CONCEPTUALISING GLOBALISATION
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A: A Country Perspective on Globalisation

By way of introduction - Global disparities
The bottom line consensus on globalization is that events, which take place in one part of the world, affect other regions as well. At one level it helps to explain how interdependent human societies are. Through the millennia, this has been the reality within nation-states and with the neighbouring states in the region of a country. The difference today is that revolutionary advancements and breakthroughs in telecommunications and information technology has made the Amazons, in a way, ‘neighbour’ to South Asia. At another level globalization poses challenges to the perceived status of national sovereignty in the face of this unavoidable interdependence. So, where do nation-states, as the primary units of sovereignty on the international scene fit in with the fact of globalization? Do nation-states have a role to play and if so what can it be in the face of global trends that easily bypass sovereign boundaries?

In the context of globalization, one of the developing forms of interrelationships and of interactive environment are regional organisations. As a response to the challenges posed by emergent global trends, there has been a corresponding rise in regional organisations as well, particularly in the decades following the end of World War II. While the challenges and opportunities of globalization are there for all countries and societies of the world, its tangible and intangible benefits do not shine on all alike. It is at the level of regionalism that inequalities and disparate levels of sovereignty of nation-states hit the observer. Some countries seem to be ‘more equal’ than others.

The objectives of the present study
Against this introduction, this study proposes to present a country perspective from the point of view of public opinion in Pakistan on the inter-related impact areas of three processes, which are the basis of global attention. On the one hand are the processes of globalization, closely inter-linked with those of regionalism. A sub-dimension of these aspects is the role of the nation-state, best understood through the functioning of its governance structures specific to the countries of that region. The domain of security in its largest sense becomes palpable at the level of nation-states. In determining the impact of the many aspects of globalization on the region of South Asia, the study evaluates governance issues, which affect security in some way or the other. For this purpose, the study has taken up for its analysis the issue of the growing problem of violence within societies, countries and regions, or the growth of modern-day terrorism as some viewpoints term it, and the numerous challenges it poses. The conclusions arising out of the country experience are again referred back to the global context to evaluate how they fit in with the general trends.

Globalisation – what it stands for
A random survey of recent academic literature, available to this study, bears out the differing perceptions of globalisation.
One viewpoint argues against the perception of globalization as a monolithic, undifferentiated phenomenon. Not only does it have widespread and profound effects, it is also highly complex, with ‘a bewildering number of relationships and arrangements, that are inevitably subject to strategic, political, social and cultural – as well as “purely economic” – influences.’ The complexity of globalization becomes apparent where mixed economic systems and the difficult trade-offs they require are more openly acknowledged. Globalization offers highly
nuanced choices. Policy makers attuned to these choices would ensure that globalization serves specific local, national and regional interests by striking the right balance. It also means accommodating each others interests in a proactive manner.

The basis of ‘globalization’ as currently understood lies in the principles of free, unfettered trade. Like free trade policies, the concept and debates on globalization surfaced in the West, notably in the United States, over a period of two centuries or so, which in turn corresponded to the expanding economies of imperial colonial powers.

Appraisals point to the start of the 1970s as the period which saw the fading of the global economic predominance of the United States in the face of a worldwide slowing down of domestic growth in the countries of the world. As there was a decline in the real wages within the USA, so there was a lessening of a consensus on free trade. By the end of the Cold War, an event that was heralded by the demise of the Soviet Union in December 1991, some major trends were already figuring on the world scene. For one thing, governments had grown bigger to provide the administrative structures for the greater controls, which had also surfaced in the Cold War period. Advancements, which were made, were subservient to the larger superpower rivalry, which had divided the world into two camps – the smaller countries were either in the one camp or in the other in some way or the other. Even the non-aligned bloc had their friendship treaties with the superpowers.

On the economic front, a number of large American companies had transformed into truly global firms. It is not surprising, therefore, that their need and demands for greater trade liberalization found a simultaneous echo in the advocacy for ‘economic’ liberalization by the successive American Administrations. Responding to economic pressures at home and attractive incentives in other countries, the American global companies built more enterprises abroad, ‘exporting possibly millions of high-wage jobs in the process.’ This also led to a dual outcome. It led to an all round internal growth in a number of countries, which became the host countries for these globalising firms. That in turn added to the economic competitiveness of host countries vis-à-vis American goods and services. Therefore, they too became stake-holders in the process of globalisation and assertive in their demands to be considered players in their own right, alongside American firms.

