

Globalization - Disturbing Facts and Shocking Insights

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I. Disturbing Global Scenario

Poets and Philosophers have described humanity as one global family. What type of family is it? Is it united and prosperous? Is it happy? It is anything other than the aforesaid. It is divided. The so-called 'progress' has not reached the majority. The top 20% people in the world have managed to raise their share of the global income from 70% in 1960 to 85% in 1995 whereas the share of the bottom 20% has come down from 2.4 to 1.1% during the same period.

1980s and 1990s have become 'the lost decades' for the developing countries. Their real incomes have been falling. Debts are mounting. Debt service ratio is going up. Currencies are losing their values. Education and health facilities have become costlier. Life is becoming miserable for the poor. Speculators are running away with tons of money and a few individuals are making fortunes whereas the coffers of the Governments are becoming empty. 20% of the world's people (the richest 20%) in high income countries consume 86% of the world's goods, 45% of all meat and fish, 74% of all telephone lines and 84% of all paper.

The Human Development Report (UNDP) 1998, brought out by the United Nation's Development programme, speaks of consumption but makes the point that the rising level in the

consuming front has left practically untouched about one billion of the world's poorest people.¹ The result is that the gap between the rich and the poor is widening further. Some 4.8 billion people live in developing countries and almost three-fifths of them live in communities without basic sanitation, while one-third of them do not get safe drinking water and the rest of them live without reasonably tolerable living quarters and health service. Their children do not go beyond fifth grade at school and do not have any minimum nourishment. Most of the men and women have no affordable transportation and are forced to go to work on foot. The UNDP Chief, James Gustave Speth, says, "abundance of consumption is no crime but it is scandalous that the poor are unable to meet even their basic needs."²

THE RICH - POOR DIVIDE

Just three of the world's richest people have the combined gross domestic product of the 48 least developed countries. The world's 225 richest people have a combined wealth of over one trillion dollars - which is also the total income of 2.5 billions.³ The wealth of the world's richest 32 persons exceeds the GDP of South Asia (India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and the Maldives) plus Iran and Afghanistan.

Global consumption of goods will peak at \$24 trillion this year, up six times from 50 years ago; but 20% of the world's population belonging to the high income bracket will account for most of it.

According to HDR 1998 in Europe, alcoholic drinks are sold for \$105 billion, ice creams are sold for \$11 billion, and cigarettes are sold for \$50 billion. The sale of pet foods in Europe and USA is around \$17 billion and the business entertainment in Japan costs \$35 million. Americans spend \$8 billion on cosmetics alone. The World spends \$400 billion on narcotic drugs every year. The World spends \$780 billion per annum on defence.

1 UNDP (United Nations Development Programme), **Human Development Report 1998**, Delhi: Oxford University Press, 1998, p.2.

2 UNDP, **Human Development Report**, p. 1.

3 UNDP, **Human Development Report**, p. 30.

Compare these facts with the following: Only \$6 billion will be needed to provide education for all. Only \$9 billion will be needed to provide water and sanitation for all.

According to James Gustave Speth,

poor people and poor countries need to accelerate the growth of their consumption, but they need not follow the path trodden by the rich and high-growth economies. Above all, we must make a determined effort to eradicate poverty and expand the consumption of the more than one billion desperately poor people who have been left out of the global growth in consumption.⁴

The South has no influence on global economy proportionate to its share in global population. It is ignored, marginalised and uncared for.

The Glaring Disparities

At the end of centuries of capitalist expansion, here is how things stand: 60% of the world's population has 5.3% of the world output and income, while more than 83% (see table) is in the hands of the richest 20%.⁵

Share of the World Income 1965-1990⁶

Population	Percentage of Total World Income			
	1965	1970	1980	1990
Poorest 20%	2.3	2.2	1.7	1.4
Second 20%	2.9	2.8	2.2	1.8
Third 20%	4.2	3.9	3.5	2.1
Fourth 20%	21.2	21.3	18.3	11.3
Richest 20%	60.5	70.0	75.4	83.4

4 UNDP, *Human Development Report*, p. iii.

5 Victor Louis Anthuvan, *Global Debt Crisis*, Delhi: CBCI Labour Commission, 1999, p. 21.

6 Roberto Patricio Korzeniewicz and Timothy Patrick Moran, "World-Economic Trends in the Distribution of Income, 1965-1992," *American Journal of Sociology*, 102:4 (January 1997).

