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Globalisation takes a massive knock from attacks

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THE move for globalisation, liberalisation and the push for more porous and open borders for trade and services have taken a knock with the attacks on New York and Washington.

"The process of globalisation is based on the idea that the world economy can be secured against threat," says Philip Poole, Chief Economist of emerging markets at ING Barings in London. This belief has been seriously shattered.

The attacks in New York and Washington on September 11 also show that "the borderless world through which goods and services flow is also a borderless world through which other things can flow that are less positive".

Open borders have not only allowed and facilitated the a free flow of goods and services, ideas and information, but terror as well. They have also helped globalise terrorism.

The immediate response to the attacks was to prevent further damage. And rightly so. The grounding of flights, the closure of airports, the stepped up security and checks are all forms of "barriers" meant to safeguard life and property. In a sense this was a setback to the forces and proponents of globalisation and liberalisation.

Similarly developing countries have tried to prevent damage and protect their "fragile and vulnerable" economies from adverse external effects. They employed various measures for which they were criticised by developed countries and those who pushed for greater liberalisation and openness.

Countries - including the developed nations - are now focused on their domestic economies more than ever before. A number of international meetings and conferences have been cancelled or postponed due to security considerations and the lack of attendance from world leaders.

They are staying at home to concentrate on domestic issues and economies.

The International Monetary Fund (IMF) and World Bank cancelled their joint annual meeting following the attack on New York's World Trade Centre and Pentagon in Washington DC. Even before these devastating attacks the IMF and World Bank had reduced the meeting to be held over two days from the original seven due to threats from anti-globalisation demonstrations.

The Commonwealth Secretariat postponed its meeting of the Heads of Government which was scheduled to be held in Brisbane from October 6 to 9. Earlier, Australia had said that it was monitoring the situation on a daily basis in the wake of the attacks.

Professor Jagdish Bhagwati of Columbia University says the World Trade Organisation (WTO) Ministerial meeting scheduled to be held in Doha, Qatar, November 9 to 13 should be cancelled. He argues that it is too risky to go ahead with the meeting.

Mike Moore, WTO director-general, who has personally lobbied many countries and leaders to support the launch of a new world trade round is in favour of going ahead with the meeting. The Qatari Government understandably is keen to go ahead with the meeting to show that it is business as usual despite the declaration of "war" by the US.

Even before the attacks, the death of a protestor in the Italian city of Genoa during the Group of Seven (G-7) meeting had led organisers of various international meetings to review their activities. But the events of September 11 may have sealed the fate of many international and global

events and future trends in the world economy.

Many other less high profiled conferences, meetings and international forums have also been cancelled or postponed following the attack on the World Trade Centre in New York and the Pentagon in Washington DC.

These attacks have adversely affected economies and economic activity around the world. And with the US "declaration of war" leaders and ministers have other issues on their mind.

Domestic issues have taken precedence over international and global issues.

If all politics is local, now it appears that all economic attention is also focused on local issues. Countries are considering how to manage the domestic economies and cushion themselves from the adverse external impact and the possible recession in the US and slowing world economy. Many are looking to pump prime their economies and stimulate domestic consumption and activities with additional allocation of funds.

Malaysia has done just that, as has the US. In America massive bailouts are also in the pipeline. Federal Reserve Chairman Alan Greenspan says the US economy may need a US\$100 billion (US\$41 = RM3.80) boost - equivalent to 1 per cent of gross domestic product - to recover from the devastation.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also Finance Minister, unveiled a RM4.3 billion package last Tuesday. This is in addition to the RM3 billion that he announced in March and the RM28 billion that was allocated in the 2001 budget.

The US, the world's largest economy, has also allocated funds to stimulate the economy and provide "homeland defence".

In addition to the US\$40 billion in emergency funds the US Congress has also approved US\$15 billion to bailout the airlines.

The insurance and reinsurance firms have also joined the que. They are said to be lining up in Washington saying they need help. And this is after publicly saying that that they have "enough capital to cover the disaster".

"Specifically, the insurance executives want the Government to become the insurer of last resort, much like the Federal Reserve is the lender of last resort," Michael Noer writes in Forbes.

"It's appalling," Noer says, adding: "In the aftermath of the attacks, the nation has been treated the spectacle of some corporate America's top executives lining up in the corridors of Washington DC hats in hand, begging for freebies like scruffy men in a soup line".

"Corporate chiefs, who at any other time would preach self-reliance and be against government intervention, must, in these worst of times, listen to their own wisdom," Noer writes.

Some of the CEO's now seeking government bailouts are the very same ones who had criticised developing countries and those hit by the 1997-1998 Asian crisis for assisting the troubled companies and protecting them from further attacks.

Then again the immediate grounding of all flights in the US and the closure of airports for several days together with the closure of stock exchanges in the America and other businesses in the wake of attacks is a preventive measure and also a "barrier" to businesses.

Just as these measures, "barriers, assistance and bailouts" are now deemed necessary in the wake of the attacks to prevent further damage to the economy and maintain confidence in businesses, so too were the measures taken by countries like Malaysia during the financial crisis in 1997-1998, including selective capital controls. Yet Malaysia was severely criticised for wanting to isolate its economy from even greater damage and devastation.

Preventive measures, necessary in the face of the attacks and

devastation, hampered free flow of goods and services as well as businesses.

Thus developing countries cannot be accused nor should they be penalised for doing the best for their domestic economies and protecting the interests of their citizens, just as the US did.

If protection and prevention of further damage to the domestic economy is important and vital for developed countries, and indeed for the world's largest economy and only super power, it is equally important and necessary for developing countries to do so.

They should not be accused of being anti-globalisation and anti liberalisation.