<u>Has globalisation widened or narrowed the gulf between rich and poor countries?</u>

In 1981, the Brandt Commission reported on world development and concluded that the world consisted of two parts: a wealthy "North" in which a large proportion of the world's wealth was concentrated and a poorer "South" which contains two-thirds of the global population but a smaller proportion of the world's wealth.[1]

Figure 1 The North-South Divide as shown by the Brandt Commission in 1981

According to Keohane and Nye globalisation refers to "the process by which globalism becomes increasingly thick"[2] and globalism has a number of dimensions. So therefore if we are looking at how far globalisation has affected the gap between the developed world and the developing world then it is important to specify which type of globalism that is being referred to. The focus of my essay will be economic globalism and to what extent this has widened or narrowed the gulf between rich and poor countries. This is because the disparity between rich and poor countries is most apparent in terms of wealth. There are two views of globalisation and inequality. The Washington Consensus is the neo-liberal celebration of globalisation and it sees globalisation as a cure to global inequality because it allows wealth to expand to poorer countries. The second understanding of globalisation and inequality is more pessimistic and it sees globalisation as a means of allowing there to be new forms of

[1] B. Digby. *Global Challenges* (Oxford: Heinemann Educational Publishers, 2001), p. 193
[2] R O Keohane & J S Nye "Globalization: What's New? What's Not? (And So What?)" <u>Foreign Policy,</u> Spring 2000

domination and exploitation via neo-colonialism. In order to validate these views I will provide evidence, which supports both perspectives by referring to a range of examples including the success of the Asian Tigers. Finally I will briefly summarise whether globalisation has narrowed or widened the gulf between rich and poor countries.

The single most significant feature of globalisation is that it is not truly global. This is for a number of reasons. Many international relations theorists seem to suggest that it is purely because many governments are not sufficiently prepared for globalisation: "Too many people are effectively outside the world market, largely because the jurisdictions in which they live fail to offer them and outsiders the conditions in which productive engagement in the world economy is possible.[3] So this supports the idea that globalisation does not do harm because far too many countries are not a part of the process. Therefore for this reason it can be argued that globalisation does not increase the gap between rich and poor countries. So this means that there are other reasons that account for the widening gulf between Least Economically Developed Countries and More Economically Developed Countries. Many developing world countries, in particular those in Africa, face political and economic problems which greatly affect this gap between them and countries of the developed world. The neo-liberal point on inequality is that it is due to other reasons such as political instability and corrupt regimes.

Political instability is a common feature of politics in many countries of the "South". Many wars since 1945 have occurred in Third World countries for example in China, India, Nigeria and Rwanda. International conflicts and civil wars are very costly and are also very disruptive because resources, which should be used for economic and industrial development, are then used up in the war. A clear example is that of the Biafran War that took place in Nigeria in the period 1967-1970. Total military expenditure during the war was £N501m which is equivalent to one-tenth of the GDP.[4] In addition to this the war affected the relationship between the Nigerian government and the oil companies that operated in the Bight of Biafra. Due to the war Nigeria lost it's oil industry because much of its oil production was carried in the

---

[3] M. Wolf. *Why Globalisation Works.* (New Haven and London, Yale University Press, 2004), p. 95
[4] E. Wayne Nafziger "The Economics of Political Instability: The Nigerian-Biafran War", http://afraf.oxfordjournals.org/cgi/reprint/83/331/267.pdf

South East where the Biafra region was situated. The oil industry is vital to the Nigeria's economy.

The fact that globalisation is occurring most in countries of the "North" than in countries of the "South" means that this automatically increases the gap between rich and poor countries purely because countries of the "North" enjoy the benefits of globalisation. "Since 1991, 81 per cent of the world stock foreign direct investment was located in high-wage northern countries: the United States, followed by the United Kingdom, Germany and Canada. Also the concentration of investment in these countries has increased by 12 per cent since 1967."[5] There are several reasons, which explain why developed countries perform better in the global economy some of which support neo-liberalist views and others, which support socialist views.

Firstly international trade has posed challenges for developing countries but yet it is also the key to economic prosperity. Most African nations are dependent on the success of one or two primary commodities for their economy. On the other hand developed nations are able to produce a diverse range of goods and services. Therefore, they do not rely on just one industry or good. "Thus, a trade gap increases inequality because developed countries produce goods and services that fetch much more money than what developing countries produce."[6] Also rich countries, particularly the United States of America and countries of the European Union, impose tariffs on goods being imported from poorer countries in order to protect their own domestic markets.

What makes countries of the "North" benefit most from globalisation is that they have free markets for exports because many are part of trading blocs, such as the North American Free Trade Association (NAFTA), which allow countries to trade freely without paying tariffs on goods produced within the same bloc.

