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ORIGINAL ARTICLE

The Ill-effects Of Globalization From The Perspective Of Developing Countries

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Abstract:

The economic globalisation can be described as "the increasing interdependence of economics". Actually the Globalisation is fundamentally a economic phenomenon, but it is also related with almost all the fields of human life. So, it important to develop the human life from all aspects and the globalisation has potential for this. But we are far from full globalization and are trying to achieve the targets which are exactly opposite of objective of world commission on the social dimensions of globalisation.

KEYWORD:

Globalization, Economic, Social, LDC,TNC,MNC.

INTRODUCTION:

Present paper is the study of ill or adverse effects of globalization from the perspective of developing economies. But it is applicable to less developed economies also. Discussions about these effects can show that actual process of globalization, which exists today is opposite of objective of balanced development through globalization.

OBJECTIVES OF THE STUDY:-

1)To study concept of globalisation.
2)To study the adverse effects of globalisation on developing economies.

SCOPE OF THE STUDY :

The present study is interdisciplinary. It is study subject of economics, mainly of Economics of Development and International Economics. It is also study subject of Politics and Geography. But, present paper has adopted Economics point of view for the study.

DATA AND METHODOLOGY :

The study is mainly based on the secondary data which includes

1)Various reports of Government and Private organisation 2) Books 3) Articles and working papers etc. and 4) websites.

Limitation of the presents study are

1)The study has discussed about the adverse effects of globalisation.
2)The study is limited to less developed economies and developing economies and not considered developed economies.

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Concept of Globalisation and world economies:- The famous Economist Takis Fotopoules defined "economic globalization" as the opening and deregulation of commodity, capital and labor markets that led toward present neoliberal globalisation. He used "political globalisation" to refer to the emergence of a transnational elite and a phasing out of the Nation-State. “Cultural globalisation” he used to reference the worldwide homogenization of culture. Other of his usages included “ Ideological globalisation", “Technological globalisation" and "social globalisation"

Thus conclusion from the above definition is that the economic globalisation in the world economies can take the following forms :

1)Foreign trade of goods and services.
2)Foreign direct investments and financial integration.
3)International migration.
4)Foreign borrowing-lending and foreign aid.
5)Integration of macroeconomic policies.

Other than this form of globalisation other forms are also important. Because positive changes in the economic, social and political, cultural, ideological etc, shows status and real development of a country.

HISTORY OF THE GLOBALISATION.

The starting of the modern globalisation process goes back to the second half of the 19th century. But the process of globalisation is not new, it is as old as the origin of human beings and the society. The world bank classifies the stages of development of globalisation as follows :

1)The first wave of globalisation : 1870 – 1914
2)The retreat into nationalism : 1914 – 1945
3)The second wave of globalisation : 1945 – 1980
4)The new wave of globalisation : 1980 – present.

The first wave of globalisation started in 1870 and continued until the beginning of the 1st World War in 1914. During this period rail transport had developed and the innovation of telegraph helped to establish contact over long distances, which became the cause of trade relations between countries, France and the Great Britain are the pioneers in the reduction of foreign trade barrier.

The period of 1914 – 1945 is known as a retreat to nationalism because political nationalism succeeded in limiting international economic relations and the great depression of 1920s and early 1930s led to protectionism, which additionally limited the international division of labour.

The second wave of globalisation i.e. 1945 – 1980 followed the nationalistic period and enforced international co-operation as a reaction to the war. This was reflected in the establishment of UNs in 1945, Britton Woods institutions (IMF and World bank) in 1946. But the globalisation was limited to the industrialised capitalist countries.

The third wave of globalisation started in 1980 and this phase continues till today. According to World bank, this period has three special characteristics.

1)A large group of developing countries broke into the global market.
2)Less developing countries became increasingly marginalized and suffered from declining incomes and increased poverty.
3)International capital movement and migration became substantial.

