

Serious misunderstandings about globalisation

At a recent workshop on globalisation I was struck by the intensity of the opposition to it, as displayed by some South Africans.

Globalisation was mentioned in the same context as “failure of human rights” and “a billion people having to live on less than a dollar a day”. The implication was that such were the consequences of globalisation.

This is simply not true.

Evidence exists all over the world that open economies grow at a faster and more sustainable rate than closed economies. There can be no debate on the facts – the results of the research are overwhelming. Open economies bring growth; c

losed economies bring poverty.

We have seen it here in South Africa too. Since the process of opening up the SA economy started in 1994, our average growth rate has doubled from the 1.64% of the previous decade and a half to the current 3%. And this happened in spite of crime, emigration and the whole range of other bad-news topics we talk about so regularly.

Sub-Saharan Africa proves the point in a negative manner – illustrating the price people have to pay for closed economies.

In a study by a team from Harvard University and the World Bank, a direct link was found between, on the one hand, the wealth or poverty of nations, and on the other hand the time and money businesspeople have to spend to overcome government regulations when setting up a business. Such regulations are a good indication of how open or closed an economy is.

The richest countries in the world have the least regulations and the lowest costs for starting a business. The poorest countries are where the costs are highest and regulations abound.

In rich countries, such costs make up 10% of gross domestic product, on average. In poor countries the average is 65%. In Africa it is 85%!

Do we still have to argue about the reasons for Africa's economic failures?

Africa's problems are not caused by globalisation; rather by too little globalisation. Open up the continent's economies, decrease the costs of entry, and growth will follow. Africa needs opening up even more than it needs debt relief.

One of the advantages of fewer administrative barriers and lower entry costs is less corruption. More regulations mean more corruption. This is in line with the intuitive assumption, and also true of South Africa.

I still remember how shocked I was as a newly arrived domestic employer in Johannesburg when our employee (who is still with us today, after 20 years) had to include a note in her papers to get a valid passbook. Increase the controls and you increase the potential for corruption.

Open economies, with best practice forced on them by globalisation, produce increased wealth. And with improved wealth comes more taxes for the government, who may use it to relieve poverty or buy arms.

Human rights? I honestly cannot see how improved transparency (an essential ingredient of globalisation) and international best practice (from financial statements to respect for the law) will undermine human rights. On the contrary.

Sometimes globalisation does mean that people have to work at lower wages. They may even lose their jobs. Those disadvantages should be balanced out against the advantages for the remainder of the community, who will be getting access to cheaper goods and services. Cheaper products mean a better standard of living for more people. To me, that confirms human rights.

Research by Standard Bank indicates that globalisation has created more jobs in SA than it has destroyed. So the

accusation that globalisation is increasing unemployment, is simply not true.

Our problem isn't too much globalisation, but too little, Should the European Union reduce its agricultural protection measures, SA would export much more -- because our agricultural products are competitive.

The protesters in Seattle have succeeded in preventing the signing of an agreement that would have opened the doors to more SA agricultural exports to Europe. So they robbed SA farm workers and country areas of the opportunity to make more money. And the Seattle protesters pretend that they are on the side of the poor!

To blame globalisation for the charge that a billion people are living on a dollar a day, is simply nonsense. Without globalisation the figures might have been 50c a day or two billion people.

Granted, globalisation does not always mean moonshine and roses. In essence it means accepting stricter competition and discipline -- fewer opportunities for waste or laziness. And of course that correction is painful. But should we lose out on growth and wealth because we are not prepared to reduce waste and laziness?

On the other hand, some over-zealous supporters make use of intimidation tactics to promote globalisation: if you don't do this or that, globalisation will punish you. Such threats are based on intellectual myths.

And these myths are effectively exposed in a useful book recently published in Britain -- *Just Capital*, by Adair Turner. Adding to the book's credibility, he is a former head of the Confederation of British Industries and currently the deputy chairman of Merrill Lynch. People can still choose what kind of a country they want.

Globalisation is not the final answer to all our problems. It is also not our enemy. Neither is it a bully we should fear. It simply is an approach towards systematically improving our society.

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