WHY ARE WE STILL ARGUING ABOUT GLOBALISATION?*

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Abstract: This paper addresses the following question: why are we still arguing about globalisation? It analyses the recent evolution of debates relating to the impact of globalisation on poverty and economic growth in developing countries. A stock-take of selected cross-country econometric research is made and the 'battle-lines' drawn between globalisation 'rampants' or 'spikeys' - those who are unequivocally pro-globalisation and globalisation 'sceptics' or 'fluffies' - those who find little or no evidence of the benefits of globalisation and are concerned about adverse impacts. Features of the literature are noted to inform the following section that focuses on how two large bodies of opposing 'evidence' can co-exist. Finally, in light of conceptual and methodological muddles, the historical experience of development in East Asia - a major 'battleground' in globalisation debates - is revisited.

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1. INTRODUCTION: THE NATURE OF ARGUMENTS

Over the last two decades, since the resurgence of neo-liberal economic policy and the end of the Cold War, contemporary globalisation has become a central concern to academics, policy makers, the donor community, non-governmental organisations and protesters alike (see for example, Beynon and Dunkerley, 2000; Bircham and Charlton, 2001; DFID, 2000; Oxfam, 2002). Further, it has triggered regular large-scale demonstrations at international meetings (Seattle, Prague, Genoa and Cancun) and widespread simmering protests across the developing world, known as 'IMF-riots' (WDM, 2003).

It is largely accepted that contemporary globalisation, in it's economic form at least, can be defined as international economic integration and that this is pursued through policies of economic 'opening' - the liberalisation of trade, investment and finance, leading to an outcome of economic 'openness' (see for example, George, 2001, p. 11 or Khor, 2001, p. 7 or World Bank, 2002, p. 23). However, on the question of whether such economic integration is good or bad for economic growth and poverty reduction in developing countries there is precious little in the way of a matching consensus despite an enormity of academic output on the subject. Amongst scholars, it has produced tens or perhaps hundreds of thousands of journal articles, books and conference papers and in universities world-wide it is now a component of most, if not all, undergraduate and postgraduate teaching in development studies, economics and more generally in the social sciences.

So, in light of extensive research, why are we still arguing about globalisation? This question is the focus of the following discussion. A stock-take of selected recent econometric work is made and compared and contrasted across the fault line of globalisation 'rampants' or 'spikeys' - those who are pro-globalisation versus globalisation 'sceptics' or 'fluffies' - those who find little or no evidence of the benefits of globalisation. This demarcation is not meant as absolute and should be taken with some caution - many studies are nuanced (as is discussed), the categorisation merely serves to frame the debate and draw out conceptual and methodological issues.[1] It is worth noting that Ravi Kanbur's (2000) *Nature of*

[1] The interpretation and categorisation is that of the current author and sincere apologies are offered to those listed if they feel misaligned. The criteria for the demarcation was whether the study presented evidence that led writers to conclude economic globalisation was unequivocally good for growth or poverty ('rampants' or 'spikeys') versus those who presented studies that found little or no evidence ('sceptics' or 'fluffies'). It is worth emphasising that the 'sceptics' listed are not necessarily anti-

Disagreements has a strong resonance here - Kanbur summed up the policy debate between a group from the 'mainstream' or 'orthodox neo-liberal' perspective, labelled by Kanbur and utilised in Wade (2001) as 'finance ministry'. These have been opposed by a group of detractors or protesters from a 'non-mainstream'/'non-orthodox' perspective, labelled by Kanbur as 'civil society'.[2] The globalisation 'rampants' share solidarity with the 'finance ministry' group, whilst 'sceptics' might find more solidarity with the 'civil society' group.

The discussion below focuses solely on cross-country econometric studies (rather than livelihoods work for example), because these studies are typically used to provide generalisable conclusions on policy and furthermore because such studies have a significant influence in international policy debates (Oxfam, 2002, p. 128). The outlining of selected recent work informs the following section which identifies reasons why we are still arguing about globalisation. The question is posed - how can two significant bodies of contradicting 'evidence' on globalisation co-exist? Ten reasons are identified - five conceptual and five methodological. Finally, in light of conceptual and methodological muddles, the historical experience of development in East Asia - a major 'battleground' in globalisation debates - is revisited.