The roots of globalization

Some viewpoints tend to identify globalization as a modern-day phenomenon with roots within the rise of democratic urges rather than as an outcome of the earlier imperial order. They talk of the waves of industrialisation, which have altered the world scene in irreversible ways. Thus the technological innovations of the 17th century centred on advancements made in waterpower, textiles, rail and steel. The cycle lasted 50-60 years. The 18th century saw innovations in electricity, chemical industries, construction, a cycle of about 40-50 years. The third cycle of the 19th century saw the transformations in the oil sector, electronics, aviation and the mass production of innovations within a 30-40 year cycle. The fourth and the fifth cycles of the 20th century saw the shortening of cycles in terms of a technological innovation taking place and then reaching the masses. The fourth cycle of scientific breakthroughs that gave mankind greater control over the forces of nature also led to the development of a lethal arsenal of weapons of mass destruction. While these remain the context of the present day globalisation trends, the ability to destroy mankind in greater numbers than has ever happened in human history, the fifth wave is under way – of breakthroughs in bioengineering, space and oceans explorations, telecommunications. Each innovation has helped to unleash both the positive benefits and the monster, which comes out of its abuse. This century has witnessed the greatest expansion of economic activity ever experienced by mankind. It has also been a century of mass killings, refugees and homelessness, and starvation through increasing poverty. The force – positive and negative – behind all this has been the growth and mobility of international capital. The world today is polarised between the haves and have-nots.
Globalisation – Key Players

The list of players has become more numerous with each onset of industrial cycle, as knowledge, capital and technological breakthroughs have created their own lobbies and group interests. The earlier imperial order saw the contacts of nations at international levels through governmental contacts only – rulers to rulers, through their emissaries.

The two great wars of the 20th century tore down the all-pervasive notions of authority emanating from a single head and established a new world order based on the more participatory notions of democracy – of the people, for the people and by the people. The worldwide acceptance of the urges for democracy could be called the significant collective global trend of the early part of this century.

In the current period of globalization, the key players are many and correspond to the many widening dimensions of human endeavour. Governmental systems and their structures of governance, trade and industry bodies, the scientific and the academic community, technocrats, professionals and specialists, bankers and capitalists, NGOs, VOs, INGOs, the organisations of all sorts set up under the aegis of the United Nations, and above all a variety of national and regional organizations. And of course individuals. Every period has thrown up towering personalities who, whether in relation to their community, their countries or their region, or a cause, have been the harbingers of change in multiple ways. Their inspiring roles have made them universally acceptable as citizens of the world.

The interesting aspects of these global level debates is that within the larger debate which argues a strong case for decentralisation of governmental roles within countries, there is also a growing demand for a more proactive role for governments. It is redefined to be a catalytic one, in the sectors such as those of human development, spreading the infrastructure of education, promotion of scientific applied research, job creation, developing and commercializing new technologies, restructuring labour-management relations and so forth.

Globalization versus Fragmentation

There is another dynamics simultaneously at play – the tensions between forces of globalization and those of localized interests. There is a causal link as opportunities for some necessarily become deprivations for others. For example, shifting production abroad creates jobs for workers of other societies and deprives those at home base. What is to be done with the new joblessness? Creating jobs and unemployment at the same time is a growing scenario in the modern-day world. Whenever these shifts take place, they affect all realms of human interaction and activity – cultural, social, economic, political, spiritual and religious. These processes are all interactive ones, sometimes one aspect is ascendant sometimes another. Some are short-term, others long-term. As rightly observed, globalization operates to extend ideas, norms, and practices beyond the settings in which they originate, even though it will come up against the resistance posed by status quo.

In any period of major transitions as in the present one manifestation of antagonisms between the trends of globalisation and localizing tendencies will continue to exert their influence till some manner of accommodation is reached and co-existence becomes possible. For example when individuals appreciate what they can achieve in collectivities through multiple memberships and multiple loyalties, without sacrificing one for the other. However, it does require that the policy makers remain constantly aware of these processes which finally have to filter through their authority into some manner of decision making, in an effort to make it a less costly more efficient transition.
Globalization vis a vis concepts of state and security

President Clinton in his speech to the United Nations General Assembly on 22 September 1997, referred to ‘the forces of global integration’ as ‘a great tide inexorably wearing away the established order of things.’

