Globalization and Economic Development in the Third World:

Hazard or Enhancement?

By Karla Sosa

Whether one regards it as an illusion or not, our modern world seems to be shrinking. It is amazing how the dimensions of our planet are being reduced by the rapid diffusion of information and cultural merging. News and reports of the most shocking incidents go around the globe in a matter of minutes. Traveling from one point of the earth to the most exotic resort is possible in just a few hours. Nowadays you can find yourself at a traditionally Chinese area eating McDonald's or visiting the most famous European sites while you listen to Latin-American music everywhere. You can be in Kazakhstan watching MTV programs or in El Salvador eating Burger King's hamburgers. People in Africa and Asia crave at the most, a "Western" way of living; communistic nations follow the economic features of democratic states. The examples are endless but they all are a result of the most influential and striking 20th century phenomenon known as globalization.

Seen as an ambiguous trend that has affected the lives of millions around the world, globalization constitutes a unifying force capable of bringing together and merging the different cultural values and world economic systems. Its scope reaches across any known cultural, social, economic, and political boundaries, combining the unique ways of thinking and customs of different ethnicities and world cultures.

Nevertheless, the large-scale coalescing potential of globalization leads to a major modern debate- the question of the global economic integration. Is globalization really going to bring economic growth for Third World countries? In spite of existing doubts about globalization, modern economic environments have attested that it provides multiple economic benefits that enable the development of Third World countries. However, we have to realize that for the benefits of globalization to be experienced in real terms for Third World countries, the eventual implementation of the correct systems and controlling institutions in the internal structures of developing economies is essential.

The uncertainties surrounding globalization have led some analysts to warn of the negative impacts it can have on the development of Third World countries. The different economic conditions between industrialized countries and developing countries have raised many reasonable doubts about whether globalization benefits all nations equally. Since the arrival of the phenomenon, concerns regarding globalization mainly reside in fears of further polarization between rich and poor seen in Third World countries.

The existing social inequality and unfair distribution of the benefits provided by globalization have eventually led to the assessment of the true advantages that globalization provides in terms of development for Third World countries. A commentary in the Edmonton Journal provides a clear example of this predicament, as it asserts that “the world's rich and poor are more unequal than ever, and neoliberal free trade policies are to blame” (Secor, par. 2). Globalization allows industrialized countries to expand their large markets through the implementation of free-trade zones, border areas where restrictions such as import tariffs have been reduced or eliminated. As a commentary in an article of the Korea Herald asserts, there is a gap between the written free-trade agreements and their actual execution because “Free-trade agreements do not ensure free trade” (par. 5). Industrialized countries usually maintain a policy of protectionism, which consists of protecting home industries from outside competition by establishing artificial barriers such as high taxes and tolls. As the Korea

Herald article continues to explain, developing economies are unable to compete with restrictions imposed by First World countries. Under these circumstances, Third World countries submit themselves to the will of wealthy countries that implement protectionist measures that prevent real free trade. The lack of commitment towards treaties further benefits protectionist interests of industrialized countries against the markets of developing economies ("Tricks of Trade Treaties", par. 5). Furthermore, progress and expansion opportunities in developing economies are ultimately hindered by multinational corporations that control the markets and exploit the capacity of the local labor. As the authors of International Business And Multinational Enterprises assert: "[. . .] [B]y attracting and employing much of the entrepreneurial potential in a country, the international firm may inhibit the possibilities for development of national enterprises" (Robock and Simmonds 11). International enterprises take over the resources of the developing economies, limiting their ability for achieving economic growth.

Another problem faced by developing economies when confronting global corporations is the restraint of free competition in their local economies. The lack of pertinent laws to control the emergence of monopolies or oligopolies that develop through agreements between multinational firms prevent the prosperity of Third World countries. Domestic small businesses are often unable to contend with multinational companies that offer lower prices and better quality products. However, the low prices experienced by the consumers of the developing economies are illusory, since monopolies eventually take advantage of the local markets and set the prices without any restriction. Joseph Stiglitz, author of the book Globalization and Its Discontents, explains: "In the absence of strong (or effectively enforced) competition laws, after the international firm drives out the local competition it uses its monopoly power to raise prices" (68). Under these circumstances, local markets are unable to compete and are forced to surrender to foreign companies that control market opportunities, creating a negative impact on the growth and development of Third World economies.

