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SUSTAINABLE GLOBALIZATION? THE GLOBAL POLITICS OF DEVELOPMENT AND EXCLUSION IN THE NEW WORLD ORDER

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Figure 16.1 Mr Salamet, a rickshaw owner in a town east of Jakarta, has a hard life made more so by the Asian crisis.

In the autumn of 1997 the Tiger economies of East Asia succumbed to their worst economic crisis since the 1930s depression - likely to be remembered as the Second Great Crash of the twentieth century. Talk of the 'Pacific Century' and expectations of continued rising affluence gave way to the crushing realities of bankruptcy, financial turmoil, downsizing, unemployment and rising poverty as the crisis cascaded through the region. In the five decades since the end of the Second World War most peoples in the region had experienced rising living standards, on a wave of unprecedented economic growth, but almost 'in the blink of an eye' poverty and unemployment returned to levels not witnessed in at least two generations. The human and social consequences of the crisis have been dire. For Mr Salamet (Figure 16.1), a rickshaw owner in Mojokerto (400 miles East of Jakarta), the Asian crisis meant the collapse of his livelihood, witnessing his mother's agonizing death because he was unable to afford the prescribed pain-killers, and watching his children go hungry (Kristof & Wyatt, 1999). What went wrong?

The causes of the East Asian crash are hotly disputed. But almost all accounts acknowledge that, notwithstanding the role of domestic factors, 'On balance, most causes for the Crash are to be found in the recent monetary and financial history of Asia faced with globalization' (Godement, 1999, p.21). In particular, as these countries became more integrated into the global economy they also became more vulnerable to world financial markets and the ebb and flow of investor confidence. Few countries today, even the largest economies, can withstand concerted speculative attacks on their currencies when trade on the world's foreign exchange markets, at $1.5 trillion per day, dwarfs national foreign exchange reserves. Moreover, the globalization of finance, production and trade ensures that a crisis in one economy is speedily transmitted to others. In East Asia this so-called 'contagion effect' amplified the crash. Economic difficulties in Thailand provoked foreign banks and investors, fearing bad times ahead, to withdraw their money from other economies, causing massive currency devaluations and stock markets to crash. In just a few months the fallout of the crash had also engulfed other emerging economies, such as South Africa, Russia, and Brazil, precipitating what the then US President Clinton noted was 'the most serious [global] financial crisis in half a century' (Kristof & Wyatt, 1999). In so doing the Asian crash provoked a great debate about the benefits of unfettered global markets, the regulation of global finance and the prospects for sustainable development in a globalized economy.

For some commentators the crash signalled the end of the East Asian development experiment - the developmental state - which had appealed to many other developing states: in other words, the Asian tigers had been tamed by global finance. Moreover, contrary to many predictions of the 1980s - that the rise of East Asia signified the demise of the Third World as a geopolitical bloc in world politics - some argued that the crash would reinvigorate Third World solidarity since it reinforced the growing perception that globalization was simply a new expression of Western imperialism (Burbach *et al.*, 1997). In contrast, others argued that the very existence of a global contagion effect from the crash demonstrated just how fundamentally globalization had transformed the world - for the fortunes of core and periphery, in an epoch of instantaneous global finance, have become deeply entwined.

Globalization invites a fundamental questioning of the prospects for developing economies and the world's poorest peoples in an era marked by powerful forces of world-wide economic, political and cultural interconnectedness, over which they have little direct political control. Indeed, contemporary patterns of globalization even throw 'into question the possibilities of a national development strategy[5] (Dickson, 1997, p. 155). Exploring and critically assessing the implications of globalization for patterns of global inequality and the prospects for sustainable development is the central task of this chapter. This involves addressing a number of key issues but in particular:

- What exactly is globalization and what is driving it? Is it simply a new form of Western imperialism and global hegemony?
- To what extent does globalization create new winners and losers in the global economy? How far is it transforming the pattern of North-South relations and the conditions for sustainable national development?
- How have developing countries and the world's poorest peoples responded to globalization? Can globalization be tamed?

16.1 What is globalization?

As the East Asian crash demonstrated, today developments in one region of the world can come to have profound consequences for the life chances of individuals or communities in distant parts of the globe. Globalization refers to this growing sense of interconnectedness. It also tends to be associated with a perception of powerlessness and chronic insecurity in that the speed and scale of contemporary global social and economic change – as in the East Asian crisis of 1997–98 – appear to overwhelm governments, politicians and communities. The unevenness of globalization compounds such insecurities since 'it would appear that the strong are becoming stronger and the weak weaker' as the benefits of globalization accrue to a relatively small proportion of the world's population whilst global poverty and social exclusion continue to increase (Dickson, 1997; UNDP, 1997b).