2. WHO'S ARGUING? A STOCKTAKE OF RECENT WORK

Taking the most recent work - that of the last five years (or post-Seattle, 1998), Table 1 lists selected cross-country econometric studies on the impact of trade, finance/capital account and investment 'openness' on economic growth and poverty in developing countries. The globalisation 'rampants' are particularly associated with

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globalisation; rather, they are unable to prove the benefits in data and even the chief 'rampant' protagonists, David Dollar and Aart Kraay, erred some caution in the interpretation of their findings (2001, p. 5). It is accepted that the categorisation presented in this article is somewhat crude but it nevertheless sums up debates and caveats can and are added. In this paper the 'rampants' or 'spikeys' are, in general, militant, unapologetic and adamantly support the hypothesis that globalisation is good for growth and good for poverty reduction. In contrast, the 'sceptics' or 'fluffies' are unconvinced, concerned about adverse impacts and argue any benefits are largely dependent on additional factors such as human capital or the initial level of income. The terms 'spikeys' and 'fluffies' were also largely used by the media to distinguish between militant (the former) and non-militant (the latter) protesters.

[2] The *finance ministry* group consist of those working in finance ministries as well as economic analysts, Anglo-Saxon trained academics, economic policy managers, operational managers of the IMF and World Bank and the financial press. In contrast, the *civil society* group consist of those working in NGOs, the United Nations agencies, aid ministries in North, social sector ministries in South and non-economist researchers. Although there is broad consensus on defining poverty as beyond income, the importance of public goods and pragmatism over the role of the state, there are several important areas of contention. Firstly, on whether markets are perfectly competitive or characterised by power relations

two studies of World Bank staff - David Dollar and Aart Kraay - *Growth is Good for the Poor* (2000) and *Trade, Growth and Poverty* (2001), both of which argue globalisation is good for growth and the poor and both of which were launched with a fanfare (Wade, 2001, p. 1440, fn. 3). Much controversy was made by Dollar and Kraay's (2001, p. 10) argument that 'globalisers' (countries that were more open) grew at 5% a year on average in the 1990s in comparison to 'non-globalisers' (countries less open) that grew at just 1.4% per year on average in the same decade.[3]

Table 1. Selected post-1998 cross-country econometric studies on the impact of globalisation on economic growth and poverty

	'Rampants' or 'spikeys'	'Sceptics' or 'fluffies'
Does 'openness' have a positive impact on economic growth?		
Trade	Dollar and Kraay (2000; 2001) Edwards (1998) Frankel and Roemer (1999) Irwin and Tervio (2002) Mbabazi *et al*. (2002)	Greenaway *et al*. (2002) Hertel *et al*. (2003) Milanovic (2002a)
Financial/ Capital account	Bekaert et al. (2002) Bosworth and Collins (2000) Klein and Olivei (2000) Levine (2000)	Arteta et al. (2001) Chanda (2000) Edison et al. (2002b) Edwards (2001) Kraay (1998) Milanovic (2002a) O'Donnell (2001) Rodrik (1998)
Investment	Borensztein et al. (1998) Cuadros *et al*. (2001) DeMello (1999) Dollar and Kraay (2001) Lensink and Morrissey (2001)	Carkovic and Levine (2002) Milanovic (2002a)
Does 'openness' have a positive impact on poverty reduction?		
Trade	Dollar and Kraay (2000; 2001) Santarelli and Figini (2003) Wei and Wu (2002)	Agénor (2002) Hertel *et al*. (2003) Lundberg and Squire (1999)
Financial/ capital account	Eichengreen (2001)	Agénor and Aizenman (1999) Wei and Wu (2002)
Investment	Dollar and Kraay (2001)	Agénor (2002) Santarelli and Figini (2003)

The 'sceptics' or 'fluffies' are associated with, amongst others, academics, Francisco Rodriguez and Dani Rodrik's (2000) critique of mainstream trade research, *Trade*

and imperfect information, secondly on aggregation versus differential experience and thirdly on the time horizon that matters most. For greater detail see Kanbur (2000).

[3] Thus echoing the famous Sachs and Warner (1995) assertion that 'openness' adds 2.5% to growth per year. Milanovic (2002b, p. 18-19) noted the inclusion of China as a 'globaliser' is the deterministic decision, adding that it was somewhat ironic to use a communist country (where a third of output is produced by state owned companies - virtually the highest in the world) to justify a market-led liberalisation strategy. Additionally, while it is true average tariffs were reduced by a greater amount in relative terms in the 'globalisers' (22% compared to only 11% in the 'non-globalisers'), in absolute terms Dollar-Kraay's 'globalisers' actually had higher tariffs (57% falling to 35%) than the 'non-globalisers' (31% falling to 20%). Oxfam (2002, p. 130) retorted that if population unweighted income data were utilised, 'globalisers' grew only an average of 1.5% a year in the 1990s versus the 'non-globalisers' average annual growth of 1.4% in the same decade, almost half of the 'globalisers' grew at less than 1% and a third of 'globaliser' countries recorded average growth at less than the 'non-globalisers' group.

