

GLOBALIZATION AS A CHALLENGE

Developing Countries under Great Transformation

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December 5, 2001

The Asahi Shimbun Evening Edition

The globalization of developing countries is far more than increased contacts with the rest of the world through economic liberalization and information technology (IT). With strong and weak countries, the power distribution in the real world is highly asymmetric. The integration of a developing country into the world economy hardly affects the societies and ideas of industrialized nations, while developing countries are forced to undergo fundamental changes in that process. For them, globalization is tantamount to transforming themselves under intense external stimuli so they can be incorporated into the existing global system. Moreover, this task must be accomplished without losing one's ethnic or national identity. Developing countries are experiencing the same challenges that Japan went through in the second half of the 19th century when it opened its doors to the outside world after a long isolation. Anyone who travels or lives in developing countries, for pleasure or work, will do well to recognize this dynamic pain by the heart and not just by the head.

While the challenges are similar, developing countries today face a different environment from that faced by Japan at the start of the Meiji Era (1868-1912). Compared with Japan in the past, both the government and the private sector of a typical developing country lack competence. Despite that, the newcomers are now urged to adopt international best practices quickly, among which democracy and the market economy (especially of the American type) are the most important. However, many developing countries are unable to control their own destinies effectively under such an intense integration pressure. This tension leads to instabilities like the confused transition to market in Russia, the Asian financial crisis and the rebellion of developing countries against the World Trade Organization. The September 11 terrorist attack was the most violent reaction of this kind so far.

Vietnam, the country I have been advising in the last several years, also has undergone drastic changes. Around 1993, Vietnam broke loose from the self-imposed isolation and rejoined the world economy. Since then, the number of foreigners has increased greatly.

Through investment, aid and tourism, foreigners are now the main driving force of the Vietnamese economy. Virtually all houses facing city streets have been converted into shops and restaurants. Souvenir shops targeting Japanese women have emerged in great numbers. Cheap Chinese motorbikes, some legally imported but mostly smuggled, are flooding the Vietnamese market, prompting even school kids to travel on them and adding to the already bad traffic situation.

If we look beyond these obvious changes, more subtle impacts of global integration can be detected. An increasing number of children migrate from poor rural villages to Hanoi to peddle postcards, T-shirts and other petty merchandise on the streets. They send money to their parents back home if they are lucky enough to attract many foreign customers while avoiding police who catch them for bribes. Some end up pushing drugs or engaged in other criminal activities. With an inflow of foreigners and their economic influences, street vendors today face entirely different future prospects from the previous generation. English and email are their passports to a better life, but whether they can make use of these new opportunities depends mostly on their own hard work, plus luck. It is interesting that these youngsters in Hanoi who are routinely exposed to foreigners and foreign products show no sign of embracing foreign cultures except only superficially. Their attitude toward interpersonal and romantic relationship remains surprisingly conservative. Compared with Japan, the generation gap in Vietnam is negligible and, for most, traditional values still dominate. My young Vietnamese friends giggle and wonder if a foreigner like me can understand their complex way of thinking. But far from perplexed, I am truly fascinated by the way the Vietnamese people are adjusting to foreign intrusion and new materialism while retaining their spiritual core.

The Vietnamese government is fully aware of the country's economic position in the international pecking order and understands the severity of international competition. In principle, they are willing to actively participate in the global economy. Their biggest problem is inability to come up with effective, concrete measures to meet this challenge. If all trade barriers are removed without careful preparation, most domestic industries would surely collapse under competitive pressure and mass unemployment would result. Naturally, the government wishes to strengthen at least some of the industries before the trade liberalization bites. Although the idea is sound, it is taking too much time for Vietnam to choose candidate industries or appropriate measures to support them. Very little progress has been made on this in the last several years. The reasons for this policy paralysis include a dearth of competent officials, bureaucratic sectionalism and

political interference. Time is running out before they have to face the reality of international integration.

Ideally speaking, my job is to work with a developing country facing a dilemma like this and contribute to their economic policy. Performing this task well would require enormous knowledge, experience and patience. Quality of policy advice critically depends on how deeply the researcher is versed in the ordinary life and thinking of the people in that country. Needless to say, the contents of proposals must be revised as circumstances change. What bothers me most is that some Western donor countries and international organizations with much greater influence than me try too often to fit the complexity of development problems into a simple mold. When compelled to choose between a free economy and a control one, most people would opt for the former. Yet this kind of abstract debate is useless and even harmful. What developing countries need is not a general solution but a concrete mix of market and government that suits an individual case in front of them. Models and data analysis are fine, but logic alone cannot answer their most urgent questions. To understand what works and what does not in the context of a particular society, one must somehow become a part of it until one can hear the voice of that society. If this technique could be transmitted from heart to heart, that would be the ultimate secret of development economics.

Some things in life can be analyzed rationally but many others defy clean solutions. They must nonetheless be accepted as significant and meaningful. Accelerating computers and producing high-precision missiles require a lot of rational thinking. But the drama that unfolds when a society, a complex organic form as it were, meets another society cannot be described adequately with a single framework. In development, it is even possible that two conflicting ideas are equally true. This irrationality is healthy and should be welcomed. In the 21st century, societies that can live with a great amount of irrationality may be more resilient than those with less tolerance. Japan is the world's largest provider of economic assistance and has also begun to give policy advice on development in recent years. Furthermore, the Japanese people are becoming more active in nongovernmental organizations to help the poor in the developing world. To succeed in these endeavors, it is imperative to mobilize all human faculties including not just reason but also will, feeling, intuition and passion. At the same time, Japan must decide how to cope with the influential powers in the West that tend to apply a universal strategy to all developing countries.

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