On the ‘forces of global integration’ a recent scholarly viewpoint from within an official Chinese think tank looks at the irreversible process of ‘internationalisation’ as ‘global trade exchanges, capital flow and technological revolution … building up an interdependent entirety for common development covering the whole world.’

The impact of globalization has been felt first in the economic spheres where the transformations have been acutely felt on jobs, the concept of the territorial nation-state and its structures of governance and thereby the nature of politics in a given nation-state, social structures like the family and other expressions of social relations, trade policies, monetary and fiscal policies, to name a few areas. The impact on employment/unemployment patterns is significant, as it is the source of potential tensions arising out of unemployment. That in turns impacts upon welfare policies. The industrialised countries have over the decades evolved a variety of safety nets to look after their unemployed during times of recession. As their industries re-locate, it is bound to create significant impacts on the welfare packages as more people become unemployed and resort to the official safety net schemes. But for how long can such a scenario be sustained in the face or rising levels of disaffection and frustration of the skilled unemployed? How would it impact on the creation of opportunities on home ground? Even in highly developed economies such as that of the USA, there is a growing debate and criticism of the fact that the successive American administrations have failed to incorporate globalization into their foreign and domestic policies, which is bound to have serious consequences in the future.

The greatest impacts are on the concept of the territorial nation-state, its governance structures and the security for its societies. What does the nation-state of boundaries and frontiers denote in the face of the reality of borderless forces of globalization? How is the visible impact in the material world transcribed in the psychological dimensions of citizenship and state loyalties and so forth? Who rules in the world of electronic transmissions that are truly universal? And in what manner are the cultural differences of societies being shaped in this process and to what end?

The process of globalization has given rise to threat perceptions of all sorts, for the simple reason that thus far individuals have perceived their identities as linked with territories they inhabit, which have borders. At another level, rule of law as perceived at the level of individuals and within the communities they inhabit is seen to be the exercise of their collective authority entrusted and exercised through the state apparatus they create for their well-being. When the state’s authority erodes it gives rise to threat perception since it leads to lawlessness. Law and order within a state exists around the focal point of authority with the necessary power and structures to control its antithesis – lawlessness and forces of disorder. Systems of governance under which one life provide the initial perception and perceived context of security or insecurity. The horrors of Hiroshima would not evoke the same threat perceptions or feelings of fear in a society facing the immediate threats posed to their lives by a mad sadist let loose in their community, or by political violence of rival parties amongst them, or by heinous crimes committed by terrorists gangs within them who use their fellow beings as pawns for their own nefarious ends. The erosion of state authority perceived or actual would generate an environment of uncertainty, in which all sorts of anti-social behaviour can take root and be nurtured into formidable challenges. The danger is that like benefits and advantages, the forces of evil can also benefit from the trends in globalization.

Threats to state structures are both of its own making and arising out of the new global changes. Internal factors are a long list: misuse of power, criminalisation of politics and subordination of state structures to
adhocism, personal interest taking precedence over community and national interests, an indifferent unresponsive ruling elite with privileges while the masses are denied justice, opportunities and fundamental rights and so on. Externally, globalization has opened tax-evading doors and states’ revenues suffer, welfare services have to be cut back, the cutback in the public sector means less state control over a national economy. Just as there are key players, inter-dependent organizations for the beneficial aspects of globalization, so there is a similar nexus of key players, vested interests, mafia control in the shadows of its less transparent underworld.

The role of the nation-state has not ended. Even multi-nationals have a nationality – their country of origin. If at all the process of globalization through the influence it exerts and the challenges it poses will make its functioning more precise and more responsive. The challenge of survival will compel nation-states to restructure for greater flexibility, or suffer fragmentation and disintegration. The need to develop abilities, adapt and use new knowledge is not limited to technology and production alone, it is also vital to structures of governance within states. When there is no in-built regenerative process within governance systems of countries, because of a rigid, cultist, excessive authoritarianism, it manifests itself as law and order situations, which in turn spawn lawlessness. Internal and external pressures to state security have led to a major response at the level of nation-states, within the context of globalization. This is the rise of ‘regionalism’ and the regional organisations that have emerged. The study gives a brief overview of the growth of the phenomenon of regionalism, with an emphasis on the region of South Asia.