According to the principle of globalization it is beneficial to any country participating. Because the international division of labour makes the allocation of resources more efficient and this increases the economic welfare of all countries, the least in the long run. But unfortunately globalisation has divided the world into 3 categories.

1)Developed countries
2) Developing Countries
3 Less developed countries.

LDCs are the countries where mass poverty exists, low income to make their living, the literacy

rate is low, the transportation, infrastructure, basic amenities are less compared to the other two economies. The developing countries are far better than the under-developed countries. The country is in developing stage. There are a lot of strategies coming up to improve the infrastructure, transportation facilities. The gap between the rich and the poor is also decreasing. People below poverty line are also decreasing and education is becoming a priority for many of these countries today. Even if we look at the transportation and infrastructure facilities, some of the economies are almost crossing these developing stages.

The Developed countries are much above the other two. The population in most of these countries is very low and hence the literacy rate is high. These have very good infrastructure, transportation and technological developments. The money value in these countries is also high.

In the context of globalization the developing countries enjoying benefits of globalisation are small in percentages.The least developing countries suffering from inequalities of many types are more in numbers. Again developing countries such as BRICS are not always gaining from globalisation. But the first world has always benefited from the globalization.

Thus in this context it is important to see the ill-effects of globalisation to developing countries and Less developing countries.

Adverse/Ill effects of Globalisation on developing countries.

1)Income inequality :

The globalisation became the means of concentration of wealth and power in the hands of particular people, groups and economies. According to UNDP human development report 1992, the 20% of the world's population in the developed countries receive 82.7% of the total world income, while the 20% of people in the poorest countries receive only 1.4% of total world income.

According to Human Development Report 1996, over the past three decades only 15 countries have enjoyed high growth, while 89 countries worse off economically than they were 10 or more years earlier in 70 developing countries. Their present income levels were less than in the 1960 and 1970s. In some areas of the developing countries people are poorer than 30 years ago with little hope of rapid improvement.

According to Zgurovsky, the three richest people in the world hold total wealth which exceeds the prosperity of 47 poorest countries and 475 richest hold fortunes that is bigger than the wealth of the humanity. In 1973 the gap between the profits of the most developed and developing countries including LDCs could have been rated 44:1. Globalisation has enabled the developed countries and the largest transnational corporations to take advantage of more power productive forces. In the beginning of the 21st century the gap of the profit between the richest and the poorest among countries has increased, which has been rated 72 : 1.

Thus income inequality is increasing and the poor are benefitting very slightly or in some instances actually be hurt by the globalisation process. The poor mainly includes workers, consumers, recipients of public services and users of common resources.

2)Inequality in the distribution of capital flow :

The FDI flows, Portfolio investment started increasing after 1991. But compare to the other countries the growth is nominal as well as in the period 1980 – 90 average inflow of FDI in developed countries was 74.40% and developing countries was 25.54% and average FDI in 1991 – 2001 of developing economies was 30.36% the net increase was 5%. Except the years of crisis this flow is increasing but the major beneficiaries of this flow was China, India, Brazil, South Korea, Africa, Turkey. Thus unequal distribution of capital flows in consistent with the fact that income among developing countries is diverging and creating imbalances in the development.

The average share of developing countries in total stock of FDI in the period 1980 to 2001, is – Hong-Kong has received around 50% of the total stock of FDI while 15% of total FDI stock has gone into China, followed by Indonesia at around 10% and Singapore at around 8%, Thailand and Taiwan have received around 2% and less developing economies have received 1%.

FDI is heavily directed in to limited areas where producer links to external markets and entrepreneurs can easily get the chances of benefit, which brings about unequal development– as might have happened in the spread of the green revolution in the Indian agriculture.

3)Global Financial Crisis.

One well known risk of globalisation can be related to financial crisis. The crisis in Asia and Russia in 1997 – 98, Brazil 1999, Ecuader in 2000, Turkey in 2001, Argentina 2001, Uruguay in 2002 and today's global crisis are examples which has declined the financial benefits to the world.

