

## **Globalization, Regionalization, or Localization?**

*By Dr. Mohamed A. Ramady*

The recent failure of the Doha Round of WTO talks to further liberalize the world's trading system has caused an interesting debate to arise on the direction for globalization. The choices seem to be for a more energetic approach and a more equitable globalization of trade policies, or to the regionalization of common interests shared by a few countries.

A third option now debated is for more localization — whereby a country opts to put its house in order first, and encourage local investments, before opening up to the international markets. The truth of the matter is that most countries are moving, in rather a hesitant manner, at different paces in all three directions. The Middle East and Saudi Arabia in particular, is no exception to this sudden mood of uncertain direction brought about by the recent failure of the WTO Doha Round.

Criticism of globalization is now producing the most unlikely champions. Under Thatcher, the British Conservative Party seemed to shun its inward-looking, localizing agenda, and open up the economy to free trade, and promote both inward and outward foreign direct investment. Entrepreneurship was the new cult word, and both enterprises and individuals were encouraged to “act local but think global” to remain competitive. But time takes its toll on political parties, and the new leader of the British Conservative Party, David Cameron, has recently criticized the extent of globalization while visiting India. The reason seems to be fear of the successes of globalization created by Indian businessmen and their free-enterprise spirit, so much admired by Thatcher.

This fear stems from the effect back home on the UK's British businesses, where in the words of Cameron, “the winds of globalization feel like a chilling blast, not an invigorating breeze.” Strong stuff indeed, for the party of free enterprise and of minimum government interference. The reality of globalization though, is that some nations who advocate this loudly in political forums are suddenly made to pay the economic price when other nations take up their globalization challenge. Imports from China, India, or Brazil might have been tolerated in the past, in that they were a passing phase, or were of “inferior” quality, and as such, home producers would be able to compete on quality. The reality was different.

The same developing nations have learned that it would also be more profitable to export goods that are both cheaper and of higher quality to the industrialized countries. The result has been re-introduction of trade barriers, through discriminatory imports quotas, and state subsidies to ailing industries such as European farming.

The previous complacency concerning the pace of globalization, or at least a more managed one that did not produce acrimonious divisions, could not be sustained for long in the face of rampaging and growing economies such as India, China and Brazil. The previous complacency has given rise to self-doubt, about what exactly is meant by globalization, and how benefits are to be distributed amongst nations. This self-doubt and political desire to preserve localized industries and interests, has also fuelled latent anxieties about other ethnic groups or countries around the world. Suddenly working hard and producing what the world's consumers want, is no longer politically acceptable but rather constitutes a threat to some nations who see their own economies under “siege” by more competitive imports.

Discussions are now centered on more manageable free trade agreements between regional blocs, such as the EU and India, or the EU and the Gulf Cooperation Council (GCC), or the GCC and the Association of South Eastern Nations (ASEAN). Agreements can be related to specific industries and quotas, whereby everyone is aware of their obligations. Trade might not grow as much as under a full open WTO type system, but it can be managed better through regular reviews on the effects on both parties. This approach also helps those who advocate more localization, arguing against a world that might become a bland, uniform universe, where distinctive cultures and people's identities disappear. In other words, one does not seek a uniform "McDonaldisque" culture to emerge.

For Saudi Arabia and the other Gulf countries of the GCC, the debate is important in many respects. There are a lot of similarities in terms of culture, religion, political and social structure in this region that binds people together more than even the EU can ever dream of. Regionalism does not have to be at the expense of the shunning the world given the small nature of the total GCC markets. Saudi investors can still apply the motto "act locally but think globally" in a regional context, where more market protection exists and there are fewer political fallouts or anxieties as evidenced by the backlash on the successful inroads made by Indian or Chinese businesses abroad.

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