Not surprisingly, therefore, the notion of globalization is the subject of charged public and academic debate. But the rhetoric of controversy often conceals more than it reveals. Indeed, the very idea of globalization tends, if at all, to be ill defined in such debates. Yet globalization, as a concept, is deceptively simple: it refers to the ways in which developments in one region can rapidly come to have significant consequences for the security and well-being of communities in quite distant regions of the globe. As Alan Greenspan, head of the US Federal Reserve at the height of the East Asian crisis, succinctly put it: 'there can be no 'islands of prosperity' in an ocean of economic instability.' In this sense globalization expresses the widening scope, deepening impact and speeding up of interregional flows and networks of interaction within all realms of social activity from the cultural to the criminal (Box 16.1).

Box 16.1 The four dimensions of globalization

Globalization is characterized by four types of change.

1 It involves a stretching of social, political and economic activities across political frontiers, regions and continents.

2 It suggests the intensification, or the growing magnitude, of interconnectedness, i.e. flows of trade, investment, finance, migration, culture, etc.

3 The growing extensity and intensity of global interconnectedness can be linked to a speeding up of global interactions and processes, as the evolution of world-wide systems of transport and communication increases the velocity of the diffusion of ideas, goods, information, capital and people.

4 The growing extensity, intensity and velocity of global interactions is associated with their deepening impact such that the effects of distant events can be highly significant elsewhere and even the most local developments may come to have enormous global consequences. In this sense, the boundaries between domestic matters and global affairs become increasingly blurred.

Of course globalization involves much more than simply interconnectedness or a shrinking world, for it captures a sense that world-wide connectivity is very much a permanent or 'institutionalized' feature of modern existence. In this regard it signifies the *deepening enmeshment* of societies in a web of world-wide flows of capital, goods, migrants, ideas, images, weapons, criminal activity and pollution, amongst other things. Neither is it simply an economic phenomenon. On the contrary, it is evident in all the key arenas of modern life: the economic, political, legal, cultural, military, and the ecological. Accordingly, it has to be understood as a highly differentiated process in so far as distinctive patterns of globalization exist in each of these arenas. Nor, as Frank reminds us, is globalization a new phenomenon, for 'we live in one world, and have done so for a long time' (Frank, 1998, p.29). But over time globalization has been organized and institutionalized in quite different ways, from the global empires of the nineteenth century to the present when world empires have given way to the 'freedoms' of the global market, laissez-faire economics, and multinational capital. In this sense contemporary globalization is organized and reproduced through distinctive mechanisms and infrastructures of control, from the International Monetary Fund (IMF), the World Trade Organization (WTO), to the Internet, global corporations and non-government organizations.

To this extent contemporary **globalization** generates constraints upon what governments and communities can do whilst simultaneously opening up new opportunities and possibilities. But some are more constrained than others and some have greater resources than others to exploit these opportunities since globalization is a highly uneven process: it results in clear winners and losers, not just between countries but within and across them. For the most affluent it may very well entail a shrinking world – jet travel, global TV and the World Wide Web – but for the majority of people it tends to be associated with a profound sense of disempowerment as their fate is sealed by deliberations and decision-making in chancelleries, boardrooms, and bureaucracies many thousands of miles away. As the East Asian crisis of 1997–98 demonstrated, key sites of global power, such as the International Monetary Fund and the World Bank, are quite literally oceans apart from the communities whose destiny they shape. To this extent globalization nurtures a sense of alienation that 'Power is elsewhere, untouchable' (Walker, 1988, p.134; Box 16.2).

Globalization: A process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power.

For these reasons globalization has to be understood as a process which both unites and divides peoples and communities; it does not automatically follow that humanity is becoming a single global community of fate. Indeed, there is much evidence to suggest that its consequences are much less benign. Conceived as a process of 'creative destruction', globalization arguably engenders a more 'unruly world' and a more unequal one (UNDP, 1997b; Herod *et al.*, 1998). But the consequences of globalization remain hotly disputed.

Box 16.2 What's driving globalization?

Globalization today is driven by a confluence of forces:

1 Economic shifts. The natural tendency of capitalism to expand is expressed increasingly in the information age in the need of business, large and small, to compete in regional and global markets.

2 Technological shifts. The move towards post-industrial economies and the informatics revolution greatly facilitates globalization in every domain from the economic to the criminal.

