[MUSIC PLAYING]

**HOST:** Welcome back to the Student Hub Live event for the Open University Business School. We've been having a fascinating discussion on the impact of globalisation on technology in business and society. And we've been taking a look at how mobile phone technology has had a massive impact in African regions.

And now, we turn to look at Asian countries. So I'm joined to talk about the difficulties of economic integration between Asian countries with Wilfred Manuela Jr. Welcome. Peter Bloom, who is joining us now, hot from London at another talk. And Devendra Kodwani as well.

Now, you're a visiting fellow here at the Open University, Wilfred. And so I'd like to focus on this initially, because you've had a huge sort of deep understanding really of some of the impact on globalisation on countries in Asia. And we've been talking a little bit about the various inequalities and economic differences between some of those countries, particularly between countries. So I wonder if you could introduce us to your perspective on why this matters.

**WILFRED MANUELA JR.:** I would this cause the ASEAN region, which is composed of 10 nations. So we are doing this economic integration, because as a group, we can actually be more successful as a trading block in the global economy, than if we were to do it one country at a time.

So these 10 nations would become the third largest economy in Asia, after China and Japan. So as a huge trading block, we would have more opportunities to harness in the open economy, so that we can get the best deal out there, the most benefit from globalisation.

And the focus of this economic integration is to allow the lesser developed nations in the 10 nation group, so that they can also grow their economies at a faster rate, because without this trading bloc, they would not have these opportunities where they can have a bigger market for their products and services.

**HOST:** Dev and Peter, you do a lot in economics. What are some of the issues that you could see, I guess, from a more theoretical perspective about this idea that we're after some sort of standardisation, some sort of upskilling of countries that maybe don't have those assets or skills right now so that you've got a bit more of a level playing field.

In our bloc, in the UK, as part of Europe at the moment, things are a lot more level in terms of that economic integration. But there are a lot of complexities when there are these inequalities.

**DEVENDRA KODWANI:** Yes, there are. I mean, within the economies and between the economies, there are issues. So one of the issues that I have studied as part of comparing the economies and why some of the practises and approaches that support economy work in one set of countries, such as let's say, Europe and don't work in another set of countries, let's say, in Africa.

So one of the things we've been studying is institutions. Now, institutions for economy, for supporting business development are regulations, corporate governance regimes, and so on. So one of the questions that has occurred in my research is are the institutions compatible. And is ASEAN also going to face some of those challenges as a region?

So when we looked at, say corporate governance, in Africa, we looked at Cameroon, Nigeria, South Africa, and Kenya. And what we found that they took, more or less, the European OECD type of corporate governance framework as a regulatory system to improve the accountability of corporate boards in Africa.

So you have board of directors, executive directors, nonexecutive. Intention is that they utilise the funds in the interest of their key stakeholders, which are generally assumed to be shareholders in Anglo-Saxon countries. But whether they are the key stakeholders in those countries is a question.

So we were interested in finding are these institutional differences important enough that would actually deprive the country, or economy, to benefit from of some of those reforms in the governance sector. And we found something very interesting.

So the corporate governance system requires that you have, let us say, balance on the board of directors. Executive, nonexecutive directors, male, female, and diversity in the board. What comes out is that when you take these systems, institutions and try to transplant them in the emerging markets, apart from the economic disparity that is easily measurable that says OK, they will benefit, but there are local cultural issues. There are customs, traditions, the role of relationships, how society sees-- how society relates to business.

So in Kenya, for example, when we were studying, they literally took UK's corporate combined code, tried to implement in Kenya in 2002. And expectations from that were not only just to improve the corporate performance, but also was to realise some social and ethnic equality kind of objectors were built into the government system.

But that was actually problematic, because here you need enough critical talent pool in the society who is educated and interested in governance of business. And they then may or may not be in those tribes and ethnic groups that you are trying to balance the affirmative agenda.

So we found this conflicting result that when you tried to derive get these social benefits out of some institution, which is actually meant for economics, then you don't necessarily deliver through those. So you had to have adaptation at the local level. So I don't know whether similar things would prevail in southeast Asian countries also.

**WILFRED MANUELA JR.:** Well, in ASEAN the disparity in economic development between countries is really huge. We have Singapore, which is one of the richest nations per capita wise. And then, there are a few countries in the ASEAN that are probably in either upper-lower income or lower-middle income.

So the disparity would actually create more inequalities, once economic integration sets in, because the industries of these countries may not be prepared for the more intense competition that result from economic integration.

And one of these industries, with the air transport industry, because transportation facilitates global trade and intertrade among ASEAN countries, or intratrade within the region, would also benefit from a single aviation market, not just the movement of goods and services, but also the movement of people, especially tourism sector will have a huge boost from a single aviation market.

But because of the difference in infrastructure in air transport and because of the size of the domestic market as well, so there are countries that are quite reluctant to fully implement the things that they need to do to achieve this singular vision market. And these countries would be Indonesia, Philippines.

