Transnational Financial Cooperation - The Driving Force Behind Globalisation*

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Abstract

Successful cases of transnational financial cooperation concluded in the process of contemporary international financial market globalisation have provided valuable experience for continued globalisation on a larger scale. As a matter of fact, the topic of transnational financial cooperation is no longer new and novel. It carries significant implications for promoting the globalisation of international financial markets. Therefore, whenever we explore the development of international financial cooperation, people tend to base their discussion on a goal that they have been striving for – globalisation, which is considered to be the ultimate objective of fulfilling the spirit of international cooperation. This paper attempts to analyse, based on the initial concept of globalisation of markets, the modes and transformation and development of transnational financial cooperation in the context of “globalisation.” Besides, its function in promoting the objective of overall globalisation will also be explored.

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1. Introduction

Economy tends to be an area of concern in globalisation or integration. Financial globalisation carries significant connotation in view of its pivotal function in the whole process. Since we have started to enjoy universal tranquility, or, to be more exact, a relatively peaceful era, we gradually fall for cooperation and development. Assuming that politics will direct future development, then peace has helped to create the basic and necessary external conditions for globalisation. At the same time, the advancement of globalisation requires a relatively peaceful environment which will restrain the occurrence of any uncertain factors that might possibly cause damage to peace.

The concept of globalisation has been deepened and enriched after years of nourishment since its emergence. This evolution process will be fully discussed in the second section of this paper. The world has encountered new social, economic, political and financial circumstances upon the conclusion of the Cold War. The third section explores their likely impact on the advancement of globalisation. The fourth section discusses the relation between regionalisation and globalisation, and recognises the function of regionalisation in globalisation. The fifth section reviews the outcome achieved by the market participants and the regulators in accelerating the enhancement of financial industries through transnational cooperation. The final section concludes.

2. Implication of the Concept of Globalisation

The term globalisation was coined in 1985 when an American academic wrote an article on “Globalisation of Markets.” After years of extensive deliberation and study by different researchers, it has been unravelled that, under globalisation, the international economy will be integrated and become inseparable in line with high productivity which has caused all production elements and economic relationship to transcend national and regional boundaries and flow freely. Any visionary leaders will attempt to reap the biggest gain by acting in tandem with the irresistible trend of
globalisation through intensifying international division of labour and cooperation. As we all witness, the world has ushered in a wave of transnational communication, connection and cooperation opportunities covering social, economical, financial, cultural and educational aspects.

Analysing the impact of globalisation development from a political standpoint, some academics have suggested that fair and rational international cooperation can help to avert human civillization conflict. It can be interpreted that there is obvious difference between contemporary transnational cooperation and predatory exploration under imperialism and colonialism pervasive in the sixteenth and seventeenth centuries. As a matter of fact, strong powers still continue to exploit developing countries politically and economically by means of unfair and hostile measures in the early 20th century. These kinds of high-handed actions have not only wreaked dreadful havoc on the economies of the developing countries but also left behind an indelible stigma on the evolution of the human civilisation. This serves as an important lesson to people who intend to pursue the ultimate objective of human civilisation – globalisation.

3. End of the Cold War Facilitates the Development of Regional Cooperation

Since the 1990s, a new political era has emerged as a consequence of the profound political changes sweeping across the Soviet Union and the official conclusion of the “Era of Cold War” between the East and the West after World War II. Many analysts believe that tearing down the invisible wall in the West which separated the world’s political stage into two has removed the barrier hindering the development of international economic integration. In East Asia, China has achieved astounding economic results after its timely launch of reform and open door strategies in the 1980s. India has become the mostly sought after emerging market in the Asia Pacific Region after it economically integrated with the world following its implementation of new economic policies. Economic integration of the East Asian countries with China, Japan, Korea and 10 ASEAN countries has played the major role to arouse attention of global investors.
Many African countries, which have long been ruled by colonial powers and suffered from internal tribal conflicts, finally start to enjoy peace after years of struggle for national liberalisation. In July 2007, the Macao Financial Delegation visited two African Portuguese speaking countries, Mozambique and Angola, for friendly contact with their financial regulators and counterparts. Governments and residents of these countries have high hopes for peace and placed peaceful development on the top of their agenda. Business sectors embrace high expectation for the potential and future market development of this last virgin continent on earth.

