

# **CAPTURING GLOBALIZATION**

**EDITED BY JAMES H. MITTELMAN  
AND NORANI OTHMAN**



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# Preface

Following a series of faculty seminars on globalization, organized by the Institute of Malaysian and International Studies (IKMAS) at the National University of Malaysia, and with support from the Pok Rafeah Foundation, the participants decided to write this book. The authors are all affiliated with IKMAS, and sought to bring their different disciplines – anthropology, economics, history, political science and sociology – to bear on a set of common research problems. Fourteen papers were presented at a workshop, held in Bangi, Malaysia, in April 1999, and made possible by generous funding from the Friedrich-Naumann-Stiftung and the assistance of the National University of Malaysia. The papers were discussed by fellow authors, other invited scholars, and members of civil society. Subsequently, an editorial committee selected eight of the papers for publication, contingent on revision and subject to final review.

Whereas the authors express different perspectives on, and advance diverse interpretations of, globalization, their contributions focus on a central research theme, elaborated in Chapter 1. Although this is not a book about Malaysia *per se*, all authors have carried out research there. Indeed, this book was written during the Asian economic crisis, which provided a backdrop for reviewing globalizing processes. This experience offers an important point of reference, though not an exclusive one, for the chapters that follow. It is important precisely because globalization studies are not really global. For the most part, globalization research has centred on the Organization for Economic Cooperation and Development countries, not the developing world. An objective of this book, then, is to begin to change the balance by posing a distinctive set of research questions and providing answers to them, if only in a preliminary manner, albeit one that deepens understanding about the nexus of globalization and development.

# Abbreviations

APEC	Asia Pacific Economic Cooperation
APPA	Asia Pacific Peoples' Assembly
ASEAN	Association of Southeast Asian Nations
BRIMAS	Borneo Resource Institute
CEO	Chief Executive Officer
COLA	Cost of Living Allowance
EEC	European Economic Community
EPZ	Export-Processing Zone
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GNP	Gross National Product
IKMAS	Institut Kajian Malaysia dan Antarabangsa (Institute of Malaysian and International Studies)
ILO	International Labour Organization
IMF	International Monetary Fund
IP	Indigenous People
ISA	Internal Security Act
KLSE	Kuala Lumpur Stock Exchange
MAI	Multilateral Agreement on Investment
MARA	Majlis Amanah Rakyat (People's Trust Council)
NGO	Non-Governmental Organization
NIE	Newly Industrialized Economy
NTT	Nippon Telegraph and Telephone Corporation
OECD	Organization for Economic Cooperation and Development
PCI	Per Capita Income
PNB	Permodalan Nasional Berhad (National Investment Corporation)



SIPA	Sarawak Indigenous People's Alliance
SUPP	Sarawak United People's Party
TNC	Transnational Corporation
TRIM	Trade-Related Investment Measures
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

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# 1 Globalization

## Captors and captives

*James H. Mittelman*

The act of capturing establishes a hierarchy between the captor and the captive. A hierarchy entails an ordering and a division of labour and power. The captors are of course on top, and the captured are at the bottom of the heap. Both within and between countries, there are many different shadings of this relationship. Thus, such structures must be contextualized and, today, are integral to an epochal transformation known as globalization.

More than a metaphor, the theme of capturing opens questions about large-scale historical change, and turns attention to some of the most vexing aspects of globalization: *control*, *autonomy* and *agency*. To what extent, and how, is the set of processes known as globalization being governed? If it is being governed, or if elements of it are subject to governance, then one would like to know whether there is effective management, what strategies are employed, and with what results. The tasks of control are both manifold and challenging in different arenas, i.e. at the global, regional, national and local levels. Moreover, there are the matters of defining the criteria of control, identifying who is doing the defining, and determining which interests are at stake.

In this introductory chapter, then, the objective is to formulate the core questions for analysis in the subsequent chapters. At bottom, they probe the interactions between globalization and the multiple actors, or combinations of them, who strive to dominate both its objective structures and the intersubjective processes that give it meaning. The challenge issued here is to consider these questions in light of Western scholarship and, going further, to decentre enquiry by drawing on varied non-Western discourses on religion, language and other spheres of social activity.

## The problem in historical context

Whereas globalization has a long lineage, the last three decades of the twentieth century were a period of rapid structural change. In the 1970s, the international economy consisted of a handful of industrial countries that exported manufactured goods to a multitude of developing countries, which in turn sent abroad their primary products, mainly agricultural commodities and natural resources. Following the collapse of the Bretton Woods system of fixed exchange rates in 1971, a deep recession began in the United States in 1973, the year of the first oil shock, and ramified widely, initially in the West and then in the socialist and developing countries. After the Vietnam War, there was oversupply in primary commodity markets, and by the late 1970s, the hopes of a new international economic order, a package of proposals for international reform put forward by leaders from developing countries, were dashed. Marked by the simultaneous fall of commodity prices and the rise of real interest rates, the debt crisis of the early 1980s emerged. Although the United States was no longer the world's major creditor, but now its chief debtor, it maintained a position altogether different from that of developing countries whose balance of payments reflected deep structural problems. Against this backdrop, the pileup of large external debts allowed international creditors and donors to shape macroeconomic policy in many countries. Since the early 1980s, structural adjustment programmes mandated by international financial institutions further opened national economies and oriented, or reoriented, development strategies.