**PETER BLOOM:** I think you also see-- and I think this picks up on Dev's point and Wilfred's point-- but also about that there's a political relationship that goes just also beyond the institutions. And I think what's interesting about Asia is that it's in a very innovative place, in terms of globalisation. So the dynamics of things that are happening, for instance, in South Korea, I mean, the economic practises there go far beyond anything that's happening, with possibly the exception of some places in Scandinavia and Europe.

So you have on the one hand, huge amounts of innovation happening in terms of different ways of thinking about the economy.

**DEVENDRA KODWANI:** Process in motion.

The other part of that is the fact that you actually have quite a bit of capital, even in underdeveloped countries. So Philippines doesn't have huge capitalisation problems, like you see sometimes in Africa. But it's an infrastructure problem.

The other component though-- and I think, when you're looking at the integration parts is then saying, what kinds of leverage is this going to provide. So Singapore, which is a very rich country, in many ways, one of the key parts that it has found is that it does actually have an extraordinary amount of strong leverage, in actually changing what can be quite unfair kind of restrictions from the global north.

And this is becoming increasingly important, because China has made it clear that they see their economic model-- and I think this is something that I'm going to speak about-- as something that they'd like to export. They see that region as a region in which they would like, whether they're going to work with ASEAN or not, be the spokesman for it.

China has made it also quite clear that because of their economic prowess, that they are no longer going to accept, kind of dictates, like they previously have from Europe and the United States and that they're going to work with BRIC countries in a transnational relation to say what would be a quote, unquote better deal for countries.

So how ASEAN would then deal with that, and the fact that you have a variety of different countries within that, who have their own kinds of networks and own kind of special relationships.

I think in addition to that, one of the problems that you've seen in Europe is that, even though you have relative economic equality in comparison, you still see problems of internal colonisation quite strongly. And so how would you stop one of the biggest problems in Europe, which is the brain drain?

Huge amounts of investment, naturally, in things of education in places like Spain, Italy, and

Greece that end up going to richer countries. Or how would you deal with the fact that, I mean, you have a country, like Indonesia, that has quite a bit of political power, but quite a troubling, let's say, history of economic management.

Very similar to the UK. The UK has a lot of political power. Has been very problematic in terms of their economic management since the '80s. How have they overcome that? The EU has effectively subsidised them in ways that it hasn't subsidised countries that don't have as much political power. Well, the same thing happened there, where Indonesia might, for instance, get a huge amount of breaks, that places like the Philippines want.

So I think these are all kinds of power dynamics that are very, in terms of local adaptation, but are things that are more broad as well. And that are worth looking at.

**DEVENDRA KODWANI:** If I look at integration challenge in the aviation sector, for example, so the two institutions that matter that need to converge, in a sense, for the aviation market to become more vibrant and connected in the region is ownership of aviation industry and the regulation.

Now, if you had 10 countries, 5 of them fix the regulatory system so that markets can operate seamlessly. 5 don't. So if you have regulatory divergence that will be an institutional barrier. Or if you have, sometimes, the ownership barrier. So suppose the largest fleet owned in the region is a public enterprise, they will be subject to a very different set of strategies, than, let us say, 5 privately owned companies in the region.

So the two institutions of ownership and regulation. If they don't converge or have a mutually dependent relationship sorted in the region, in the aviation industry. So this other kind of challenges I feel, which are quite important for a bloc to really thrive.

**WILFRED MANUELA JR.:** A related issue would be like the state-sponsored airlines. And they may not be state-owned, but they're sponsored by the countries where they operate in. And in the Philippines, we have liberalised the ownership of these airlines so that, today, the government does not have any holdings on these countries, except probably through government pension funds that invest in the stocks of these airlines. Other than that, we don't have a direct government ownership of these airlines.

Then, you look at other countries in the ASEAN region where the state owns the airline. And that would put it at an advantage against the airlines who would compete in that area.

**DEVENDRA** Because you have a taxpayer subsidised airline competing against shareholder owned

**KODWANI:** airlines.

**WILFRED MANUELA JR.:** That's actually a big issue now through the ratification of the single Asian market, because some publicly-owned airlines will not compete well with state-owned airlines, because of these cross subsidies from the state.

**HOST:** Well, you asked our audience, Wilfred, whether or not technological advances benefits everyone. So on that basis, governments should provide the necessary infrastructure and policies to facilitate the adoption of these new technologies. Let's see what everyone at home said.

So a large amount of people that we're verging on the agree side to this question. And we were also asking about who is benefiting regional economic integration, invariably results in greater prosperity among the member countries. Most people agreed on that scale. And people were more likely to agree that they felt optimistic about the future, about how globalisation impact on their countries and workplace.

And it also brings more benefits to the developed countries, compared to the nondeveloped, which we have discussed. And a lot of people are agreeing with that. But I know that Zack has some questions as well.

