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Gary Gereffi, Director of CGGC

CGGC: GLOBALIZATION GETS REAL

by Frith Gowan

GOVERNMENTS, COMPANIES, and individuals can only make decisions as sound as the information on which they are based. At Duke's Center on Globalization, Governance & Competitiveness (CGGC), an SSRI affiliate, researchers and educators are doing nothing less than improving our understanding of how the world works and empowering intelligent decisions.

On such wide-ranging topics as entrepreneurship, immigration, education, technology, multinationals, and public health, CGGC creates a framework for understanding globalization and its impact on society, challenges common assumptions, and provides useful data—all while garnering lots of attention in business magazines, the popular press, and in the halls of government.

But the world changes fast, so if you thought you understood what globalization meant five years ago, you can be sure that pretty much everything has changed. We asked Gary Gereffi, professor of sociology and director of the center, for his take on some popular myths that have dogged his field.

Myth: Immigrants make a marginal contribution to innovation and high-technology growth in the U.S. economy.

Reality: In a recent study, Gereffi worked with Vivek Wadhwa from the Pratt School of Engineering and other researchers to study engineering and technology start-up companies between 1995 and 2005. They discovered that 25 percent of key founders were foreign-born, showing that immigrants make significant contributions toward creating new jobs. In addition, 96 percent of these immigrant founders held bachelor's degrees and 74 percent master's or Ph.D. degrees, underscoring their high education level and ability to lead innovation. But while the U.S. depends increasingly on these educated immigrant entrepreneurs to maintain a global edge, many highly educated immigrants—particularly from India—are leaving as they face difficulties in securing the green cards or permanent immigrant status that would allow them to build a life in their adopted country. It's a reverse brain-drain, Gereffi says, when immigrants come to the U.S. for higher education, and return to their home countries in increasing numbers.

Myth: There's no future for "traditional industries" such as textiles and furniture in advanced industrial economies like the U.S.

Reality: While Gereffi says that traditional industries have taken a big hit in places like the U.S., don't sound the death knell yet. "Technology and technological innovation is the future," he says. Marry traditional textiles with advanced technology, and you get high-technology textiles with special properties that are revolutionizing countless industries, including the auto, biotech, construction, and defense industries. As part of CGGC's "North Carolina in the Global Economy Project," researchers looked at the state as a microcosm of the U.S. economy, and are studying how North Carolina has pushed advanced technology, retrained workers, and prioritized education to offset losses in furniture, textiles, and tobacco, and bring technology to traditional industries. The state, with a solid labor force, attractive cost of living, and policies that are amenable to business, is fast developing a high-technology textile industry. In fact, it boasts production and sales facilities for Freudenberg, the world leader in nonwoven textiles.

Myth: China's bilateral trade deficit with the U.S. is a good gauge of each country's relative economic power.

Reality: In today's complex global economy, the value of a product imported from China doesn't necessarily reflect the profit China makes or its role in global production. Many components of imports, like Apple's iPod, are made in other countries and assembled in China. "China is alleged to create a big trade deficit with the U.S. because they're being assigned a higher value of the exported item when in reality they're only responsible for a small fraction," Gereffi claims. On the U.S. side of the equation, we've outsourced the production of so many goods that we don't have much to export that's not already being made somewhere else, or else restricted because it's related to defense technologies. Says Gereffi, "Globalization has redefined how industries work and how U.S. competitiveness is defined."

Myth: The development of China and India as emerging superpowers challenges U.S. economic superiority.

Reality: If China is the world's factory and India is the world's back office, the U.S. remains the leader in innovation, design, and branding — it still retains many high-value activities, which are critical nodes of global value chains. While both China and India are developing full-package production facilities capable of handling all these areas, they don't really challenge the U.S.—yet. "They're moving in that direction," Gereffi warns.

Myth: Because many science and technology jobs are moving offshore, these fields are a losing proposition for U.S. students.

Reality: It's hard to fight the draw of high-paying jobs in the legal and medical professions, so students need to be intrinsically motivated. Still, innovation and technology are the future. What the U.S. really needs, Gereffi says, is a big program on the scale of the space program in the 1960s. "That motivated a whole generation of engineers to get into the field," he says. "I think today we need similar big goals. We have to create and highlight big programs in areas like the environment or global health that spark the imaginations of a new generation of students."