GLOBALISATION AND THE DEVELOPING COUNTRIES

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Abstract: "Globalisation" has been defined in different ways by different people. It is like an LPG syndrome comprising liberalisation, privatization and globalisation. The main criticism about globalisation comes from the fact that although it may generate unprecedented opportunities and wealth, the benefits of the same are not evenly distributed. Moreover, many consider globalisation as a panacea for all the ills of their ailing economies. Globalisation should however be considered only as process to liberalise the economy in order to integrate the same with that of the world.

In the decade of the 1990s, the world has witnessed a phenomenon of integration. There has been an increasing realisation by many countries, both developed and developing, that certain benefits would accrue to a nation if it opens its economy to the outside world. For long, many developing countries followed protectionist policies with the result that they could not reap the full benefits of developments in various fields from within or outside their territories. They also slowly realised that a closed economy cannot remain as it is for long. It requires the necessary momentum for development. A faster growth and development of the economy is possible only through changing their stance from the age old conservative and protectionist system to a more liberalised modern outlook.

This realisation on the part of many countries, particularly the developing ones since the beginning of 1990s, has changed the scenario of the entire world. Countries started following outward looking policies replacing their inward looking policies. Economic reforms have become their tool to start with followed by reforms in other sectors slowly and steadily in spheres like industry, trade, investment, finance and banking.

THE LPG SYNDROME AND THE PROCESS OF GLOBALISATION

The whole process of globalisation may be divided into three parts namely: liberalisation, privatisation and ultimately the globalisation itself which is otherwise known as the LPG syndrome. It requires a complete restructuring of the economy for getting the best from every factor of production by increasing the productivity of the same. It may involve the following:

1. Formulation of a new liberalised policy for new industries.
2. De-registration, de-control and de-regulation of industries;
3. Privatisation of those public sector units which cannot be run profitably;
4. Closing down the "sick" units and reviving the "not-so-sick" or partially "sick" units in the public sector;
5. A package of reforms in the area of trade, investment banking and finance.
6. Incentives to woo foreign investment particularly the foreign direct investment (FDI)
7. Becoming a member of WTO and fulfil its obligations.
8. Taking legislative measures to protect the intellectual property rights etc.

DEFINITION OF GLOBALISATION

As mentioned earlier the LPG syndrome involves three phases namely, liberalisation, privatisation and globalisation. Liberalisation involves liberalising various sectors of economy

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as part of economic reforms or restructuring the economy in terms of objectives set forth for it. Privatisation can be a part of liberalisation policy or a separate policy of the economy, exclusively liberalising certain industries or units in the public sector with a clear cut policy laid down for it. Globalisation on the other hand may be the ultimate goal of integrating the national economy with that of the global economy. Many economists have tried to define the word globalisation in different ways. Some of them are presented below.

Some Definitions of Globalisation

Process

It is a process of liberalising the national economy with a view to integrating the same with that of world economy.

Global Village

The whole world can be called a global village as all nations are free to move in and move out from the village.

Factors of Production are Foot-loose

Factors of production are free to move from place to place without any barriers, particularly labour and capital.

Absence of Borders

Globalisation is popularly described as the absence of borders and barriers to trade between nations (Ohmae, 1995).

Shifts in Traditional Patterns

Globalisation has been viewed as shifts in traditional patterns of international production, investment and trade (Dicken, 1992).

Interconnections

Globalisation can be defined as interconnections between overlapping interests of business and societ (Brovm, 1992; Renesch, 1992).

Increased Permeability of Every Kind

It can be broadly defined as increased permeability of almost every kind including physical boarders such as time and space, nation-states and economies, industries and organisations and less tangible boarders such as cultural norms or assumptions about how we do things.

Activities Become International

It is a process. in which commercial and financial activities become increasingly international as a result of dismantling of economic barriers and introduction of modem information and communication technologies.

Without Involving the State

Groups and individuals interact directly across frontiers without necessarily involving the state.

From the above definitions one can see the definitional differences that exist for understanding the concept of globalisation. As rapid globalislation of products, people and markets continues we are made to believe that globalislation simply means becoming part of a 'global village' and the players may 'act globally and think locally' or *vice versa* depending on the situation. In fact, many have gone to the extent of calling the 21st century as the global century.

GLOBALISATION STILL A MISUNDERSTOOD CONCEPT

It is disheartening to note that globalisation has neither been understood nor interpreted correctly. So, it remains an ambiguous territory subject to a lot of misinterpretation and manipulation by vested interests. Who are responsible for this? A whole lot of people including economists, bureaucrats, technocrats, business people and politicians. Each one of them has used, misused, misunderstood and contributed to the confusion that now prevails all over the world today.

Many are tempted to equate globalisation with liberalisation. Globalisation may simply mean integrating one's own economic with that of global economy. It involves liberalising the economy both internally and externally.

If countries start liberalising their economies externally as quickly as possible, it is believed globalisation too can be achieved within a short-time. But it is easier said than done. The more a country resorts to external liberalisation (which means opening their markets for goods and services including different factors of production) to the outside world the more it becomes more vulnerable to the vicissitudes of the global economy. It requires an internal economy built on strong foundations before resorting to external liberalisation.

Pace of Globalisation

The pace at which a country resorts to external liberalisation depends on many other factors too. It may involve a conscious choice and policy choices at different levels like economic, political and social. It depends on the extent of growth and development a country has so far achieved and the level needed to be reached. It also depends on the institutional mechanisms that have been operating in a country. Without proper institutions that would supervise and monitor the various activities, liberalisation may not be effective to achieve the purpose set forth for it.

LESSONS FROM SOUTH EAST ASIA (SEA)

There are lessons, one can learn from South East Asian (SEA) countries which had shown remarkable growth for about 2 ½ decades and latter suddenly collapsed. The Asian tigers (as the SEA countries are known) who achieved an 'Asian Miracle' have now become mere tiger cubs according to some economists.

Economists now find many reasons for the collapse of Asian tigers right from fragility of banking system to the wild investment and too much reliance on short- term capital and real estate business. Whatever the reasons might be for their downfall, it appears they went too far and too fast without proper institutional mechanism to supervise and monitor the developments both internally and externally. The experience of SEA countries reveals that there are no fixed rules or criteria that can be adopted by a country on the path of globalisation. Each country has to devise its own path best suited to it depending upon its preparedness and how strong its economic fundamentals are.

Origin of Globalisation

Although some economists feel that the concept of globalisation can be traced as far back as late 19th century or early 20th century, the process had its set back with the First World War and the Bolshevik Revolution followed by the Second World War.

But, the real signs of globalisation were seen only in 1970s and it gained momentum slowly. The collapse of communism and the developments in the world in 1990s gave real boost to globalisation.

The technological revolutions in communications and information processing and the advent of the Internet have made the world different. The distances are dead and it has led to the shrinkage of space and time which has made a lot of difference to the world of business. The future lies in the digitisation technology.

OBJECTIVES OF GLOBALISATION AND DEMOCRACY

It is said that the basic principles and objectives of globalisation and democracy can not be different. For example, any democratic society aims at achieving:

i) Economic justice;
ii) Social justice;
iii) Gender justice; and
iv) Balanced developmssent of all the regions, all the races and all communities in every nation. So globalisation is a process that may

quicken the process to achieve these objectives for any nation.

Impact of Globalisation

If globalisation is supposed to help any democratic society to achievie its goals, the countries which have gone for globalisation so far have mixed feelings. Some have achieved success, some are yet to achieve any, while many are still in the process and many have bitter experiences. Hence, it is said that globalisation is yet to demonstrate that it is 'of the people, for the people and by the people'.

Beneficiaries of Globalisation and the Role of Rich Nations

The experience of many countries on globalisation has so far revealed that it is the rich nations which get the maximum benefits out of globalisation. This has been demonstrated by facts and figures. In other words, the rich are becoming richer and the poor are becoming poorer and the gap between the two is widening year after year.

So the rich have a greater responsibility to help the poor by assuming greater responsibilities in reforming the globalisation process as they have benefited maximum from globalisation.

Globalisation and the Business World

The impact of globalisation can be seen to the maximum extent on one sector that is the world of business. The twin forces of liberalisation and globalisation have led to paradigm shifts in the business pattern all over the world.

As the distances among nations are reduced and the time in which the orders can be placed with any supplier in the world is also reduced substantially, business deals can be clinched in a few seconds/minutes with the revolutions that are taking place in information and communications technologies and the advent of the internet, e-commerce, and more particularly the electronic data interchange (EDI). So there will be a paradigm shift in the way the businesses are conducted in future.

CRITICS OF GLOBALISATION

Globalisation has both supporters and opponents. Protagonist of globalisation say, it is good for every nation to go for it. The long term benefits outweigh the short term distortions in the economy. But the antagonists on the other hand point out the bad effects of globalisation. Some of the criticisms levelled against globalislation are summarised below:

1. Globalisation offers opportunities accompanied by uncertainties;
2. Fruits of globalisation are neither shared equally nor are they reaching the poor;
3. Ultimately globalisation should result in overall development. But the guiding principles of economic development i.e. social security and equity have remained on paper only;
4. Disparity between the rich and poor is widening if we look at the world as a whole;
5. For example, the richest 20 per cent of countries in the world had 86% of world GDP and the poorest 20 per cent had one per cent of world GDP;
6. Likewise, the share in global income of the richest 5^{th} of world was 74 times of that of poorest 5^{th} in the world in 1997; and
7. Between 1994 and 1998, the net material worth of the 200 richest of the world increased from US$ 400 billion to US$ one trillion.

On the basis of the above facts and figures, the critics of globalisation say that globalisation benefits only the rich and hence they oppose tooth and nail. For them, there are some non-governmental organisations, who lend support to them.

But it must be remembered that globalisation is not a panacea for all the problems of a nation. It is not a blind religion too. It is fair competition to consumers' interest. Globalisation takes place only when there is commitment to healthy competition.

A sudden and complete liberalisation of

economy with full convertability of a nation's currency particularly on capital account is also not advisable as the experience of some East Asian nations show.

Equalisers in the Global Economy

Although the world of business is witnessing revolutionary changes, there are some equalisers in the global economy. The advent of internet has revolutionised the way the business is conducted. The internet, coupled with proper education will be the greatest equaliser in the global economy which is otherwise divided on the basis of education, technology and digital development.

In fact, experts feel that with the development of the internet infrastructure, a country may skip a generation of technology.

What the Developed Countries are Doing

The developed countries are erecting barriers to products coming from developing countries. They are raising issues which are not connected with trade, for example labour and environmental issues. Because of this, many talks at regional and international level have been stalled.

The Position of LDCs

The worst impact of globalisation is on the least developed countries, numbering about 49. They account for about 20% of world population and witnessed a decline in GDP growth from an average of 2.9% during 1980-90 to 1.4% during 1990-94. Their combined external debt increased from $868 bn. in 1980 to $2,900 bn. in 1994. The LDCs which account for about 20% of world's population earn annually only $25 bn. in exports and a meagre S5 bn. in FDI. They do not have the surplus of exportable goods or the production capacity to take immediate advantage of new trade opportunities opened by globalisation.

From the above analysis, it is clear that in a globalised world, no country can afford to remain insulated or isolated. The available evidence so far reveals that economies that are more integrated with other economies are doing better than economies that are not very well integrated. The name of the game is competition and as this is a competitive world, if nations are not globally competitive they may face serious problems.

THE FUTURE

The 21^{st} century no doubt is likely to present an exciting and challenging one with lots of opportunities thrown open. Even though predictions of 21^{st} century are made on the basis of various changes and revolutions that are taking place in information and communication technologies around the world, with electronic commerce and internet dominating the world of business, it is certainly a more unpredictable future. Things can not remain the same as they were in the past or as they are in the present.

