

Globalisation: Challenges And Impact On Asia

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Globalisation is a word which seems to describe the coming together of all the countries of the globe into one entity. It is coined by rich countries apparently in response to technological advances and the speed and ease of travel.

2. But the emphasis is on free flows of capital and trade in goods and services. People and other things may not flow so freely.

3. Free means free of Governmental regulations, laws and policies. International institutions would take over, enact rules and enforce them. Looked at from the point of view of weak countries, rules, laws and policies still exist but they would have no say in the determination or enforcement. For most of them globalisation means not more freedom but less freedom from rules, regulations laws and policies. Worse still, these uniform rules etc, disregard their particular weaknesses and problems.

4. But they are being told that being poor they will benefit from capital flowing into their countries. In fact for many of the East Asian countries capital inflows have brought about unprecedented economic growth. Even their stock markets have benefited from foreign investments. But what they are not told is that the same capital can flow out and when it does their countries can be bankrupted.

5. It is unfortunate that they learnt about this through experience and they now know how terrible the damage is and how difficult it is to recover.

6. The East Asian financial crisis was precipitated by the free exit of capital. It started of course by the manipulative devaluation of the currencies of East Asian countries. Devaluation caused foreign investment to lose value. To avoid losses from further devaluation foreign capital was pulled out. The market collapsed resulting in rapid increase of non-performing loans, deprivation from bank funding of business operations, numerous bankruptcies and failure of the banking system in the end.

7. With the economy in tatters the Government had to borrow from the IMF. Loans would only be given if the Government surrenders economic management to the IMF and allow foreign white knights to pick up the devalued local banks and businesses.

8. We are seeing many countries floundering about because the money they borrowed from the IMF had to be used to pay off foreign creditors. Nothing is left for the locals. Of course they still have to pay the IMF money they had borrowed.

9. East Asian countries are actually luckier for some have made a fair degree of recovery. But Argentina is not so lucky. Sovereign loans are not so safe after all as countries can go bankrupt when IMF imposes its policies.

10. Is what happened to the East Asian countries a manifestation of Globalisation or not? Clearly it is. Trading in currencies is only possible if Government abdicates as the authority to determine the value of currency and leaves it to so-called international market forces. The market is interested only in making profits and cares nothing for the well-being of society.

11. The market favours the rich and the technologically advanced. Today banks and corporations are merging and acquiring each other to become ever bigger. Quite naturally the big corporations and banks are not going to be from developing countries. When all the borders are down these super giants will move in to gobble up all local businesses and will ignore the interests of the countries where they operate. Their only concern is to make money. If they have to pull out of a country in order to reduce losses and maximize profits they will do so without compunction. It is irrelevant to them if their pulling out precipitate economic turmoil, massive unemployment and bankruptcies. It is all the fault of these countries.

12. Being big is all important. It guarantees success. It makes for economies of scale, more research and development, and cheaper products. But we have seen that size did not save LTCM or Enron. Indeed the bigger they are the harder they fall, dragging down everyone with them.

13. Asia's experience of globalisation has not convinced it that this is the answer to economic ills or the vitamin for economic growth, at least the kind of globalisation that is being promoted by the rich western countries. Globalisation need not be about free capital flows only. There can still be globalisation but it should not be absolutely free, it should not be purely market driven. Regulated globalisation can still be compatible with the idea of globalisation.

14. The challenge for Asia is not how to manage the present concept of globalisation, to make it work, to benefit from it. The challenge for Asia is to influence the thinking on

globalisation, to reshape it, to reduce the chances of it going awry and destroying economies and countries.

15. There is nothing sacred about the present concept of globalisation that it cannot be changed, radically if necessary, so that it will pose less danger to those accepting and practising it. Free trade is not synonymous with globalisation. If we have to regulate trade in order to benefit from globalisation, why not?

16. People who play golf know that there will never come a time when handicaps will be abolished. In business too, fair competition can only be between entities of fairly equal strength. Level playing fields are not enough. The contestants must be evenly matched. If we cannot match them then give them handicaps.

17. Prior to 1997 the Asian countries were growing miraculously. Malaysia grew at 8% plus per annum for ten consecutive years. Today everyone of the miracle economies are but shadows of their former selves. The impact of globalisation involving the free flow of capital and the straightjacketing of business has been disastrous. For years now the attempts to resuscitate the economies have not been very successful. There will be permanent scars. And the impact will not be any better, for as long as the present interpretation of globalisation is forced upon Asia. In fact the world is likely to fail to recover if, instead of focusing on resuscitating the economy following Sept 11, we continue to force the globalisation of capital flows on the world.