

"FRAGMENTED GLOBALIZATION" OF THE INTERNATIONAL ECONOMY: A GENERAL VIEW

José Ramón GARCIA MENENDEZ *

Abstract

This article consists of two parts. Firstly, a general introduction poses major constraints of the conceptual processes of globalization and regionalization of the international economy. Current and recognition of subtle practices in the neo global market. Secondly, we analyze problems and implications around four points of political-economic: a) proposal for a synthetic notion of "globalization fragmented"; b) a critical view on tools and temptations of protectionism in industrialized countries to the progressive loss of international competitiveness; c) and d) the content and functionality of certain neo-founded arguments in the phenomena of social dumping and eco-dumping embodied in international trade.

Key words: Globalization, international economic order, integration, international policy coordination

JEL classification: B41, F02, F42

1. Globalization versus regionalization in international economy

“... a world suspended between ice and fire,... between economic globalization. and political Balkanization and between that one and the emergence of trade rivals”
Carlos FUENTES

In the present historical period there are two processes that agglutinate the main phenomena of the world economy. Firstly, a trend towards uniformity stimulated by productive, financial and communicative forces that configure the globalization process of international economy. In the second place, a trend towards segmentation directed by a centripetal flow captured in the process of regionalization of the world market (CHESNAUX et al., 1993, pp. 10 and others).

In the wide field of the Social Sciences, the analyst tries to figure out the complexity of politico-economic phenomena by the use of, frequently too often, analogies, similes and qualifying adjectives that reflect, more than a terminological refinement, the authentic bewilderment of social researchers (cf., in this respect, ROSENAU, 1993) when faced with current historical trends that, with the same academic authority, can be seen as opposed or complementary trends.

* Prof. Ph.D. José Ramón García Menéndez (Joseamon.garcia@usc.es), Economía Aplicada Department, Faculty of Ciencias Economicas, Santiago de Compostela University, España.

In fact, the burden of evaluation is present in the first analytic positioning with regard to the gap opened between the simplified, self-indulging and triumphalist viewpoint of international economy as a remarkable "global village" governed by transnationalized capitalism (as F. Fukuyama would preach) and the relativist point of view, fundamentally skeptical, about an economic order at planetary scale considered as an "open work" (paraphrasing U. Eco) or as an object of chaotic processes (according to I. Prigogine). In short, the international economy has, therefore, a wide operational range between the "apotheosis of the market" and the "scenario of chaos".

Without a doubt, the growing globalization is causing a deep impact on international economic policy and not only due to the widespread influence towards the one that the proposed and/or applied economic policies are lined up (cf. the excellent compilation of STUBBS AND UNDERHILL, 1994). The regionalization process is, in many ways, a consequence of the standardization trend. Indeed, in view of the reticence of apologists of a multilateralism without restrictions, the regionalization of the world market through commercial blocks constitutes, for other analysts, the guarantee of a full international economic liberalization, an objective that transcends the achievement of multilaterality and becomes, in the enthusiastic words of M. Allais, "... one of the most active factors in the progress of civilizations" (ALLAIS, 1972, p. 113; cf., also, KENNEDY, 1993).

At the moment, 75% of the world trade is carried out in the framework of regional agreements of the European Union (EU) and under the Mexico-U.S.-Canada Free Trade Treaty (NAFTA). Without denying the weight of the globalizing trend fostered by the interdependence, the transnationalization and the internationalization of current economic policy, regionalization consolidates itself due, among other causes, to the growing dissatisfaction in the last stretches of the debate of Uruguay Round (U.R.) of the GATT; to the North American pretence in defining a commercial space of geostrategic interest; and to the institutional possibilities of a regional formulation of the world trade to represent its own interests in the future international calendar of multilateral negotiations.