Policy and Economic Growth: A Sceptic's Guide to the Cross-National Evidence, Rodrik's (2001) critique of *Trade, Growth and Poverty* and (another World Bank economist) Branko Milanovic's (2002a) *Can We Discern the Effect of Globalisation on Income Distribution?* and (2002b) *The Two Faces of Globalisation: Against Globalisation as We Know It.*

Three general features of the selected literature in Table 1 are notable: firstly, cross country econometric studies have been presented to support both 'rampants' and 'sceptics'. For example, the 'openness' of trade is unequivocally good for growth (Dollar and Kraay, 2000; 2001; Frankel and Roemer, 1999; Irwin and Tervio, 2002; Mbabazi *et al.,* 2002) versus the 'openness' of trade is not necessarily good for growth (Greenaway *et al.,* 2002; Hertel *et al.,* 2003; Milanovic, 2002a). However, in contrast to growth and 'openness', poverty and 'openness' suffers from a very limited body of literature overall (Winters *et al.,* 2002). Few studies consider poverty beyond income (one example is Wei and Wu (2002) that considers life expectancy and infant mortality) and many studies assume what is good for growth is good for the poor.[4] Secondly, belief that one form of 'openness' - trade - is good for growth does not automatically lead the author to take the position that another form of 'openness' - financial integration is good for growth (see for example, Dollar and Kraay, 2001; Kraay, 1998; Edwards, 1998; 2001) or the poor (see for example, Santarelli and Figini, 2003 or Wei and Wu, 2002).[5] Finally, a number of studies, although categorised into the 'sceptic' or 'rampant' for the sake of this characterisation, do add dependent factors - for example, the benefits of foreign direct investment on growth are related to the level of human capital (see for example, Borensztein *et al.,* 1998 - although others find no evidence to support this - see Lensink and Morrissey, 2001) or that the short run and long run effects of trade liberalisation differ (Greenaway *et al.,* 2002; Hertel *et al.,* 2003) or that impacts on poverty are related to the level of average

[4] Whilst in general it is accepted that growth in average incomes is good for raising the income of the poor (as Dollar and Kraay, 2000 argued), there is an extreme heterogeneity of country experience and the area is still highly controversial and much remains unexplained and unclear (White and Anderson, 2001, p. 27). For a review of this poverty and growth debate see Sumner (2003a). The poverty related issue of inequality has also had differing empirical findings: some have argued intra-country inequality is increasing (Cornia and Court, 2001; Cornia and Kiiski, 2001; Milanovic, 2002b) as is international inequality (Korzeniewicz and Moran, 1997; Milanovic, 1999). In contrast, others have provided opposing studies - that intra-country inequality has been relatively stable over time with the significant exception of transition countries (Deininger and Squire, 1998; Dollar, 2001) as has international inequality (Dowrick and Akmal, 2003; Sala-i-Martin, 2002).

[5] Even 'rampant' pro-free traders such as Jagdish Bhagwati (1998) have noted the evidence that purports to prove trade liberalisation is unequivocally good for growth is absent in financial liberalisation.

incomes (Agénor, 2002; Milanovic, 2002b) or the time horizon and sectoral characteristics of households (Hertel *et al.*, 2003).

In summing up recent globalisation debates, what is most notable is that growth, and poverty have had 'evidence' put forward to support both the 'rampant' and 'sceptic' perspective. The question then follows - how is it possible that significant bodies of literature which hold contradictory findings co-exist?

3. WHY ARE WE STILL ARGUING? TEN REASONS

Ten reasons - five conceptual and five methodological (some overlapping) can be identified to explain why two opposing groups of research exist and why we are still arguing about globalisation. The conceptual reasons that can be identified are as follows: (a) differing conceptual points of departure on the quantification of globalisation as 'openness' or economic integration that confuse policies and outcomes; (b) differing conceptual points of departure on the time period in question; (c) differing conceptual frameworks; (d) differing incorporation of the heterogeneity of country, household and intra-household experience, and (e) differences in conceptual emphases and/or conceptual gaps in analysis. The methodological issues that can be identified include: (a) issues relating to the quality of the database; (b) the issue of 'data mining' versus data analysis; (c) the isolation of effects and omitted variables; (d) the direction of causation, and (e) the presentation of the strength of weaker associations. Less emphasis is spent on these methodological issues in the discussion below as most are reasonably well known.

