

OECD-hosted exploratory senior-level meeting on
Mobilising Investment for Development
in the Middle East and North Africa Region

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"Globalization, Localization and Investment"

by

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Excellencies,
Ladies and Gentlemen,

I would like to thank Mr. Mehmet Ogutcu and his colleagues at the OECD for organizing this crucial meeting in our beloved Istanbul. I would also like to thank our hosts for their famous Turkish hospitality.

As we have precious 10 minutes, what I want to do in this brainstorming session is to try to target your minds with some controversial brain-teasers in short headlines, then, if they catch your interest, elaborate on them in Q&A session.

Firstly, our theme, Globalisation.

Simply put,

Globalism is "equilibrium". Theoretically, under pure global economic competition, rich communities would meet poor communities at the middle level.

-So Western **farmers and workers** will lose and they will protest globalization.

-Secondly, the **powerful and prosperous elite** of the underdeveloped, closed societies shall lose their privileges as their peoples open to the global community of free nations. So they will also be against globalization.

-Today, speed of globalization and its complications are so huge that no human brain can manage to cope with it.

-Things are getting out of control and this is what I would coin as **intellectual overstretch**, and it is disturbing and threatening.

-Industrial Revolution eased the need for **animal power**.

-Technological Revolution eased the need for **human muscle power**.

-Now, IT revolution is threatening white collar **brain power**.

-The unemployed banking and finance professionals are the precursors of massive layoffs in high-skilled services sector.

-**Middle classes**, the pillars of democracy of the industrialized countries caught in between the crossfire of **competition from the developing world** on the one side, and from **robots and IT** on the other, are eroding as unemployment climbs into 20 per cents. This trend may bring the end of the purchasing power of the West, lead to social upheavals and terrorism among Western youth, even lead to the collapse of the EU.

Strategic resources as Coal and Steel were the cause of the World Wars, now China and India with one third of world population, opt for the strategic oil... Are we being pulled into WW3? Any way to stop the trend?

-Modern capitalism is based on ever growing consumption. If capitalism cannot expand, it would implode. So the industrial output needs more and more buyers every year. Yet, if every country overproduces the same cars, same white goods, computers and textiles, try to sell the same surplus to each other, then what happens?

-Should we remember David Ricardo, and assign an appropriate production field to every nation? Or think of concentric economic regions?

-Empires secured commerce in vast geographies, whereas modern smaller Nation States blocked global flow of commerce by their strict geographical borders. Now nature is working back its course against this anomaly, and world commerce is forcing the artificial borders of Nation States in its modern form of globalization.

-And the global capital is very sensitive, like the birds on the telephone wires, they gather very slowly. And with the faintest disturbance, they all fly away at once.

-Then what do these birds want?

-First and foremost, they want political stability and commitment, so that they can see their future and make strategic plans.

-If the risk is high, they come in with high profit and interest margins. They come for short term gains, just to snatch big money, take it, and leave the country as soon as

possible, draining the poor economies of the world.

-So the first lesson for the developing states is that half-hearted incentives and half liberalism is worse than closed economies, it is a betrayal against the nation, because it calls in world's most corrupt businessmen, and let them drain the national economy in short time.

-Hence, if countries decide to open once, then they must open in full liberalism, give full security to capital, so that it may strategically stay long time, live with decent margins of profit and interest, and above all, **reinvest in the same country**, without feeling the need to invest its profits in other countries.

- Yet, local policies are under the shade of super global players. For instance, George Bush's new **Greater Middle East** concept shall have a vital impact on FDI in the MENA Region, and unless the USA fills this new concept with convincing substance of **stability**, no sound business would invest in the MENA Region, no matter how much we talk here.

Now, **localization**,

-As we all feel, metropolitan life is very expensive. So the businesses, especially to avoid high taxes and high salaries, are moving to smaller towns and suburbs. And smart mayors of rural settlements started a fierce race for inviting investors to their towns offering unbelievable incentives to them.

