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Linda Lim

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Keynote Address: Terrorism and Globalization: An International Perspective

Linda Lim*

My talk today will address two questions: first, what has terrorism to do with globalization; and second, what have corporations, and corporate governance, to do with peace.

TERRORISM AND GLOBALIZATION

The answer to the first question is easy. Terrorism has little or nothing to do with globalization, just as it has little or nothing to do with Islam. Most of the many varieties of terrorism that afflict and have long afflicted the world are responses not to global phenomena, but to intensely local ones. Examples include particularly ethnic, nationalist, and religious fault lines such as violence by Catholics and Protestants in Ireland; Basques in Spain; the Hindu Tamil Tigers in Sri Lanka; Kashmiris, Sikhs, and Hindu nationalists in India; the Aum cult in Japan; and Uighurs in Xinjiang, China.

The terrorists who attacked the World Trade Center on September 11 were also not making a statement against globalization, unlike the anti-globalization activist who leads French farmers in trashing McDonald's outlets there.¹ Rather, as far as can be discerned from the propaganda of the hijackers' assumed leader, Osama bin Laden, they were making a statement against, variously, the U.S. military presence in Saudi Arabia,² its insistence on continued bombing of and economic sanctions against Iraq,³ and its support of Israel against the Palestinians.⁴ In my experience, and

* Linda Yuen-Ching Lim holds degrees in economics from the University of Cambridge (B.A.), Yale University (M.A.), and the University of Michigan (Ph.D). She has taught at Swarthmore College, the National University of Singapore, and the University of Michigan, where she is Professor of Corporate Strategy and International Business and serves as Associate Director of the International Institute.

1. *French protesters lift blockade on McDonalds restaurant*, AGENCE FRANCE-PRESSE, Aug. 14, 2001, available at 2001 WL 24989996.

2. Jim Landers, *Al-Qaeda leader's videotaped statement urges Muslims to unite against the West*, DALLAS MORNING NEWS, Oct. 8, 2001, at A1, available at 2001 WL 28632264.

3. *Id.*

4. *Id.*

from what I read, these same resentments are felt by most Muslims everywhere, who nonetheless condemn terrorism and recognize it to be counter to the teachings of Islam. On October 10, the sixty countries which belong to the Organization of the Islamic Conference (OIC), unambiguously declared of the September 11 attacks that "such deplorable terrorist acts run counter to Islam's tolerant heavenly message of peace, harmony, tolerance, and respect among people Islam values human life and denounces the killing of innocent people."⁵

Islam itself is not against globalization, capitalism, the West, or the enfranchisement of women, contrary to what many editorialists in the Western press proclaim.⁶ Rather, Islam was spread by globalization in earlier eras, including by Arab traders who ventured into Southeast Asia beginning in the fourteenth and fifteenth centuries.⁷ Islam has always been a religion of world trade and of world traders. The Prophet Mohammed's wife was herself a trader, whose market-derived wealth enabled him to concentrate his efforts on preaching and spreading the religion.⁸ And it was Muslim traders' control of the lucrative spice trade between South and Southeast Asia and Western Europe that motivated the European Age of Exploration, which has landed everyone here today.

Today, many of those throughout the Muslim world—one hundred thirty million each in India, Pakistan, and Bangladesh, two hundred million in Indonesia, perhaps another two hundred million in all of Africa, together outnumber Arab Muslims by almost three to one⁹—who share the above-mentioned grievances about U.S. foreign policy, are highly-educated, even Western-educated professionals and business executives.¹⁰ These highly-educated Muslims study in U.S. MBA program and read the Quran online. The women among them work and occupy leadership positions in society.¹¹ Muslim women leaders include a past prime minister of Turkey,¹² a past president of

5. Final Communique of the Ninth Extraordinary Session of the Islamic Conference of Foreign Ministers, Oct. 10, 2001, available at <http://www.oic-oci.org/english/fm/All%20Download/frmex9.htm>.

