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Original Citation

Siddiqui, Kalim (1994) Globalisation and the Third World. *The Nation*.

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Globalisation and the Third World

In recent years, 'globalisation' is being put forward as the only option left for Third World countries. Globalisation means integrating the Third World countries' economies with the advanced capitalist countries and opening up Third World economies for the Transnational Corporations (TNCs). GATT, NAFTA and EU are strongly supported by the dominant TNCs and defended as an enlargement of free trade.

Globalisation has been propelled by the breakthrough in technology and communications. Modern communications are actually a special offshoot of technology as they rely primarily on computers and satellites. Dozens of satellites and endless network of cables has made instant contact a reality. The communication revolution and the increasing rate of technological obsolescence have added powerful new dimensions to the operations of the TNCs. Now billions of dollars are circulating in the bank's speculation race. This has given unlimited freedom to TNCs to transfer money across borders, making a mockery of the regulations in sovereign states. As the telecommunication networks have annihilated both time and distance, TNCs now locate their plants and operation headquarters at the site of optimum advantage. Escalating costs of production have forced the TNCs to establish production units abroad in order to minimise costs and raise profits and oust their competitors. This also is said to have added an element of compulsion to maximisation of profits in the TNCs' drive towards globalisation.

Modern technology is extremely capital intensive and requires a highly professionalised class whose expertise has to be updated all the time. Third World countries are placed at a great disadvantage in all these areas and with technological sophistication on the increase, the gap between the poor and rich countries will keep widening. Of course, some technology will be transferred to the Third World by the TNCs, but the cream will be skimmed off by the corporate head offices and latest technology will never be transferred to the poor countries. Thus, the poor countries will continue to subsist on the periphery. Once in a while maybe a few countries may emerge such as the Asian Tigers but this will be limited to a very small number while the majority will suffer.

Under the influence of international lending institutions such as World Bank and IMF, the neo-liberals have set the agenda. They argue that long-run growth is maximised through the supremacy of market forces. Such ideas have had a tremendous impact both in the debate on development and in policies implemented. As a result, measures to cope with inflation and foreign debt have meant a reduction in research and development expenditure by governments in a majority of Third World countries. Important changes have taken place in the advanced capitalist countries in scientific and technological progress in the 1980s such as the expansion of microelectronics and bio-technology. Such technological breakthroughs threaten the competitive position of Third World countries who are

dependent on export incomes from natural resources, minerals and basic commodities.

Through globalisation, power is increasingly concentrated in unaccountable institutions and the rich and powerful are no more willing to submit themselves to popular pressures than they ever have been in the past. The international spread of capitalist exchange and production relationships is a very destructive and painful process. The greater mobility of capital makes it more and more difficult for political organisations to use their government to impose regulations on polluting firms. The base of neo-liberal principles by which economic activity shall be organised prohibits government intervention to create a public sector or to counter the negative influence of the private sector. It also limits the power of the government to regulate private business and pushes for uncontrollable capitalist development. Thus, it limits people's power to exercise political control over their economic lives.

It would be worthwhile to quote Joan Robinson, who asserted in one of her last books in 1978 that "It is not easy to see how the Third World can mount the attack on mass poverty and unemployment, while preserving private property in the means of production and respecting the rules of the free-market economy." GATT agreements are designed to undermine the possibilities for planning by extending so-called liberalisation to service sectors - meaning that big banks based in advanced capitalist countries can displace the banks in poor countries. While capital is now highly mobile, labour is increasingly immobile and that has immediate consequences. It means that it is easy to shift production to low-wage, high-repression areas of the world with low environmental standards.

The governments and the elites of Third World countries have been incorporated into the global political-economic order on favourable terms, while the large populations consisting of the poor are not incorporated into the current international order on favourable terms. The elites in the Third World are economically, socially and culturally oriented towards the West, where they have bank accounts, maintain business links, own homes and often send their children to school. Globalisation has meant the increasingly tight inter-linking of transnational capital and the Third World elite. Over the past decade, the debt crisis, recession in the West and Bank-led 'Structural Adjustment Programmes', have contributed to greater concentration of income, high rates of unemployment, widespread poverty and marginalisation of the rural and urban poor in the Third World. As Jorge Nef has emphasised of Latin America, "The state has become the receiver and debt collector of a bankrupt economy on behalf of transnational creditors."

