Critiquing Globalisation
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Globalisation perhaps is the most contested and debated concepts of the present times. This book is a small, non-technical and yet critical analysis written for a lay reader to debunk some of the popular myths being propagated in the mainstream media and even academic circles in favour of the present wave of globalisation. In 5 short chapters it picks up some of the key issues and examines them on the basis of experience, especially of the developing countries in the recent past, and evaluates them critically. The book attempts to demonstrate that these popular notions are utter simplifications at best and often motivated by the objective of perpetuating the privileges of the existing elite.

The first chapter deals with the debate around financial liberalisation. It examines the proposition that financial liberalisation leads to efficiency, economic growth and development by bringing foreign investment and technical know how. Financial liberalisation means implementing policies like, deregulation of interest rates, removal of credit controls, privatisation of government owned banks, liberalisation of the restrictions on the entry of private sectors and/ or foreign institutions into domestic financial markets. It may culminate in removal of all restrictions from the movement of capital beyond the borders of the country. The author finds that, while almost all the developing countries have carried out financial liberalisation only a handful have actually received FDIs – only 14 countries account for over 85% of private flows to the developing countries. This includes countries like China and Malaysia which have a fairly tight financial regime in comparison to most of the other countries. Moreover, financial liberalisation may not always lead to an inflow but also outflow of capital which has been a more common experience across developing countries – in Sub-Saharan Africa an estimated net transfer (negative) of $ 20 billion was recorded in the 1990s. Singh brings out how it is a complex set of internal and external factors - the institutions like market and state, infrastructure, geopolitical factors that guarantee a combination of competitive returns and security to the capital, which together ensure capital inflows. Besides, systemically there is little to suggest a connection between financial liberalisation and economic growth – IMF estimates average annual world output growth in the 1990s to be only 3.1% much below the 4.4% rate in the 70s. South Korea in 1970s and 80s and China in 1990s demonstrate that growth per se has little to do with mere financial liberalisation. In spite of all the capital mobility US continues to absorb 2/3rd of the world’s surplus savings despite its low rates. Popular theory tells us that the free movement of capital should reduce interest rates but actual long term real interest rates have become higher benefiting the financial institutions while being detrimental for the economic activity. If anything, growing liberalisation has contributed to the financial crises in various countries and regions and states are left with little control over such crises resulting in the pauperisation of the multitudes – Mexico, East Asia, and Turkey being some of the recent and more talked about instances. Singh also discusses the alarming trend of global concentration of banking industry and foreign control of banking in developing countries thus shifting of priorities - from development to profit making as the primary objective of the banking. In a final section author briefly discusses the much talked about panacea of
microfinance. He points out that finance is only one of the inputs required by the poor and thus can at best be only one of the factors and not the be all as a development instrument.

Chapter 2 brings about the issues around the global investment rules. Singh points out that even without agreeing to the basic issue of definition of investment, industrially developed countries are demanding comprehensive investment agreement which includes provisions like National Treatment, that is, foreign capital is treated at par with the national capital, Most Favoured Nation Treatment, ban on performance requirement like technology transfer, local content requirement and export obligations. Though there have been tremendous resistance to such rules from the third world, it would be naïve to think that this threat has receded at either the global level or even at local levels in the form of bilateral agreements and arm twisting by the developed nations through multilateral agreements like NAFTA. It is obvious that checks on the practices of TNCs is required to curb malpractices and exploitation of weak institutions in the third world of which there is so much of evidence. In fact, as the author points out, even amongst the developed countries issues like national treatment faced resistance in the 1970s and 80s and they used many such measures not too long back in history – US used a variety of performance requirements, like ban on employment of foreign workers by foreign companies, Italy imposed 75% local content rule on Mitsubishi, US imposed the same rule on Toyota, and so on. In developing countries state and institutions are so weak that TNCs have broken their commitments with impunity (for instance PepsiCo never complied with the performance requirements that it made in 1989 while entering the Indian market) but now they want such restrictions not to exist even on paper. Further, the chapter briefly provides the background of resistance on investment rules by the third world in various international fora, including attempts at creating New International Economic Order in the 1970s. Finally, the author asserts that there is little evidence to say that even such one-sided and unfavourable agreements for developing countries bring any investment to them. FDI flows declined from $19 billion in 2001 to $11 billion in 2002 despite 78 new investment agreements being signed by the African countries. In fact proliferation of such bilateral agreements is cited as another reason for a global level arrangement, like the failed Multilateral Agreement on Investments (MAI), so that developed nations cannot indulge in one-to-one arm-twisting. But WTO itself has been notified 300 such agreements since its formation. Singh also rightly warns that FDI itself is no cure-all even when it pours in. It can crowd out domestic investment, may not bring any technology and lead to takeover of domestic industry by foreign capital through mergers and acquisitions, result in drain due to transfer pricing and import of technology, and may not even follow the international standards, like quality of bottled water in India and bribing of the host officials. Finally author discusses the complex backdrop of diverse countries with varied interests being governed by the same set of rules on the one hand and the 1800 existing agreements, and asserts that the primary purpose of such global rules is only to weaken the state regulations in capital importing countries, the most glaring example of this being that while everyone is talking about rules for the states there is no such talk to regulate the conduct of the TNCs, who, we are told, will be regulated by the ‘invisible hand’ of markets which is conspicuous by its absence under the global regime being governed by monopoly capital.