Taking the conceptual issues first, then arguably the most important point is that different studies measure the conceptual point of departure (globalisation) in various ways. Typically, the definition of globalisation is as outlined above economic 'openness' (see for example, Dollar and Kraay, 2001). As is well documented (Pritchett, 1996; Oxfam, 2002; Rodrik, 2001), the quantification of 'openness' is highly contentious and measures are (at best) 'dirty' proxies that capture the multi-dimensionality of globalisation in only a uni-dimensional and limited way.[6] There are a plethora of proxies and different studies use different measures. Not only must polices (such as tariffs and non-tariffs) be aggregated into a single index, there are

[6] The recent innovation of the AT Kearney/Foreign Policy Index of globalisation attempts to bring together 13 variables under the four areas of economic integration, technology, political engagement

also further issues of the credibility and enforcement of the regime itself that further complicates quantification matters (Winters *et al.*, 2002, p. 8).

The most common means (see Dollar and Kraay, 2001 for example) of quantifying trade 'openness' is the share of trade in GDP (trade volumes) and/or average tariffs on imports or frequency of tariffs on imports and/or the coverage/frequency of non-tariff barriers on imports (using methodology developed by Barro and Lee, 1994). Trade volumes are readily available data, but an outcome proxy over which governments have little control and can be maximised through diverging policy - protectionism and liberalisation (Bairoch, 1997). In contrast, tariff and non-tariff measures are more contentious to quantify but are a policy measure over which governments do have control. This separation of policy and outcome measures of openness can be traced back at least to Baldwin (1989). It is made even more important if there is a question mark over the correlation between the two - as may well be the case for trade tariffs and trade volumes (Dollar and Zoido-Lobaton, 2000).

Clearly, research that informs policy making is preferable, but the concepts of globalisation and liberalisation have been used interchangeably despite the former being an output or outcome and the later an input or policy. Studies that support globalisation, in general, have been based on outcome measures (such as trade volumes) whilst those scholars who are 'sceptics' have tended to take their conceptual point of departure as proxies of policy (such as trade tariffs). Other measures have been proposed for trade, however none (yet) fully captures the full range of various trade policy instruments such as changes in tariff and non-tariff barriers and the range of export support policies.[7]

In terms of financial and investment 'openness' the issues are very similar - in many studies financial 'openness' is measured as a policy (the financial regime) but as the outcome, financial depth, quantified as the broad money aggregate, M2 as a percentage of GDP (see Milanovic, 2002a for example). Investment 'openness' is

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and personal contact. For details see Kearney (2003). The index has not been used in widespread academic literature to date.

[7] Other measures of trade 'openness' include *the trade distortion index* and related *structure-adjusted trade intensity measure* - the deviation of trade volumes from the expected value based on theory (the former) and structural factors (the later); *the Sachs-Warner Index* (1995) - an index of 0 (open) or 1 (closed) based tariffs, non-tariff barriers, state export monopolies, black market premiums and whether the country was a socialist country; the IMF's *trade restriction index* - average tariffs, non-tariff coverage and export taxes; measures of *price distortion* - the deviation of price levels from values expected by purchasing power parity adjusted for income levels (this assumes trade restrictions raise prices) and Oxfam's (2002) *trade liberalisation index* - a combination of the speed of reform - measured by the three year period in the 1990s when average tariffs fell fastest and the depth of reform

quantified not as policy (the investment regime) but as an outcome such as estimated gross stock of foreign liabilities as a share of GDP (as calculated by Lanc and Milesi-Ferretti, 2001) or the (related) stock of foreign direct investment over GDP or gross capital formation (see for example, Santarelli and Figini, 2003). However, these all fail to capture changes in policy or inputs and can be maximised through both financial or investment liberalisation and financial repression or investment restrictions (Arestis and Demetriades, 1997; Demetriades and Luintel, 1998).

