

Globalisation

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The mighty force of globalisation makes stupendous strides in the world of today. Technological advances in transport and communications have made cross-border investments and trade possible on the present scale. They encourage business enterprises to move capital and manufacturing plants or parts of the manufacturing process from one country to another to gain a competitive advantage.

The advocates of globalisation argue that life expectancy, access to basic medical care, production of goods and services, their quality and per capita income in the developed and developing countries have vastly improved over the past 50 years. The eradication of diseases like smallpox and polio and access to information and knowledge through radio, television, the print media, the Internet, and the telephone, are referred to as products of technological advances which go hand in hand with globalisation.

Sceptics argue that technological advances, especially in the Soviet Union were not the product of free

trade. They point out that most of the benefits of advances in technology have not reached the poor and have widened the gap between the rich and the poor. Despite globalisation, or because of it, GDP per capita of the least developed countries dropped from 10 per cent in 1970 to six per cent (of the rich countries in purchasing power parity - PPP terms) in 2000. The number of least developed countries had doubled during this period. Fifteen per cent of the world's population subsist with an income of one US dollar a day or less and that is almost a billion people. If those who earn two US dollars or less per day are included, the number (of people in absolute poverty) doubles.

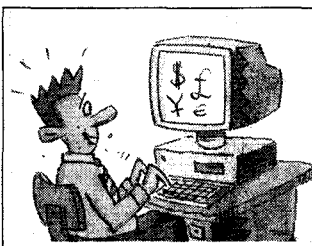
A balanced view of globalisation, including an analysis of the World Trade Organisation regime and the European Union trade policy changes was presented by Sri Lankan-born member of the European Parliament, Niranjan Deva Adittya last week at the Ceylon Chamber of Commerce. He reiterated that globalisation has widened the gap between the rich and the poor, whether it be within nations or among them. He accepted the widely acknowledged concept that the benefits of

modern technology do not go to the poor people. He questioned the legitimacy of patent rights that deny the poor access to life saving medicines as experienced in Africa, devastated with HIV/AIDS.

Mr Deva Adittya presented some startling facts. He revealed that the world's richest 20 per cent account for 86 per cent of the world GDP, 82 per cent of exports, 68 per cent of foreign direct investment and 93 per cent of the Internet users.

The prosperous 30 - 40 countries are democracies that have had open and stable economic policies and good governance. They include countries small in land area - Singapore, Israel and Belgium, other countries that have moved up from developing status like Chile and the economic powerhouses like USA, Japan, Germany, the UK, France, Canada and Australia. The quality of the public institutions of these countries is high,

transaction costs low, rule-based conduct of business, government regulation of business and industries and enforceability of contracts are strong.



Biz Buzz

by IRIS & AVED

No country has developed successfully by turning its back on international trade and capital flows, but it must be said that no country has developed simply by opening itself up to foreign trade and foreign investment either (as Sri Lanka has done - which Mr Adittya diplomatically avoided saying).

There is undoubtedly a strong link between trade and development. Policy makers like Deva Adittya are pressing multinational corporations in the EU to allocate and use 0.7 per cent of the turnover (gross revenue) or five per cent of the net profits, whichever is lower, for community-based activities in the developing countries in which they operate.

But these measures alone will not help Sri Lanka to realise its full potential. We need a new political culture, strong public institutions, a rule-based system, effective (and efficient) administration of justice (to combat crime and also enforce contracts) and good corporate citizenship that embraces not only sound financial reporting, but also labour standards and environmental protection.