3 Political shifts. The last two decades have witnessed a dramatic shift away from state intervention to the market as the emphasis upon deregulation, privatization and economic liberalization continue to make economies and societies more open to the world.

4 Cultural shifts. Fuelled by the above developments, an awareness has grown among national élites and many citizens' groups or social movements (such as the global environmental movement represented by, for example, Greenpeace) that the fate of nations and communities is increasingly bound up with the dynamics of the global economy and the global environment.

16.2 Globalization, inequality and world order

There are broadly, within the existing literature, three distinct accounts of how globalization conditions patterns of global inequality and world order. The *neoliberal school* tends to view economic globalization as a benign force for change which, through free trade and capital mobility, is creating a global market civilization in which prosperity, wealth, power and liberal democracy are being diffused around the globe. In the process a new liberal world order is being constructed in which peace and an enduring harmony of interests will win out in the long term. In contrast, the *radical school* tends to conceive these very same developments as nothing more than an expression of Western - largely American - imperialism in which corporate empires and global markets have come to replace the world empires of the industrial era. Rather than prefiguring peace and an emerging harmony of interests, the radical account suggests the world is becoming ever more fragmented and unruly as the gap between the increasingly affluent North and increasingly impoverished South escalates. Finally, the *transformationalist school* suggests both these accounts overlook the ways in which contemporary globalization is reordering the relations between rich and poor, North and South, dominant and subordinate states in the global system. As a consequence neither of the other schools offers a convincing analysis of the changing architecture of world order and thereby the changing context of development in the twenty-first century. Let us explore these three accounts a little more fully. A summary is given in Table 16.2 at the end of the section.

The neoliberal analysis

For neoliberals, contemporary globalization defines a new epoch in human history in which market capitalism, following the collapse of state socialism in Eastern Europe and the Soviet Union, has triumphed across the globe such that there is no longer a viable alternative development path. This is a conception of globalization which reflects an economic interpretation and celebrates the emergence of a single global market and the principles of free trade, capital mobility, and global competition as the harbingers of modernization and development. Pointing to the East Asian economic miracle and the Latin American experience of the 1990s, the neoliberals emphasize that successful development issues from openness to global capital and competitive forces and closer integration within the global economy. For as globalization brings about a progressive denationalization of economies, through the establishment of transnational networks of production, trade and finance, governments have to adopt more market-friendly policies to attract much needed foreign capital. In this 'borderless' global economy governments are relegated to little more than transmission belts for global capitalism or catalysts for nurturing the competitive advantages of their national economies.

This vision of a 'global market civilization' has been reinforced by the policies of the major institutions of global economic governance, namely the IMF, World Bank and the G7 - at least up to the mid 1990s. Underlying their structural adjustment programmes has been a neoliberal development strategy - referred to as the Washington consensus - which prioritizes the opening up of national economies to global market forces and the requirement for limited government intervention in the management of the economy. The combination of structural adjustment programmes and the discipline of global market forces effectively constrains the development strategies which states may pursue. In this regard globalization significantly erodes the sovereignty and autonomy of states. National governments, in this view, are thus fast becoming 'a transitional mode of organization for managing economic affairs' (Ohmae, 1995).

Within this analysis there is a recognition that the dynamics of global market forces generates losers as well as winners. Nevertheless, in general, the analysis points to the growing diffusion of wealth and affluence in the world economy - the trickle-down effect. By historical standards global poverty, it is argued, has fallen more in the last 50 years than in the past 500, and the welfare of people in almost all regions has improved significantly over the last few decades. Rather than the old North-South fracture, a new world-wide division of labour is said to be replacing the traditional core-periphery model of global economic relations. As a result, what was called the 'third world' is becoming increasingly differentiated: embracing newly industrialized, emerging, least developed and 'fourth world' economies. South Korea is now a member of the OECD, the Western club of 'rich' nations, whilst many other 'third world' states are actively seeking membership. In addition, in the 'affluent' North, the transition economies of the former state socialist bloc define a new grouping of states having much more in common with many newly industrializing economies than the post-industrial economies of the Atlantic area. Accordingly, the notion of the 'third world', or North and South, as coherent geopolitical groupings or analytical categories has become decidedly misleading. To this extent globalization is associated with the 'end of the Third World' and growing global affluence.