No measure fully captures the policy bundle of financial and capital account liberalisation policy - the easing/abolishing of rate of interest ceilings, the reduction of reserve requirement ratios, the reduction or removal of entry barriers in the financial sector (especially for international banking and finance institutions), the reduction or ending of state credit allocation and direction, and the privatisation of state banks and financial institutions and external financial liberalisation - the reduction or removal of restrictions on the freedom of capital movements, both inflows and outflows. The same is true of investment liberalisation - no measure adequately captures the various policy measures - the guaranteeing of most favoured nation and national treatment and changes to sectoral restrictions or insistence on performance requirements and joint ventures.[8]

In addition, there are also differing conceptual points of departure on the time period in question. Some studies use the baseline of 1980 (such as Rodrik, 1998) or before (Chanda, 2000) or the 1990s (such as Klein and Olivei, 2000; Reisen and Soto, 2001). None is perfect - the earlier date includes years of social and economic development in the planned economies, whilst the later date ignores much of the introduction of global forces through structural adjustment and liberalisation programmes. Thirdly, there are differing conceptual frameworks in different studies. As noted before, Kanbur's *Nature of Disagreements* is well illustrated - studies

- measured by the IMF's *trade restriction index* and the change in absolute tariff levels. For greater discussion of measuring trade 'openness' see Pritchett (1996).

[8] Other measures of financial 'openness' include firm's access to credit, stock market capitalisation as a percentage of GDP, non-direct investment capital inflows as a percentage of GDP (or total capital formation), directed credit as a percentage of total credit, the real rate of interest, official restrictions on capital flows as reported to the IMF by national authorities (Prasad *et al.*, 2003), various interest parity conditions (Frankel, 1992) and savings-investment correlations. For greater discussion of measuring financial 'openness' see Gemech and Struthers (2003, p. 9-10). In terms of investment 'openness' it might be more appropriate to use the current flow of foreign direct investment - this is at least an indicator government policy can attempt to influence. UNCTAD (2002) has been developing two further measures - *the inward FDI performance index* - the ratio of a country's share of global FDI flows to its share of global GDP and the *inward FDI potential index* - a measure of the attractiveness of a country to FDI in terms of education, infrastructure and political risk. For greater discussion of measuring investment 'openness' see Sumner (2003b).

supporting ‘openness’ (such as Dollar and Kraay, 2001) tend to be based on aggregate experience, the long run and perfectly competitive markets despite observed non neutral distributional impacts of policy reform, adverse short run impacts and imperfect labour mobility. In contrast, studies that are sceptical are often based on disaggregated experience, the short and long run and imperfect markets. These points was central to Kanbur’s *Nature of Disagreements.* [9] The fourth reason is that there are differing incorporation of the heterogeneity of country, household and intra-household experience. What matters - the average or the non-averages? Studies based on average experience (such as Dollar and Kraay, 2000; 2001) tend to support trade ‘openness’, even if there are a large number of losers, providing there are more winners than losers. Those studies based on variations amongst households and within poor households (such as Hertel *et al.,* 2003) tend to be more sceptical about the benefits of globalisation. Finally, there are differences in conceptual emphases and/or conceptual gaps in analysis. For example, studies based on the impact of globalisation on production are more positive than those that incorporate consumption as well (such as Hertel *et al.,* 2003) because the poor, in particular, may be a net loser from trade liberalisation if it raises prices of staple foodstuffs or fuel and they do not produce these. There is a further issue that studies may differ in emphasis - for example, with regard to trade, import liberalisation has a far larger impact on poverty and growth, especially in the short run compared to export liberalisation (see for example, Cuadros *et al.,* 2001). Whilst with regards to the ‘openness’ investment and finance, analysis of inflows (and sometimes outflows triggered by liberalisation) is likely to lead to differing conclusions to studies that incorporate ‘non-flows’, i.e. the side-effects and impact on growth and poverty of maintaining openness. In financial ‘openness’ this may include higher rates of interest than may be desirable, misallocation of savings, increased likelihood of financial crisis and that fact that government socio-economic policy may be constrained by openness and vulnerability to capital flight (Burkett and Dutt, 1991; Demirguc-Kunc and Detragiache, 1998; Grabel, 1995; 1996).

In terms of methodological reasons for disagreements over globalisation, the arguments can be stated much more briefly as many have been stated previously by authors. They include differing databases and differing choices over data selection that can make significant differences. There are large gaps in the availability of social

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[9] Additionally, outside of purely econometric work, Kanji and Barrientos (2002) argue that the evidence supporting trade liberalisation, for example, is largely based on macro, cross-country regressions whereas micro and livelihoods analysis of case studies find non-supportive conclusions.

and economic data, a lack of time series for many countries and the quality and consistency of even what is available is questionable (White and Anderson, 2001). The source of data can also make a great deal of difference. For example, when Deaton and Miller (1995) took GDP purchasing power parities (PPP) data from two sources (one was the IMF) the correlation was less than 0.5 and it is well known that if GDP growth is expressed in local currencies it will be higher than if it is expressed in dollar PPP (Kenny and Williams, 2001). Additionally, there are the issues of 'data miner' versus 'data analyst' as discussed in White (2002, p.512) - a data-analyst lets the data tell the story whereas the 'data-miner' digs for data until s/he finds it. White (2002) noted that the perceived stronger relative validity of economics comes from the perception that because economics is commonly quantitative it is therefore 'rigorous' and 'objective', whilst other social sciences disciplines are prone to being methodological 'soft' by utilising qualitative or subjective or non-rigorous means. White goes on to argue that not only do non-economists use quantitative methods but economists themselves are not immune from subjectivity (in choice of underlying assumptions for example) and an imperfect application of rigor in the methods of some studies.