The rise of ‘Regionalism’ – a survival kit for developing nations

It is evident that liberalization and globalization are unlikely to promote stable and equitable development. However, it can exert undue pressures of competitiveness on lesser developed regions. One way to offset these pressures or the adverse affects of exclusionary policies of the more industrialized nations, or of the international financial markets in their control, is that to forge a collective response through regional organizations. It is to be stated at the outset that the quality of a nation’s institutional resources is a major determinant in the role it can play in its own regional organization or for that matter on the world arena. The reality is that underdeveloped regions have underdeveloped countries and the well-developed regions are the cumulative result of the technological advancements made by the countries that comprise that region. Regional organizations therefore reflect such a state of affairs in their objectives and are largely shaped by the major issues that challenge the national sovereignties of its member states in some fundamental manner.

As a response and a survival mechanism, ‘regionalism’ merits attention as yet another big trend arising out of globalization. If it is a survival kit for the underdeveloped and developing nations, it has also generated apprehensions among the well-to-do nations, who see the emergence of exclusive trading blocs on the world scene? One viewpoint asserted that there was a growing need for ‘a world-wide (not regional) set of rules, and a global (not regional) enforcement service.’ Another viewpoint reflects the concerns regarding the web of trading relationships that are likely to operate in the new global order in the making, with different layers co-existing and posing the challenges of new competitors on the world scene:

This viewpoint advocates the lessons to be learnt from “the water, which can hold a boat, can capsize it as well.” Therefore, ‘cautious steps must be taken in opening the domestic market to foreign capitals ... according to a certain ratio, category and gradual process.’

Intra-regional vis-a-vis global economic relations

Though the development of intra-regional economic relations had been shaping up since a decade earlier than the financial crash of the mid-Nineties, the main pressure in accelerating collaborative intra-regional linkages originate from the adverse effects of globalization. If it is managed by its member countries,
with an active cooperative partnership within, regional organisations and their intra-regional relations can be their survival kit and catalyst for greater development. It can be the silver lining for the Third World and Developing countries with which they can imaginatively tackle the hidden virus of domination within the tough conditions and articles of the WTO. Intra-regional linkages can also become the means of liberating the globalization’s many aspects from the grip of the Old World order in a systematic way and not through cataclysms.

The industrialised Western nations, it must be credited, with their forward-looking analysis were already establishing such links with the start of the Eighties. The EU has entered into more intra-regional pacts than any other regional integration arrangements (RIA) - with ASEAN (1980), Andean Pact (1987), Central American States (1987), Gulf Cooperation Council or the GCC (1990), MERCOSUR (1992), South African Development Economy (SADC - 1994), the Euro-Med partnership (1995), and ASEM I & II of the 1996-98 period.

Observations have pointed to how intricate cross-border configurations of production, services and technology systems have led to regional powers forming joint frameworks in which transnational business cooperation can be optimised, and mutually beneficial cost and market opportunities exploited. Subdued tensions now exhibited between multilateral and regional integration processes have also been conducive for the cultivation of intra-regional relations.

Intra-regionalism has now its own theorists – for and against. It is seen as the pooling of national sovereignty – some manner of “cooperative federalism” – not replacing conventional inter-state relations but complementing them. It makes it possible that economic dialogue is far more structured. The interplay of intra-regional and extra-regional variables produces a multi-dimensional network of interrelationships and attributable outcomes, which is seen as a good thing and not a bad thing.

Current viewpoints

The annual January meet at Davos of the World Economic Forum, where world’s top bankers, businessmen and politicians gather for a global brainstorm has become an important barometer of globalisation. The meeting held in January 1999, provided a reappraisal of the international financial system and formed the subject of a special *Economist* survey. It described 1998 as a precarious year because of the turmoil in Brazil, Asia’s financial crisis. It noted that the emerging economies suffered the painful consequences; two-fifths of the world economy is now in recession in which ‘most of the misery is concentrated in the developing world. The question is crisis and precarious for whom?

The realisation that something must be done to make the global financial system safer for the emerging economies. Attention is now focussed on the patchwork arrangements governing global finance. *The Economist* finds that:

- financial crisis occurs with regularity. 50 years ago it was the Bretton Woods conference of 1944 that heralded in the New World order of the time. It broke down in the early 1970s when the fixed-exchange rate system broke down. Then the debt crisis of the 1980s. So currently the search for radical reform is also a periodic search. To understand the current day problems in globalisation there is a need also to understand how these developed in the first place. The main points are summarised below:

- central institutions of the Bretton Woods took on new tasks. The IMF shifted the bulk of its activities to developing countries to better monitor the floating rates. After the collapse of communism (it has not entirely died, its bound to see resurgence in some shape or the other) the IMF became the chief financier of the world. Since the Mexico crash in 1994, the IMF has given more money more quickly to capital-market crisis countries.
- It is a matter of research to review the financial crises since the 1970s, where they occurred, why and what sort of mechanisms were immediately devised as corrective response. Some of these served to become global minimum standards in economic activity. Since the mid-1970s, there is an evolutionary trend towards greater integration of financial markets. (such as: the international federation of securities regulators which sets standards for cross-border transactions; the International Accounting Standards Committee has developed a set of global accounting standards).