-And once the business starts in town, modern feudal system starts acting.

-Especially with heavy industries, or headquarters of big corporations, towns become one service towns, forgetting agriculture or other fields of economy. And now you can imagine what happens to such a town if the monopolist business leaves it.

-This is the point where the business can impose all its will on the politicians and the people of the little town, just as the feudal lords of Medieval Ages. So the National and local governments and even workers unions feel too weak to impose their terms upon the global investors.

-Hence they have to figure out the limits of entertaining the neo-feudals, new local barons, the local branches of global international capital, without losing their sovereignty and dignity, yet making sure their town does not lose the business to neighbouring towns. And this is the game of **Localism**.

Now a bit of philosophy.

-Europe slept for centuries under inquisition, living for the other world. Then it woke up to the benefits, comfort and luxuries of this material world, and came the industrial revolution. Then, came the 19th Century revolutions and social upheaval of Europe.

-200 years after, the Eastern societies are waking up to the material tastes of this world, ready to sacrifice any value for their material interests. It is nearly impossible for the European societies to sacrifice as much as the hungry new masses of the developing world.

-Islamic World went into decline due to lack of curiosity and creativity. And today, the patent registration of the Islamic Countries in world patent percentage is negligible. Perhaps OECD can help MENA Countries promote attractive patent and innovation encouragement offices in the conspicuous centers of metropol, seek **abolition of all bureaucracy and taxes on patent registration** in MENA Countries. This may be a new dawn and awakening in the creativity and innovation of the Islamic countries.

-Another tragedy in investment in poor countries is that as some capital accumulates in a rural location, it tends to escape to national metropol. After a certain size, it then becomes global capital and escapes to Western countries. We should seek ways to protect small rural capital from the oppression of local despots, keep it at home and reinvest it locally.

-Ottoman economic history is a good case study here, as the state saw capital as a political threat, it discouraged capital accumulation in the hands of the Turks. Non muslims, seen not as political threat, prospered. Now-a-days, we see similar trends in MENA countries where powerful international companies get better treatment than local national businesses.

-Pitifully, we also see that companies of powerful states get much better and quick service at customs clearances of developing countries than their neighbours. These discriminating treatments at customs would be more than illustrative on developing countries' mistreating each other.

Now, on national characteristics on global competition.

-As nations get richer, they get used to comforts of civilization, and take them for granted. And workforces in some advanced countries start getting sluggish, whereas there are some so-called soldier nations as Germans, Japanese, Turks and Koreans who work with strict discipline under modern management.

-So comes the Question. What is the role of religion and philosophy on the productibility of a nation in global competition? This Weberian question is catching more academic attention in 21st Century.

-Lenin had said, "Labourers of the World, Unite", believing they were global brothers and sisters, and that capital was their common enemy. Today, desperate governments are begging transnational capital to invest and feed their hungry workers. Today, governments see capital as the best friend for their starving masses.

-Workers unions in geographical and national borders are the real rivals against each other, moreover, unemployed hungry masses are the greatest threat to the working classes, ever ready for less and less salaries.

-Until 21st Century, one way to coerce a rival state was to put economic embargos against it. Now, it is the public democratic pressure on politicians to embargo foreign goods. This grassroots boycotting may bring the collapse of global trade, leading to WW3.

-Transnationals like Nike already act as transferrers of technology and serve as Quality Control Brands outsourcing their know-how to the best subcontractors around the world, giving their namestamp to the best quality produced anywhere on earth. Standard and Poors etc serve same function in financial field, legal arbitration houses to follow suit soon, replacing corrupt and incompetent legal courts of many underdeveloped countries.

In the near future, transnationals shall just make money by giving their name to any product that meets their international standard.

To end my presentation, I would wonder...

Is there something wrong with the pillar of capitalism?

The ever expanding consumption?

Is this a scientific must?

Or should we remember Plato to educate enlightened generations who may **“learn to need less, rather than crave to have more”**?