FROM THE LOCAL TO THE GLOBAL

KEY ISSUES IN DEVELOPMENT STUDIES

Edited by Gerard McCann and Stephen McCloskey

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Gerard McCann
Stephen McCloskey
March 2003

Abbreviations

AASM	Associated African and Malagasy States
ACP	Africa, the Caribbean and the Pacific
AFTA	ASEAN Free Trade Area
AMF	Asian Monetary Fund
AMICC	American Coalition for the ICC
AMUE	Association for Monetary Union in Europe
AOA	Agreement on Agriculture
APEC	Asia-Pacific Economic Co-operation
ARF	Asia-Pacific Regional Forum
ASEAN	Association of Southeast Asian Nations
ASPA	American Service Members' Protection Act
CACM	Central American Common Market
CAFOD	Catholic Agency for Overseas Development
CAP	Common Agricultural Policy
CASA	Co-ordinating Action on Small Arms
CCP	Common Commercial Policy
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CET	Common External Tariff
CFSP	Common Foreign and Security Policy
CICC	Coalition for an International Criminal Court
CIT	Countries in Transition
COMESA	Common Market for Eastern and Southern Africa
CPAG	Child Poverty Action Group
DAC	Development Assistance Committee
DEA	Development Education Association
DECs	Development Education Centres
DFA	Department of Foreign Affairs (Ir)
DFID	Department for International Development (UK)
DTI	Department of Trade and Industry (UK)
EAC	East African Co-operation
EBRD	European Bank for Reconstruction and Development
ECHO	European Community Humanitarian Office
ECA	Economic Commission for Africa
EC	European Community (EEC, EU)

EDF	European Development Fund
EEC	European Economic Community (EU, EC)
EES	Enabling Effective Support
ELD	Export-Led Development
ELI	Export-Led Industrialisation
EMU	Economic and Monetary Union
EP	European Parliament
ERT	European Round Table of Industrialists
ESAF	Enhanced Structural Adjustment Facility
ESD	Education for Sustainable Development
EU	European Union
EURODAD	European Network on Debt and Development
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FOCUS	Focus on the Global South
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GPF	Global Policy Forum
GMPs	Genetically Modified Products
GNP	Gross National Product
HDI	Human Development Index
HIPCs	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICC	International Criminal Court
ICTFY	International Criminal Tribunal for the Former Yugoslavia
IDA	International Development Association
IDPs	Internally Displaced Persons
IDTs	International Development Targets
IFC	International Finance Co-operation
IFG	International Forum on Globalisation
IFIs	International Financial Institutions
IGAD	Intergovernmental Authority on Development
IGOs	International Governmental Organisations
ILC	International Law Commission
ILO	International Labour Organisation
IMF	International Monetary Fund

IPRs	Intellectual Property Rights
ISI	Import-Substitution Industrialisation
ITO	International Trade Organisation
LAFTA	Latin American Free Trade Association
LDCs	Least Developed Countries
MAI	Multilateral Agreement on Investment
MFN	Most Favoured Nation
MNCs	Multinational Corporations
MSF	Médecins Sans Frontières
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organisation
NCDE	National Committee for Development Education
NCH	National Children's Home
NGOs	Non-Governmental Organisations
NGDOs	Non-Governmental Development Organisations
NICs	Newly Industrialised Countries
OCTs	Overseas Countries and Territories
ODA	Overseas Development Administration
ODA	Official Development Assistance
ODCCP	Office for Drug Control and Crime Prevention
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
OWC	One World Centre (NI)
PCAs	Partnership and Co-operation Agreements
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Papers
SAFTA	Southern African Free Trade Area
SAPs	Structural Adjustment Programmes
STABEX	Stabilisation of Export Earnings from Products
SWIFT	Society of Worldwide Inter-bank Financial Telecommunications
TNCs	Transnational Corporations
TRIMs	Trade Related Investment Measures
TRIPs	Trade Related Intellectual Property Rights
TWN	Third World Network
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNCHR	United Nations Commissioner for Human Rights
UNCRC	United Nations Convention on the Rights of the Child

UNCTAD	United Nations Conference on Trade and Development
UNDDA	United Nations Department for Disarmament Affairs
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNMAS	United Nations Mine Action Service
UNSC	United Nations Security Council
WDM	World Development Movement
WHO	World Health Organisation
WID	Women in Development
WRI	World Resources Institute
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation

Introduction: Whither Development in the Age of Globalisation?