In 1995, the share of the poorest 20% of the global population has come down to 1.1% of the global output. It would be safe to say that the single most demanding and probably the most intractable problem confronting the world as it approaches the new millennium, is the underdevelopment of the developing countries where four-fifths of the world's population live. Among the underdeveloped countries, 48 with a combined population of 570 millions are classified as the least developed countries, a category that was recognised by the United Nations in 1971. They are the poorest of the poor "suffering from long-term handicaps to growth, in particular, low levels of human resource development and/or severe structural weaknesses."⁷

A significant number of least developing countries is retrogressing, which means their economies are actually declining as manifested by negative annual growth rates in major economic indicators combined with the sharply deteriorating human welfare conditions. It has to be emphasised that regress is certainly not the consequence of a temporary cyclical downturn but a chronic process with significant structural characteristics, in particular, the degradation of political, social and economic institutions. As a matter of fact, these economies have become increasingly marginalised from the mainstream of the world economy, particularly in this era of globalization and liberalization.

Further, 87 countries (including the 48 least developing countries) with a total population of 3.5 billions, were listed as low-income, food-deficit countries (LIFDCS) in 1997. It is ironic that at a time when the world has been increasingly obsessed with globalization as the only panacea for all kinds of economic ills, more than 800 million people, mostly in the underdeveloped countries, are still unable to satisfy their basic food needs, and continue to suffer from hunger and crushing poverty.

If the world economy, according to the calculations of prestigious analysts, grew sixfold and production of goods and services went from less than \$5 trillion to over \$29 trillion between 1950 and 1999, why do 12 million children under the age of five still

7 **Business Line**, July 30, 1998.

die every year, which amounts to 33,000 per day, the vast majority of whom could have been saved?

Almost 100% of the children who die but could have been saved are poor. And why are 500,000 of those who survive blinded every year for the lack of a simple vitamin, which costs less per year than a pack of cigarettes? Why do 250 million children and adolescents work? Why don't 110 million attend elementary school and why do 275 million stay out of secondary school? Why are two million girls forced into prostitution every year?⁸

Less than One Dollar a Day

Why in this world which produces almost \$30 trillion in goods and services annually, do 1.3 billion human beings live in absolute poverty? Why do they receive less than one dollar a day? Why do 800 million people lack the most elemental health services?

Why, out of the total of 50 million people who die each year in the world, adults and children, do 17 million that is, approximately 50,000 each day, die from infectious diseases that in the vast majority could be cured or, even better, prevented in many cases, at a cost which is often no more than one dollar per capita?

What is the price of a human life? How much does the unjust and unbearable economic order reigning in the world cost humanity? Five hundred and eighty-five thousand women died in 1996 during pregnancy or childbirth, 99% of them in the Third World. 70,000 died from abortions performed under poor conditions, 69,000 of them in Latin America, Africa and Asia.

Aside from the vast difference in the quality of life, in the rich countries people live on the average 12 years longer than those in the poor countries. In some nations, the difference between the richest and the poorest is 20 to 35 years.

It is very sad to think that in the case of mothers and children alone, despite the efforts of the WHO and UNICEF, in the last 50 years over 600 million children and 25 million mothers died from lack of

⁸ Fidel Castro's address to the WHO on the occasion of its 50th anniversary. See **Third World Resurgence**, No. 94, June 1998.

medical services, and they could have survived. That would have required a more rational and just world. During the same postwar period, \$30 trillion went into military spending. And there is not even a Cold War anymore!

The trade in arms, which are for killing, has maintained its pace, and medicines, which should save lives, are sold at higher and higher prices. In 1995, the medications market totalled \$280 billion. The developed countries consume 82% of the medications; the rest of the world consumes only 18%.

