

GLOBALIZATION AND THE EMERGING ECONOMIES

Coming to this agreeable place to participate on this fascinating topic of discussion, I was wondering how to start my presentation. I was dialoguing with myself and I thought it would be good to bring that here and share with you. Did globalization come to my country as naturally as in other developing economies (as a process of interaction of markets, technologies, etc.)? Were we asked to answer on 'what we think of globalization'? If we were to be asked, would we be able to say 'yes, we favor globalization' or 'not – we disagree?' Do people at all places and in all times share the same opinion about this process?

I found a very meaningful comment on the dichotomy of the public opinion poll, at an Irwin paper: "There is a strong public support for international trade when it is described broadly and without reference to trade policy. Nearly 70 per cent of Americans believe that trade is good for the US economy. However, when the public is asked about a particular trade initiative such as NAFTA ..., the degree of support is substantially less."

I would guess this is the situation we started entering the globalizes world. The starting of transition was supported by a very popular enthusiasm about the benefits the country was going to enjoy. There were no costs to be counted no need for a wise and studied trade policy, since there was no enterprise working, no farm competing. The whole economy of the country was in collapse. Trade policy was simply modeled based on budgetary considerations. Everyone believed that the wisest policy would be to just open the borders. But, as the economy moves on and interest groups are formed, the pressure for more protection becomes an issue of political debate. Voices of opponents intensify and the number of supporters grows.

What the developments of the last decade of transition taught us is that: in a globalizes world, you can not stay alone. As you first accept that as a principle, policy choices are limited.

Albanian economy was facing problems even before, but nature of the problems is quite different. Currency, for example, was not convertible; there were not such problems with the balance of payments and capital flights. Once we liberalized capital inflows and currency convertibility, economy achieved encouraging success in developing of exports, increasing of productivity, etc. Foreign direct investments and other borrowings contributed this in foreign currencies, lended to domestic firms in foreign currency denominations. The result is that economy is much better in good times, but is also far more vulnerable to foreign currency movements.

Albania is by far the most foreign-owned banking system country. With privatization of the last and the largest state owned Savings Bank, banking system will be fully private, mainly foreign owned. These regionalisation tendencies on the banking system, while they are welcomed, since they provide much more opportunities and benefits, they call for more cooperation by supervision authorities, more transparency on banking operations. On the other hand, this is a channel through which a potential home crisis (both banking and currency crisis), can be spread and affect the banking system and the whole economy of the host country.

This is a concern on the international level as well. We have had at least three major sets of crises in the last decade alone: the European crisis of the early 90s; the Latin American crisis emanating from Mexico in the mid 90s; the East Asian crisis spilling over into Russia and Brazil in the last two or three years. Private capital flows can de-stabilize-being too big at one time and too little at another. We are eager to see more reforms to improve the prospect for stabilizing the system in the future.

While recognizing the advantages of globalization, we should be concerned on its costs as well. Globalisation does increase income and social disparities within countries; it does leave some countries and certainly some groups of people behind. Therefore, we have witnessed anti-globalisation protests both in

developed and developing world. The much sensitive issue, for example, is labour mobility in the enlargement process of the EU. It is my perception, emigration has played a very important role for the economy of my country, and in economies where albanian emigrants are working. Greece, for example, has estimated the role the albanian emigrants in their economy as very important (I hesitate to give an exact number, but for sure is *billions* of USD). While countries and governments recognise their positive effects, voices against emigration are ever growing.

I believe the economy will be more integrated and interlinked despite the voices of the opponents. What is important is to see on elements of a response on 'How we should cope with these diverging attitudes towards the ever-converging economies'?

First is education: to clarify and analyze much more extensively what is in fact the reality of the impact of globalization. The fact that, on balance, it is clearly beneficial for all countries and for most groups and therefore, on the whole, is certainly desirable should be more extensively worked out, particularly in case of transition economies.

A second part of the response has to be an honest recognition and admission that there are costs and losers. For too long, those on the pro-globalization side tried to ignore and deny this fact, but it clearly must be accepted and admitted. It follows from standard economic theory, and it follows from looking out the window and seeing the impact within many of our countries. This, in turn, means that something needs to be done to help deal with the costs and those who are losers. An open economy is an economy of greater opportunities. More and more people can enhance their economic and social status, as our society is a society of mobility. On the other hand, more and more people can fail. In broad terms, it requires better social safety nets in many of our countries and programs that will help the adjustment to dislocation, whether caused by globalization or other interrelated forces. The lack of transitional safety nets in unemployment

insurance, pensions etc., in the face of shocks generated by globalization, causes enormous anxiety and unsettlement. We should consider more carefully how different groups are affected and what programs can be adopted to accommodate for the loss of opportunities.

While economy becomes more and more digital and knowledgeable, we are required to provide jobs for people whose education is decreasing. Therefore, another and more fundamental element of this response, is the creation of education and training programs to empower all components of our population to take advantage of globalization rather than feel victimized by it. Such programs should enable people to take advantage of the phenomenon and roll with it rather than oppose it.

Third, we have to more carefully follow the reforms of the international financial architecture. Currency instability, affects large parts of our populations, with their savings on foreign currencies growing. It affects our domestic prices and therefore is a potential to destabilize and compromise our domestic policies. We wish to see more stability in currency and financial markets, which requires better policy coordination among the key players.

Finally, the fourth element is to restart true multilateral liberalization of the global and regional trading system. Political developments in the region of Balkan over the last decade and still in action, is a high matter of concern. Our philosophy is that of a removing of barriers between countries of our region and moving together in the tides of the global economy.