

In Conversation: Ajit S. Bhalla

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As the recent World Trade Organization negotiations showed, negotiation or control of the phenomenon known as 'globalization' is far from a simple matter. Growing economic integration and interdependence threatens political and cultural sovereignty. Information technology allows data and capital to flow around the world at the speed of light. While this new found freedom may appear to be the dawning of a new age, there is some doubt as to whether everyone will share equally in the benefits that may result.

Professor Ajit S. Bhalla's research has been concerned with the social effects of globalization. [*Globalization, Growth, and Marginalization*](#) presents research papers, commissioned and edited by Professor Bhalla, that address various aspects of his research. It was with the International Development Research Centre's support that these papers were commissioned.

The following interview, with the book's editor, touches on some of the ideas explored in the research papers collected within *Globalization, Growth, and Marginalization*:

- [Benefits of expanding trade](#)
- [Elasticity of exports](#)
- [Global financial integration](#)
- [Checks and balances](#)
- [Ensuring fair trade](#)
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In the introduction to *Globalization, Growth, and Marginalization*, you point out that "the rapid expansion of trade can expose developing countries to shocks and competition, which may not always be desirable." Is there a time when it is desirable? Is it possible to reap the benefits of expanding trade, while safeguarding against the vagaries of international markets?

Yes, exposure to competition is desirable for raising economic efficiency and productivity. There are clearly benefits from expanded trade. I had wanted to warn the reader, however, of the possible costs in terms of external shocks, which can be absorbed more easily by the developed countries than the developing ones. The problem of external shocks was brought home to us recently by the suddenness of the Asian crisis.

At one point you state: "benefits from exports may not be generalized, if the elasticity of demand for the exports of developing countries is too low." Could you expand on this?

The low elasticity of demand for the exports of developing countries can be explained in terms of price and income factors. Lowering of price and increase in incomes may fail to raise exports

significantly. This is particularly so in the case of primary commodities, which are consumed less and less at higher income levels.

As globalization has proceeded exponentially, so have the consequences of market or economic downturn around the globe. Financial integration makes national economic policy a hollow thing. What is to be done?

There is considerable debate on whether globalization has proceeded exponentially. I do not think it has: most trade is still regional. For example, the EU trades more with itself than with the rest of the world (see Professor Bhalla's book: *Regional Blocs: Building Blocs or Stumbling Blocs?*, Macmillan, 1997). Globalization has become a bandwagon in the same way as basic needs and poverty were in the 1970's. It is mainly in the financial sector that globalization has made rapid strides, thanks to information technology and infrastructure. Global financial integration makes financial and monetary policies less effective because of the external shocks noted above. But still the national governments are not completely powerless; there is a lot for them to do. In the case of trade regionalization this is perhaps as important.

With the negotiation of international trade deals and the rapid expansion of global information and financial services, what checks and balances are there against the various dangers of cultural and technological imports and the rapid movement of currency?

Non-economic globalization is bound to increase since the new information technology and communications revolution has reduced the importance of time and space. Globalization of consumption styles and food habits is a case in point. The culture of coca cola, hamburgers, and pizzas has become world wide. However, it is a very subjective judgement as to whether or not the spread of Western culture to the rest of the world is bad or good. From whose point of view? Some recipients resent the cultural inflow, but they cannot do much. For example, the Europeans, especially the French, do not like the domination of the film and entertainment industries by the Americans (they especially dislike the violence of these products). The Chinese, as well, get worried from time to time about the "bad" influence of Western culture and try to control its inflow. But since the advent of the Internet and TV, control has become very difficult. The flow of technology cannot be treated the same way as culture and consumption styles. And, of course, there are serious barriers to the flow of technology because of proprietary rights.

The increasing power and size of multinationals lends itself to a powerful and perverse logic of cultural homogenization. Are there global or local solutions to this problem?

I am not sure what you mean. Are you suggesting that multinationals are producing for global markets and are therefore homogenizing production and consumption? This may well be true up to a point. Many multinationals are still producing for large domestic and regional markets; much depends on the nature of the product and on the industry.

Global solutions are not easy because there is no real mechanism to enforce them. Some mechanisms, such as guidelines and codes of conduct for multinationals, have been tried by the OECD and the UN, but these are not binding.

WTO negotiations may have positive consequences — for example, environmental and labour standards — but a positive ethical trade development for one country may be perceived as a non-tariff trade barrier by another. What can be done so that trade partners have a sense of good and fair trade?

The World Trade Organization sets only the rules of the game for trade; and even within the negotiation of these rules there are big differences between developing and developed countries. Essentially the two groups are unequal negotiators, and their interests are very different because of their different stages of development. This is equally true for environmental and labour standards. That is why developing countries, particularly the Asian countries, are against linking labour standards to trade. They argue that this is another form of protection by the developed countries against their goods.

There is no similar body to set the international rules for global capital and financial flows. The International Monetary Fund does not provide that function and cannot act as lender of the last resort because of the limited resources available. Its intervention to overcome the Asian crisis, for example, has been seriously criticized.

Your citation of Hirst and Thompson, "the job of nation states is like that of municipalities within states heretofore: to provide the infrastructure and public goods that businesses need at the lowest possible cost," seems to underline that national governments are increasingly powerless in the face of market forces. What kind of processes or institutions do you envision in the future to deal with this problem? Could they also address the disparities and consequent tensions between countries?

I do not agree with Thompson and Hirst that governments are increasingly becoming powerless. Governments continue to exercise a lot of power but they have to consult each other more, in an interdependent world. There are clearly some limits to the sovereignty of the nation-state, as is being realized by the members of the European Union. But this is not the same thing as saying that governments have become powerless.

One can argue that globalization is more than internationalization. It deals with processes at the global level, e.g. global civil society, global governance, and so on. To my mind global disparities and tensions cannot be easily overcome at a truly global level. A more modest regional level of institution, like the European Union, may have better answers, despite all their faults. This is the only regional body I know in which the richer states financially help the poorer states in order to reduce disparities. In other regions this has not been possible to do, for political reasons.

About the Author

Professor Ajit.S. Bhalla is the David Thomson Senior Research Fellow, Sidney Sussex College, University of Cambridge, UK. At the time of editing *Globalization, Growth, and Marginalization*, he was Special Adviser to the President of the International Development Research Centre, Canada. Dr Bhalla has also been the Pearson Fellow at IDRC, the Hallsworth Professorial Fellow in Economics at the University of Manchester, Visiting Research Associate at the Economic Growth Centre at Yale University, and Research Officer at the Institute of Economics and Statistics at the University of Oxford.

The Book

- [Globalization, Growth, and Marginalization](#) edited by A.S. Bhalla, IDRC/Macmillan 1998