It is true that FDI brings in capital but also leads to a stream outflow of profit and other investment income. Thus tendency of outflow lead to 'decapitalization' comparing to aid, debt . The studies found that because of much higher rate of return of FDI compared to the rate of interest paid on aid or debt leads to the greater decapitalisation effect causing crisis.

Moreover too rapid growth of FDI could also lead to 'de-nationalisation', where the foreign share of the nation's wealth stock increases relative to local share, which can leads to loss of sovereignty .

Latest round of financial crisis is also a cause of the large inflows of the short term capital. When short term capital flow took place, it lead to an asset price bubble and when it broke it lead to large capital outflows and sharp depreciation which is not beneficial to any country, but adversely affecting the economic activities and converting it into economic crisis.

4)Adverse effect on the trade :

Developing countries trade had risen rapidly in absolute terms from $40 billing in 1950 to almost $6 trillion in 2004. But if China is excluded, the share of developing countries in global trade has been actually fallen from 31% in 1950 to 25.7% in 2004, reflecting very uneven participation in the expansion of trade and weak performance by many of the poorest countries.

Within the group of developing countries the share of trade of BRICS and other fast growing countries such as Chile, Indonesia, Turkey, Vietnam is increasing.

The Share of manufactured goods in the export is highest still majority of the developing economies are net food importers and exporters. Their share in world agricultural export has dropped steadily from 3.3% in 1970 – 79 to 1.5% in 1990 – 98. The food import increased over $ 7.6 billions. The resulting trade deficits are largely financed by foreign aid.

In the period 1997 to 2001, prices of agricultural commodities has declined sharply such as coffee 70% as well as Cotton, Sugar, Rice have also experienced a steep decline overall which contributed for heavy deficit in the trade of developing economies,

According to trade and development report of 1999, Oil and non-oil primary commodities prices fell by 16.4% to 33.8% respectively from the end of 1996 to 1999 resulting in a cumulative terms of trade loss for developing economies of more than 4.5% income during 1997 – 98. These losses have adversely affected the sustainable growth of developing countries.

5)Heavy tariffs and non tariff barriers :

Average tariffs applied by the OECD and developed economies to developing economies are often considerably higher than those applied to less developed countries. Although border protection including TBs and NTBs has declined substantially over the past decades, but it remain significant particularly in areas of agriculture and labour intensive industrial products where developing countries has comparative advantages. Average agriculture tariff was close to 10% in Canada, 20% in U.S., E.U. and Japan in 2002 and this cost the DCs the equivalent of $ 2.5 billion in potential export earnings per year.

Non tariff barriers including import quotas and licensing, sanitation, Phytosanitoary requirements, custom procedures and contingency measures has doubled in developed country in the period 1994 – 2004 and there has been 7 fold increase in testing and certification requirements since the conclusion of the Uruguay round. This has often placed costly and unnecessary burdens on firms in developing economies which struggle to meet technical health administrative requirement for their exports. Thus they can't participate effectively in the various international standard setting processes and went out of market.

Anti dumping measures as a trade barrier misused by US and EU in case of textiles and other products of developing countries. Thus, market access has became a serious point in the globalisation era for developing and less developed economies.

The urgency round negotiations is an unequal treaty and are weighted against the interest of the South region in which includes intellectual property rights, services, agriculture and trade related investment measures, which has prevented access of developing economies to developed economies. which has created deficit in BOP of developing countries.

6)Trade related Intellectual property rights and developing economies :

TRIPS has became a issue of debate at the world level. Every country has to follow this agreement and thus all the product including agriculture, medicine and other essential products are subject to IRPS.

