

Part?: Genenral Commentaries and a Conclusion : Chapter 9: Summing -UP Conclussion

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CHAPTER 9

SUMMING-UP

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Let me make three comments as my summing-up.

First we reported in detail how advanced developing economies have responded to the globalization challenge; the three economies' responses to the financial crisis in 1997-98 and their structural adjustment efforts in East Asia, while indigenous firms' globalizing their activities in Latin America. The globalization brought miraculous growth in East Asia for a decade from the late 1980s and steady growth in Latin America in the latter half of the 1990s, which represent its merits. On the other hand, the globalization incurred negative impacts as well.

In East Asia their governments made haste in liberalizing capital flow while keeping their weak financial system and in-transparent corporate governance uncorrected. The uncertainty of foreign exchange market quickly caused capital outflow and drastic depreciation, resulting in debt payment difficulty, credit crunch, and the depression of real economy. They failed in steering in the surge of globalization. Three countries requested the bailing-out from the IMF and accepted its prescription of severe contractive policies and aggravated the hardship of the public. However, their drastic structural reforms have been resulting in the liquidation of incompetent firms and bad loans, thereby enabling these economies meeting to the globalization challenge again. There are, of course, witnessed a difference in their success according to the maturity and stability of domestic politics and society. In Latin America some firms have been successfully globalizing their business while others are forced to rely on the M&A with firms in developed economies. From detailed analyses by our area study experts, we have learned that the success or failure of the developing economies in responding to the globalization challenge depends upon various socio-political conditions.

Second almost all presenters and commentators are aware of the negative impacts of globalization and suggested that it is the role of government of developing economies to deal with them. This is the basic stance of our development study experts. They depart from prescriptions of the Washington consensus relying on market mechanism and minimizing the government's role. They do not object to liberalization and deregulation but criticize the govern-

ments' hasty measures without instituting laws and rules constraining firms' self-indulgent profit seeking. Current structural reforms implemented by the three Asian economies are consistent with this criticism.

Here Professor Tsunekawa questioned legitimately whether their current policies are along with the Asian model or the Anglo-Saxon model. The two models have never been defined rigorously but let me characterize the Anglo-Saxon model as a rule-based coordination between business interests while the Asian model as group actions, in-transparent corporate governance, and close government-business relationships. Then his second answer seems to be closest to the reality, that is, the Asian model supported the East Asian miracle until the early 1990s but can not function properly in the current globalization. The three countries now follow the Anglo-Saxon model. So long as they continue to rely on foreign capital and technology, they cannot dismiss the international credibility. It goes without saying that concrete measures be adjusted to their traditional business and social practices let alone their basic directions. This is the role that the developing country's governments are expected to play in steering the globalization surge.

Here it should be questioned whether the developing economy's governments has a political will or capability of steering in the globalization challenge. It is never an easy task even for advanced developing economy governments. A strong political leadership is seldom displayed by countries in their process of strengthening democracy and the lack of capability of steering the globalization challenge is often witnessed in developing economies. As my third comment, I would like to argue for a better use of regional economic cooperation in assisting structural reform efforts of these developing economies.

Discriminatory effects of liberalization under FTA are often discussed, as was mentioned in this symposium, but FTA helps to joint promotion of structural reform as well. Liberalization, while increasing welfare gain for a country a whole, is sometimes impeded by vested interest groups negatively affected by it. A joint implementation of liberalization by trading partners, either through FTA or WTO negotiation, tends to deploy exporter groups and to strengthen the political leadership for liberalization by means of external commitment. An analogy applies to structural reform. It enhances the welfare gains of a country but is often obstructed by vested interest groups. FTA can promote structural reform as well as liberalization.

Furthermore, the regional economic cooperation like APEC, while incurring no discrimination on trade, takes advantage of its members at different development stages and set programs of assisting capacity building for reform in its developing members. ASEAN, another regional cooperation group consisting only of developing economy members, has not been able to provide such assistance. It happens that all advanced developing economies mentioned in our discussion belong to APEC and can take part in those APEC

programs for reform.

The above-mentioned points are the basic direction of the development strategy for developing economies to take in their responses to the globalization challenge. Strategies for individual developing economies will be elaborated along this direction, taking into consideration their own social and political conditions.