6. C. Rammanohar Reddy, Editorial, *Ways of Seeing*, HINDU, Sept. 15, 2001, available at 2001 WL 26239863.

7. Don Lattin, *Islam a religion whose diversity reflects long history*, S.F. CHRON., Sept. 23, 2001, at A4.

8. Mitchell Bard, *Muhammed*, Jewish Virtual Library, at <http://www.us-israel.org/jsource/biography/Muhammed.html>.

9. See generally Mustafa Malik, *Islam in Europe: Quest for a paradigm*, MIDDLE E. POL'Y, June 2001, available at 2001 WL 23223494.

10. Akbar Ahmed, *Ibn Kheldun's understanding of civilizations and the dilemmas of Islam and the west today*, MIDDLE E. J., Winter 2002, at 20.

11. Jane I. Smith, *Women in Islam*, CHRISTIAN CENTURY, Jan. 30, 2002, at 26, available at 2002 WL 9378211.

12. Michael L. Tan, *In her own right*, PHILIPPINE DAILY INQUIRER, Feb. 13, 2001, at 9, available at 2001 WL 3281926.

Pakistan,¹³ the current and past presidents of Bangladesh,¹⁴ and the current president of Indonesia.¹⁵ In Malaysia today—where nearly two-thirds of all Muslim college students are women¹⁶—the Governor of the Central Bank, the Solicitor-General are Muslim women, as is the Minister of Trade and Industry, who is the most senior cabinet minister besides the prime minister and a tireless promoter of foreign investment, are all Muslim. This is a record of female political and economic leadership that Western countries individually and collectively cannot match.

Most of the activists in the so-called “backlash against globalization” that has been played out, often violently, around international economic fora in recent years have been Westerners, not Muslims. It would be as inaccurate to say of their much more frequent and populous protests that “the West” is against globalization, as it would be to say of the World Trade Center terrorism that Muslims are against world trade.

The mass anti-U.S. demonstrations in numerous Muslim countries, from Pakistan to Indonesia, since the bombing of Afghanistan began are demonstrations against the bombing, and not in support of Osama bin Laden or the World Trade Center terrorism, or against globalization. In Malaysia, modernist Prime Minister Dr. Mahathir condemned the bombing—and called for a solution to the Palestinian problem—even as he was arresting members of the conservative Islamic opposition party for supposed militant activities.¹⁷ Not only Muslims, but many non-Muslim Asians, disapprove of the bombing of Afghanistan.¹⁸ This is evidenced by public protests, opinion polls, and media commentary in all languages, including English, the language of the Westernized business and professional elite. In China, the government clamped down on the virulent anti-American sentiments being expressed on websites post-September 11,¹⁹ and the APEC meeting’s statement of support for a global war against terrorism conspicuously and deliberately failed to express support for the military action in

13. *Id.*

14. *Id.*

15. *Id.*

16. Chok Suat Ling, *Shame on you, boys*, NEW STRAITS TIMES, Aug. 7, 2001, available at 2001 WL 22337472.

17. Salim Osman, *KL adopts moderate Islam to dispel fears*, STRAITS TIMES (Singapore), Feb. 9, 2002, available at 2002 WL 4326694.

18. See, e.g., *Wanita Gerakan condemns U.S. bombing of Afghanistan*, NEW STRAITS TIMES, Oct. 11, 2001, available at 2001 WL 22345844 (quoting a spokeswoman of the largely ethnic Chinese (non-Muslim) Gerakan political party).