Medical and bio-technical innovations are very much in the private domain. Multilateral pharmaceutical and bio-technical firms of the north hold the 90% of IRPS and patents. As these innovations which tends to raise the cost leads to limited access in pharmaceutical and knowledge market and is not affordable to those, who need them most for ex. 90% of pharmaceutical research is focused on products for conditions prevalent in developed countries and 90% of the disease burden worldwide is concentrated in developing country About 40% HIV/AIDS patients are living in developing countries. Malaria is a disease for which South Africa is spending more but the outcome is not satisfactory. Thus the problem of the inabilities of AIDS patients in developing countries have no access to patented drugs due to their higher prices. It is a result of hold on IRPS by developed economies. Who are actually using traditional knowledge of developing and less developing countries.

Thus developing countries have need to protect their traditional knowledge and genetic resources of plant for their benefit, otherwise they will be found in the fight for their traditional intellectual property like India fought for the patents of Neem, Basmati Rice and Turmeric.

7)Transnationalization of developing countries :

The growing concentration and monopolization of economic resources by transnational corporations and by global financial firms and funds is called as transnationalisation. TNCs in developing country is useful for investment, production, employment. But on the other side appearance of TNCs in developing countries rise much controversy and many social concerns like :

a)Due to great mobility of MNCs, they have quick access to cheap labour and free to leave country any time, this can be a cause for great unemployment problem.
b)The OECD report shows, that MNCs often adopt management style and labour conditions of their host countries, therefore exploiting developing countries as they doesn't have a certain loyalty and social responsibility.
c)A lot of companies in the sport sector made big mistakes in the past. Adidas, Nike, Fila, Puma, which treated their workers badly. Employees were forced work overtime in Turkey, Indonesia, Bulgaria and they employed their workers without a proper contract and appropriate working conditions. Adidas Scandal is famous as they used child labour for the production of sportswear in 2000. The German company was confronted with overtime work, sexual harassment and using child labour in Indonesia.
d)Economic drain is also a form of exploitation of developing countries as happen in colonial period.
e)TNC are not following Safety Net System, social security schemes,labour laws, environmental norms etc.

8)Growth, unemployment and Poverty :

According to some opinions the growth rate is increasing and poverty is falling in some developing economies of Asia. In most popular countries including China poverty and unemployment was quite lower till 2001. But reality is that the 3 rates are i.e. growth rate is increasing, poverty and unemployment is decreasing at a very slower rate.

In 2007 UNCTAD has estimated that the number of people living in poverty line will increase from 334 million to 470 million in 2000 to 2010 in the LDCs and Developing countries and the current trend in developing countries is showing that in the period 2007 to 2010 growth rate of these countries is declining and unemployment rate is increasing. So, poverty is high. These are the estimates by World Economic Outlook Reports of IMF and ILO.

9)Brain Drain :

Brain drain i.e. permanent migration of skilled workers has undermined the ability of development of developing and less developing countries. It is leading to skill shortage in an important sectors such as health, education, engineering and I.T. It is notable that approximately 65,000 American born physicians and 70,000 African born nurses are working overseas in a developed country in the year 2000. The intensity of the brain drain has increased for most developing countries since 1990. The emigration rate estimated at 41% in Caribbean region, 27% in Western Africa, 18.4% in Eastern Africa,

16% in Central America in 2003.Because Australia, Canada, US have programs to attract skilled migrants thereby problem of brain drain in case of skilled labors existing in the developing courtiers.

The nature of technical progress and new technology is heavily biased in favour of skilled and educated labour and also complementary to skilled,educated labour and capital and substitute for unskilled labour. This has strictly controlled unskilled labour migration, which ultimately has resulted to unemployment and poverty increased.

Thus excess brain drain and no mobility of unskilled labour is a loss to developing economies and leads to polarization of income and wealth as skilled workers benefited from globalisation while unskilled workers were adversely affected.

10)Political dimension of globalization:- Developing countries and LDCs often became the subject of biasness. The WTO IMF although called as independent organisation but is not more than the puppet of the rich and powerful nation like U.S. These organizations and powerful countries have became the shadow that have interfered with the fate of highly indebted poor countries and developing countries. Many unfavorable policies are fed onto 3rd World by these organizations has created more harm than good. The intention behind this is to keep them begging for more financial aid and dominate for the benefit for 1st world.