Finally, three other reasons can be identified for differing results - the isolation of effects and omitted variables, the direction of causation, and presentation of the strength of weaker associations. Isolating effects and omitted variables are major problems, although addressed in econometric methods, studies deal with these issues in differing ways and it is especially a problem for globalisation assessment as there is likely a strong cross-correlation between different growth policies (trade and low inflation is one noted by Dollar and Kraay, 2001, p. 5). The direction of causation (endogenity) is a further case noted by both Dollar and Kraay (2001, p. 15) and Rodrik (2000, p. 4): does 'openness' come before growth, as forwarded in Sub-Saharan Africa, or after growth, as actually recorded in China and India (Milanovic, 2002b; Rodrik, 2001)? Finally, a number of studies report what are relatively weak associations that become trumpeted as more significant that they are in reality (as argued of Dollar and Kraay, 2000 by Weisbrot *et al.*, 2001).

Where does this leave debates? Given the differing conceptual and methodological approaches and opposing bodies of literature, what can be extracted from history? The East Asia 'miracle' and crash have become somewhat of a focus (or battleground) for globalisation debates. Protagonists are split over whether globalisation and 'openness' were causal factors of the 'miracle' and 1997/8 financial crash. As the one region of the world that has certainly seen economic and social transformation over the last thirty years with international integration, the policies followed are of interest.

4. GLOBALISATION WITH OR WITHOUT LIBERALISATION? ARGUING OVER EAST ASIA

The countries of East Asia had become commonly known as the 'miracle' economies by the early 1990s and were routinely praised by donors (see for example, World Bank 1991; 1993). In East Asia and the Pacific as a whole, gross domestic product grew by an average of 8-10% per annum between 1980 and 1995; total GDP increased ten-fold; the number of people living under the dollar-a-day poverty line fell from 716.8 million in 1975 (or 58% of the total population) to 345.7 million in 1995 (or 21%), life expectancy rose from 59 to 69 years and infant mortality halved from 76 to 34 per 1,000 live births (World Bank, 1998a, p. 75).[10]

Globalisation 'rampants' have suggested East Asian success was based on 'openness' to trade, finance and investment (Bhagwati, 1978; Krueger, 1978; Lal and Rajapatirana, 1987). In contrast 'sceptics' have noted the protectionism that shaped trade, finance and investment over the period (Amsden, 1989; Chang, 1994; Wade, 1990) and the fact that many of the policies now conflict with World Trade Organisation rules (Oxfam, 2002, p. 146). Additionally, globalisation 'sceptics' have blamed the 1997/8 crash on 'too much globalisation' - excessive financial liberalisation (Stiglitz, 1998; World Bank 1998a; 1998b). In contrast, globalisation 'rampants' attribute the collapse to 'too little globalisation' and markets 'not being allowed to work well enough' because of cronyism and bad economic management (IMF, 1998; Krugman, 1998).

What is accepted by both sides is that *international* (i.e. global) trade and *international* investment played a major role in both the 'miracle' and the crash, although the extent to which either was pivotal is disputed, as are the costs and benefits. What is not agreed is whether East Asia followed a market or globalisation-

[10] It is worth noting that despite this very positive picture a number of caveats are instructive. These not only include the high levels of political repression and human rights abuses (see for example, Amnesty International, 1995; Ogle, 1990; Simons, 2000), environmental destruction (see for example, Bello and Rosenfeld, 1991) and corruption (TI, 1996), but also question marks over social data in particular - changes to poverty line calculations, clustering of households only just above the poverty line, the uneven distribution of social and economic development across geographical regions, urban-rural and gender and expenditure quintiles and weak non-income poverty data (see for example, Sumner, 2002).

friendly model of development. Most, if not all, East Asia international regimes in trade, finance and investment were restrictive until the late 1980s. The period could be labelled as 'globalisation without liberalisation' - trade was global but not liberal, investment was to a certain extent global but many sectors were restricted and there was very strong evidence of financial repression. All of these were noted in World Bank's (1993, p. 88) (in)famous *'The East Asian Miracle: Economic Growth and Public Policy'*. In contrast, the late 1980s-95 period saw entry to the General Agreement on Trade and Tariffs (GATT) in most East Asian countries, the formation of the Association of South-East Asian Nations (ASEAN) trade and investment block and sweeping liberalisation programmes in East Asia that accelerated in the late eighties and early 1990s with the exception that investment regimes did not match the gusto given to trade and financial liberalisation (see for example, Hill, 1996; Johnstone *et al.,* 1997). The later period could be labelled as 'globalisation with liberalisation' - trade was global and liberal, as were finance and to a certain degree investment.