However, despite the negative aspects that globalization may cause to developing countries, its potential benefits are seen in the improvements of living conditions in Third World countries. The benefits globalization creates certainly overcome negative aspects that emerge as a result of the adjustments Third World economies must make in their structures in order to embrace change. The achievement of global integration is not only of great importance to developing countries, but it has proven to be necessary to improve living conditions of Third World economies. Tina Rosenberg confirms this in her article, in which she assesses the global phenomenon:

> The architects of globalization are right that international economic integration is not only good for the poor; it is essential. To embrace self-sufficiency or to deride growth, as some protesters do, is to glamorize poverty. No nation has ever developed over the long term without trade. (par. 5)

The implementation of globalization is crucial for the economic development and growth of Third World countries.

Globalization has expanded the markets and trade opportunities for developing countries, increasing employment rates and the quality of life. Supporters of the global economic expansion give assurance of the benefits that globalization provides: "[. . .] [G]lobalization stimulates economic growth, raises the income of consumers, and helps to create jobs in all countries that participate in the global trade system" (Hill 23). Trade has proven to be one of globalization's primary engines to promote development in Third World countries. The inherent link between trade and growth constitutes a real possibility for developing countries to escape their poverty and benefit from the international relationships with foreign businesses. As Charles Hill explains in his book International Business, the profits of global trade are tangible through the attainment of improved market production, innovative technology for profitable productivity, and the achievement of production effectiveness spurned by competition:

> [. . .] [L]arge-scale production might become available as trade expands the size of the total market available to domestic firms. Trade might make better technology from abroad available to domestic firms; better technology can increase labor productivity or the productivity of the land. [. . .] Also, opening an economy to foreign competition might stimulate domestic producers to look for ways to increase their efficiency. (151)

By combining external benefits achieved through globalization, economic improvements can be achieved in Third World countries.

Furthermore, globalization allows the specialization of labor in agricultural and industrial economic production. This means the implementation of the concept of comparative advantage, which describes a country's need to access information and discharge new technology to capitalize at what they are best at doing. As the article published in the Australian Financial Review restates, "when countries open their border to trade, they tend to specialize in producing goods and services that intensively use their most abundant factors of production" (Mitchell, par. 12). The benefits of the implementation of global production reside in the advantage of having the possibility of taking resources from different parts of the world, and profiting from the national differences in the cost and quality of the production factors: labor, energy, land, and capital. By allocating the resources and capital invested to obtain those assets effectively, businesses can ultimately reduce their overall cost structure and improve the quality and functionality of their final products, measures that hold greater competitive potential in the global market (Hill 7).

A tangible illustration of the benefits globalization holds for Third World countries with correct internal structures can certainly be tracked down in the impact that globalization has had on specific developing markets- Chile and China being the most obvious world prototypes. These two countries play very relevant roles for actual models of development. They represent different regions of the world, Latin America and Asia that are bursting with Third World nations trying to adapt their structures to the global demands.

Chile serves as an excellent economic model for modern nations, as it has set a precedent of success for other Latin-American countries that are under similar, underdeveloped conditions. Tina Rosenberg presents the blatant progress Chile has achieved:

> If there is any place in Latin America where the poor have thrived because of globalization, it is Chile. Between 1987 and 1998, Chile cut poverty by more than half. Its success shows that poor nations can take advantage of globalization- if they have governments that actively make it happen. (par. 12)

Chile has benefited from the advantages and international trade offered by globalization. The government of Chile stopped focusing exclusively on the domestic economy to achieve self-sufficiency and put emphasis on exports, assuming a broader outlook that lead them toward integration in the global marketplace. Although the process of integration has created several disadvantages to the economy, government policy has been able to prevent further increase in the social inequality gap and has been proficient in using national growth to help the poor (Rosenberg 5).