Neo-liberalists believe unrestricted free trade will grow the world economy and states that can respond flexibly and attract investment will benefit, as this will allow wealth to "trickledown" to poorer nations, and this is seen as the key to reducing global inequality. This is exemplified by the case of the "Asian Tigers". Their development was based upon manufacturing and trade. In last few decades of the twentieth century economies of countries in South-East Asia, which were

[5] L. Weiss. *The Myth of the Powerless State: Governing the Economy in a Global Era* (Cambridge, UK, Polity Press, 1998), p. 198

[6] Robert A. Isaak. *The Globalisation Gap* (Upper Saddle River: Pearson Education, 2005), p.145

previously low-income nations developed rapidly and some now even have GNP figures, which are higher than many developed countries. The following table gives information, which shows how the economies have developed.

Country	Per Capita GNP in US$ (1973)	Per Capita GNP in US$ (1998)	% annual real economic growth 1994	% average annual growth in exports in the 1980s
Thailand	240	2 160	8.3	14.7
Malaysia	550	3 670	8.4	11.3
Singapore	1 580	30 170	8.8	4.2
South Korea	460	8 600	6.3	11.9

Taken from The Human Development 1999/ United Nations Development Programme.

Trans-national co-operations invest in developing countries so they can produce manufactured goods for countries in the developed world and this has many economic benefits for the developing countries. For example there are twelve major trans-national co-operations in Taiwan and each a market value of over $2.5 billion[7]. As a result in 1998 Taiwan could boast the following:

- Manufacturing accounted for 78 per cent of the total industrial production and 26 per cent of the national workforce.
- Labour intensive industries have been gradually been replaced by capital- and technology-intensive industries, such as the production of chemicals, petrochemicals, information technology, electrical equipment and electronics.
- Taiwan was the third largest producer of artificial fibre.

So therefore it is evident that globalisation can provide a cure to global inequality by allowing wealth to expand from richer countries to poorer countries and this happens in a number of ways. On the contrary globalisation allows neo-colonial forces to dominate and exploit poorer countries. The main form of neo-colonialism comes in the form of structural adjustment policies imposed by the World Bank and International Monetary Fund (IMF). If countries want to borrow money they are required to meet certain conditions in order to be given the money. "Globalisation has dramatically increased inequality between and within nations, even as it connects people as never before. A world in which assets of the 200 richest people are greater that the combined income of the more than 2bn people at the other end of the economic ladder should give everyone pause."[8]

[7] http://www.odci.gov/cia/publications/factbook/geos/tw.html
[8] "Labor's New Internationalism", *Foreign Affairs,* Vol.79, January – February 2000.

Although structural adjustment policies vary from country to country and they are intended to bring economic recovery and growth, they have been criticised because the USA, Japan, Germany, France and the UK control nearly forty per cent of the votes in the IMF and World Bank, and many critics argue that these countries protect their own interests. When structural adjustment policies require a country to privatise state businesses, many assets are purchased by large trans-national co-operations in the five countries that control the majority of votes in the IMF and World Bank.

There is more than enough evidence to support the two opposing views of globalisation and inequality. Both views remain valid. Whilst it is true that free markets and liberalisation are crucial to bring countries economic growth it is also true that governments need to be stable enough and must meet certain conditions to embrace globalisation: “Capital moves almost instantaneously into countries with stable governments, progressive economies, open accounting and honest dealing, and out of countries lacking those qualities…Countries wishing to attract capital and to gain the benefits of today’s and tomorrow’s technology must don the “golden straitjacket”, a package of policies including balanced budgets, economic deregulation, openness to investment and trade, and a stable currency.”[9]

On the other hand it is also true that globalisation has enabled new forms of domination to operate. Most evidence however shows that the gap between rich and poor countries is far from narrowing. If anything rich countries are becoming richer whilst many poor countries are remaining poor or becoming poorer. There are exceptions to this and these are countries of South East Asia and some in Central and South America, such as Brazil and Venezuela, whose economies developed a strong manufacturing industrial base in the 1970s. Therefore whether globalisation has widened or narrowed the gap between rich and poor countries it depends on which country is being referred to.

Bibliography

Books

[9] Kenneth N. Waltz. “Globalization and American Power” (Spring 2000), p.46

Baylis, J & Smith, S (eds.) *The Globalisation of World Politics* 3rd ed. (Oxford: Oxford University Press, 2005)

Digby, B. *Global Challenges* (Oxford: Heinemann Educational Publishers, 2001)

Isaak, R A. *The Globalisation Gap: How the Rich Get Richer and the Poor Get Left Behind* (Upper Saddle River: Pearson Education, 2005)

Jomo, K S & Shyamala, N (eds.) *Globalisation versus Development* (Hampshire and New York: Palgrave, 2001)

Wolf, M. *Why Globalization Works* (New Haven and London: Yale University Press, 2004)

Articles

Keohane, R O & Nye, J S. “Globalization: What’s New? What’s Not? (And So What?), Spring 2000

Nafziger, E W. “The Economics of Political Instability: The Nigerian-Biafran War”

Waltz, K. “Globalization and American Power”, Spring 2000

Websites

http://www.odci.gov/cia/publications/factbook/geos/tw.html