Still developing country like India, Pakistan, China, South Korea are the country showing favorable results in the political participation. China-superpower of future is playing political game only for self gain and Bangladesh, Sri Lanka, South Africa are trying to show participation and the less developing economies are out of focus as political representative at world level and has resulted at some extent erosion of sovereignty of some developing countries.

11)Social dimension of globalization :

Developing countries are today reaping profits of globalisation but social cost of this profit is much higher than the economic gains.

According to Jagdish Bhagwati, in the globalisation era Social development is most concern. But glaobalisation has given rise to several social and environmental problems.

Bhagwati further has explained that the growth of tourism has inevitably been accompanied by a rise in female and male prostitution in countries such as Thailand. Trafficking in women has grown especially with the economic distress, in countries such as Russia and Asian countries. As well as women going abroad as domestic servants often to middle east like Saudi – Arabia have been subjected to abuse and need protection. These social losses we can't fill with any economic flow. But this is a loss and exploitation of natural capital of developing countries, without which globalisation is valueless.

Second adverse effect of globalisation is growing child labour. According to the estimation of ILO Report 2000, 246 million child workers aged 5 to 17 were involved in child labour, of which 171 million were involved in work that by its nature is hazardous to their safety, physical or mental health and moral development.

Child labour are mainly living in developing countries. 61% of child labour are in the Asian Countries followed by Africa 32% and 7% in Latin America.

The child labour is a result of poorness, limited choices for women in jobs and parents are unemployed or underemployed. Many TNCs are also fostering the problem of child labour mainly in poorest countries.

Other than this there are several social problem are existing in these countries like lack of access to the qualitative education for a lot of nations, Pollution of national culture, growth of level of corruption, crime, terriorism and conflicts based on religions.

12)Environmental losses :

Environmental degradation is a evil created by globalisation. The problem of pollution, acid rain, disease containment, tropical deforestation OZONE depletion, global warming etc. are the global challenges created by few developed and developing economics.

According to World resource institute (1994) major polluters of industrial based CO_2 and methane are US, USSR, China, Japan, India UK and less developed countries are the recipients of this pollution are all non-polluter countries.

For the establishment of industries deforestation became essential and created severe environmental damages. The industries, vehicles green houses carbon has accelerated CO_2 level and contributed for global warming. Burning the forests to make way for crops has destroyed much of nutrients

in soil. A misdirected government policies, population pressures, nuclear energy has created many of the environmental problem.

Thus in recent years, it has became fashion to speak about the sustainable economic growth, which concerns the responsibility that current growth should not affect current generation and future generation. But the aim of sustainable development has not achieved by any country.

13. Report of KOF and CEIP institutes (2007):-

These institutes have carried out an annual quantitative rating i.e. index of globalisation to compare the different countries. This result can show the picture of globalisation in context of world economies.

· The BRICS can be economic frontier in just 40 years. But today UK, US, France, Germany, Italy, Japan are in the category which is showing favorable globalisation index and not a single developing economy is in this category.

· US has lost the highest level of social globalisation and all developing economies are at the bottom of this list. The place of India in social globalisation is - 95, Srilanka - 81, China – 95, South Africa – 71 , Thailand – 78 and Bangladesh is exception and achieved 12th rank.The social tension and public dissatisfaction has declined the rank of these countries.

· The five world leaders in the political globalisation are USA, UK, France, Russia, Sweden.Less developing countries are at the bottom. In the globalisation process actually rich and developed nations benefits more than poor ones and with these benefits they have lost many things. The trust Mainly the trust of other countries.

CONCLUSION:-

As globalisation is a part of a broader trend called as marketization and has created many ill-effects mainly in the context of LDCs and developing countries. But it has also provided so much gain to the world and has potential to provide more and more gain. But for this the co-operation among all world countries at least among developing countries is essential .

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