19. Shai Oster, *Bracing for War: Serves You Right*, ASIaweek, Sept. 28, 2001, available at 2001 WL 7832666.

Afghanistan.²⁰ It is reported that Chinese officials at the APEC meeting privately voiced their determination to strengthen their own military capabilities so that “we will never become another Afghanistan that a sole superpower can just fly over and bomb because they think we are harboring terrorists—or for whatever reason.”²¹

Even my mother, in tightly-controlled and staunchly pro-U.S. Singapore, has said repeatedly that Bush should not appear so “vengeful” on television, as “it will only stir up the Muslims” against the United States, and against Singapore for supporting it. The bombing of Afghanistan has certainly destabilized a wide swath of the previously pro-Western Muslim world, including Singapore’s neighbors. A recent political risk ranking lists Singapore, which typically ranks as the least risky country in Asia, as now the second most risky country in East Asia after Indonesia.²²

If terrorism is not a backlash against globalization, it may nonetheless hold back globalization, by increasing the costs of international trade, travel, transportation, and capital flows because of the need for heightened security and insurance, and higher risk premia on capital. International travelers and investors, particularly from Western countries, are likely to be reluctant to travel to and invest in Muslim countries, and even to trade with them long-distance, given the current phobia about what might be lurking in mail and shipments from these countries. In Kelantan, a Malaysian state long ruled by the Islamic opposition party, a textile factory which sends eighty-five percent of its output to the United States claims that its usual buyers have suddenly become more picky about the quality of their product.²³ Pakistan has already experienced a forty percent drop in its textile export sales to the United States—its largest market for its largest export²⁴—and Indonesian garment export manufacturers report order cancellations due to the country’s poor international political image following widely-televised post-September 11 demonstrations.²⁵ A reported ten thousand garments workers have already lost their jobs.²⁶ China reportedly refused to

20. APEC Economic Leaders’ Declaration, *Meeting New Challenges in a New Century*, ¶¶ 2, 3, available at www.apecsec.org.sg.

21. Personal communication to Author.

22. Conrad Raj, *Singapore’s delicate balancing act*, BUS. TIMES (Singapore), Mar. 10, 2001, at 5.

23. Sanswon Suh, *The Price of Anger*, ASIaweek, Oct. 12, 2001, available at 2001 WL 7832840.

24. Paul Blustein, *US Seeks to Lower Duties to Pakistan*, WASH. POST, Oct. 30, 2001, at E1.

25. See generally Vincent Lingga, *Media distortion hurts Indonesia’s image*, JAKARTA POST, Nov. 2, 2001, at 3, available at 2001 WL 29355775.

26. *Id.*

issue visas to Middle Eastern businessmen bound for an international trade fair in Guangzhou.²⁷

In a speech on October 24, 2001, Federal Reserve Chairman Alan Greenspan said the following: "Fear of terrorist acts . . . has the potential to induce disengagement from [wealth-generating] activities, both domestic and cross-border. If we allow terrorism to undermine our freedom of action, we could reverse at least part of the palpable gains achieved by post-war globalization."²⁸

This would be a pity, since globalization has brought such substantial economic benefits to the developing world, as detailed in my recent publication for the International Labor Organization on "The Globalization Debate."²⁹ As international trade and investment increased in developing countries over the last two decades, so did economic growth in all geographical regions.³⁰ During this period, the most globalized developing countries, in East and Southeast Asia, grew the most rapidly, while the least globalized, in the Middle East and Africa, grew the least.³¹ All developing regions grew more rapidly than developed countries—which grew more slowly—narrowing the income gap between rich and poor countries, but increasing the gap among poor countries.³² Poverty rates fell in all regions except the transition economies of Eastern Europe and Central Asia, where they increased.³³ Poverty rolls fell most dramatically in the most globalized region, East and Southeast Asia, by 174 million people in only eight years, or from twenty-eight percent of the population in 1990 to fifteen percent in 1998, the worst year of the financial crisis.³⁴ Wages and labor standards improved in globalizing countries, with multinationals and export-oriented firms paying wages substantially higher—in the poorer countries, as much as three to five times higher—than local norms.³⁵

Not surprisingly, given this record, the world community appears to be rallying to support globalization more strongly, as a

27. Tom Mitchell, *Zhu confident terror will not derail the economy*, S. CHINA MORNING POST, Oct. 16, 2001, at 4, available at 2001 WL 27818716 (documenting reports of visa denials by Chinese officials).