Firstly, the trend towards regionalization responds to the reaction of some countries in front of the final impasse of the U.R. of the GATT the uncertainty of which was overcome by U.S. through unilateral pressures (using Section 301 of the Law of Trade and Tariffs of 1988, to which we will refer in later sections), bilateral negotiations (as the agreements with Israel and Canada) or, even, with shared politico-economic actions of bilaterally transacted international trade (remember the parallel objectives of U.S. when its commercial deficit with Japan was negotiated).

Secondly, the interest of an economic power as U.S. in forming its own commercial block with the formula of the "Initiative for the Americas" it is not only due to the commercial strengthening in front of the EU, the Southeast Asia, Japan, and China P.R. but also to a geostrategic interest in promoting the economic growth of Latin America (progressively magnetized by the FTT) in a recessive phase of the cycle in which the freezing of inflow of new capitals in the region makes impossible the compliance with the service of the foreign debt accumulated from 1982 and does not guarantee the sociopolitical stability indispensable for the renewal of the declined contract of the "Alliance for the Progress" in the region.

The analytical contraposition: "globalization vs. Regionalization" is, in many aspects, a sterile debate since the member countries of the international community practice a peculiar "polygamy" in which it is attempted to combine the multilateral commercial interests and the requirement of regionalization. An interpretative line of synthesis has taken place, favored by multilateral institutions, in which the mentioned globalization and regionalization

processes respond to a common casuistry (cf., in this respect, NOGUES and QUINTANILLA, 1992).

In fact and depending upon the opening-up degree of the economy in question, the international economic insertion is the result of a politico-economic decision-making process about a remarkable calculation cost-benefit on externalities. External economies, on one hand, due to the acquired learning from imports of capital goods and of intermediate input with incorporated technology. On the other hand, export externalities that are those that take place in the moment of appropriately satisfying the compliance with the norms of the destination markets, the execution of technical and sanitary specifications, quality controls and the continuous challenges of distribution, commercialization and sale of goods and exported services and that their externalities can be generalized to the remaining processes, products and markets.

Nevertheless, from 1995 the mentioned processes became reality in an evolution of the international economy following the path of progressive liberalization of the trade almost after a decade of arduous negotiations of the RU of GATT that will stabilize the international economic relationships under, the institutional mark of the World Trade Organization. However, uncertainty has not decreased insofar as bi-and-multilateral interlocutors expected due to a contradictory development of trends and the appearance of unexpected phenomena in the world market.

In the first place, the trend to "globalize" the international economy at planetary scale by means of an intensified politico-economic interdependence and productive and financial transnationalization as well as by means of a free-flowing circulation both of goods, services and communication that clashes, as we said, with another current, of not lesser strength, of "regionalization" of markets through diverse formulation (ASEAN, TLC, MERCOSUR...) that date, in the medium term, the institutionalization of large economic areas of free trade that, proliferating the pattern of the *zollverein* of List in the contemporary reality, they accept the challenge of the international competition.

However, among the extreme positions of both trends there exist "gray areas" where the specific experiences to be analyzed are located and that respond to a historical and political precipitate of synthesis that could be called as the analytic category "fragmented globalization" of the international economy. The development of this process is, in no way, either exempt from academic and institutional controversy, or from the appearance of paradoxes and contradictions that confirm, on one hand, the analytic relevance of the topic and, on the other, the existence of a considerable degree of uncertainty promoted by the unforeseen course of facts and trends of international economic policy (cf., in this respect, MONETA, 1993, pp. 80-97).

Indeed, the long march towards freedom of international trade organized by the leaders of the current economic liberalism slips by a path smoothed out by the neoconservative ideological offensive and the breakdown of the real socialism in Eastern Europe (an analysis from the approach of regulation in AGLIETTA et al., 1990). The paradox appears when, from the liberal economic philosophy, it is necessary to explain the consolidation of regional fortresses of trade, authentic protectionist fortifications in front of third parties that are favored by the defensive neoliberalism of industrialized countries.

It is not less surprising, however, that countries of advanced capitalism are specially fearful of the development of events: historically, they preached the ideas of free trade in the PVD and nowadays, as the EU and U.S. show, shield their foreign economic policy or main-

tain the hierarchy of their commercial legislation above the letter and the spirit of multilateral agreements.

