

Liberalisation Vs Globalisation

Counterpoint | Vir Sanghvi

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I have no idea whether Lakshmi Mittal will finally succeed in taking over the French steel giant Arcelor, but I am glad that he has made a bid for the company because of the controversy it has generated. Though Mittal is being discreet in his interviews, there is no doubt that his public offer has been greeted with an astonishing amount of xenophobia, pseudo-patriotism and, perhaps, simple, old-fashioned racism. Not only have his French rivals missed no opportunity to point to the Indian values he supposedly embodies – as distinct from high-class French values, presumably – but politicians in France and Luxembourg (where Arcelor is registered) have made the most jingoistic statements.

I find all this instructive because of what it tells us about the West's attitude to globalisation. For nearly a decade now, we have been told that liberalisation and globalisation are the buzzwords for emerging superpower India in the 21st century. Unless we globalise, it is said, we have no hope of claiming our rightful place in the new world order.

Most of us – myself included – will agree that liberalisation is, on balance, A Good Thing. While I have problems with the innate soul-lessness of the market, I accept that it is far better to use it to allocate resources than to depend on the cozy nexus of bureaucrats, politicians and crony capitalists who dominated the old licence-permit-quota raj.

But globalisation? I have never quite bought the investment bankers' line that you can't have liberalisation without globalisation; look at Japan, for instance, where a capitalist society has stubbornly resisted global influences.

Nor am I convinced that globalisation – of the sort that foreign investors keep lecturing us about – is fully in India's interests. In its purest form, the case for globalisation is one of economic efficiency: allow free movement of goods and capital across borders and you will have the lowest costs and, thus, the lowest prices. Even in this pure state, the argument ignores the real societal consequences of a search for economic efficiency: farmers who commit suicide as commodity prices crash, workers thrown out of jobs as factories close, unique and specialised businesses that are driven out of the market because they do not have the advantage of economies of scale etc.

And the reality is that we don't have perfect or pure globalisation anyway. I thought Rupert Murdoch put it best when he said (in an approving sort of way, of course) that "globalisation is just another word for Americanisation". In real terms, here's what globalisation has come to mean: open your markets to giant foreign corporations and allow Western conglomerates to buy up local industry. All this leads to a world where a few "global brands" (most of them Western-owned) dominate the marketplace no matter which country you are in.

We are told that even if this leads to the McDonaldisation of our neighbourhood, it does not matter because there are compensations. Huge amounts of foreign investment will create new jobs, Indians will have a chance to plug into the global system, and, in return for opening our economy up, we will benefit from the new markets that will become available to us.

But is this a two-way process? Last week, I was in Europe as the Mittal bid made headlines on the business pages while the furore over the Danish cartoons dominated the front pages. I was attending a seminar in Venice where one of the participants – an Italian journalist – put the prevailing sentiment into words. “For most Europeans,” he said, “globalisation only means two kinds of fear. Fear of cheap Chinese goods. And fear of Islamic immigrants.”

Much the same sort of sentiment spreads across America as well. Who can forget the fuss over business outsourcing that became a sideshow during the last presidential election and still remains a political issue in many states? In America, when you say that somebody has been ‘Bangalored’ you mean it in a pejorative sort of way: he has lost his job because it has been exported to India.

Contrast the European and American attitudes to globalisation with the one adopted by most educated Indians. In the weeks before Mittal’s Arcelor bid hit the headlines, Gujarat Ambuja, one of the great success stories of the Indian cement sector, announced that it was selling a controlling interest to a foreign company. Nobody minded. Instead, we reckoned that Gujarat Ambuja had got a good deal for itself.

Just before that, the results of the airport privatisation scheme were announced. The contracts to run Delhi and Bombay airports went to consortia with influential foreign partners. Virtually nobody I know objected. When the Left spoke up for the airport unions, we treated their objections as opposition to privatisation, not globalisation. When the Cabinet announced that majority foreign ownership would be allowed in the single brand retail sector, we laughed at the CPM for whining. “Since when did the Communist party speak for small shopkeepers?” we sneered.

Our acceptance of foreign investors and brands goes back a long time. When Ramesh Chauhan objected to the entry of Pepsi, he got no public support and, eventually, when he sold Thums Up and Limca to Coke (which, naturally enough, played down Thums Up to promote its mother brand), we shed no tears for two great Indian successes in the soft-drink sector. Nor do we mind that the two top TV networks in the country are foreign-owned, or that even Bollywood will soon be dominated by the global entertainment conglomerates.

It is not my case that we are wrong to hold these views. I still support airport privatisation, the opening up of the media and other such sectors and had no sympathy for Ramesh Chauhan’s anti-Pepsi campaign. When a Karnataka-based outfit trashed the Bangalore outlet of Kentucky Fried Chicken, I was among the first to speak up for KFC (“Hate the rubber chicken, fight for its right to be eaten,” I wrote).

My point is: who is more ready to globalise? Us? Or the Westerners who lecture us on the need to open up?

I have deep and abiding reservations about the impact of globalisation but I do, nevertheless, accept that in certain sectors, India needs foreign investment for growth. I accept also that we need foreigners to come and break up cozy domestic oligopolies and monopolies.

But are foreigners as willing as Indians to accept the consequences of globalisation? The hysterically xenophobic reaction to the Mittal bid shows us the prevailing mindset. So do attitudes to outsourcing. Many call centre workers have horror stories to tell about the kind of racist abuse they are sometimes subjected to by Americans and Brits.

Even in the trade sector, where we are continually lectured on the need to reduce tariffs, the European Union imposes such rigid non-tariff barriers that Indian firms have no chance of breaking into those markets. And anybody who has followed the pharmaceutical sector will know how, for all their whining about our laws, the great drug multinationals have ganged up against Indian pharma companies whenever they've tried to enter the foreign markets.

One of the reasons I am still so sceptical about globalisation as a concept is because it seems to me to be a one-way street. We accept the dominance of Western capitalism. And the West tells us to go to hell.

My suggestion, therefore, is that we need to take a more measured view of foreign investment and foreign trade. Yes, there are benefits to India from allowing investment in some sectors. And, of course, there is no point in protecting non-critical sectors of our economy.

But let's not get conned into believing that globalisation is on par with liberalisation.

Or that there is no future for India unless we follow the prescriptions of the Western investment bankers.

The West doesn't listen to them. So why should we?