By middle of the last century, a number of sovereign and independent European countries joined force to establish the European Union. From the founding of the European Coal and Steel Community, transnational economic cooperation of the Union has gradually ramified from economic domain to politics, finance and culture. To a great extent, Europe’s road of globalisation had never been smooth but full of twists and turns as destined by its historical and geographical disparity. Nevertheless, under the benign interaction of both internal and external forces, coupled with mutual understanding and accommodation of all members, Europe has finally managed to score a great achievement in human history. The European Union has been recognised as a successful paradigm for contemporary international and regional cooperation ever since the end of World War II. It has also become an inspiration and a key reference point for countries interested in the formation of a regional cooperation body.

There are also many successful cases of regional cooperation apart from the above-mentioned positive factors conducive to the building up of basic conditions for globalisation. These cases are result of joint efforts of all nations and have strengthened the world’s confidence in achieving globalisation. In the 1990s, the North American Free Trade Zone rose to prominence in the American continent. If the grand plan of constructing an American Free Trade Zone is materialised, it will cover more than 30 countries forming a market with a population of over 800 million. Apart from that, the South American Common Market, which was established in 1991, has incorporated many developing countries in South America into one economic bloc. The South American Common Market helps to facilitate efficient utilisation of resources, promote environmental protection, coordinate macroeconomic policies,
enhance economic reciprocity and facilitate the enhancement of technology and economic modernisation of all member countries.

4. Accurate Judgment on the Relationship Between Regionalisation and Globalisation

To be realistic, it is impossible to yield only positive outcomes during the process of regionalisation or globalisation due to the existence of some inherent factors such as contradictions, conflicts, opportunities and challenges in the process. Rational study and objective evaluation are therefore needed for the purpose of identifying shortcomings, highlighting positive achievements, learning from mistakes, making timely rectifications and supplements as well as materialising the vision of benefiting the community.

It seems that starting with transnational economic cooperation, followed by the establishment of a new central institution which is entrusted with the aspirations and competence relating to internal and external policies are part of the process of regionalisation. However, this assertion has been rebutted by some researchers holding different views. Countries, which have joined the regional union, are aiming at broadening mutual interest by giving up some of their sovereign rights, or even allowing certain economic rights to be exercised by collective management body formed by the participants for the purpose of materialising international economic coordination. Nevertheless, the rift of views should be treasured which underlines the saying that globalisation and regionalisation is a double-edged sword.

Different voices have been raised questioning the relationship between globalisation and regionalisation. Some critics even condemn the motive of regionalisation as being anti-globalisation as it uses geographical disparity and historical relationship to split the world up into disarray of forces or unions combating the long term objective of globalisation for the sake of safeguarding indigenous tradition and interest. Indeed, the motivation for maintaining and achieving regionalisation is to maximise mutual benefits of the participants. However, it is deemed inappropriate to maximise
well beings of only a few strong nations or even contain the benefits of certain nations by means of regional cooperation mechanism. We understand the grievance of some idealists in relation to globalisation. Globalization is not a simple and one-step process. It involves economic, political and cultural integration.

Regionalisation can be seen as a stopover in the globalisation process or, it may be considered as an integral part of globalisation. With globalisation as an ultimate goal, regional alliance can be promoted simultaneously albeit in different scales and scopes. They can also be deemed as a process of mutual cooperation and interaction. In the short term, the objective of regionalisation is to maximise the interest of the allies. In the long term, it helps to lay down the necessary foothold for achieving globalisation in a systematic and gradual manner. It is better off to forge alliance and cooperation than to breed separatism and hostility. Notwithstanding the scope and mode of alliance, the ultimate objective is to contribute positively to the further development of human civilisation.

