



## **Globalization, Vulnerability and Adjustment**

by Charles E. Morrison

“Globalization” has almost become the term to define this era. In its common and most general usage, it refers to the integrative forces knitting together a global society including economic phenomena such as enhanced capital flows, technology transfer, trade in goods and services, and the movement of legal and illegal labor, as well as non-economic forces such as the spread of ideas, norms, and values. None of these are new phenomena, but modern transportation and communications technology and the lowering of many political and regulatory barriers to transborder movement have so accelerated the speed and scope of cross border movements that it is commonly argued that today’s globalization is qualitatively different from any past experience.

As globalization can be both integrative across national borders and disintegrative within these borders, it has a transforming effect on national and world society. It holds great promise for the international security order by promoting deeper interactions across borders, creating new mutual interests, and increasing the costs of conflict. At the same time, by diffusing power, lessening national ability to control, and by confusing concepts of national interest or even identity, it is frequently seen as subverting governmental institutions and the state system with profound implications for national and international governance. While creating individual opportunity, globalization also increases perceptions of individual and group insecurity, creating anxieties and pressures for policies or actions to stop, retard, or alter the terms of globalization.

A prominent feature of globalizing forces is their relatively “impersonal” character as compared to traditional sources of external vulnerability. To some, globalization represents a kind of Americanization or Westernization of global society -- even as many Americans regard globalization with mistrust, for many non-Americans globalization is equated with inequitable benefit to Americans. Nevertheless, it is difficult to ascribe globalization to the intended actions of any one nation or to groups of actors. Because globalization is significantly driven by technological change, it is frequently regarded as inevitable or irreversible. This shifts the debate on globalization toward the direction of how to cope with, adjust to, and benefit from forces of globalization. Whether or not globalization is inevitable, its pace can be accelerated or retarded by the actions of governments. Whether one believes governments should adopt a heady or a cautious approach to globalization depends in part on an assessment of the vulnerabilities it entails and the likelihood that these may catalyze a political backlash.

## **Vulnerability**

Globalization has raised different kinds of political pressures within the Asia Pacific region. Whatever the country, however, a common fault line of debate is between those who emphasize the macroeconomic benefits of globalization and those who focus on its economic and social costs. Proponents argue that it empowers individuals with broader perspectives and choices. Skeptics worry that external pressures may destroy or corrupt traditional institutions and beliefs, with moral consequences for individuals and a loosening of the fabric of the social and political order. A common criticism is that globalization has removed buffers at the national or company level that protected individuals from volatile external events.

It is widely argued that globalization increases economic disparities between those better able to take advantage of globalizing forces and those unprepared for it. The relative income gaps between and within countries are widening. The income ratio of the richest fifth of the world’s population and its poorest fifth have increased from 30 to 1 in 1960, to 60 to 1 in 1990, and 74 to 1 by 1997. In East Asia, at least prior to 1997, widening differences in national income figures were more the result of differential rates of growth rather than a worsening position of the poor, but globally average per capita incomes have declined in absolute terms over the past decade in more than 80 countries. This is also true within countries. In the United States, for example, the real per capita income declined for almost 60 percent of the population over a recent 20-year period of real overall economic growth. In Singapore, the income gap between the top fifth and the bottom fifth has increased to 18 to 1 in 1999 compared to 15 to 1 a year earlier.

Perceptions of vulnerability and dislocations give rise to on-going debates through the region on the globalization processes, but the national circumstances and thus the character of these debates differ. Some gross generalizations are these:

The Anglo-American cultures of the region (Australia, Canada, New Zealand, and the United States) are immigrant societies that in many respects are on the cutting edge of globalization. These societies are frequently seen as pushing forward ideas that are essentially globalization projects, that is, they would further accelerate the freer movements of goods and ideas. However, in these societies too, globalization has also been associated with the loss of higher paid wages in the manufacturing sector, “downsizing,” and fears of cultural dilution. The United States, of course, occupies a special place because of its preponderant size and self-perceived capacity to determine its own destiny. Americans may have the greatest difficulty in understanding the imperatives of cooperation on a give and take basis in the management of global issues.