Stephen McCloskey

Understanding development issues is essential to enable all of us to play an effective role as global citizens in working toward the eradication of poverty, injustice and social exclusion in both local and global contexts. With over a billion people consigned to subsistence lifestyles and living on less than a dollar a day, we have secure grounds on which to question the Western-led model of development that has characterised the past 50 years. During this period, development has become synonymous with globalisation and regarded as encompassing rapid industrialisation, global trade in goods and services, laissez-faire economics and capital transfer. In fact, some commentators on globalisation have traced its origins to the earliest colonisation of the Americas initiated by Columbus 500 years ago and view post-war development as an extension of that process. The current phase of globalisation has adopted new technologies and institutions to maintain the old hegemonic control of the leading Western powers that has spanned centuries. While many corrupt and compliant Third World leaders have played a significant role in economically disadvantaging their own people, the development model advocated by Western governments in the aftermath of the Second World War has been largely responsible for the deepening underdevelopment that has enveloped the majority of the world's people.

This introduction will examine the concepts of globalisation and development in historical and contemporary contexts. It will highlight the importance of development issues in equipping learners with the skills and knowledge necessary to analyse how the modern world is ordered and to address the latent inequalities of globalisation. This chapter will also outline the main institutional and ideological instruments of globalisation whilst charting a future course for development in the context of the new popular movements for change that have emerged in recent years.

GLOBALISATION AND DEVELOPMENT

Development issues have accrued increasing importance in the period of renewed globalisation that has characterised the post-Cold War era. The collapse of state command economies in the Eastern bloc in 1989 was to herald a 'new world order' of greater prosperity, security and equality. The United States (US) emerged from the Cold War as the world's last remaining superpower, confident that its dominant neo-liberal model of economic development had eclipsed the failed alternative path of socialism. Throughout the 1990s, neo-liberalism became an unchallenged article of faith proclaimed by Western governments and preached to the poor. This ideological dominance was manifested in a sharp swing to the right in political institutions across Europe and North America, and provided an ideological context for an accelerated form of globalisation which was promoted as the only legitimate pathway to development.

The contemporary form of globalisation has been characterised by new innovations in telecommunications, increased interdependence amongst states, enhanced cultural awareness and, more negatively, by a rampant private sector dominated by Transnational Corporations (TNCs). The political philosophy underpinning globalisation advocates greater trade liberalisation, reduced state intervention in the economy, and the derogation of increasing levels of control over our public services to the private sector. As globalisation has reached new levels of technical development, production and profit, the poverty gap between rich and poor has widened between (and within) developed and developing countries.[1]

In assessing progress toward the eradication of poverty in the ten years following the collapse of the eastern bloc, the United Nations *Human Development Report* (2000) found that by the late 1990s the fifth of the world's people living in the highest income countries controlled 86 per cent of the global Gross Domestic Product (GDP) – the bottom fifth controlled just 1 per cent.[2] Thus, the profits generated by globalisation have been largely accumulated by a wealthy elite rather than redistributed according to social need. Global inequalities increased in the twentieth century 'by orders of magnitude out of proportion to anything experienced before' whereby the distortion in income between the richest and poorest countries grew from 34 to 1 in 1970 to 70 to 1 in 1997.[3] Moreover, the combined wealth of the top 200 billionaires in 1999 reached a staggering $1,135 billion compared to the collective incomes of $146 billion for the 582 million people living in the least developed countries.[4] The human cost of globalisation has been immense and largely poverty related. Some 30,000 children die every day from preventable diseases mostly caused by food shortages and a lack of clean water. Over 1.2 billion people live on less than a dollar a day whilst 2.4 billion people lack basic sanitation.[5] The technological advances that have been the flagship of globalisation underline the unevenness of development when contrasted with the medieval environs of some sub-Saharan African states gripped in poverty and continually threatened by famine or drought.

The role of globalisation in the development process has been hotly contested by governments and non-governmental organisations (NGOs). For example, in 2000, the British government's Department for International Development (DFID) published a White Paper, *Eliminating World Poverty: Making Globalisation Work for the Poor*, which argued that 'globalisation creates unprecedented new opportunities for sustainable development and poverty reduction'.[6] In a critique of DFID's position, the Catholic Agency for Overseas Development (CAFOD) suggested that 'equity and redistribution are increasingly recognized as the "missing link" between globalisation and poverty reduction… What is good for poor people is good for the economy as a whole. Yet up to now, globalisation has frequently been linked with inequality.'[7] Western governments, therefore, argue that globalisation can be an agent of development by generating growth and investment in developing countries and integrating their economies into the global market of commodities and services. However, NGOs and civil society activists believe that globalisation is exacerbating poverty levels in developing countries and effectively dictating their engagement with the global economy on terms favourable to the developed world. Third World countries have been particularly critical of the institutional instruments of globalisation.