The above points can (crudely) be seen in the economic data. All East Asian countries have been globalised for some time but were only liberalised in the 1990s. Table 2 shows Indonesia, Malaysia and Thailand had significant and rising amounts of trade, stock foreign direct investment and M2 as percentages of GDP over the period 1975-1995. Trade as a percentage of GDP increased by a quarter in Indonesia and more than doubled in Malaysia and Thailand; the stock of FDI/GDP tripled in Thailand and doubled in Indonesia and increased significantly in Malaysia; and M2/GDP quadrupled in Indonesia and doubled in Malaysia and Thailand. Overall, quite a remarkable transformation in terms of these three countries' international economic integration. It is worth noting that before liberalisation trade, FDI and M2 as percentages of GDP were already significant with the exception of FDI in Thailand and the stock of foreign direct investment and financial depth actually expanded at faster rates in the protectionist periods: in Indonesia, FDI stock/GDP tripled over the same period but actually declined in the 1990-1995 period and M2/GDP tripled in the eighties but rose relatively little in the 1990-1995 period. Similar observations can seen in Malaysia and Thailand. However, on trade, all three countries saw trade/GDP rise in the 1970s and fall in the mid-1980s before rising again - consistent with the notion that both trade liberalisation and protectionist regimes can lead to increases in trade/GDP.

These (outcome) data are reconcilable with the countries being globalised, but how liberalised were policy regimes? In terms of trade, there is little evidence of liberal regimes; in fact, high effective rates of protection in East Asian economies have been noted (see for example, Bhattacharya and Pangestu, 1993; Salleh *et al.*, 1993; Sakong, 1993). Table 2 shows some of these policy indicators. Trade policy is measured by the coverage of import tariffs (% of total). Investment policy is measured by yearly FDI flows as a percentage of GDP (a highly imperfect measure of removing restrictions to FDI but consistent with a liberalisation policy) and financial policy regime is judged on real rates on interest. The data show differing time lines. For example, trade liberalisation can be observed in Indonesia over the period 1990-5 (the percentage coverage of import duties halves), whereas in Thailand and Malaysia import duties are falling before 1990. In contrast, import duties are largely static during the 1980s (although Indonesia lacks data). Data on FDI flows is somewhat inconclusive - as a percentage of GDP all rise dramatically in the late 1980s but then decline. However, the figures of real rates of interest clearly show financial repression in the late 1970s and early 1980s with negative rates (some very high) in all three countries.

Table 2. Selected East Asian countries: indicators of 'openness', 1975-1995

	1975	1980	1985	1990	1995
Outcome proxies					
Trade as a percentage of GDP					
Indonesia	45.0	54.4	43.5	49.9	54.0
Malaysia	86.8	112.6	104.7	150.6	194.8
Thailand	41.3	54.5	49.2	75.8	89.6
Foreign direct investment (stock) as a percentage of GDP					
Indonesia	na	13.2	28.6	34.0	25.0
Malaysia	na	20.7	23.7	24.1	32.9
Thailand	na	3.0	5.1	9.6	10.4
M2 as a percentage of GDP					
Indonesia	12.9	13.2	21.2	33.9	42.9
Malaysia	40.2	46.1	61.2	63.1	78.8
Thailand	31.6	34.5	53.5	62.7	73.3
Policy proxies					
Trade import duties (% coverage)					
Indonesia	na	na	4.3	6.3	3.3
Malaysia	9.4	9.0	8.7	4.8	3.1
Thailand	14.1	11.1	13.4	11.7	8.2
Foreign direct investment (flow) as a percentage of GDP					
Indonesia	1.5	2.3	3.6	9.6	2.2
Malaysia	3.6	3.8	2.3	5.5	4.7
Thailand	1.5	2.1	4.2	2.9	1.2
Real rate of interest (%)					
Indonesia	-10.3	-13.0	12.7	12.2	8.2
Malaysia	-2.7	-4.1	13.3	4.1	2.4
Thailand	-8.4	4.0	13.6	8.2	6.8

