

## THE IMPACT OF GLOBALISATION ON DEVELOPING COUNTRIES

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1. Economic and cultural globalisation is sweeping through all countries. The link between this phenomenon, the growing inequities within and among countries, and the persistence of poverty in the South, is very strong. Tackling the internal causes of poverty (unequal distribution of land, assets and income; lack of access to basic facilities; political mismanagement, etc) remain important. With a given level of resources, a country can still cut wastage to a minimum and make the best of things, whilst striving to raise the resource level. However, the external environment has become much more significant in recent years and is equally or even more important compared to local factors, in influencing the level of available resources and in the way they are used.

2. Globalisation per se need not be necessarily bad. However, the kind of globalisation we have is accompanied (or driven) by liberalisation, privatisation, increasing rights and powers of big corporations, and the rollback of the rights, resources and role of the state nationally. There is a return to laissez-faire. The social, welfare, economic and developmental roles of the state in post-Independence Southern countries is greatly eroded. The shift of power to the private sector may lead to the growth of some indicators and minority-elite improvement but has marginalised large sections of people, and increased poverty and unemployment in many countries. This kind of globalisation makes inequities much more acute, strengthening a few and marginalising many.

3. Internationally, the rich nations (G7 and OECD) have consolidated their already strong grip on global institutions and relations. Many key decisions of global significance are made by them acting alone or as a group. They have also empowered and made use of organisations which they control (such as the World Bank, IMF and GATT-WTO) to shape global relations and the content of national policies, especially of the South. Correspondingly, the fora and institutions that have a more open or democratic character, and with a development or social orientation (such as the social and economic arms and agencies of the UN) have been gradually depleted of importance, function and power. Whilst they still provide a forum for discussions and for the South to voice their views in a North-South dialogue, and though they still provide policy and technical aid, their role has been eroded by the more powerful policy and aid clout of the Bretton Woods and WTO organisations, not only in finance, trade and macroeconomic policy but also increasingly in social policy (health, education), resources (water, forest, etc) and environment.

4. The South is losing hundreds of billions of dollars annually in resource outflows to the North on account of terms-of-trade losses, debt servicing, payments for technology use, foreign profit

outflow, etc. Unequal trade is the most serious of these. Through the past few decades, unequal trade terms have continued to plague many poor Southern countries. Low commodity prices combined with higher manufactured imports have caused the South to lose a large percentage of their GNP in South-to-North resource transfer. The efforts of UNCTAD for commodity pacts and a General Commodity Fund have generally failed due to withdrawal of Northern interest.

5 . The trade situation contributed to the debt problem of the 1980s and 90s which in turn worsened resource outflows and placed many Southern countries in balance of payments crisis. Inability to repay debt led to World Bank-IMF leverage to impose structural adjustment policies as condition for rescheduling and new loans. This became the conduit for changes in policy away from an active state role in development to liberalisation/privatisation. Rising share of state revenue went to service debt. The worldwide trend of switching from income or company taxes to consumption taxes or reduced taxes made governments even less able to fund development. Suppression of demand, and increased rechannelling of national resources to service debt, caused recession. Social development financing fell, reducing the poor's access to basic facilities including jobs, education, health.

6 . The Uruguay Round negotiations (1986-94) were meant to improve the welfare of all through strengthened multilateral trade rules. However, even according to establishment estimates, most of the trade gains will accrue to the North, and even the trade gains of the South will mainly accrue to a few major trading countries. There will be some losers, especially in Africa. Trade inequities among countries will widen. Most serious, the WTO principles (such as national treatment to foreign goods, services and investors and discouragement or banning of subsidies to local producers) go counter to development needs (of aiding the domestic sector to withstand competition from larger companies/countries until it is able to compete on fairer terms) . The original ITO trade-and-development holistic framework (which to some extent was given life though in fragmented forms by UNCTAD, ILO, UNCTC etc) is replaced by the WTO framework of "free trade". (freedom of corporations from the encumbrances of governmental or intergovernmental restrictions and policies).

7 . Because of its integrated dispute settlement system (allowing not only retaliation but cross-sectoral retaliation), the WTO has the teeth to discipline developing countries. Whilst World Bank- IMF uses loan conditionality as leverage, the North can use the WTO's "trade disciplines" as even more powerful leverage, as they apply permanently (almost) and to all countries (not only indebted ones).