THE INSTITUTIONAL INSTRUMENTS OF GLOBALISATION

The Bretton Woods Institutions

The concepts of development and globalisation can be sourced to the post-Second World War period of reconstruction led by the United States. The economic philosophy associated with the modern and renewed form of today's globalisation has its origins in the Bretton Woods Institutions – the International Monetary Fund (IMF) and the World Bank – established in 1944 to 'support post-war rehabilitation and promote international trade'.[8] These bodies have been the vanguard of globalisation for almost 60 years, primarily through the disbursement of conditional loans to developing countries. While the post-war period was characterised by resurgent nationalism and the fragmentation of old colonial empires, the combined efforts of the World Bank and the IMF resulted in an insidious recolonisation process by economic means. The World Bank was charged at Bretton Woods with providing 'longer term loans to developing countries to support their development' whilst the IMF was given the role of supporting an 'orderly international monetary system'.[9] Beneath the façade of this laudable rhetoric, however, the IMF and the World Bank have orchestrated economic indebtedness throughout the Third World by facilitating a 'bonanza' of irresponsible borrowing by developing countries in the 1970s. Loans from the IMF became conditional on the implementation of structural adjustment programmes (SAPs) that 'covered social policies, financial policy, corporate laws and governance'.[10] In short, SAPs represented a neo-liberal reform programme designed to dictate economic policy to Third World governments.

Over the past 30 years the debt crisis has strangled Third World economies and prevented meaningful development for the world's poor. According to the Drop the Debt Campaign, the combined debt of developing countries currently exceeds $2.4 billion and thereby forces Third World governments to drastically cut social expenditure in order to meet loan repayment schedules.[11] Developing countries are locked in a vicious cycle of debt repayment, rescheduling loans when faltering on payments, and fresh borrowing to repay old debt. The poorest countries are forced to channel more than 50 per cent of their GDP into repaying debt, which necessitates a massive austerity programme encompassing cuts in health, education, welfare, housing and public utilities. The burden generated by this neo-liberal agenda is most acutely felt by the vulnerable in developing countries: the elderly, children and, especially, women who often combine onerous domestic chores (unpaid labour) with intensive, low-paid employment in either rural or urban contexts. Debt also traduces the impact of multilateral (from international organisations like the United Nations) and bilateral (country-to-country) aid as agents of development. For every $1 donated in grant aid to developing countries, more than $13 is returned in debt repayments to the developed world.[12] While long-term aid delivered in partnership with communities and NGOs in developing countries can effectively address social needs, this process is continually undermined by the downsizing of governments by the debt crisis.

World Trade Organisation

A third key agent of the contemporary form of globalisation is the World Trade Organisation (WTO) which, together with the World Bank and the IMF, makes up a triumvirate of international financial institutions (IFIs) that effectively control the policy agenda for global trade and economic development. The WTO was established on 1 January 1995 as a successor to the General Agreement on Tariffs and Trade (GATT) with the aim of liberalising trade and reducing state protectionism of domestic markets. The US was initially reluctant to devolve meaningful powers to an international regulatory body on trade so GATT evolved through a series of trade negotiations that culminated with the Uruguay Round from 1986–94. Although GATT focused primarily on manufactured goods, its successive trade rounds reduced tariffs on commodities from ‘an average of 40 per cent in the 1940s to 4 per cent today’.[13] The Uruguay Round agreed the establishment of the WTO to carry forward the GATT agenda which was broadened to include agriculture, services (such as telecommunications and finance) and intellectual property rights that governed the patenting of commodities. The WTO also has the power to arbitrate in trading disputes between its members and, if necessary, impose sanctions on nations in breech of its regulations.

Negotiating and implementing the rules of global trade provides the WTO with enormous influence over the economic development of Third World countries. Development NGOs consider the WTO an undemocratic institution designed to propagate a profit-driven model of development that mostly benefits developed countries and private companies. With 144 members, the WTO should, in theory, arrive at decisions favouring developing countries, which represent some 80 per cent of the world’s population. In practice, however, negotiations are rarely concluded by democratic procedures, but rather involve bruising exchanges in which poorer nations are arm-twisted into accepting terms tabled by Western governments. Moreover, many developing countries lack the resources and expertise to properly negotiate their case in the WTO on a level playing field. Negotiations represent a web of legalistic jargon and intricate detail that require regular monitoring and expert representation. Government delegates to the WTO are regularly lobbied by TNCs equipped with batteries of lawyers contracted to enhance the privatisation of public utilities and maximise the investment conditions for private companies. However, developing countries are woefully under-represented and, thereby, sidelined in negotiations that regularly result in outcomes that benefit the developed world.

