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EU's fear of globalisation

IT'S a major statement on fear of globalisation. By its decision to block the merger by two companies not based in the European Union, the EU has also confirmed the fears of many others: that globalisation could bring elements negative and threatening to domestic markets. The European Commission, the EU's executive body, cited "competition concerns" to formally block the US\$120 billion (US\$1 = RM3.80) merger planned by US telecommunications giants WorldCom Inc and Sprint Corp. It was the first time that the EU has blocked a merger between companies not located in the EU, says European Competition Commissioner Mario Monti.

If the EU feels concerned about a mega-merger like the one between WorldCom and Sprint Corp, how should countries like Malaysia react to such a development? The Government's views on globalisation, especially those expressed by Prime Minister Datuk Seri Dr Mahathir Mohamad, have been very consistent from the very start. While Malaysia welcomes competition in a liberalised and borderless world, there should be room for regulation and a mechanism for monitoring, especially to safeguard the smaller corporations in the developing world. The problem with most champions of globalisation is they don't think that is necessary and feel that our Prime Minister is being paranoid about something he has little grasp on. Well, is the EU a victim of paranoia as well, then?

Certainly not. The EU is not even alone in blocking the planned merger. The US Justice Department, in fact, had earlier sued to block the merger, prompting Sprint Corp and WorldCom to withdraw from the merger earlier this week. The US Justice Department has said that the link-up would hobble competition in the Internet and long-distance telephone market. The EU went ahead to block the plan because the two companies did not take steps to officially cancel the proposed merger. It discovered from an in-depth investigation conducted by the commission that the merger would have led to the creation of such a powerful force that both companies and customers would have been dependent on the new company to obtain universal international connectivity.

How does one decide whether a merger would become such a mega threat to its surroundings, though? The size of a corporation in relations to the market is relative from one market to the other. The biggest Malaysian corporation, for example, is tiny by American standard, and a small and medium enterprise in Japan is big by Malaysian standard. A merger between two large corporations in Europe may not be seen as a threat for the EU but it could easily wipe out the competition in developing countries. Shouldn't these developing countries block such a merger, then?

Every major merger that has taken place in the industrialised world is capable of incapacitating the competition from the developing world. Most mergers have taken place in the US, Europe and Japan. BP-Amoco; Pfizer and Warner-Lambert; Industrial Bank of Japan Ltd, Fuji Bank Ltd and Dai-Ichi Kangyo Bank Ltd; Boeing and McDonnell Douglas; and Time-AOL are just some examples. Many of these married entities have a combined capital larger than the gross domestic product of some developing countries. If globalisation is to be fair to the competition from the small corporations in these countries, which is really just token competition to start with, then there should be some clear rules on mergers that take place in the EU and the US from the developing countries' standpoint. The US Justice Department and the European Commission cannot have the monopoly of

deciding whether or not a merger poses competition concerns. And views on globalisation threats like those of Malaysia's should also be given due consideration.

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