5. Transnational Cooperation Facilitates Enhancement of the Financial Industry

As discussed earlier, economic globalisation will further be deepened in line with the needs of arising from productivity coupled with the proper international political environment and condition. Economy and finance are both complementary and interactive. Financial globalisation purports the integrating process of national financial system and international market and structure. The regulators and participants of the financial industry should be pleased with the achievement driven by international financial integration and transnational financial cooperation in recent years. Indeed, the regulators have mixed feelings when they are busy in confronting many new challenges and threats arising from the increasingly perplexed and frequent international financial cooperation.

If it is concurred that international financial cooperation and coordination correspond with the natural demand arising from highly developed contemporary productivity and relation of production, then transnational financial cooperation should be
considered as an appropriate and positive response to the rational demand of the current fast growing debtor and creditor relationship, stockholding and dividend relationship, risk and insurance related financial development relationship. Although there are differences between the modes of financial cooperation which can be multilateral, bilateral, regional or transnational, they will nevertheless contribute the same positive effect in restraining vicious competition and enhancing management of environmental protection projects. In certain senses, international financial cooperation has also addressed the concerns of countries that emphasize on market stability and environmental ecology conservation.

It may be possible to draw some revelatory ideas from the following characteristics of new development when problems associated with new mode of development for transnational financial cooperation are explored.

Liberalisation of price, business, market and capital flow of financial products confirms the first characteristic of international finance liberalisation. Many markets have already lifted restrictions on interest and exchange rates; financial institutions have resumed diversified business; the originally more restricted financial market is now gradually opened; many international financial institutions compete fairly with domestic counterparts; activities of foreign capital investment have earned comparatively positive appraisal and become a target wooed by emerging financial markets.

Countries interested to be admitted as members of the World Trade Organisation are asked to open up their financial markets in an orderly fashion. All these requirements are listed in the “Financial Services Agreement” promulgated by the Organisation. As a result, this Agreement has contributed to the internationalisation of the financial industry. Coupled with zero-distance in global communication made possible by technological revolution, the financial markets no longer have boundaries. Internationalisation and globalisation of the financial market have greatly facilitated transnational financial cooperation and accelerated the flow and size of international capital.
To a certain extent, we should commend the long-term effort contributed by the Basel Committee on the standardisation of financial transactions. The Basel Agreement, which is widely known and internationally recognised, has resolved the issues arising from past chaotic system and different regulatory practices. It has not only resolved unfair market competition but also demonstrated its effective function of risk management. By following international rules and regulations observed by participants in banking, coupled with practical experience acquired in certain unique markets, proficient regulators or regulators of emerging markets can effectively enforce their supervisory duties.

In the face of bourgeoning development in transnational financial cooperation, financial regulators are pleased despite the pressure. Transnational financial cooperation is developing rapidly in this direction although such integration incorporates different modes and magnitudes. Although it is hard to predict the exact moment when financial globalisation be truly materialised, we should nevertheless recognise its progress thus far. Being a regulator, particularly for a limited but open market like Macao, it should render adequate support to the further development of the financial industry while exercising the duty of maintaining market stability. The Monetary Authority of Macao adopts a positive attitude in facilitating cooperation and liaison between local and external business entities. It gives positive and high appraisal of efforts in respect of international participation and cooperation displayed by players of our financial sector.

6. Conclusion

In summary, the development trend of international or transnational financial cooperation is encouraging and keeping pace with financial globalisation. Benefits of international financial cooperation outweigh disadvantage. Besides, reinforcing cooperation satisfies public sentiments. In this relatively peaceful, stable and objective environment, regionalisation and transnational financial cooperation lay the foundation for globalisation and gradually realise the ultimate grand prospect of the human race. International politics has completely entered into a new era. Past
unfair cooperation practice displayed by the strong nations oppressing the weak ones cannot sustain. Under the joint efforts of all nations and people, globalisation, including the realisation of financial integration, will bring about a better future to the human beings, although difficulties and rough weather are inevitable in the process.
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