The radical analysis

By comparison many radical accounts conclude that core and periphery – 'first world' and 'third world' – remain very much a fundamental reality of the contemporary world order. This is especially so today as most of the world's population and the majority of developing economies are becoming increasingly excluded from global affluence. Rather than globalization creating 'one world', the radical analysis suggests it has been accompanied by deepening global inequality and the marginalization of most 'third world' economies as trade and investment flows amongst OECD economies intensify to the exclusion of much of the rest of the globe (Figure 16.2). In comparison with the late nineteenth century some argue that the world economy has become considerably less, rather than more, 'global', as developing economies have become less important to its functioning (Gordon, 1988; Burbach *et al.*, 1997). Rather than the 'end of the Third World', and a fundamentally new international division of labour, the radical account points to a deepening North–South divide as a consequence of uneven globalization.

Central to this account is a conception of contemporary globalization as nothing less than a new mode of Western imperialism in which multinational capital has come to replace military power as the primary instrument of domination. In this 'new world order' the triumph of global capitalism, reinforced by the institutions of global economic governance such as the IMF

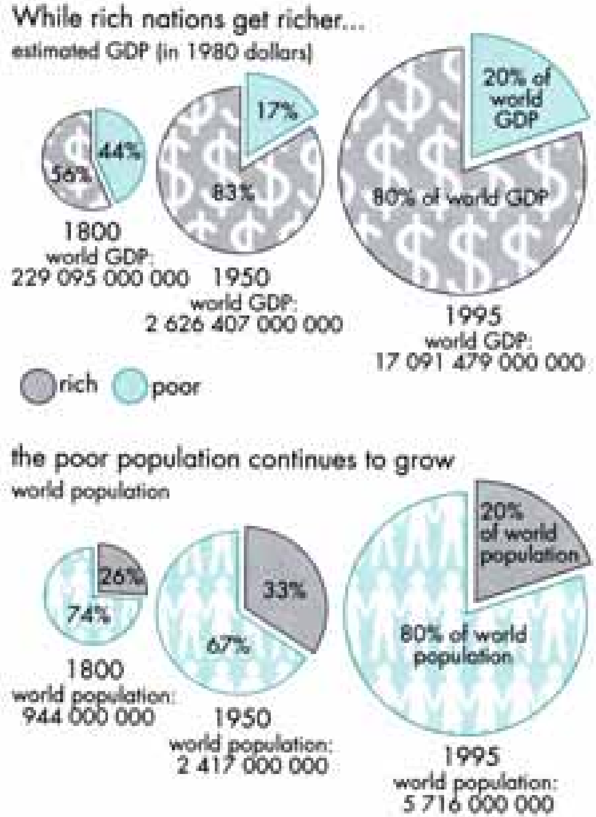

Figure 16.2 An example of the presentation of global data to make a radical case.

and the G7, has intensified the exploitation of the 'third world'. Today half of the world's population and two-thirds of its governments are subject to the disciplines of the IMF or the World Bank either through formal IMF economic stabilization programmes, as in the case of some East Asian economies following the Great Crash, or through World Bank lending (Pieper & Taylor, 1998). As the East Asian crisis demonstrated, even the strongest developing states are 'at the mercy of global economic forces that serve the interests of the dominant capitalist powers' (Burbach *et al.*, 1997, p.77). With the failure of state socialism too, no alternative development path exists. Globalization thus reinforces historical patterns of dominance and dependence such that the possibilities for real development remain effectively blocked. This is evident in the growing polarization between rich and poor in the global economy and the increasing immiseration of the poorest peoples in the world who bear the brunt, as the East Asian crash highlighted, of the 'boom and bust' logic of modern global capitalism. This 'new world order' is an 'unruly' one as poverty increases, the conflict between North and South deepens, and the affluent West, through various mechanisms from NATO to the World Bank, resorts to a kind of 'global riot control' to consolidate its power and secure its economic fortunes. Contemporary globalization, in the radical view, is thus implicated in the intensification of global poverty, deprivation, conflict and violence: in effect the consolidation, rather than the demise, of the Third World.

The transformationalist analysis

Rejecting both the proposition that contemporary globalization is simply a new Western imperialism and that it is a path to a single global market civilization, the transformationalist argument emphasizes its historically unique characteristics. In particular, transformationalists point to the unprecedented intensity and geographical embrace of contemporary processes of globalization, not just in the economic domain but within all aspects of social life from the cultural, security, and environmental, to the criminal, legal, and political. As Nierop puts it, 'Virtually all countries in the world, if not all parts of their territory and all segments of their society, are now functionally part of that larger [global] system in one or more respects' (Nierop, 1994, p. 171). Yet it is also recognized that globalization is highly uneven in its embrace and its effects.