**ZACK:** Yeah. We've got a load of chat going on, some really good comments about how technology is making sure that the infrastructure in less developed countries is being taken into account. We've also got a question from Helen, who said that what is the impact of Western outsourcing of labour having on technological development in emerging economies.

**WILFRED MANUELA JR.:** In the Philippines, one of the biggest industries now is the business process outsourcing. It is employing a lot of Filipinos coming out of college. Even those without college degrees can now find good paying jobs through the sector.

But the problem of this industry is that it may not last, because these companies would just be looking for the cheaper inputs to their production systems. So that if the Philippines become expensive, then they would have to move to a cheaper country.

So the problem now for the Philippines is to have an economy that is less dependent on these foreign direct investments, so that it can create an economy that is more resilient when these investors pull out their money and put it in a cheaper labour market.

**DEVENDRA KODWANI:** I mean, in theoretical terms, it is a fascinating development, if you see Ricardo's comparative nations advantage-- comparative advantage of nations theory. So I think that was a theory built in time when knowledge was not globally distributed or easily distributed.

So if you look at that applied to Indian outsourcing, which preceded Asian countries coming in, Filipino. So assumption was Indian IT labour is more economical than American and European IT labour. So let's go and set up all of our outsourcing and call centres and all that there. And then, their wages went up. Of course, the East Europeans started learning English. So they're are competing in the same space. Filipinos are competing in the same place.

So what does it prove? It shows that the competitive advantages in the knowledge economy are for a short duration of time. They are not like permanent comparative advantages of nations. So for a country or a region to build up a lot of infrastructure-- so if Chinese decided, we have a lot of people. We will train them in English and then flood the market with the IT professionals and they come out with 100 million trained people in 10 years time.

But then, at the same time, other countries are doing the same thing. So I think it's an organic competitive advantage, rather than the static comparatives, like I cannot have oil in the UK or in Europe, because that's in Middle East. It is in Middle East.

But knowledge is something which you could develop--

**WILFRED MANUELA JR.:** So distributed system then.

**DEVENDRA KODWANI:** So it is a really interesting theoretical issue. Now, what is the competitive advantage of nations? What would be that?

**PETER BLOOM:** Well, I think you'd also have to look at how this plays on path-dependent behaviour that happens. Because I mean-- and I think it was Helen-- that was a really good question, in the sense that it's not just a comparative advantage, which is extremely important. It is dynamic. It's also the ways in which then they focus on technological infrastructure development in which technologies are focused on.

So it's extremely interesting. I mean, in a place like India that has, on the one hand, some of the best and brightest kind of technical universities, technical schools, and some of the most interesting techno innovations, you've also seen massive technological investment, which is essentially in our IT service, which you would think to yourself, well, that doesn't make a whole lot of sense, but it makes sense in terms of you're kind of chasing that small market.

I think you're seeing a similar aspect in countries in Asia. So you have a country like South Korea, which has said, we're not necessarily going to chase that market, because we actually want to have sustainable infrastructure development. And this is really important when we think about this.

There's a personnel and there's a structure side. So on the one hand, I mean, just like in the military terms, where Western militaries sell Middle Eastern countries the second best option. It's the same process here. We sell you the second best technology. And a lot of countries are saying, well, we don't want that anymore. We want to develop our own technology. We want to create our own technological infrastructure. And We. Want to compete.

But the other side is the personal side. So it's interesting what China's going to do, in terms of ASEAN, because this is what they've done in terms of Africa, which is said, we'll help you with your infrastructure. We'll help invest as foreign direct investment in terms of your technological infrastructure, but we're not going to give you the technology. We're not going to give you the personnel. We refuse to train you in that way. What we're going to do instead is send our people over, because we don't have that.

Now, South Korea and India has said, we can't compete with you on capital terms, but we can compete with you on intellectual property terms. What if we gave you the technology? What if we gave you the codes? What if we gave you things? And actually, then, you could build, more organically, your technological instructors.

These are huge things that are happening because of this. But I think Wilfred is right is that, I think with something like ASEAN and Asian integration, there's really going to be strong things of saying can richer countries support poorer countries and not just chasing this dynamic comparative advantage?

And will they be willing to do that? And will poor countries be willing to get their institutions quote, unquote right? And I don't mean that in the World Bank way. I mean that in a more fundamental way, in order to allow for that kind of long term planning and investment.

So I think these are serious questions that we have to think about in terms of that.

**HOST:** And ones that we certainly contrast completely in a very short session like this. But thank you very much. Let's end the session. Our next sessions on futures. And Peter, I'm sure you'll have a lot to contribute, as will you Wilfred. And we'll bring back Ian into that final session also.

But thank you very much for joining us today. And we're going to have a short video break now, where we're going to take a profile look at Peter Bloom. We'll be back in a few minutes for our final session, which is about futures. So I'll see you in a few minutes.