

Globalization and Its Social and Cultural Impact

I was attracted to your Congress because of the importance of the field of your involvement and by the topic of your congress. I perceive an inherent contradiction between the theme of “Shrinking Space” and the realities of life in a region with emerging economies where urbanization is a reality, but where economic and political distance between urban and rural communities is increasing.

And the contradiction continues when we consider the impact of information technology, with the digital divide within society actually increasing not only between but, more importantly also within nations, largely along spatial lines – again not a shrinking phenomenon.

And finally your theme invites a discussion on the impact of globalization, with the de-nationalizing of markets and, consequently of political structures and the impact on society and on cultural identity which has triggered such tremendous outpouring of both rational and irrational responses – again a sign of divergence.

I wish to start my short contribution to your congress with some disclaimers and some claims. The first disclaimer is that, although I work for a well-known international organization, the views that I express are my own. The second, is that the topic that I deal with has been extensively covered by many experts with much more in depth knowledge than I have and I lean heavily on many such views that I cannot individually acknowledge. Which brings, me to my claim. To be able to express a view on an area as complex and as multi-disciplinary as the one we are discussing here, it is useful not only to have lived in different societies but to have had the privilege of working with a large number of people in different cultures, in markets at different stages of development and with the closeness, but also the responsibility that come from an employer-employee relationship.

Let me go straight to my main theme:

I wish to propose to you that the conflict that we are discussing comes from the wrong basic assumption under which we operate our global economic model. For too long have we trusted the paradigm “Think global act local”. This has been the basis of our initial responses to the economic crisis in Asia. The global priority was to protect the international financial system, to enforce economic reforms and to impose a specific economic model. Local recovery came last. I believe that, if we need a slogan we need to consider the inverse, namely “Act global, think local”.

Whereas globalization serves to break down borders in markets, in political structures and in cultural interaction, resulting in global interdependence and a diminishing of local control, all resulting in the ability of capital and services to act freely globally, the political basis remains local. The only way to ensure reasonable outcomes for most nations is to solve the almost impossible problem of balancing the market oriented self-interests of Capitalism with the primary society objective of security through Social Welfare using the best political model we have which is Democracy.

Instead of remaining at a general level, I would like to illustrate my views by means of examples taken from a small, open and emerging economy like Thailand. My aim is not to defend or to attack globalization, or to present it as a force flowing across nations and against which there is no defense, but to show how globalization, in my view, is not breaking down barriers and shrinking the world, but is creating new and understandable responses potentially resulting in a far less uniform world than may be normally assumed.

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Thailand experienced strong growth since the 1960's and an export-oriented boom from the mid 1980's until 1997 – all driven by the globalization of world markets. The crisis caused a reassessment. The first response was to welcome the start of a new era where Thailand moves from local capitalism to being a host for multinational capital – attracting foreign direct investment into a country with liberalized markets and reformed financial and legal structures, characterized by good governance. This is the so-called Singapore model. There is much to be said for this model and it applies well to urban based societies with a reasonable level of wealth distribution. It does not fit at all into a society with a large economic and opportunity divide where growth will be concentrated in the area of export manufacture with weak linkage to other sectors and low labour market improvement. The rural economy will suffer. It would also require Thailand to retreat from the significant progress that has been made in the democratic process.

A deeper analysis resulted in a second model, the so-called Tuscan-Italian model based on small and medium enterprises of local entrepreneurs concentrating on the competitive advantage of the country in the area of natural resources, cultural and social capital. This model requires a strong domestic budget and depends on support from a strong Japanese economy, since this model uses the offshore relocation of Japanese industry as basic support mechanism. Both these pre-requisites cannot be met – the domestic budget is under pressure because of the world economic slow-down and the Japanese economy remains in the doldrums.

But there is a new model, favored by the new government, and this is a model of localism, based on self-reliance and self-sufficiency. Self-reliance stresses the importance of limiting the dependence of a nation on external factors: capital, consumer goods, ideas, technology, and knowledge. And self-sufficiency stresses the concept of producing local needs within local communities – the concept of a “simpler” economy. These two components of the localism model starts from a rural, community based and attempts to integrate these into the national and then the global economy, from the bottom up. This is of course an idealistic model and open to the criticism that recent gains in Asian (and probably most) developing economies (at least economic gains) were not based on localism but on globalism. Nonetheless localism provides a starting point for a look at the future – and I will come back to it later.

I wanted to explain this in some detail because this approach does not oppose globalization (which would in any case be a futile task) or oppose openness and an outward orientation, but counters the economic but also the social impact of globalization by strengthening the local economy. The paradox is that success in a global world may depend on greater self-reliance.

The second contradiction I wanted to bring to your attention is the impact of information and communication technology. Although often described as an enabler and not a driving force in itself, ICT is synonymous with the move towards a knowledge-based economy which is the real meta driving force. We know that this is being compared with the other great leaps forward such as when steam transformed agriculture and when electricity ignited the industrial revolution. I strongly believe that the knowledge based revolution will impact on all aspects of human endeavor and will cause us to review and redefine economic, social, cultural and political activity. I'm also a strong believer in the positive aspects of this ICT led revolution and that we have, for the first time, some potential tools which may break

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down the tyranny of distance and the inequality of opportunity. Once connected to a worldwide source of knowledge such as the internet can provide, distance and status become less significant than in any previous human to human knowledge exchange opportunity. But this requires access to technology and a pro-active program to address the digital divide.