It has become the vehicle of choice to introduce "new issues" simply by linking them to trade through the term "trade-related." Thus, services, IPRs and investment measures were brought into the ambit of WTO. The effect will be to: (a) open further the markets of the South; (b) give more rights to TNCs whilst downgrading their obligations; (c) discourage the development of local enterprises in the South, thus preventing potential new rivals. The fight of the present and future is over world and national market shares and the tactic is to decrease the competitiveness of rivals whilst increasing one's own competitiveness.

8. The South is still recovering from the shocks of the Uruguay Round, and what it means in concrete national policy changes. Yet the North is pressing to introduce more "new issues" on the "trade agenda" which would bring the WTO out of the boundaries of trade to encroach on other areas. Trade and environment is already on the agenda. The newest issues being proposed are a multilateral investment regime, trade and labour standards, competition policy.

9. Of these, the investment issue is being pressed hardest and has the most consequences. The EC proposal is for international investors to have the right of entry, establishment, national treatment, free repatriation of funds and elimination of other policies unfriendly to foreigners. If accepted, this treaty (together with the existing TRIPS, TRIMS and services agreements) would very severely constrain the future development of local enterprises in the South and can lead to their inability to survive. The potential implications for economic sovereignty, domestic development, employment, balance of payments and resource outflows would be extremely serious. It would have great significance for the larger "external environment" (which would also be internalised in national policy) within which Southern countries make policy which influence the aims of poverty eradication, equity, and access to basic needs.

10. Policy areas which previously were in the domain of national decision-making are now falling under the dictates of "global institutions". Macroeconomic policy, financial management, development planning, are increasingly taken out of the jurisdiction of national governments and placed under the scope of the Bretton Woods and WTO organisations. Regional trade arrangements, such as NAFTA and the emerging Americas Initiative, and APEC, may accelerate this trend by tying developing countries into agreements that are even more onerous in obligations than the existing WTO disciplines.

11. To keep the South's development options open, the following measures should be considered:

1. The UN as a whole should be strengthened, with its role as development catalyst and formulator of macroeconomic policy recaptured or reaffirmed. The UN should reaffirm its paradigm of aiding the South to become more equal in the international arena (which requires a redistributive role and a recognition of the need for handicaps for and capacity-building of the South) , and not "surrender" to the new laissez-faire orthodoxy.

- 2 . UNDP and other UN agencies should retain their commitment to development, but also reform in the light of new knowledge gained through the recent series of UN Conferences. The new paradigm of sustainable development and human-centred development should be further strengthened and given concrete manifestation in terms of policy and activity. Capacity-building or experience building on these new areas should begin within the UN agencies so that there can be appropriate capacity development in the South. For instance, what kinds of technology to promote and to discourage in agriculture towards food security and what kinds of economic or social policies to adopt (or to fight against) in light of the prescriptions of structural adjustment and the new WTO agriculture agreement? How to reform out of the old

and inappropriate frameworks, and into the new ones? Whilst doing so, they must be aware of the dangers of coming under threat of the financial and trade conditionalities, or of becoming part of these.

3. It must also be strategically relevant on following new international developments (such as in the WTO and regional trade arrangements) and accordingly helping Southern countries to strengthen their analytical, policy and negotiating capacity. Neglect of attention on on-going negotiations would be allowing the powerful actors to determine international and national policies by default.

4 . Strengthening the role of civil society is important. Elements of civil society often have knowledge and skills not only in pointing out the mistakes and inadequacies of the old paradigms and practices, but also in identifying and acting on ideas and activity of the new paradigms. NGOs and social movements should be facilitated at national, regional and global levels to play more effective roles in development activity, policy discussion and public awareness building.

5. Initiatives should be taken to democratise global decision-making that has development implications. Efforts towards guidelines or regulations for TNC activity in general should be revived. International control of financial speculation and flows is one current critical need, as yet unfulfilled. Regulation of information-media flows through telecommunications and information technology is another area as it has wide social-cultural ramifications.

6. In the economic arena, major challenges include:

(i) catalysing the process to redefine and redesign elements (specific aspects of economic, social policies) of structural adjustment so that sustainable economic, social and ecofriendly development becomes the objective;

(ii) building capacity in the UN, the Southern governments and civil society, to analyse and act appropriately in the negotiations, implementation or reform of trade regimes. This includes problems in implementation (or striving for reform) of existing agreements; on-going or future negotiations on existing issues; facing the new issues of the North; formulating a proactive stance on putting forward the South's own agenda.