Nevertheless, the consolidation of fragmented trade blocks as "icebergs" in the heart of standardizing trends engenders new reasons of restlessness that are, for the social scientist, fruits of analytic interest. From the international economic policy point of view, a practice of subtle and, even, inconfesable protectionism is perceived on trying to condition the commercial agreements with restrictive clauses with the excuse of fighting against the "social dumping" or the "eco-dumping" when, in fact, there are not any political, labor and ecological convictions that could justify a sanctioning position beyond the mere protectionist intendance in the international trade.

2. The category "fragmented globalization"

"A consequence of the globalization of economy is the upswing of new ruling institutions to impel the interests of the transnational economic power"
Noan CHOMSKY

The historical precedents of the international economic relationships confirm that the economic interests of the DC are higher than the concern in applying controls to the exports coming from those UC that would consent, legally or factually, slavery, overexploitation, and prison work, as well as the irreversible deterioration of the environment (GARCIA MENENDEZ, 1993a).

In this way, it is necessary to defend, as a collective therapy of realism and solidarity in an alleged new international economic order, that the desires of free circulation of goods coincide with the free circulation of people and ideas rejecting restrictive legislation on migrations and cultural and influential prepotency in the North-South dialectics intensified in view of the dissolution of the East-West confrontation.

It is necessary to recognize that, in critical stages of the international economic cycle, we are witnessing very significant movements of relocation of the productive activity. The DC, in this respect, are witnessing a process of industrial concentration and later movement to more attractive destinations due to the conditions of the structure of costs or market. For the Spanish case, for example, Morocco, Eastern Europe and China have become areas of relocation of national companies or branches of transnational enterprises that formed part of the internal industrial structure. Even in the European Union there is an internal productive transfer trend towards the United Kingdom that is beginning to be known as the "community Hong-Kong" given the salary and trade union conditions such as the refusal to subscribe the European Social Chart of the Treaty of Maastricht.

In this way, the productive relocation and the changes in the international division of work alerted the DC that introduced in the negotiations of the R.U. of the GATT three points of defensive interest in the face of the competitiveness of exports from UD and, especially, from the Asian NIC's.

Firstly, the adoption of quantitative limitations of trade applied by the exporting countries themselves under the military, political, or economic pressure of the Government or sectors of the affected importing country. This type of measures is part of the so-called "gray area" of the GATT formed by instruments and trade decisions that injure the letter and the spirit of the GATT but that, as safeguard measures, are of general acceptance either in a

formalized way (remember the importance of the Multifibre Agreement) or in a voluntary way (by means of export self-limitations).

Secondly, the argument of "social dumping" as a source of competitiveness of UC is, according to the main DC, channeled into their foreign trade causing unemployment and salary freezing in those economic sectors of DC where there is an intensive use of manpower (textile, footwear, intermediate range of computer science...). The problem posed with "social dumping" is as complex as controversial and it is used as a neoprotectionist weapon by D.C. Indeed, although it is certain that the salary costs are limited in UC and it implies an additional margin of competitiveness in their exports it is not less important to verify that such margin could make up for the low productivity of economies disjointed and pressed by a wide army of reserve of work force. It is also debatable that the gravitation of the problem on unemployment and real wages levels in the importing country is crucial because in the industrialized economies of socially and politically vertebrated DC, the politico-economic approach depends, to a greater extent, on technological contributions, promotion of a home effective demand, reduction of uncertainty in business and on the pressure of trade union organizations.

Thirdly, the topic of "eco-dumping" puts the emphasis on the practices of unfair competition of a production aimed at exportation and with a structure of costs which does not take into count those that take place due to the deterioration of the productive environment, in a general sense, from the environmental pollution to the exhaustion of non renewable resources. In this respect, the main problem consists not only of the diagnosis, but also in establishing the adjusted approach to deal with a component of the competitiveness of UC exportations in accordance with an environmental code of the world trade without becoming a weapon of hidden neoprotectionism, discretionally used by the DC by means of punishment actions (compensatory rights, quantitative restrictions...) or as an international financial speculative weapon (cf., GARCIA MENENDEZ, 1993b).

