

Does globalisation
help or hinder
developing countries?



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In this essay I am going to answer the question posed in title of this paper. In order to understand what globalization is, first I will provide a general interpretation of term -globalization, its causes and outcomes. In latter part of this paper I will focus on the impact that globalization have made on wealth creation in developing countries. In the final part, I will summarize my work and provide conclusion as well as my own opinion regarding this issue.

Globalization is variously defined in the literature. Giddens (1990) sees it as “ Intensification of worldwide social relations which link distant localities in such way that local happenings are shaped by events occurring many miles away and vice versa”.

As Scholte (2005) explains “ Globalization is best understood as reconfiguration of social geography market by the growth of transplanetary and supraterritorial connections between people”. Although globalization is a relevantly new phenomenon it has been argued that we can track globalization back to the beginnings of human history.[1]Globalization has encouraged the growth of additional areas and forms of accumulation, non-state way of governance, and non- national ways of identity.

Friedman (1999) claims that “ Globalization is not a phenomenon. It is not just some passing trend. Today it is an overarching international system shaping the domestic politics and foreign relations of virtually every country, and we need to understand it as such.” He further says “[Globalization] can be incredibly empowering and incredibly coercive. It can democratize opportunity and democratize panic. It makes the whales bigger and the minnows stronger. It leaves you behind faster and faster, and it catches up

to you faster and faster. While it is homogenizing cultures, it is also enabling people to share their unique individuality farther and wider.”

Stalling to explain this phenomenon says “ Globalization is a multifaceted, multidisciplinary topic in its broadest reaches. It includes not only economic topics, but also political, social, cultural, and ideological ones”.

Globalization has many meanings depending on the context and on the person who is talking about it. Guy Brainbant: says that the process of globalisation not only includes opening up of world trade, development of advanced means of communication, internationalisation of financial markets, growing importance of MNC's[2], population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. Ideally, it also contains free inter-country movement of labour.

As the cited authors above all mentioned that when explaining globalization we need to refer to many different aspects of this phenomenon, the purpose of this paper is to examine what globalization process has produced or caused for developing countries. It is worth mentioning that developing countries as a group include former Soviet Union countries of Central and Eastern Europe, African countries, Latin American and some of the countries from Asian block. These countries have become more engaged in world economy in the past thirty years as a result of processes which are globalization and liberalization.[3]

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Over the last three decades the sheer scale and scope of the global interconnectedness has become increasingly evident in every aspect from the economic to the cultural. As we find it in Baylis (2008) globalization and its economic integration sphere has become more intense as the expansion of global commerce, finance and production links together the fate of nations, communities across the world ' s major economic regions beyond and within an emerging global market economy. As we read in Scholte (2005) globalization involved the creation of transplanetary money and financial flows as well as the development of major additional sectors of accumulation in the information, communications and biotechnology industries.

Scholte presents capitalist approach to globalization. He suggest that significant rends in capitalism have been not only the cause but also a consequence of globalization. Taking his arguments into account it is clear that the growth of transplanetary and supraterritorial spaces has to date helped to widen the range of wealth accumulation and deepen hold of capitalism in contemporary society.

Ritzer (2010) argues that globalization cannot be understood without linking it with neo-liberalism.[4]Neo- liberalism has been the most important theory in the field of influenced economics. Ritzer further explains that it was the key factor in the emergence f the global age. Neo-liberalism us applicable to economics in fields such as market and trade as well as politics which expresses the need of limitation of the state role and its control over the market and trade.

According to Ritzer (2010) in the last decade of 20th C majority of states accepted or were coerced into accepting neo-liberal way of restructuring economics. Author mentioned about the Washington Consensus is an alternative name for neo-liberalism, because of its linkage to the political and economic position of the US. Ritzer (2010) takes on James Ferguson, who is criticising structural adjustment programme, giving Africa as an example. Ferguson in Ritzer's book claims that this programme economically has led to inequality, marginalization and lowest economic growth rates that has ever been recorded and in some cases even negative growth. Further he argues that politically it has led to decline of the state, corruption and privatization of state based functions.

Ritzer (2010) brings up the comment made by Lawrence Summers, who is currently head of Barrack Obama's White House Economic Council. He commented that pollution and toxic waste from Western countries, all should be exported to the Third World. "(...) the under- populated countries in Africa are vastly under-populated". By making this comment it is evident that the primary concern to help developing nations was just the idea that was never met by reality. Further Ritzer explains how structural adjustment programme was rejected in less developed nations, as they all come together in opposition to the Washington Consensus. He remembers the anti WTO protests in Seattle.

Ritzer (2010) expresses hope alongside with Harvey's neo-Marxian orientation in the development of an organic, left alliance involving workers and racial, ethnic and gender minorities all of which are to resist neo-liberal globalization.

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Harvey (2006) argues that another feature of neo-liberalism is reduction of government. This theory explains, giving as a proof the collapse of Soviet Union, that no government or government agency can do things as well as the market. The neo-liberalist approach approves privatization of various sectors in order to open them up for business and profit-making. He further argues that neo-liberalism has not made the state or particular institutions of the state irrelevant; rather they have been transformed to the needs of neo-liberal market and economy.

However there are few writers that openly critic neo-liberalism. Critics say that it was neo-liberalism that caused economic crisis as per its belief in free market. Harvey's critique involves giving evidence of financial crises in various developing countries such as, Mexico, Argentina, evidently all caused by neo-liberalism. Its economic record was dismal since it redistributed wealth, rather than generating new wealth it contributed to degradation of environment.

To aid his view on this issue Ritzer (2010) brings to the discussion Naomi Klein who explains, what is export processing zone and how this contributes largely to exploitation of workers in China and the Philippines. The factories set up in these zones are not controlled by national law but only by corporations who owned these factories. In fact, these zones were also tax free.

Ram (2008) looking at the example of Israel explains the impact that neo-liberalism has made on Israeli economics. There is a trend towards selling off public companies and privatization of across all sectors. Local markets have

been exposed to imports, liberalizations of the Israeli currency reducing taxes, reducing expenditures, cutting public debt and drastic reductions in welfare spending. In result Israel has improved its global ranking as a competitor in global market. Capitalists have enriched themselves, however working classes suffered many disparities such as unequal income.