28. Alan Greenspan, *Globalization*, Speech at The Institute for International Economics' First Annual Stanros S. Niarchos Lecture, Oct. 24, 2001, available at <http://www.iie.com/papers/greenspan1001.htm>.

29. See LINDA Y.C. LIM, *THE GLOBALIZATION DEBATE: ISSUES AND CHALLENGES* (2001).

30. *Developing Countries Must Be Given Greater Opportunities to Participate in International Trade*, Warns FAO Director-General Jacques Diouf, ASCRIBE NEWS, Feb. 8, 2002, available at 2002 WL 5800715.

31. *Id.*

32. *Id.*

33. Christian E. Weller & Adam Hersh, *Free markets and poverty*, AM. PROSPECT, Jan. 1, 2002, at A13, available at 2002 WL 7761244.

34. See generally LIM, *supra* note 29.

35. See generally *id.*

potential weapon in the war against terrorism. Since September 11, the United States has bilaterally liberalized trade with Jordan and Indonesia, both Muslim countries, and is under pressure to follow the European Union in lowering barriers to the import of textiles from Pakistan.³⁶ Industrialized nations as a group may also be more willing to yield to the demands of a group of developing countries led by India, and including Pakistan, Malaysia, and Indonesia. This group asks that the promised Uruguay round of liberalization of trade in textiles and agriculture be implemented before a new round is launched, and that proposals to link labor and environmental standards to market access be dropped.³⁷ Industrialized countries have long recognized that their trade policies are biased against developing countries, but in the past have been too beholden to domestic politics and special interests to change them. The need to maintain the international anti-terror coalition is not, however, strong enough to resist the steel lobby's demand for protection, to which the Bush Administration has already acceded.³⁸

Nonetheless, there is general agreement that the terror attacks made the WTO agenda-setting meeting in Doha, Qatar, more critical than ever before.³⁹ There is a historical echo here, in that the WTO's predecessor, GATT, together with the IMF and World Bank, were all launched in the late 1940s as collective institutional efforts to prevent a recurrence of the global economic policies and conditions that led to the Great Depression of the 1930s, hyperinflation in Germany, and the Second World War.⁴⁰

GLOBAL CORPORATIONS, CORPORATE GOVERNANCE, AND SUSTAINABLE PEACE

This brings me to the second question: what do corporations, especially global corporations, have to do with sustainable peace? Corporations are, of course, the primary actors in globalization, which, in turn, is a process primarily driven by market forces—the aggregation of individual, voluntary acts by consumers, savers, and investors. Well-managed, well-governed corporate wealth-creating

36. Sue Kirchhoff, *Antiterror fight turns to textiles, easing way for ally Pakistan's products may rile U.S. firms*, BOSTON GLOBE, Oct. 14, 2001, at D1.

37. Chris Kraul & Evelyn Iritani, *India, Other Nations Threaten to Block New Trade Talk Round*, L.A. TIMES, Sept. 2, 2001, at A12.

38. Carl Mortishead, *Is America building up for a trade war over steel imports?*, TIMES (London), Oct. 24, 2001, at 22.

39. Murray Hiebert, *Violence is Out of Fashion*, FAR E. ECON. REV., Nov. 15, 2001, at 26, available at 2001 WL-FEER 24083026.

40. See generally Michael P. Ryan et al., *From International Trade to International Economic Law: International Governmental Organization Knowledge Management for Multilateral Trade Lawmaking*, 15 AM. U. INT'L L. REV. 1347 (2000).

activity brings about prosperity and higher living standards for people throughout the world, including those in developing countries. This, in turn, combats the poverty that breeds unrest, and encourages prosperity, which ensures peace.