In the next sections we will refer more widely to those mentioned topics of fragmented globalization, neoprotectionism and practices of social and environmental "dumping", with the aim of critically backing up the object and the misinterpretation of topics of authority opinions, even those of intellectuals such as Noam Chomsky.

There is an interpretation of the world economy of wide political and academic acceptance that consists of considering the triangular organization of international trade and finances as a fact of the analyses of international economic policy. Indeed, either due to an excessive simplification of the available empiric information or to the repercussion of works as those of OHMAE (1991) or THUROW (1992), a view of Europe-U.S.-Japan "triad" was consolidated as the focal point under which the future commercial wars will be fought.

Nevertheless, the appearance of new transnational actors and the increase of uncertainty in new scenarios of international economy constitute two phenomena that question the topic not only about the exclusive power of polarization of those three mentioned vertexes, but rather on the politico-economic stability of the mentioned "triangulation".

First of all, we are witnessing an increase in the number of gravity centers in international economy with the consolidation of the economies of Southeast Asia of recent industrialization, both those known as "dragons" (South Korea, Taiwan, Hong-kong and Singapore) and the main members of ASEAN (Malaysia, Indonesia, Brunei...). In the second place, the external opening-up of China P.R. has given a strong impulse to the incorporation Chinese foreign trade to the world market in the last years (cf., OBORNE, 1986; and BURKI, 1988).

In this way, the growth of Chinese GNP to accumulative rates of 8-10% from 1980, has not only had repercussions on its global product but rather, with all the significance of international economic policy, the ascent of a surprising economic and demographic power is presented (with growth rates of the internal product, in 1992, around 13%) that consolidates the commercial area of the Pacific Ocean.

This fact represents a special mutation from the traditional "triad" to a peculiar "quartet" that also modifies the type of integration of Asian economies in the world market substantially because they attract the biggest percentage in trade and direct investments. According to *1993 Economic Report* of the International Monetary Fund, as a fact of great expressiveness, the stock market activity of Hong-Kong, South Korea and Taiwan in 1993 (close to 500,000 millions US\$) was similar to the combined activity of France and England in the same year. It is also necessary to identify that the denominated Economic Area of China, formed by China P.R., Hong-Kong and Taiwan, is considered by the World Bank as "fourth pole of world growth" (WORLD BANK, 1994, p. 10).

The impact of this fragmentation on the globalization process of international economy is even more important if the production of goods and services of China Economic Area were evaluated according to standardized international prices instead of the official exchange rates that are, without doubt, in obvious disagreement with real exchange rates. Using homogenous approaches of evaluation and accounting, a forecast for the gravitation of China Economic Area on the world economy, in the year 2000, can be sustained with a similar GDP to that of U.S. and higher than that of Japan and Germany, but –as a contrast– with a per capita income five times lower than the level of that index in any of the three compared cases.

Another case of fragmentation the globalizing trend of international economy lies in Central Europe. As in the case of the Pacific Ocean, there exist regionalization patterns superimposed to certain transborder areas with disparate partners, both in terms of development degree and political system.

This trend towards the fragmented globalization of international economy requires a more complex reading than the verification of the different faces of the transnational economic power carried out by N. Chomsky. In this way, as H. M. Enzensberger affirms, "it is beyond any doubt that the world market, since it stopped being a distant image and became a global reality, produces less winners and more losers every year, and that not only in the third or the second world, but also in the high centers of capitalism. There, there are countries and even whole continents that are abandoned and excluded from the international exchanges; here, there are also bigger and bigger sectors of population that, in everyday harder competition for qualifications, cannot continue and fall down ..." and the author of *The great migration* concludes in a pessimistic way, "... in that collective violence is not another thing that the desperate reaction of losers to their hopeless economic situation."

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