Contemporary globalization, in this analysis, is associated with a shift in the *configuration* of global power relations; that is, more complex and dynamic patterns of global hierarchy and stratification. Developing countries now account for a significant proportion of global exports, and through integration into transnational production networks have become extensions of, as well as competitors to, business in metropolitan economies. The role of 'maquiladores' - offshore production plants - in boosting Mexico's exports to the US is a case in point. The old North-South hierarchy is arguably giving way to a new global division of labour in which the 'familiar pyramid of the core-periphery hierarchy is no longer a geographic but a social division of the world economy' (Hoogvelt, 1997). To talk of North and South, or First World and Third World, is to overlook the ways in which globalization is transforming old hierarchies by forging new patterns of inclusion and exclusion which cut into and reach across all the countries and regions of the world. This is not to deny that the world remains highly unequal. On the contrary, it acknowledges that instead of core-periphery, a more accurate analogy for this globalizing world might be a nested arrangement of four concentric circles - each cutting across all regions and societies - and constituted by the world's elites, the affluent middle-class, the marginalized and the dispossessed respectively (Hoogvelt, 1997). North and South, First World/Third World are no longer 'out there' but nestled together 'right here' in all the world's urban areas.

While inequalities of power and differential access to resources between states and societies remain considerable, they no longer mirror (not that they ever did) a crude North-South geopolitical division of the world. Such a crude division conceals the reality of very significant regional concentrations of wealth and military power in the 'South' alongside the enormous growth of poverty and social exclusion in the 'North'. Moreover, as the financial contagion effects of the East Asian crash showed, under conditions of contemporary globalization, economic prosperity in the North cannot be insulated from the consequences of national economic policy choices on the so-called periphery. Accordingly, globalization has transformed the context of national development in two ways. Firstly, in an interconnected world order, development is no longer just a third world matter but has become 'increasingly applicable to other parts of the world.. .The question of development is thus a shared one' (Dickson, 1997, p.154). Secondly, there is no longer a clear separation between domestic and international matters, so that governments have had to rethink how best to achieve national goals in an interconnected world. In response, a new development consensus is emerging - often referred to as the post-Washington or Geneva consensus - which recognizes development as a shared global challenge and responsibility amongst states and societies, North or South, industrializing as well as post-industrial.

Whether globalization is creating the political preconditions for a 'global New Deal' between rich and poor in the world economy remains to be seen. For the recognition of a shared fate does not necessarily lead to enhanced global solidarity or co-operation; on the contrary, it may engender greater competition, rivalry and conflict between states and peoples. Moreover, to the extent that globalization enmeshes states - North and South - in a plethora of transnational networks and systems, from the financial to the ecological, which are beyond their immediate control, it may make it more difficult for them to achieve their domestic and development policy objectives. The growth of cross-border problems too, combined with the expanding jurisdiction of institutions of global and regional governance, further alters the context of domestic governance and politics for rich and poor states alike, although in quite different ways.

This does not mean that states are becoming less important or less powerful. On the contrary, their roles and functions are changing as they seek coherent strategies for engaging with a globalizing world and an emerging framework of multi-layered governance, in which governments share the political stage with a host of other public and private agencies, domestic and transnational, from Greenpeace and the World Development Movement to General Motors and the World Health Organization (Table 16.1). As such, over the coming decades, 'we can expect to see more and more of a different kind of state taking shape in the world arena, one that is reconstituting its power at the centre of alliances formed either within or outside the nation-state' (Weiss, 1998). In this respect globalization is held to be transforming state power and with it the global context of development.

Table 16.1 State and corporate power, 1994

Country or corporation	*Total GDP or corporate sales (US$ billions)*
Indonesia	174.6
General Motors	*168.8*
Turkey	149.8
Denmark	146.1
Ford	*137.1*
South Africa	123.3
Toyota	m.j
Exxon	*110.0*
Royal Dutch/Shell	*109.8*
Norway	109.6
Poland	92.8
Portugal	91.6
IBM	72.0
Malaysia	68.5
Venezuela	59.0
Pakistan	57.1
Unilever	49.7
Nestle	47.8
Sony	47.6
Egypt	43.9
Nigeria	30.4
Top *five corporations*	87?.4
Least developed countries	76.6
South Asia	451.3
Sub-Saharan Africa	246.8

Source: UNDP (1997) Human *Development Report 1997,* Oxford University Press, Oxford, p.92.