Meanwhile, deeply concerned about declining rates of productivity, the emphasis in the US economy changed from the old Fordist system of mass production, mass consumption towards post-Fordism, which allows for a higher degree of specialization, greater flexibility and faster turnover time. With the spread of the post-Fordist system, facilitated by new technologies, especially in transportation and communications, the 1980s witnessed a spatial reorganization of production. While the West and Japan largely moved from capital-intensive towards technologically intensive industries, some developing countries upgraded their manufacturing industries, initially through labour intensity, and climbed to a higher position in the global division of labour. This coincided with a changeover from import substitution policies to export promotion. Centring on greater integration in the global economy, the Reaganite-Thatcherite idea of neoliberalism extended from Anglo-America to other parts of the world, eroding barriers, relaxing restrictive frameworks for cross-

border transactions, and allowing information, goods, and labour to flow more easily across national boundaries. Born in Anglo-America, neoliberalism is a culturally specific formula, one that has been extraordinarily mobile and propagated as a purportedly universal and moral proposition. But it has encountered other visions of the right and the good, such as a universal code of human rights and the notion of 'Asian values'.

After the Cold War, nonetheless, 'free markets', an idea and set of policies propounded and monitored by some states, public intellectuals, and international agencies, especially the International Monetary Fund (IMF), have become an icon as well as a matter of faith throughout much of the world. Foreign assistance, loans, credit ratings and foreign investment are conditioned on implementing neoliberal policies, namely deregulation, liberalization and privatization.

By the mid-1990s, there were signs of danger in emerging markets. In 1997–1998, financial turmoil, the meltdown of stock markets and in some cases (most notably, Indonesia) political turbulence struck parts of Asia. The contagion of economic decline threatened other locales: among them, and in different measure, South Africa, Brazil and Russia. At the turn of the millennium, what had been called 'the Asian crisis' escalated into a possible generator of global instability. Even if this crisis was a zigzag, not a complete breakdown, and notwithstanding substantial recovery in Asia, it is possible that periodic financial crises will be a regular feature of neoliberal globalization.

In the meantime, the power component in the new global configuration has triggered backlashes. At first, the impetus for resistance seemed to emanate from civil society, which began to scale up and thrust across borders. The ascendancy of capital fragmented the identity of labour, and movements oriented to gender, the environment, religion, race and ethnicity asserted themselves singly or in combination. But backlashes against globalization appeared in other guises, including the groundswell of right-wing support for populist politicians, such as Pat Buchanan in the United States, Jean-Marie Le Pen in France, and Pauline Hanson of Australia. Conservatives in the US Congress and renowned neoliberal economists, such as Nobel laureate Milton Friedman and Jeffrey Sachs, expressed dismay over the workings of the market and the role of international financial institutions. While not opposing the market *per se*, some states, including France, resisted the Anglo-American version of neoliberal globalization, instead maintaining a large public sector and generous welfare provisions while only selectively deregulating and privatizing.



In another permutation, Malaysia, after widely opening its economy to foreign investors during its economic growth spurt, adopted selective and, as it turned out, temporary capital controls in 1998, restricting outflows of funds.

At issue in the uncertain period after the turn of the millennium are the struggles of a multiplicity of agents to subordinate the processes of globalization to their own desires and needs. In this contestation, markets are not only arenas of buyers and sellers, but also powerful forces increasingly detached from a bounded territory and with the capacity to discipline the state, evident in structural adjustment programmes, the ratings given by credit agencies such as Moody's and Standard and Poor's (which can make or break a developing economy), and attacks by currency speculators. Increasingly, markets are becoming dislodged from social and political control. Globally, there is no central source of order. No sovereign power can claim legitimate authority over the world market. Although national economies continue to serve as important arenas for markets, an upsurge of transnational flows challenges extant authority in this realm. What warrants investigation is not merely what states do to each other, the focus of realism, the dominant tradition in international relations. (Neorealists formulate the problematic of globalization by delimiting it as a matter of how the state adjusts its policies, without giving credence to the deep structural transformations under way in the global political economy. In this connection, see Waltz 1999: 693–700.) In fact, diverse contenders – both state and non-state actors – seek to capture political and economic power or aspects of it.

Capturing globalization is only partially a matter of state power. Not only may power be defined in terms of its overt and covert dimensions, but there is a structural sense of power at multiple levels, which involves both coercion and consent. It was Antonio Gramsci's insight that the mix of the two defines hegemony. From a Gramscian perspective, if consent is predominant over coercion, then a hegemonic constellation prevails. This is of course more cost effective than is the use of brute force, but the question, one that concerned classical writers such as Ibn Khaldun in the fourteenth century and Niccolo Machiavelli two centuries later, is how to use different capacities to ensure compliance and capture intersubjective understandings. It will be recalled that in Machiavelli's view of the world as a thoroughly treacherous place, the qualities most useful to a prince, or that a prince should appear to have, are likened to those of a centaur: half-man, half-beast. Both require a capacity to know how to employ them: