

# [In the proposed solutions are such that some](https://assignbuster.com/in-the-proposed-solutions-are-such-that-some/)

In such an arrangement, member countries take a collective stand in defending and promoting their interests. But such regional blocs, by discriminating against non-members, also become a stumbling block in the way of full globalisation. The existing structure of individual economies is extremely heterogeneous and complete globalisation of even merchandise trade is a distant dream.

Globalisation involves extensive restructuring of the domestic economies which, it appears, is not liked by national governments. In brief, we can mention the more prominent hurdles in the way of globalisation as follows: (1) Heterogeneity of Problems: A major hurdle in the path of globalisation is the absence of a universally accepted set of solutions of the problems which have to be tackled. Some of these problems happen to be political and social ones, but even their solutions have economic implications. Frequently, the proposed solutions are such that some countries view them as more harmful than beneficial. Usually, the developed countries are not ready to share the gains of globalisation with developing ones on an equitable basis and this hinders a smooth transition to globalisation.

(2) Reluctance of Developed Countries: Though advocating the advantages of a free market mechanism and competitive markets, rich economies of the world are themselves riddled with all sorts of distortions on account of monopoly forces, huge subsidies, and a variety of vested interests. They are not ready to accommodate the poorer countries of the world on criteria of economic fairness. While insisting on greater access to their markets, they themselves adhere to protectionism. There are frequent instances of their enacting unfair and discriminatory legislation against competitive imports from developing countries and resorting to other unfair practices.

(3) Reluctance of Developing Countries: The developing countries, on their part, have the bitter experience of being forced into giving trade and non- trade concessions to the developed countries at the cost of their own interests. They realise that, with them, the developed countries want to above ‘ free trade’ and not ‘ fair trade’. The developed countries keep finding fresh ‘ reasons’ for adding to the trade disadvantages of the developing countries. Such ‘ reasons’ include, for example, “ adherence to labour standards” (that is, non-use of child labour and low-wage labour), “ physio sanitary conditions of production”, and so on. (4) Short Term Gains: Though several economists from the developed countries have been arguing that long run sustainable growth and prosperity of the developed countries can be ensured only by the growing prosperity of the developing countries, the former are not ready to adopt and pursue this approach. Instead, they are always eagerly looking for opportunities to reap short-term gains. (5) Non-Economic Hurdles: Any form of economic integration, by its very nature, necessitates a corresponding compromise of national sovereignty; and it is more so in the case of global economic integration. This poses a very difficult and often unacceptable choice for national governments.

For example, a national government may find itself forced to abandon measures for providing food security, or jobs during a natural calamity, etc. (6) Factor Mobility: Globalisation necessitates unhindered international factor mobility. Developing countries feel that unrestricted mobility of capital and finance can be damaging for them; while developed countries are apprehensive about the effects of unrestricted immigration of low-wage labour.

In other words, while globalisation is expected to bring about free factor mobility and factor price equalization, most countries are apprehensive about such phenomena. The developing countries feel that free capital mobility is not suitable for them because of their underdeveloped and weak financial systems. The developed countries are apprehensive that free labour mobility would mean a loss of jobs for their own citizens which many generate social tensions (7) Big Business: Big corporate entities of business have a tendency to kill competition and dominate markets. Developing countries are apprehensive that such practices would inflict large scale and long-term damage to their agriculture, small scale and cottage industries, and employment. (8) Consumerism: Developing countries also rightly fear that unbridled globalisation would feed consumerism and retard domestic savings and capital accumulation. A country with a low per capita income cannot afford to let this happen.

(9) Chain Reaction: With interdependence, every economy is exposed to ill-effects of disturbances originating in rest of the world. The damage is more when the disturbance originates from a big economy and its effects are felt by a small one. (10) Social Security: With globalisation, it becomes increasingly difficult for a government (particularly of a developing country) to create and finance a social security system. Such like provisions tend to lose their priority in a market-oriented globalisation. (11) Infrastructure: Provision of economical and efficient infrastructure is essential for economic development. However, the responsibility of providing it remains essentially with the government of the country.

Therefore, there is the risk that a poor country, which is not able to provide infrastructure for inviting foreign investment capital, may remain perpetually poor and suffer from inferior terms of trade in the bargain. (12) Washington Consensus: The World Bank and the IMF expect that under globalisation, all countries would abide by the tenets of Washington Consensus. This term represents a set of policy objectives which a country “ should” pursue for ensuring its economic health. The Consensus comprises a few standard policy prescriptions relating to macroeconomic stabilisation and economic restructuring. They include, for example, deficit reduction by reducing government expenditure, tax reforms, removal of barriers to trade and capital flows, ensuring the viability of banks and financial institutions and privatisation of state owned enterprises. The Consensus is essentially directed at the developing countries which are in some form of balance of payments or other difficulties and approach the World Bank or the IMF for help, or ‘ which are otherwise highly indebted and find it difficult to honour their payment obligations. In contrast, a developed country is assumed to be pursuing this set of “ healthy” policy objectives and any deviation there from or any crisis faced by it is rated as only a short-term aberration on its part which will be automatically rectified.

This set of policy prescriptions suffers from some major limitations. The prescribed policies work at cross purposes, and in the process, impose additional budgetary difficulties upon the government of the country in question. The Consensus does not allow any variation to suit specific needs of a country.

Consequently, its actual adoption has caused extreme hardship to some countries. Economists like Joseph Stiglitz and Jeffrey D Sachs assert that “ one-size fits all” is a wrong approach and should be given up. While insisting on macroeconomic stabilisation, the Washington Consensus does not pay adequate attention to certain essential issues such as economic justice for all, removal of poverty and unemployment, protection against market failures, currency speculation and capital outflow, etc. Similarly, it is wrongly assumed that every government has highly competent and effective administrative machinery at its disposal.

(13) Risks and Uncertainties: Progress towards globalisation is also hindered by uncertainties relating to a possible shift in political and economic philosophy of some member countries; the fear of nationalisation by the MNCs, rile resistance to cultural invasion associated with unrestricted inflow of foreign capital and enterprise, and so on. (14) Rent Seeking: In a number of cases, ruling classes (particularly in poor and developing countries) have a tendency to misuse their official powers for private gains. Globalisation is a threat to such privileged classes.