Developed countries proclaim the benefits of free trade economics as a badge of honour and, yet, protect their domestic markets from Third World imports by applying tariffs and quotas to specified commodities. By contrast, developing countries are browbeaten into accepting foreign direct investment by TNCs on terms that threaten domestic productivity and services, and increase unemployment. The 'open economy' mantra of the WTO can be disastrous for developing countries. For example, the dumping of cheap food imports into Mexico from the US created a collapse in local maize prices and impoverished Mexican farmers who saw their income slashed and livelihoods threatened.[14] The WTO sustains the trading domination of developed countries by employing loopholes to circumvent regulations. An example is the WTO Agreement on Agriculture, which is designed to reduce subsidies to farmers and protect members' domestic markets from cheap food imports. However, the European Union (EU) and US government continue to subsidise farmers at an annual rate of $360 million which, consequently, undermines agribusiness in developing countries.[15] According to the United Nations (UN), this form of protectionism in developed countries costs the Third World 'an export income of $2 billion a day, many times more than the total inflows of aid'.[16]

GATS and TRIPS

The decision-making mechanisms of the WTO are dominated by 'the Quad' – Canada, the European Union, Japan and the US – with a view to securing maximum advantage for their economies and facilitating the creeping privatisation of the public sector in the Northern and Southern Hemispheres. The EU and the US sometimes make uneasy transatlantic bedfellows and have occasionally engaged in mutual recrimination over protectionist policies that have disadvantaged imports. However, 'the Quad' has been unified in its pursuit of WTO agreements designed to open up public sector services to private investment and control. The Multilateral Agreement on Investment (MAI) was formulated in the 1990s and offered unprecedented powers to TNCs in challenging the rights of national governments to protect public utilities and employment sectors from private takeover and competition. The MAI was defeated in December 1998 through the vigorous and sustained campaigning efforts of hundreds of NGOs around the world. The privatising impulse of MAI has been resurrected, however, in the guise of the General Agreement on Trade in Services (GATS) which was originally ratified in 1994 and is currently under debate at the WTO with a view to extending its remit. Described by the WTO Secretariat as 'the world's first international investment agreement', GATS is designed to remove any restrictions and internal government regulations in the area of service delivery that are considered to be 'barriers to trade'.[17]

The services vulnerable to privatisation under the GATS agreement include education (schools and colleges), health (hospitals), public libraries, and municipal services such as the supply of water. The main danger for the poor, of course, lies in public services becoming profit-making entities under the control of TNCs that will then demand payment at the point of delivery. The quality of essential services will steadily decline without government intervention and be priced beyond the reach of the poorest communities in developing countries. Unsurprisingly, it is the TNCs that have driven the GATS negotiations in the WTO and it is they who are primed to become its chief beneficiaries. The foothold of TNCs in developing countries has also been secured by the Agreement on Trade Related Intellectual Property Rights (TRIPS), which was one of the main outcomes of the Uruguay Round of trade talks.

TRIPS is a particularly damaging agreement for developing countries in that it enables TNCs to patent 'intellectual property' that includes medicines and agricultural seeds indigenous to the South. As the South African activist Mohau Pheko stated, TRIPS enables 'bio-pirates to steal from your land, patent your seeds and then sell them back to you'.[18] Under the auspices of TRIPS, Western-based corporations can monopolise new technologies and stifle indigenous industrial development in developing countries. Most crucially, however, intellectual property rights (IPRs) enable TNCs to patent and market drugs and agricultural products that will hinder food and commodity production, and exacerbate medicinal shortages in developing countries. With the spiralling AIDS crisis reaching epidemic proportions in Southern Africa, the TRIPS agreement will deepen the suffering of its victims.