For the Third World to rely on closer relations with the West is, however, nothing new and during the colonial period most of these countries' economies were forcibly linked to the West. Besides bring-

ing the expansion of railways, plantation and mining, it also brought famine and starvation on a large-scale as local manufacturers were wiped out to create markets for Western products and local agricultural and natural resources were developed to serve metropolitan interests. All these changes brought the peasants in the colonial countries within the ambit of the instability of market forces. Let us look what at what is new this time. Who is behind this present crusade in favour of globalisation? Of course, the TNCs. Actually with the increased crisis in the West in the 1980s, the big monopolies saw the only way out is to expand the global market and ensure cheap availability of raw materials. Thus, it seems that the current push for globalisation is nothing more than to extend the interests of the TNCs and to change the global economy according to the needs of big monopolies.

After decolonisation, most of the Third World countries erected certain degree of barriers to foreign capital and tried to boost domestic entrepreneurs: It ended in fiasco, but this does not mean it did not achieve anything. Foreign capital has been all the way asking for access to these closed economies and thus find new markets for their products and also new territory to invest profitably. During recent decades, Western governments due to public pressure have passed various environmental protection laws. Of course, this is coming in handy to big capital, who see it as a threat to their profits, while in the Third World, such laws are non-existent. Therefore, the TNCs find it attractive to exploit cheap labour and natural resources with no responsibilities. GATT encourages the expansion of trade dominated by a handful of TNCs. However, it poses a serious threat to the small producers in the poor countries and produces a destabilising effect on the poor countries.

There are two important consequences of globalisation. First, it extends the 'free market' as a development policy model and has no mechanism to alter the existence of extreme wealth and privilege for the few and huge misery and despair for the many. Competition for scarce resources sparks ethnic tensions. The West imposes on the Third World a neo-liberal 'free market' system that directs resources to the wealthy and to foreign investors, with the idea that something will trickle down by magic forces.

The second consequence has to do with governing structures. Now we have an international economy, which is in need of an international executive. The whole structure of decision-making responds to TNCs' and international banks' requirements. It is also an effective blow against democracy. All these structures concentrate further the decision making in executive hands, leaving elected bodies and Parliaments with less influence. Thus, the shift from national economies to a single global economy would also have the effect of undermining functioning democracy.

It is not true to claim that neo-liberal

policies of unregulated international commerce and reduction of role of the state has been a foundation of capitalist expansion. Virtually every country that has achieved some successful economic development like the US, Britain, Germany and later Japan, and more recently South Korea and Taiwan, has done so with active state intervention in economic affairs, particularly with extensive state regulation of foreign commerce. Southeast Asian examples are often cited as a success story. It is not because they emphasise exports, but because they distort the market in their favour with government-managed industrial and financial policies.

Globalisation has unleashed a fierce competitive struggle in which the need for economic survival overrides other concerns; partly because financial deregulation has made the international market even more volatile and unpredictable and has forced policy makers to adjust their priorities to the interests and expectations of speculators and finance capital. The result has been an increasingly unstable and unmanageable world in which economic imbalances have grown to a point where they are inhibiting long-term investment and generating social and political conflict. The implementation of GATT agreement will have far-reaching consequences in the Third World. Under GATT, "intellectual property rights", which means protection for patents and things like software, will guarantee that the technology of the future remains in the hands of TNCs, for whom such laws are very important. Thus, globalisation is directed primarily to the needs of those who implement policy, who are mostly the wealthy and the powerful.

The leading economists are affluent members of the Western elite, with ties to business and government as advisors, consultants, recipients of awards, and who support the *status quo* in society. They have often focused on macroeconomic aspects such as exports, imports, inflation, balanced budget, GNP, etc., without any serious regard to social classes. They showed no interest to focus on questions like which classes benefit and which classes lose. Questions like these are viewed by mainstream economists as irrelevant. Even other social scientists, such as sociologists, anthropologists and political scientists neglect class analysis. There is a necessity of a class analysis approach based on relations of production and the role of the state, which I think are crucial elements in the study of power and power struggles in Third World societies - especially at this critical juncture of crisis and conflict.

The alternative is a greater regard for sovereignty that allows for greater diversity in the choice of domestic economic and social policies. To ensure full employment, to direct capital for long-term social priorities and to ensure that economic processes enable people to fulfil their wish to live a peaceful, secure and prosperous life in diverse communities that are rich in human relationships.

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28.12.94

The Nation