Despite their dependence on the global economy, Northeast Asian countries generally have had low rates of internal direct foreign investment, imports, and immigration, reflecting prevailing belief and political and economic systems, governmental policies and regulatory barriers, business cultures and practices, and social customs. Some also have placed formidable formal or informal barriers to unwanted cultural influences. Thus the challenges of globalization may be more difficult for this region than for any other. In South Korea, changes have been propelled by the economic crisis and near national bankruptcy, which required the Korean government to speed some deregulation and opening processes. Many question how well this will proceed with reduced economic pressures. Change has come much slower in Japan. But it is moving forward, arguably more through adjustments by individual firms which are in financial crisis or which welcome freedom from past business and governmental constraints to improve their competitive position. China's situation is yet again quite different, with the government propelling a reform process. However, the broad scope of these reforms, their differential impacts on Chinese society, and their uncertain impact on underlying values and on the central governing structure threaten to increase social tensions.

Some Southeast Asian countries historically were crossroads of trade and cultural interaction and have long traditions of interaction. There has been a tolerance in several countries for large-scale foreign investment, very high dependency on trade, and even large number of foreign workers (these, for example, equal 15 percent of Malaysia's work force). Globalization through much of recent history has been associated with strong growth rates, including a sharp reduction in poverty. The Asian economic crisis was a sobering reminder of the vulnerabilities associated with globalization. In much of this region the task is to devise institutions to reduce these vulnerabilities while continuing to take advantage of globalization at a more sustained and measured pace.

### **Adjustments**

As a series of changes reducing barriers of time and distance, globalization appears both inexorable and tension-ridden. The integrative processes will undoubtedly produce huge dislocations in many countries, and these dislocations will be more immediately obvious than the broader and longer-term benefits. The capacity of individuals and governments to anticipate and take the actions ahead of time to smooth adjustments is quite limited, leaving a potentially critical gap between the fast-driving globalization pressures and the ability to adjust to them.

Adjustments can be thought of at the international, individual, and national levels. At the international level, the logical conclusion remains that with such an important part of human interaction crossing national borders and with so many global issues, it is essential to continue incremental processes of extending global governance. At the individual level, the ability to successfully take advantage of globalization and cope with its side effects appears to be highly correlated with education. The problem is that many individuals have neither

the resources available to them or the knowledge of what they need to do in order to increase their individual security.

National and local governments will continue to play a critical role in devising global institutions and in providing the necessary protections and opportunities. In the wake of the financial crisis, for example, it was clear that there needs to be some new architecture in the international system as well as better financial regulatory machinery in many countries. Neither is possible except through actions of individual nation-states.

However, some states and more governments are essentially quite fragile. They are squeezed between external demands for greater conformity to "global" norms of governance and access on one hand, and internal demands for greater protection in an uncertain world. Not only do they find it difficult or impossible to meet these internal demands, but in fact are being pressed externally to move in the opposite direction. Their instincts for political survival at the national level and the lack of an authoritative political process in the state system probably ensure that global rule-making will occur only slowly.

Governments and the international system have some capacity to affect the speed of globalization. Some believe that it is only through increased globalization that the resources will become available to carry out the adjustments entailed. Governments should get on the right side of history by moving with and even hastening globalizing forces. Politically, this strategy is intended to deal with resistance to globalization through a strong forward movement. An alternative is to move with technological and economic globalizing changes, but to not make special efforts to speed the process. This helps reduce uncertainty, contain problems of a political backlash, and manage adjustments over a longer period.

A debate earlier this year between two eminent American economists, both believers in the benefits of globalization, typified these different approaches. The first said that he believed in the bicycle theory of trade: you have to keep pedaling furiously in a free trade direction or the bicycle will be overwhelmed by protectionist forces and topple over. The other said that he also believed in a bicycle theory: that you ride a while and then you get off and rest a while to regain your strength and move on. He expressed concern that too fast or sustained a pace threatened to outrace the ability of the society to adjust, increasing rather than decreasing protectionist pressures. These are the alternatives faced by many national governments and international institutions.

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