- Technology played a vital role as The Economist put it rather aptly – ‘computers made it possible to unbundled risks into a complex array of securities.’ The index for that was the turnover on foreign exchange, equity and debt markets, which rose dramatically.

- The ideological shift to free markets (coupled with their need for external capital) did a number of things. It introduced new participants in the international financial arena. During the 1990s, more and more governments, banks and companies from emerging economies raised money abroad. The other development was the role of the private sector in this development (which made the centralised, governmental structures of control outmoded). Yet another that while today’s capital markets is international, they are supervised and regulated largely on a national basis. (This aspect reinforces the role of the nation-state rather than cuts it down to size).

- The problems arose because of: Weak financial systems, badly supervised or inadequate regulations, inappropriate exchange rates, too much short term borrowing and false sense of security because of stable exchange rates. The financial crises have served to show how interconnected the financial markets are. Investors sold securities from unrelated markets to make good their losses elsewhere. The effect was global not just local: ‘When the markets panicked after Russia’s crash, the impact was felt everywhere, from Brazil to American municipal bonds … the mechanisms for resolving the crisis were found wanting. The IMF, in particular, lacked the resources, mandate and expertise to deal with a global capital-market problem’

- In the past 20 years (since 1979) there have been 90 serious banking crises. The bank losses in each case in proportion to the GDP exceeded the costs of America’s banking collapse in the Great Depression. The pro and against arguments on capital mobility have ranged side by side. Central banks are seen as the phenomenon of modern democratic era. A completely unfettered international market is not acceptable.

- The arguments against ‘footloose financial flows without a cultural underpinnings’ see it as a recipe for disaster. Some controls are necessary. At times of crises in the economy if there are capital outflows, it leaves the policymaker with dire choices – either raise interest rates sky high to defend their exchange rates and harm the domestic economy, or let the exchange rate crash. So capital controls necessary (Krugman, 1998). The arguments for see the many benefits: transfer of technology, foreign direct investment, increased efficiency, more external sources of finance to tap.

- There have been demands since the financial crises on 1997 that the IMF be abolished. The IMF’s bail out policies according to this viewpoint is the problem. They rescue governments who have made stupid policies and encourage them to repeat their mistakes. In the recent years the support packages of the IMF have increased (ex: 1995 $40 million rescue package for Mexico). But to note is the fact of the tough conditions, which are attached to IMF packages.

- For a policy maker there are three objectives in mind:
  (i) national sovereignty
  (ii) regulated, supervised and cushioned financial markets
  (iii) benefits of global capital markets

  Term the “impossible trinity” by the American Deputy Secretary Larry Summers. A combination of two facets poses problems for the third. As The Economist put it:
Those who wish to regulate markets and maintain national sovereignty must do so at the expense of capital-market integration. Those who wish to maintain sovereignty and yet allow capital markets to integrate must accept an entirely free market at the global level. Those who want capital-market integration and global regulation must forfeit national sovereignty.

One of the many arguments against the IMF in the developing countries always centers around this aspect of the forfeiture of national sovereignty. Yet the need is felt globally on how to reduce the risk of financial crises on sovereign states. The economic media of the West view that within the next two decades there will be more action at the regional level and point to four organisations that, on account of their control of the world’s finance, could serve as the engines of global productivity, provided they resolve their inner contradictions.

- **G-7**: USA, Canada, Britain, Germany, France, Italy, Japan – discusses international issues and keeps an eye on official signals to exchange rate policy.

- **G-22**: informal group of representatives of 22 developed and emerging economies set up by President Clinton in April 1998. Its concerns have been transparency; strengthening financial sectors and dealing with crises and produces working papers that have become the unofficial agenda for reform. However, Europeans resent American domination.

- **G-10**: a group of central bank governors and finance ministers from 11 industrialised countries. Concerns are related to banking supervision. Situated in Basle

- **IMF**: international financial institution. Developing its own ideas along the lines of the G-22 reports.

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