechanics is taken into account, it seems plausible to affirm that a few countries (or regions) will be better paid than others will. In other words, some countries will be condemned to execute second level duties *vis-a-vis* to the ones elected to perform the noble tasks.

It is presumable that in the globalized world the kind of job will be characteristic of certain regions as well as the other tangible and intangible resources. The global firm will look for knowledge where knowledge is. Thus, in the long run we might expect that all the knowledge of a given industrial sector would be concentrated in a few regions.

The same statement is true about capital. An enterprise that need to rise founds will search for capital where it is more abundant. As long as capital isn't free and must be remunerated with more capital the tendency is, again, a growing concentration.

In fact, the multinational groups, which are now becoming global, are mainly based in the developed world and when they need more money they go to New York, London or Tokyo.

That's why, in order to survive, companies from the emerging countries also need to borrow money from the developed nations. And must pay a higher price for it!

Spers (1998) provides a nice example. Aracruz Celulose – a Brazilian cellulose producer, following the intensive capital industries trend, went to the New York Stock Exchange to sell bonds. Investors in New York will be paid when Aracruz make profits.

Issuing bonds is a common way to raise founds. Other alternatives are loans, joint ventures and merges. The capital need leads the enterprises to the inevitable concentration process.

If a nation is not competitive enough to perform a more prestigious role in the global value chain, the national company that is not aligned with its home country role will have to move someplace else where its development can be continued.

The concentration of each industrial sector leading global enterprises in a specific region is the new tendency. These productive clusters are distributed among the borderless world nations, Porter (1990b) and Porter and Wayland (1995).

We must highlight that competitive enterprises are less likely to emerge from developing countries than from developed ones. This statement is validated by Porter (1999a), who affirms that the domestic market plays a fundamental role in the competitive advantage construction, since the competition pattern established in house will determine the possibilities of achieving success abroad. The ability to compete and innovate is directly linked to the domestic market characteristics. Thus, the less developed the internal market is, the weaker are the country's chances in the globalization game.

So far, we have posed arguments that demonstrate that role specialization in the global value chain compel the game to a win-lose equilibrium.

Now we'll try to clarify some obscure points of this process by dividing the found asymmetries in two different major groups. The first one concerns knowledge and the second concerns bargain power and value.

Unequal Information Endowments

The competitive advantage of a nation is determined by the innovation capacity of its industries, Porter (1990a). The emerging global enterprises success is related to their capacity of developing state of art research and development, distribution and marketing skills, Bartlett and Ghoshal (2000).

The enterprises must distribute their capabilities geographically in such a way that they can position themselves near each speciality vanguard centers, Forteza and Neilson (1999).

This competitive advantage quest presupposes that the nation has already developed solid skills on knowledge, culture, education and information.

Sardenbreg (1996) studied the Chinese case and emphasized that in the new international production system what enable a nation to launch new successful global products is not only the country's development stage but also the quality of this development. This kind of development is understood in terms of scientific and technologic research capability, design skills, marketing intelligence, and capacity of provide strategic aggregated services.

Business scholars usually fail to understand how globalization distributes knowledge. The common sense is that information technology and transnational production contributes to the knowledge democratization.

Technology, as stated by Levitt (1983), has "proletarianized" communication, transport and travel. Homogenized knowledge implies in homogenized opportunities. The globalization game tends to approximate the payers. That's the business administration field dominant point of view.

Godoy (1999) has an opposite vision. He suggests that the information technology development is contributing to knowledge concentration instated of its sharing. Based on ONU statistics, he pointed out that 88% of internet users are located in the developed countries, which represents only 17% of the world population. For him, information technology raises the differences among societies, generating more segregation.

Let's bring into discussion other relevant points, such as: production and technology management know-how, formal education and cultural background.

The developed countries are far ahead on those issues. In the borderless world future there will be no place for several specialized centers of excellence, in which state-of-art production and technology management will be developed. The opportunities tend not to be equalized.