Proponents of globalisation would not only claim that it is correlated to democracy but in fact would also like us believe that the former brings the latter – the book critically
The neoliberal project has not only an economic agenda to free the capital from the restrictions of the state and the host society but to the extent that globalisation is riding piggyback on pliant third world states and active first world states the project also has a strong political component which is being off late peddled through multilateral institutions in the name of democracy and ‘good governance’. Actually this is what is generally touted as the ‘second generation reforms’. Failure of economic reforms – the ‘first generation reforms’ now is blamed at the doorsteps of the victims themselves in the form of lack of appropriate institutions and predicated upon the ‘second generation reforms’ of state and its institutions – to bring them in line with the logic of international capital and the first world irrespective of their specific immediate and historical context. Of course one is not even considering here US’s own record (and that of the rest of the first world) in bringing Iraq style ‘democracy’ in so many places even in recent years across the globe. The author also brings out the dimension of concentration of power in the hands of corporations and its implications for democracy, especially in the third world. Indeed the biggest threat to any notions of democracy are rapidly rising inequality across the globe – for instance in Eastern Europe and Central Asia people living below $1 a day have multiplied 24 times in a decade since 1987. Issues around governance have been reduced to mere technical rhetoric for pushing the neoliberal agenda irrespective of the specific societal context and to make third world states accountable to international bodies and do away with any pre-existing mechanisms of popular accountability. In the final section of the chapter Singh discusses the all round democratic deficit from local to the global levels – from immediate living space and workplace to multilateral and corporate institutions and he points out that the global bodies and the first world needs to put their own house in order as far as democracy is concerned before they start pointing fingers at others. Moreover one size fits all global policies are taking common citizens further away from any say in decisions that affect them in short term and long term instead of bring them any closer to democratic governance.

The next chapter critically examines further issues around the agenda of ‘good governance’ which is being increasingly heralded in the national and international policy circles. Perhaps it is not a mere coincidence that around the fall of the Berlin Wall in 1989 one hears for the first time about the concept of good governance being linked with foreign aid. But now good governance has become an integral, and in many cases, the predominant part of the structural adjustment programmes and especially Africa has been at the centre of the governance debate. Good governance may include wide ranging issues beginning from economic and fiscal to administrative, political and even judicial domains. Since 1996 the Bank has launched over 600 governance related programmes and initiatives in 95 countries and is currently involved in several governance and public sector reforms in over 50 countries. For instance, IMF’s 1997 programme for Indonesia had 48 governance related clauses out of a total of 81 conditions. In recent years aid packages have been suspended on account of ‘poor governance’ and since 1999 the Bank has been regularly carrying out Institutional and Governance Reviews. In fact President Bush pledged more aid for those who carry out political and legal, besides economic reforms. The author points out that this is interesting in the light of the fact that international financial institutions proclaim political neutrality and they are only ‘to set the prices right’. But wholesale failure of economic reforms in the 1980s and perhaps also the changed international political scenario in the 1990s have led them to bring in the political agenda, this time packed in
technical language of governance. In Singh’s view there has been major shift in priorities of the global agencies – “from getting the prices right to getting the institutions right”. But there is something fundamentally paradoxical in this whole idea of making institutions from the top - at the gun point of dollars. In the West institutions evolved organically over centuries with the development of capitalism and hence at best it is naïve to expect such institutions to be put in place overnight only because the global agencies are providing a few dollars. Institutions cannot be brought in from nowhere riding roughshod over the existing political realities. The experience has been that often aid gets mired in corruption, the institutional regime becomes even more autocratic for the masses (they may or may not become accountable to the aid givers) and as the state is dismantled and substituted by bodies like NGOs, the institutions become even less accountable to people at large. Finally the author asks the obvious question: why is it that the governance debate is limited only to state agencies and not extended to other bodies - the international financial institutions (which have little representation from the beneficiaries), the corporations, the NGOs, and so on?

In the final chapter of the book the author examines the complex relationship between state and globalisation and questions the popular myth of ‘end of nation state’. Author provides several arguments in this chapter to examine this myth. First, we need to look closely at the extent of present phase of globalisation – in fact it is only the latest phase of capitalism which was always globalised and in some ways the last phase of pre WWII was, if anything, more globalised in certain manner like free movement of labour. Two, primarily the present phase is being spearheaded by TNCs which themselves are concentrated in a few industrialised countries and even their transactions are primarily located within the boundaries of a handful of developed nations. Moreover, these corporations need the support of the state all the time to promote their activities. First, they need the prop of first world states to promote their interests within and then beyond in the third world. Then they also need the state protection in the third world for furthering their interests. So when we talk about the end of nation state we are mostly talking about state receding from certain domains, mostly related to development, like infrastructure, education and health while state is becoming proactive in protecting property rights and elite privileges through law, policing and controlling labour. Further more, the TNCs are primarily represented by the host states in the international arena and even in regulating global finance – a role which has increasingly becoming critical in taming the volatility of the international financial system, averting crises and limiting them.

This is a useful addition in the emerging critical literature on globalisation and the book’s primary strength is that it is accessible (also, it is available in a cheap Indian edition) to a lay yet informed reader who wants to look for facts and understand arguments on some of the popular myths being bandied in the name of globalisation. Personally I would have liked to see a final chapter discussing the alternatives to the present global regime. One of the reasons, we are told repeatedly, that it is pointless to criticise globalisation is because there is no alternative (TINA) to it and hence those who point fingers at it are branded ‘pessimists’, ‘negative minded’, ‘rabble rousers’, and so on. Worldwide people are not only criticising globalisation but also seeking alternatives, both in theory and practice. But perhaps that was beyond the scope that author had set out for the present work.