A corporation's prosperity-enhancing role is even more important today, where there is a need to distinguish between the unpopular acts of a government and the popular wealth-creating activities of private companies from the same country. In Muslim Malaysia and Indonesia, for example, the complex cases of Freeport in Irian Jaya and Exxon in Aceh aside, there have never been protests against U.S. corporations, to which workers have always eagerly flocked for high-paying jobs. Even in today's highly-charged and volatile atmosphere, demonstrations are targeted only at U.S. embassies, the symbols of state power, not at the U.S. companies where many Muslims work. There are no boycotts of U.S. products, and everyone freely watches U.S. television—which may be part of the problem—and embraces U.S. popular culture. This occurs even as they complain about U.S. arrogance—in Asia, especially after the recent financial crisis—and belligerence—since the bombing of Afghanistan. There are no violent attacks on McDonald's outlets like there are in France.

This, then, is the role I see for corporations, and especially U.S. corporations, in promoting peace today. Do not retreat from globalization—it is the reason the United States is welcomed, or at least tolerated, rather than hated, in the developing world. Stay engaged, including in Muslim countries, so that the United States can help to narrow the gap between rich and poor, West and East, North and South. Make it clear that economic prosperity and social progress in other countries is necessary for U.S. prosperity and progress, and that the United States is not out to “contain” or “dominate” China, Islam, or anyone else. It may be difficult to convince others of a lack of hegemonic ambition where U.S. corporations are much more efficient and competitive than foreign ones, and may therefore “crush” those corporations or “take them over.” U.S. citizens should not brag and should avoid the temptation to form alliances with unpopular local autocrats and their family members for monopolistic gain, which can come back to haunt when democracy finally comes, as in Indonesia, or can make the United States a target for hatred, as in the Middle East and Pakistan. Imagine the United States as a genuine “global citizen” in a “borderless” world. Make sure that people understand that these are the values of U.S. corporations.

Good corporate governance enters the picture in a number of ways. In Asia, the assumption since the 1997-98 financial crisis is that Western companies can spur good corporate governance in inefficient local business systems beset by corruption and “crony capitalism” by providing both competition and role models of good

governance, which will eventually lead to higher and more sustained economic growth. At the same time, however, multinational corporations have often been so eager to “get the business” in emerging markets that some ethical scruples fall by the wayside. The list of companies engaged in joint ventures with former Indonesian President Suharto’s six children and assorted other relatives in the 1990s includes a “who’s who” of multinationals, such as Merrill Lynch, Morgan Stanley, GE, Motorola, Lucent, DuPont, General Motors, General Dynamics, Hyatt, BP, Siemens, Deutsch Telecom, Mitsubishi, Mitsui, Marubeni, NEC, Sumitomo, Hyundai, Kia Motor, and others.⁴¹ Today, companies such as Morgan Stanley and Goldman Sachs are falling over themselves to strike up similar relationships with the so-called “red princes” of China, including the children of President Jiang Zemin and Premier Zhu Rongji.

A final note for our times. Dani Rodrik and Anna Maria Mayda at Harvard recently completed an analysis of a twenty-three country survey in which they examined respondents’ attitudes to trade.⁴² Much of what they discovered was expected—that in developed countries, highly-educated and higher-income people tend to be more pro-trade.⁴³ They also discovered that “high degrees of neighborhood attachment and nationalism/patriotism are associated with protectionist tendencies, while cosmopolitanism is correlated with pro-trade attitudes.”⁴⁴ In this era of heightened nationalism and patriotism both in the United States and abroad, as well as of global economic downturn, people need to guard against the antiglobalization tendencies, which have previously led the world community to protectionism and war, and reaffirm instead shared cosmopolitan values as “citizens of the world.” From such shared values come not only a shared prosperity, but also sustainable peace.

41. Pete Engardio & Michael Shari, *The Suharto Empire: Can the family's big-business deals survive after the President is gone?*, BUS. WK., Aug. 19, 1996, at 46.

42. ANNA MARIA MAYDA & DANI RODRIK, WHY ARE SOME PEOPLE (AND COUNTRIES) MORE PROTECTIONIST THAN OTHERS? (*National Bureau of Economic Research*, Working Paper No. 8461, 2001), available at <http://www.nber.org/papers/w8461>.

43. *Id.* at 2.

44. *Id.* at 22.