Advent of WTO

The advent of WTO which is the successor to GATT has given ample opportunities for both developed and developing countries with its new agreements and rules (Sekieteto do what?). Developing countries are now in a peculiar state of affairs. Many countries resorted to globalization in the early 1990s. For example, during the 7 year course of the Uruguay Round of multilateral trade negotiation between 1986 and 1993, over 60 countries implemented trade liberalization programmes. Some did so as part of their accession negotiations to GATT/WTO while others acted on an autonomous basis. At the same time, developing countries and transitional economies took a much more active and influential role in the Uruguay Round of negotiations than in any previous round. The WTO not only liberalised the rules of world business but also bound the members to a new set of regulations and obligations for the conduct of international business.

Globalisation Creating New Barriers

Globalisation is speeding at a lightening speed breaking down barriers between nations and demolishing psychological barriers between peoples. It is also creating inequalities of members between nations and inviting the menacing possibilities of a digital devide. According to some, it is homogenizing cultural barriers and diversities. What is being disputed is the efficacy of economic globalisation as we know it today.

CASE OF AFRICA AND OTHER REGIONS

The situation in Africa is no different from the rest of the world. For example, during 1985 and 1996 Africa's share in the value of world merchandise exports declined from 4.3 to 2.3, tthat of the Middle East from 5.3 per cent to 3.2 per cent and that of Latin America from 5.6 per cent to 4.9 per cent.

The above picture presents a not so good a phenomenon. Some countries, have no doubt achieved some success. For example, in East Asia, the proportion of extremely poor has gone down from 28 per cent to 15 percent in the last decade. But all is not well at the same time. Something needs to be done to correct this trend. Recognising the magnitude of the problem, the world leaders joined together at the United Nations Millennium Assembly held under the auspicious of LTN in September 2000 and decided to draw a future course of action. Some of the important decisions of the LTN Millennium Assembly are given below as part of the global agenda for the 21st century.

- The proportion of the people living in extreme poverty: To be reduced by half, by the year 2015;
- The way for achieving the above: Is not by neglecting globalisation but by making it more inclusive and equitable;
- The rewards of globalisation: Have to be distributed more widely.

Depth of Globalisation Achieved

According to a latest study made by M/s At Kearny, a foreign policy magazine which produced an index to measure the extent of globalisation, it was revealed that Singapore is on the top which achieved maximum globalisation. The least progress was shown by Iran. Globalisation is greater in countries which have civil liberties and political rights and are free of corruption. Singapore officials are authoritarian but at least they are honest as the survey revealed. The index for globalisation takes into consideration factors like international travel, tourism, international telephone calls made, transfer payments, etc.

What Developing Countries Should Do

1. They should be constantly alert and conscious of the developments and the mechanisms being followed by rich nations which have a bearing on their exports;
2. Industry in each country should be aware of the WTO agreements and its implications;
3. They should continuously be on the lookout for the best possible ways to counter unfair practices like dumping and subsidised imports into their countries;
4. Launching awareness programmes to educate all concerned on the dangers of unfettered imports;
5. Taking a concerted and unified action on matters relating to WTO affairs in various forums.

CONCLUSION

There has been a lot of misconception and misunderstanding about the concept of globalisation. Globalisation should not be seen as a panacea for all the ills that may befall the economies of the developing countries. It should be seen only as a process that facilitates an economy to move from margin to mainstream without being marginalised.

Some future trends in business pattern may also be predicted. It is predicted that in the next IO years i.e. in the first decade of the 21 century, 90 per cent of the products we see today will disappear. Our cars, homes, our clothes, our TVs, phones, even food etc. are going to be changed in ways we can not even imagine. This means that we are talking about products which are not there, markets which are yet to be invented, and technologies which are yet to emerge. All these may be the grist to innovators' mill.

It must also be clearly understood by all that globalisation has taken place in an unequal world. Certain developments like the East Asian crisis and the oil price hike in the recent past have led to transfer of resources from the poor developing countries to the rich developed world.

What are the lessons for the developing nations? Globalisation has no doubt become an inevitable process. Neither the developing nations can insulate themselves nor remain isolated in this process. Ultimately it is the responsibility of each nation to manage globalisation to the best of its national interest. In other words globalisation is irreversible and irresistible.

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