



SPOTLIGHTS

LKI's *Spotlights* feature interviews with global thought leaders on aspects of contemporary international relations.

Globalisation and the Global South with Dr. Indra de Soysa

Interviewed by Malinda Meegoda*

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The Lakshman Kadirgamar Institute (LKI) recently interviewed Dr. Indra de Soysa, Director of the Globalization Research Program at the Norwegian University of Science and Technology in Norway, as part of the LKI Spotlight series. The LKI Spotlight series features interviews with thought leaders around the world, on key and emerging issues of international relations.

This interview focuses on the challenges of the globalisation process faces around the world with the rise of economic nationalism, and what developing countries such as Sri Lanka can do to increase their economic prosperity in this context.

Prof. de Soysa has a PhD in Political Science from the University of Alabama, US. Previously, he has worked at the International Peace Research Institute in Oslo and the University of Bonn in Germany. His research interests are primarily in the field of the political economy, and he has been published widely in top international journals, such as *International Organization*, *Journal of Conflict Resolution*, *Journal of Peace Research*, *World Development*, and *Social Science and Medicine*. Prof. de Soysa is a member of the Royal Norwegian Academy of Science and Letters, and serves on the editorial boards of several top international journals.

See below for a lightly edited transcript of the interview, featuring Dr. Indra de Soysa's responses to questions posed by Malinda Meegoda, Research Associate at LKI. The questions and other aspects of this interview are not the institutional views of LKI, and they do not necessarily represent nor reflect the position of any other institution or individual with which the parties are affiliated.

LKI: Globalisation is not a new phenomenon, and the process of integrating economies through global trade networks has gone through several different phases going back to the days of the [Silk Road](#). *Is the current phase of technology-driven globalisation irreversible in the light of trade war between the US and China?*

Prof. de Soysa: The trade war between the US and China is just a bump in the road. All trade arrangements have a lot of backdoor haggling. The amounts being discussed, such as 200 billion in tariffs are very tiny amounts compared to total global trade. The question of whether the US will play a leadership role has been put into some doubt given the very awkward way in which this administration is trying to deal with the world. Most of this so-called trade war is one man posturing to his support base. Most Americans will pay the price of this and recognise it for what it is. Globalisation and the forces driving it are far larger than the US. Its days of hegemony are ending fast.

LKI: Sixteen years ago, renowned economist, Joseph Stiglitz, published his influential book, [‘Globalisation and its Discontents,’](#) which sought to examine why globalisation was opposed by many in the Global South. It seems that this discontent has expanded to the developed world, and many commentators point to the rise of populism and economic nationalism as stark

indications of a popular revolt against the globalisation agenda. *What explains this rise of economic nationalism?*

Prof. de Soysa: Much of the backlash was informed by youth-led demonstrations against globalisation seen in places like Seattle. The very word ‘globalisation’ aroused passions among people for various reasons—fears of downward pressure on wages in rich countries, exploitation of the poor by big companies, and fears for the environment—a ‘race to the bottom.’

However, theory and empirical reality say something very different—Heckscher-Ohlin, Ricardo-Wiener-Samuelson type theories of trade tell us that capital in rich countries, the abundant factor, will gain from greater globalisation, while the poor (workers) in poor countries (the abundant factor) will gain from open trade. Careful empirical studies show that workers have gained—the poverty reduction in the last three decades have been unprecedented, and a person’s lifespan in the poor world has increased by 7.5 years, in the span of just two years. Contrary to those who saw it as a bad thing, global inequality has fallen in terms of the share of the global product accounted for by the poorer world. Unskilled workers in the rich world have been under pressure. But this dissatisfaction is aimed more at immigration and the free movement of labor (which only exists illegally). The success of globalisation is the cause of the insecurities of the developed world—a culturally-informed pathology of fear which is not based on any rational reasoning.

LKI: Developing countries are encouraged to increase their participation in global value chains (GVCs), and it is estimated that [GVCs](#), account for the two-thirds of the total volume of global trade. However, since these economic activities are largely restricted to a circulation of goods and services between affirms; *is entry into GVCs an opportunity for a country like Sri Lanka or a challenge? Will Sri Lanka benefit from entry into GVCs or will it be a challenge?*

Prof. de Soysa: Entering these value chains will give Sri Lanka many benefits, but as in any competitive environment, opportunities do not come without challenges. The challenges for Sri Lanka are many but we are quite resilient to take them up. First, we are located geographically in a very dynamic part of the world where two giants, India and China, are on the move. We have a strategic location in terms of ports and trading routes. We have English (although, it is quite eroded except for in the cities) as a major language. We do have good policies when it comes to the coverage of people with access to healthcare and education but these types of public goods could be even better.

However, we need to focus on upskilling, with far greater intensity if we are to join these GVCs in a meaningful way. We need to pay attention to liberalising financial markets, because there is quite a bit of rent-seeking going on in sectors such as financial markets where incumbents fear new entrants and competition and would prefer to keep these advantages. Focusing on human capital and infrastructure is critical. All the factors mentioned above are issues of

governance and here is where our biggest challenges lie. We must have the rule of law as a foundation of our entrepreneurial talent is to flourish.

LKI: Globalisation today is associated with concomitant developments in technology, commerce, and consumer goods. Some have argued that this progress has come at the expense of labor rights and the [environment](#). *How can governments, particularly those in developing economies, address these issues?*

Prof. de Soysa: The best thing for labour is to have jobs, good wages and good working conditions. Is this likelier through private sector activities conforming to global standards, or state sector activities which are moving up a one-way street heading towards steep cliffs? Look at our private sector companies such as MAS or Virtusa to see how these world beaters are operating. Governments must ensure minimum standards where peoples' safety and wellbeing are ensured, but they must be reasonable. The same goes for environmental standards. I don't think it is reasonable to think that commercial actors are automatically polluters or exploiters. Sweatshops exist and they must be held accountable to the local laws, but the greater the integration, the greater the value of brand names that will insure corporate responsibility because of bottom-line reasoning.

LKI: In an article that [you co-authored](#), you argued that the policy prescriptions of the International Monetary Fund (IMF) can have a positive impact on crisis-ridden states by curbing the excesses of the ruling majority and in turn, provide more space for ethnic minorities. *What would this imply for a country like Sri Lanka which has entered an [External Fund Facility \(EFF\)](#) program with the IMF?*

Prof. de Soysa: What we found in that paper is that blanket arguments made about the IMF's role in generating ethnic conflict was not correct. The opposite seemed to be true. One explanation of this is that financial crises where the IMF gets involved may shine a greater spotlight on the plight of a discriminated minority more than a case where the IMF was absent.

No one argues that the IMF can do much because states are the stronger party in these transactions, particularly after they get the money—the so-called time inconsistency problem. Internal politics is far more decisive here than access to a loan.

Further Reading

De Soysa, I., Jakobsen, T. G., and Holum, M. L. (2017) Free-Market Capitalism, Interpersonal Trust, and Trust in Political Institutions: A Multilevel Empirical Analysis, 1994–2014. *Journal of Globalization Studies*. Vol. 8 (2). Available at: <https://brage.bibsys.no/xmlui/handle/11250/2486437>

Furman, J. (2018). Nationalism, Immigration, and Economic Success. *Project Syndicate*. Available at: <https://www.project-syndicate.org/commentary/nationalism-immigration-economic-growth-by-jason-furman-2018-07>

Wignaraja, G. and Collins, A. (2018). The Future of Globalisation in Sri Lanka. *Lakshman Kadirgamar Institute*. Available at: <https://www.lki.lk/publication/the-future-of-globalisation-in-sri-lanka/>

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