Sources: UNCTAD (2000) World Bank (2001)

Notes: (i) For technical notes and definitions see UNCTAD (2000) World Bank (2001); (ii) Real rate of interest data for 1975 data refers to 1974 and that presented for 1980 refers to 1979; (iii) na = not available

What can be said on globalisation and the 1997/8 crash in East Asia? It is true there was wide-ranging financial and capital account liberalisation across the region in the 1990s (for details see Jomo, 1998; Pincus and Ramli, 1998). This was followed by a large increase in non-FDI private capital inflows - in Indonesia two-thirds of total inflows were portfolio investment and loans, and in Malaysia and Thailand three-quarters were non-FDI leading to the situation whereby (facilitated by financial liberalisation) half of total investment in Malaysia and a fifth in Indonesia and Thailand was vulnerable to capital flight (based on data from ADB, 2001).

East Asia saw rapid development and international linkages were evident - making the region's experience relevant to globalisation debates. What lessons can be drawn for the globalisation debate from East Asia's experience? Firstly, globalisation and liberalisation are not synonymous - for example, a country's investment can be globalised without being liberalised. Secondly, liberalisation can lead to increased globalisation, but there is no guarantee of this - some of the globalisation indicators fell or decelerated after liberalisation and finally, globalisation played a part in both the 'miracle' and the crash, although to what degree is still an area of contention particularly with regard to financial liberalisation.

5. CONCLUDING DISCUSSION AND WHAT WAY FORWARD?

What can be concluded from the above discussion and two decades of extensive work that has analysed the impact of globalisation on economic growth and poverty? Three sub-questions can be addressed individually: Are we still arguing about globalisation? To which the answer is - yes, we are still arguing but there is some consensus on caution over financial 'openness'. In contrast, debates over trade and investment 'openness' show a polarised picture. Secondly, why are we still arguing about globalisation? To which the answer is - primarily because we are arguing different phenomena - different studies assess either policy or outcomes. Globalisation 'rampants' tend to present work that shows globalisation or specifically 'openness' as an outcome has led to economic growth and poverty reduction. In contrast, globalisation 'sceptics' tend to present work that shows globalisation as a policy, specifically, 'opening' or liberalisation has not led to economic growth and poverty reduction. Furthermore, the research of the former group, like Kanbur's 'finance ministry' is based on aggregate, long run analysis and the work of the later, like

Kanbur's 'civil society group' based on a perspective that emphasises heterogeneous experiences and adverse short run impacts.

Thirdly, what can be done to move debates forward? Research would benefit from extending a strong and clear focus on policy, poverty and the linkages. Studies based on policy - what governments can influence - rather than outcomes - are preferable (even if, or perhaps because they have tended to be more critical). Studies in a larger number assessing impacts on poverty directly, rather than through growth would also be useful. Although there are a wealth of studies on the impacts of globalisation on growth, there is only limited assessment of the impact on poverty and very, very little on multi-dimensional poverty. Work on the poverty elasticity of growth might provide a useful bridging concept. If economic growth is shared then there is no need to depart from an unmitigated growth strategy but if this is not the case then different policies are required. Of interest is how liberalisation policy may influence the poverty elasticity of growth - if liberalisation leads to growth is in the capital intensive or in non-agricultural sectors the are ill-placed or immobile sectorally, geographically, or in education attainment to take advantage of the new growth whilst structural reforms at the same time may mean they suffer disproportionately from the loss of old opportunities such as state employment or agricultural protectionism. Of specific interest to policy makers are what has worked in the past? What liberalisation (or protectionist) policies have increased the poverty elasticity of growth? Finally, studies could more systematically address the linkages between policy and poverty - the 'poverty transmission mechanism'. What are the conceptual and empirical chains linking the two?

In sum, although conceptual and methodological problems remain - not least the database, three questions or 'golden eggs' might be identified to assist future directions. These are: what are the policy commonalties in 'openness' of countries with high and low poverty elasticities of growth? What are the impacts on the poverty elasticity of growth of various liberalisation policy changes? And finally, what are the transmission mechanisms linking poverty and liberalisation? If these 'golden eggs' could be 'laid' then there might be more consensus and less arguing about globalisation and it's impact. Certainly, the historical experience of East Asia - a major battleground in the globalisation debates - would suggest that the two concepts - globalisation (the outcome) and liberalisation (the policy) are not interchangeable and major successes in development are possible through globalisation without liberalisation.

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