

Meiji Institute for Global Affairs

MIGA COLUMN GLOBAL DIAGNOSIS

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Takao Hirosawa

Visiting Researcher, Meiji Institute for Global Affairs, Meiji University

Short Curriculum Vitae) Takao Hirosawa

1969: Graduated from the Faculty of Law, Kyoto University

1969 - 1998: Service in the Ministry of International Trade and Industry. Assigned to policy-making in fields including information, oil, international trade, intellectual property, and regional affairs

1983 - 86: Head of the Brussels office of the Japan External Trade Organization (JETRO)

1997 - 98: Director-general of the Kanto Regional Bureau of Economy and Industry

1999 - 2003: Managing director of of the Japan Regional Development Corporation

2003 - 2011: Senior Managing Director, etc. at Suzuki Motor Corporation

2011 - 2015: President of the Board of Trustees at the Business Policy Forum, Japan
Proposals in areas including corporate social responsibility, developed-country manufacturing, and employee human resource development

Globalization in anguish and the future course of capitalism

Observers have long been pointing out the light and dark sides of globalization. The combined effect of various phenomena occurring lately around the world in succession appears to be causing globalization itself to come to a standstill. In Europe, Brexit exemplifies currents running counter to European integration. In the United States on the other hand, both candidates have taken a stance opposed to the Trans-Pacific Partnership (TPP) in advance of the presidential election. One of them has even vowed to build a wall along the border with neighboring Mexico.

There can be little question that, generally speaking, the progress of globalization has

stimulated and supported advancement and growth in both the world economy and each country after World War Two. In the postwar period of confrontation with communism, a free economic bloc took shape with the backing of the overwhelming political and economic might of the United States. In this bloc, countries such as Germany and Japan managed to achieve growth driven by export to the United States and other markets in addition to a strong domestic demand. They were followed by Hong Kong, Taiwan, South Korea, and Singapore, among others. Full-fledged globalization in the true sense began after the collapse of the wall between the Eastern and Western blocs around 1990. The former communist bloc countries in Eastern Europe were drawn into the European Union (EU). This was accompanied by the organization of a single EU market and the birth of the euro as its common currency. In Asia, too, China was quick to make a policy shift to the line of opening up its market, and was followed a little later by India. The members of the Association of Southeast Asian Nations (ASEAN) and other Asian countries subsequently followed their lead. In addition, led by Brazil, Russia, India, and China, collectively known as BRICs, newly industrializing and developing countries achieved rapid growth, and even served as engines for the entire world economy. Consequently, in all countries, from the developed ones to the newly industrializing and developing ones, transborder systems for international divisions of production were formed around globalized firms.

The global economy emerged from the influence of the 1997 Asian currency crisis and appeared to embark on another round of advancement. Nevertheless, its weaknesses surfaced all at once upon the 2008 collapse of Lehman Brothers. The troubles also affected the BRICs, which had been so lionized in the preceding years. The Brazilian and Russian economies slumped badly, and even China is being characterized as the biggest risk factor for the world economy. Only the Indian economy is performing well. As for the developed countries, the EU was faced with a battery of problems. In the wake of the Greek and monetary crises came the euro crisis, economic slumps, and increased unemployment. The situation was made even worse by the influx of refugees from Syria and other countries, frequent outbreaks of terrorism, and Brexit. Things have reached the point that the very unity of the EU is said to be in jeopardy. Although it continues to be the world's No. 1 economic power even today, the United States no longer has the overwhelming power of the past, and wants to step down from

its position as standard-bearer for the world's free economic order. These days, the presidential race itself is becoming a factor of disruption. In both the United States and Europe, expanding economic disparity is a major issue, and globalization is regarded as the chief cause.

What is globalization? Essentially, globalization is the movement of people, things, money, companies, information, and other items across national borders. Because it would be somewhat unreasonable to try and discuss these items all together, let us consider each separately here.

To begin with "money," this can now go back and forth instantly between different countries. Considering the immense blow that the collapse of Lehman Brothers dealt to the world economy, it should be regarded as only a matter of course for some constraints to be imposed on financial institutions and the flow of money. In fact, authorities are erecting international setups and rules mainly with a view to assuring the stability of financial systems.