We are aware that the digital divide closely mirrors the have's and have not's in the global market. What I wish to stress for your congress is not this issue, but the much more critical local digital divide within nations and the most critical issue namely wealth generation in a digital world.

The fundamentals of the internal digital divide are the same as the digital divide between nations, but whereas the latter follows the relative technological development of the country and have the offsetting economic impact of relative wage competitiveness, the internal digital divide creates internal social tensions with enormous political consequences. Whereas the transition from an agricultural-based to an industrial-based economy has improved the standard of living and narrowed the gap between rich and poor in many countries, the transition to knowledge-based economies will probably increase inequality. This effect will be noticeable in all economies – it may be disastrous in countries battling the vicious poverty cycle. I would strongly recommend that the emphasis in the fight against the digital divide moves from the inter-nation to the intra-nation sphere.

I mentioned before a second component of the knowledge based economy that needs to be addressed and that is wealth creation in the digital world. Fairer knowledge distribution and even knowledge contribution can be addressed if we can overcome the worst skewing of the digital divide. But wealth creation is much more unevenly distributed with a disproportional concentration on a few nations, on a few locations within nations and on a miniscule percentage of the people within the population. If we accept that globalization has placed stress on economic division and worsened wealth redistribution we need to be prepared for a significant worsening of the situation in a knowledge based economy.

I mentioned the need to balance the conflict between self-interest and social interest before and this raises the question of the role of social safety nets and governmental welfare support.

In Thailand, during the crisis, and in the post mortem on the crisis, the concept of "Social capital" was widely debated. The World Bank referred to the large stock of social capital in Thailand, represented by family and local community and consisting of institutions, values, spirit, philosophy, history, culture and natural resources. And indeed Thailand survived the crisis politically in tact and with social stability maintained. But income levels were set back four to five years and rural poverty reached a level of almost 20% of the population.

Social capital, social safety net schemes, community organizations and all other forms of government supported welfare are instruments to handle the failure of market-based capitalism to deliver its promise of a better life to the most vulnerable in society. Whereas we will continue to rely on these tools, we need broader participation in the opportunities offered by globalization and by the ICT revolution. The question remains how?

Starting to look for possible answers to this question falls far beyond my charter – but I would do you a disservice by only talking about the problems of a globally diverging world

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without stating some possible ways in which economy, society and culture may be aligned and in which a balance may be sought amongst the conflicting elements of a globalized world. Let me list some pointers:

1. First. We have seen in Seattle, in Genoa and at other similar events that globalization and organizations with global reach are targets for rational and irrational reactions. The rational responses have resulted in community awareness and community involvement of a very positive nature in far ranging topics from environmental issues to genetically modified foods. To use again the Thailand example, we have seen that the conscience of society can be a major force not only to check government excesses but to form grassroots movements to protect the interests of otherwise voiceless groups covering environment, health, human rights, corruption – addressing the quality of life of the broader society.
2. Second pointer. Regional co-operation is a way in which global issues can be approached by groups of nations of more comparable economic status and with more compatible social behavior patterns. There is today more experience in Europe of the pros and cons of regional co-operation than in Asia, so I will refrain from using a local example except to say that we need to be aware that the economic, social, cultural and political diversity in Asia covers at least the same spectrum with the same bandwidth that is found in a greater Europe and we should keep this in mind when we use the collective noun Asian to describe any of these elements in the region. Just like the model of localism, regional co-operation is an important component of a more stable global world. But this again confirms the paradox that I expressed before namely that greater self-reliance may be the key to future global success.
3. Third pointer. I believe that cultural identity is not endangered by globalization despite the fact that we are flooded by media content from one overwhelming cultural group, that we are exposed to a small number of leading world trademarks that wish us to consume the same products and the fact that company mergers and acquisitions are announced on a daily basis, thus reducing consumer choice. Despite these trends the facts are that there is a strong resurgence of cultural identity flowing from the political restructuring at the end of the Cold War and because of the impact of greater economic freedom. Cultures may be in constant flux due to the pressure of change but I believe cultural diversity is on the rise.
4. Fourth pointer. Globalization is being given a human face, also by those world bodies at the heart of market globalization. I do not wish to discuss the roll of bodies like the IMF or the World Bank in the process of globalization or in the Asian financial crises, but wish only to note that these bodies seem to have learned from the experience and have become very sensitive to the social impact of their activities. In this respect I wish to also refer to the call by the secretary general of the United Nations for an alliance between public and private organizations to address economic disparity. Which brings me to the role of private multi-national organizations. So often these are depicted as the main cause of the negative impact of globalization, described as the owners of the foot-loose capital that knows no loyalty and relies on sub-poverty level wages in developing nations to gain maximum profits. We are made to believe that this is the true face of the evil empire. Of course you would expect me to disagree with this view. And I do, at least for the majority of serious world players. It is particularly untrue of those global organizations that are involved in the building of infrastructure. You cannot build a metro train through

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the hearth of Bangkok from an office in Berlin. And when this multi-national is a serious and responsible global player – he has to be also a serious and responsible domestic player. I like to describe an organization such as this (and also mine) not as multi-national but as multi-domestic. Such a company acts globally but thinks locally.

I have come full circle.

Maybe the world is shrinking in a physical and a temporal sense through our use of and access to technology while diverging in an economic, political and in a digital sense both between and within nations. But through discussions and meetings like these we are shrinking the differences in our understanding and our acceptance of the cultural and social complexity. Hopefully, one day, we will act accordingly.