Despite the Expansion of Globalization, Borderless Society Remains Out of Reach

National borders still exert a strong-enough force to prevent the world from becoming fully globalized, says Pankaj Ghemawat, a professor at IESE Business School in Barcelona, Spain. He says globalization prophets like Thomas Friedman, author of "The World is Flat," focus too heavily on conspicuous symbols -- a Hungarian manager servicing American banks for an Indian company from an office in Uruguay -- rather than on overarching economic and political realities. In fact, the world is far from being borderless.

Mr. Ghemawat estimates that generally only 10% of any given activity in the world that could occur across borders -- from charitable giving to phone calls to portfolio investment -- actually does so. Despite the globalization mantra that "investment knows no boundaries," less than 10% of the world's capital formation was generated by foreign direct investment between 2002 and 2005.

Trade might have grown between countries, but biases toward trading with fellow countrymen stubbornly persist. Despite the creation of the North American Free Trade Agreement in 1994, trade between Canadian provinces is five times larger than their trade with similarly sized and similarly distant U.S. states.

Even in the apparently borderless realm of cyberspace, Internet traffic within countries is rising at a faster rate than traffic across borders.

However impressive the power of globalization seems, political pressures still have the power to reverse it. Mr. Ghemawat calculates that people who had migrated from one country to another made up 3% of the world's population in 1900, roughly the same proportion as in 2005. Following World War I, a series of protectionist policies reversed the early century's migratory trend. The current wave of globalization, which appears unstoppable, could be equally vulnerable to political winds, Mr. Ghemawat says.