Industrial know-how cannot be acquired from cable television programs or from the Internet. Companies have to spend a lot of money in research to achieve it. It is a naive assumption to think that the emerging economies firms will lead this information technology movement.

Regarding formal education the asymmetry is even more evident. How can countries that have high rates of uninstructed citizens play a leading role in the global world?

Consider now cultural background. After centuries of colonial domination, it is not reasonable to suppose that the cultural background gap will be diminished from one day to another. It seems that the white collar managing positions fits better in those who played the dominator role in the last centuries, as well as the blue collar positions are more suitable to the worst paid workers who did the hard work.

Frenkel and Royal (1998) states that in order to establish itself in different countries a global company must observe the peculiar characteristics of each region, taking into account the cultural and historical factors that may easy or difficult its settlement.

As it can be easily seen knowledge is not uniformly distributed among nations and it will, probably, never be.

Unequal Bargain Power and Value Endowments

A global enterprise must expand their operation and access all key world markets. By doing this the firm can cross-subsidize its business, achieving a world scale production, and creating power to face the competition Hamel and Prahalad (1989).

Strong global enterprises strengths their home countries economies, raising their political-economical power. The more powerful becomes a nation, the stronger will be its retaliation capabilities.

This retaliation power can be used directly by threat or indirectly by persuading the world population and the other countries against the rival nation.

For example, recently, American President Bill Clinton declared in World Trade Organization meeting at Seattle that he wanted to end child labor giving children a way out of the shoe industry in Brazil.

That statement corroborates the developing countries widespread view that behind the pious sentiments of the United States lie down-to-earth political and economic considerations (Cohen, 1999).

The following comments were published at the Brazilian press at that time, (Cohen, 1999):

- "If Mr. Clinton had been well informed, he would have condemned the use of children in the coal business and the criminals who exploit children. But it so happens that Brazil does not export coal to the United States, or street children"[5].
- "When the United States no longer knows how to protect its industry, it turns to social issues"[6].
- "The United States is open in its language but closed in practice"[7].

This power asymmetry allows the United States and other developed countries to manipulate the World Trade Organization agenda in favor of their interests.

In McMillan (1992) words: "The resulting agenda takes more account of some groups' interests than others' , because political power

[5] By Klaus Kleber, commentator from Gazeta Mercantil.
[6] By Francisco Renan Proença, president of the industrial federation of Rio Grande do Sul State.
[7] By Francisco Dornelles, labor minister.

is spread unevenly over the different groups; hence some industries are favored with protection from foreign competition".

As long as the globalization game continues to be more competitive than cooperative, remaining based solely on the economical environment, it is expectable that powerful countries expend more energy in defending their interests than in trying to reduce global inequality.

So far, the game has been played in such way that the major players are still using their economical power in order to define the negotiation agenda and maximize their payoffs. That kind of behavior increases the win-lose globalization game outcome, since the value creation is being appropriated by those who are already winning the game.

Final Considerations and Suggestions

We are now able to highlight some final considerations about the study.

A first point is that the use of the game theory basic insights is useful to analyze the "globalization game" played among the nations.

A second point is that the dominant view of the business administration academia ignores the social aspects of globalization. Their analysis is result oriented and only take the company game level into account. There is little, or none, concern about the consequences of the enterprises movements to the national states or to the different world populations.

It seems that the majority of the business administration scholars are being myopic, since they tend to regard the economic globalization as the whole "mosaic", when it is just an important part of it.

The final consideration is that the theory is written almost exclusively from the developed world point of view. It is not by chance that the largest portion of the globalization researchers are from developed countries. The intriguing point is that even the writers from the peripheral economies adopts the dominant vision.

As suggestion we would like to reinforce the recommendation proposed by Lundberg and Milanovic's (2000): the debate on the effects of globalization needs greater conceptual clarity and more rigorous empirical testing. The discussion has to be based more on the evidence and less on ideology.

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