Transnational Corporations

TNCs have been the vanguard of globalisation in the post-war era. Like modern manifestations of the Spanish Conquistadors, who first brought a missionary and military zeal to empire building over five centuries ago, TNCs are international conglomerates which use the force of capital to capture new markets. TNCs such as McDonald's and Starbucks have become totems of accelerated globalisation and driven its expansion into areas such as Eastern Europe that are ripe for investment following the end of the Cold War. With their headquarters normally based in Western Europe or North America, TNCs have proliferated their operations in developing countries under the auspices of favourable trading terms agreed in the Uruguay Round. Accountable only to stockholders and the international share index, TNCs reflect the capacity of trade rules to open up governments and markets to the advantage of developed countries and private capital. The operations of TNCs have been criticised on the grounds that they:

- Relocate most of their profits to their countries of origin (usually industrialised nations)
- Regularly prevent the unionisation of their labour force
- Exploit child and women workers in poor developing countries to maximise their profits
- Pay low wages to employees who are forced to work long hours to earn a living wage
- Create environmental problems through the use of unsafe and polluting methods of production, particularly, in the oil industry
- Breach environmental and labour standards in host countries, especially poor nations in the greatest need of internal investment

The world's top ten TNCs exercise immense political influence and accumulate annual revenues that dwarf the earnings of many developed and developing countries. For example, the car manufacturer General Motors has an annual turnover greater than Norway and the US-based oil company Exxon can boast an annual income that is more than double the Gross National Product of Venezuela – one of the world's leading oil exporting countries.[19] TNCs are, therefore, developing an alarming level of political impunity in their operations, facilitated by the profit-driven ethos of neo-liberalism, favourable trading conditions, and the prescriptive economic measures foisted by the World Bank and the IMF on vulnerable developing world economies. The World Development Movement (WDM), an NGO that has successfully campaigned on trade justice issues, states that:

> ... multinationals could play a valuable role in pro-poor economic development providing jobs, capital and technical know-how, but in reality their positive impact is limited. Their full potential is not realized. Moreover, there is mounting evidence that multinationals, registered in the North, are actually causing harm in the Third World. Transgressions include: abusing workers' rights and causing bodily harm; destroying local lands and livelihoods; promoting harmful products to consumers; breaking national laws and undermining local democracy.[20]

Thus, TNCs could generate positive investment in developing countries but, instead, effectively asset-strip natural resources from the Third World while exploiting a labour force that receives in wages a fraction of the profits made by TNCs on commodities sold in developed countries.

The WDM has urged industrialised countries to take responsibility for the activities of corporations based and registered under their jurisdictions that operate in developing countries. In an ideal scenario, TNCs would be self-regulating bodies measuring their operations against a firmly enforced code of conduct which addresses issues relating to the environment, working conditions, wages and trade unions. However, many leading corporations, such as Nike and Gap, continue to manufacture their products in conditions that contravene international labour standards despite using a code of conduct in promoting their products in developed countries.[21] The WDM has argued for binding regulations to be introduced that will properly police the activities of corporations under the auspices of an International Investment Treaty 'promoting quality investment and core standards for corporate responsibility'.[22] Given the influence of TNCs over some national governments in the context of WTO negotiations, the regulation of such a treaty should be handled by independent specialist bodies such as the International Labour Organisation (ILO) and the World Health Organisation (WHO).

THE IDEOLOGICAL INSTRUMENTS OF GLOBALISATION

Development and Underdevelopment

The international financial institutions have been the battleground on which the contemporary debate on development has been fought. Third World networks, NGOs and development organisations regard the IFIs as partners in globalisation, working in tandem to pursue a neo-liberal agenda that masquerades as development but, in fact, deepens poverty levels in developing countries. The lending policies of the World Bank and the IMF have prised open Third World economies to inward investment from countries and corporations in the developed world, while the WTO has locked developing countries into unfair trade agreements that compound their difficulties. The IFIs and Northern governments regard development as integrating poor countries into the globalising economy. This is achieved by export-led economic regeneration, attracting inward investment, dropping protectionist tariffs, and enhancing private control of public services. However, the prescriptive policies of the IFIs raise fundamental questions about the appropriateness of neo-liberalism in a developing world context and what actually constitutes meaningful development.

Wolfgang Sachs has sourced the concept of development to an inaugural address by US President Harry Truman on 20 January 1949 in which he described the Southern Hemisphere as comprising 'under-developed areas'.[23] Sachs regarded Truman's description of underdevelopment as having four basic premises:

1. That industrialised nations stood at the top of the 'social evolutionary' scale and, therefore, represented the apex of development – the model to which underdeveloped nations should aspire. The 2001 *Human Development Report*, however, points to increasing levels of poverty in the wealthy member states of the Organisation for Economic Co-operation and Development (OECD) in which:

   - 15 per cent of adults are functionally illiterate
   - 130 million people are living in income poverty
   - 34 million people are unemployed
   - 8 million people are undernourished[24]

2. That the development process would enable the US to enlist the support of developing countries in the ideological battle with