Likewise, China can be regarded as an example of how developing countries can improve their conditions by opening their trade barriers and embracing the great advantages of globalization. China has restructured its internal policies to do business across borders. As the Los Angeles Times points out: "China's leaders promoted exports as a way to spur economic growth" (Iritati and Dickenson, par. 21). Foreign companies have eventually brought costly technology to China, so that efficiency in production has increased. China has also shown strictness in the application of controlling structures to prevent antitrust companies from dominating their internal market. In order to protect their domestic corporations, the Chinese government has been able to limit what other companies were allowed to sell. By making use of its comparative advantage in production and by using its enormous human resources to its maximum potential, China has managed the advantages of globalization for its development: "China's low wages have been the main catalyst for its manufacturing boom. The population of 1.3 billion, the world's largest, provides an almost inexhaustible supply of low-cost labor" (Iritati and Dickenson, pars.17). The employment of comparatively inexpensive labor resources has reduced the cost of production, making China competitive in the global market. Thus, China has effectively raised the employment rate and, consequently, the quality standard of living for its population.

By analyzing the actual trends of globalization and its effects on our modern world economies, we can realize the magnitude of the multiple benefits that globalization can bring for the development of Third World nations. The aperture to the global marketplace can be an extremely advantageous tool to help developing countries out of their economic stagnation and link them to the growth opportunities that will improve the living conditions of their people. Trade opportunities and the influence of multinational corporations can be very beneficial for the growth of developing nations. This is evident in the specific cases of Chile and China, countries that have set a pattern for the development of their corresponding geographical areas. These countries have certainly managed to adjust their resources to the global burdens and obtain benefits offered by globalization.

Moreover, we must realize that globalization itself is not harmful. The hazards of this phenomenon arise from the corrupt and mismanaged internal institutions of developing countries that do not allow the correct allocations of the benefits of globalization. These issues ultimately lead to the domination of foreign enterprises over the local markets. As Joyce Mulama, a correspondent from the African Church Information Service, points out, "[...] [T]he negative effects of globalization surfaced because it lacked structures of regulation and accountability" (par. 6). Globalization itself is not a harmful structure, despite the myths that opponents have perpetuated about its detrimental nature. For developing countries, globalization could be the path out of poverty if the right controlling structures are implemented. However, governments have to build the internal structures necessary to adapt to the changes of the global market, by protecting their human resources and domestic markets from foreign influence.

The governments of developing countries need to stop fearing the hazards of globalization and begin to realize the necessity of embracing it in order to achieve progress and survive in the modern world. Nonetheless, we must consider that the introduction of globalization is a process, which requires time and needs to be adjusted to the different conditions of each specific country. Foreign businesses should not impose their power and superiority over developing markets. Instead, they should rather attempt to combine their forces to share the benefits through the comparative advantage held by nation. Economic development ought to be combined with a reinforcement of cultural and ethical values, and solid internal institutional structures in order to achieve an economic environment that brings equal benefits for all nations. Furthermore, Third World countries must seek ways of attaining a sustainable development within their internal structures, as it is the only way of coalescing with foreign forces and keeping them from overcoming their autonomy. As an article of the M2 Presswire clearly determines,

> In order for globalization to become sustainable and compatible with sustainable development, it must be anchored in the values of justice, solidarity and global interdependence. Financial institutions must play an effective role by adopting homogenous and integrated policies in such fields as agriculture, industrial development, technology, investment, trade and finance. (par. 2)

The approach of globalization has to change eventually- it should be more pragmatic and flexible to the individual necessities of Third World countries. It is then that globalization will become a symbiotic process that allows the exchange of mutual benefits between first world nations and developing countries. To improve the standard of living in Third World countries, institutions and people must be able to embrace change eventually. Adaptation to dynamic global changes and the commitment necessary to learn how to use the advantages of globalization are the most important features that will lead Third world economies to the achievement of stability and prosperity.

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