Next come "things." As evidenced by the transition from the postwar General Agreement on Tariffs and Trade (GATT) to the World Trade Organization (WTO), efforts for liberalization on the multilateral basis had continued, but have long since reached an impasse. To break through this impasse, free-trade agreements and pacts for economic partnership on the bilateral and regional bases are currently being promoted and moving ahead, beginning with areas where agreements can be reached. A prime example is the TPP. The troubling thing is that opposition to it has mounted in the United States, which had been its chief proponent. Even if it is clear that the free trade system is superior theoretically, there is also the reality that, coupled with the antipathy toward foreign investment, it provokes louder cries of opposition among groups adversely affected by it. History, nevertheless, shows that the tilt toward trade protectionism brings only misfortune to humankind. In this aspect, we should regard ourselves as being at a critical juncture at present.

This brings us to "people," which is thought to account for most of the reasons why globalization is being viewed as a problem in Europe and the United States. The

increased influx of people from Poland and other Eastern European countries is even said to be the biggest factor behind Brexit. What can be done so that people with diverse backgrounds in such terms as race, ethnicity, history, culture, religion, and customs can live together in peace? This is a key question for which a good answer cannot be found. As the trends of population decrease, falling birthrates, and population aging deepen, Japan, too, is definitely coming to a point where it must give serious thought to this question.

This brings us to the last factor, “information.” It is the very advances in information and communications technology that are supporting and encouraging globalization. The explosive spread of the Internet and mobile communications has made linkage across national borders worldwide an inevitability. In the Internet of Things (IoT) age, all things will be connected to networks, which will hold together global supply chains. Under these circumstances, attempts to cut off the flow of information at the national border would have to be regarded as futile already. This, however, also means that we are exposed to the new threat of transborder cyber attacks. This threat demands cooperation spanning national borders.

As noted above, I think several points can be made about globalization.

- (1) Globalization (and the information revolution) will probably continue to progress. We may presume that the basic overall trend is not going to stop, like it or not. While there may occur some temporary fluctuation and adjustments of speed, any actions to fight this flow are going to backfire on their proponents in the end.
- (2) Nevertheless, it also cannot be denied that the progress of globalization has been fast-paced, and the erection of mechanisms and systems to manage the world economy has consequently not been able to keep abreast of it. I suspect that, as a result, the negative aspects have surfaced first and also become factors breeding the sentiment of anti-globalism. For example, there is a need for the construction of international mechanisms to prevent tax flight by global firms and for international coordination in anti-trust policy-making. As I see it, the true worth of the TPP lies in its attempt to make new international rules for the global age.

(3) At the same time, we must remain aware of the latent risk of widening disparity inherent in the progress of globalization and the information revolution. This is because there is always going to be a division between people who know how to take advantage of these trends and those who do not. This disparity could be resolved to a substantial degree by education and job training. The issue is also deeply intertwined with the structure of the job market and arrangements in the social security system. The advisable approach in policy on the redistribution of income could be termed the crux of political choice. Outlooks appear to have converged to a fairly great extent in Europe. In the United States, on the other hand, there are big gaps in outlook per se, and the creases seem to have surfaced in the distorted form of TPP opposition. In any case, however, as long as it upholds democracy, the United States must gain the basic understanding and support of the people on globalization. For this reason as well, it will presumably have to make efforts to correct disparities.

(4) Putting aside the problem of immigrants and refugees, the principals of globalization are now companies in many cases. If companies globalize their activities merely for their own profit, they are liable to be condemned for environmental destruction, labor exploitation, and other problems in the countries where they invest, and to be blamed for loss of jobs in the home country. For sustained activity as globalized firms, it is indispensable for companies to be strongly supported by society as a whole. To this end, they must have a keen awareness of the meaning of their own existence and place corporate social responsibility (CSR) and creating shared values (CSV) at the heart of their management philosophy. It is imperative for the managers of global firms to realize this quickly. Certain progressive companies and investors are already taking action to this end. To put it another way, we have reached a juncture requiring serious thought on the advisable shape of capitalism in a globalized economy.

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