Several evils of colonialism have continued to this day, some with greater sharpness and others with renewed legitimacy. The unequal international division of labour continues with added verve. The appropriation of surplus from the periphery to the metropolis, the real hall-mark of colonialism, continues not only through unequal exchange of trade, but also by other ways like brain drain, royalties, transfer pricing, official and unofficial remittances of the transnational corporations, the payment due to portfolio investment and so on. According to the Human Development Report 1992, unequal partnership costed the developing countries about \$500 billion in 1990 - a round 20% of their GNP.⁹

The UNDP's Human Development Report 1997 provides arresting evidence of how globalisation and the systematic violation of human rights go hand in hand. Its statistics provide gloomy confirmation of the fact that many countries are worse off today than they were 10 or 30 years ago and that the global distribution of income is the worst it has been for at least three decades.

Decline in Human Development Index in 30 countries

In 1997, 30 countries have registered a decline in their 'human development index' - a construct based on life expectancy, literacy and income - more than in any year since the UNDP began publishing its annual reports in 1990. On an average, the world's richest 20% earns 84 times more than the poorest 20%. In 1960, they earned only 30 times as much. The estimated world distribution of income based

9 UNDP, *Human Development Report 1992*, Delhi: Oxford University Press, 1992, p. 67.

on individual income rather than national averages revealed that the average income of the top 20% was 150 times that of the lowest 20%.

A massive concentration of wealth has taken place in the last 10 years. Microsoft mogul, Mr. Bill Gates, has cracked the \$100 billion barrier, making him the richest man in the world according to Forbes magazine.

Of course, not everybody in the global economy is suffering. In 1996, the UNDP said, the assets of the world's 358 billionaires exceed the combined annual income of countries with 45 percent of the world's population. In 1997, we learn that the sales of the world's top six firms, at \$716 billion, exceeded the combined GDP of South Asia and Sub-Saharan Africa. Merrill Lynch has also estimated that worldwide, nearly five million rich individuals, each with more than \$500,000 in financial assets, control a staggering \$16,700 billion.¹⁰

It is this accumulation of wealth on an unprecedented scale, which marks the real essence of globalization. Three processes, in particular, contribute to the growing disparity. First, the increasing concentration of capital in all areas from aerospace and finance to steel and consumer goods. According to a new study by Securities Data Co., global merger activity rose to \$692 billion in the first half of 1996.¹¹ The dollar volume involved is rising even as the number of deals falls, implying that the size of mergers is increasing. And national governments, mindful of the need to compete, are not only turning a blind eye to this monopolization but are also resorting to hidden and overt forms of protectionism.

II. Global Market - Is it Really Free?

Is the global market really free? Is it fair to all the trading members? The reality behind this 'Free Market' veil is the domination of the global economy by a few powerful transnational corporations. This fact could be ascertained from the following table:

10 **Business Line**, June 23, 1998.

11 **Times of India**, August 23, 1997.

Corporate Control of Global Commodity Trade¹²

Commodity	% Controlled by 3 to 6 of the largest TNCs
Wheat	85 - 90
Sugar	60
Coffee	85 - 90
Cocoa	85
Tea	80
Bananas	70 - 75
Pineapples	90
Cotton	85 - 90
Jute	85 - 90
Crude oil	75
Copper	80 - 85
Iron ore	90 - 96
Tin	75 - 80
Bauxite	80 - 85

Terms of Trade - unjust and unfair

In International trade, a majority of the Southern countries still remain exporters of mainly raw materials (mainly to the North) and importers of mainly industrial products (mainly from the North). The level of commodity prices in general has been falling when compared to the level of prices of manufactured goods, and often even in nominal terms.

Unequal Development and the Historical Forms of Capitalism

History since antiquity has been characterized by the unequal development of regions. But it is only in the modern era that polarization has become the immanent byproduct of the integration of the entire planet into the capitalist system.

12 UNCTAD Statistical Pocket Book, New York: United Nations, 1992, Tables 4 & 8.

Modern (capitalist) polarization has appeared in successive forms during the evolution of the capitalist mode of production:

- (1) The mercantilist form (1500-1800) before the industrial revolution was fashioned by the hegemony of merchant capital in the dominant Atlantic centres, and by the creation of the peripheral zones (the Americas) whose function involved their total compliance with the logic of accumulation of merchant capital.
- (2) The so-called classical model, which grew out of the industrial revolution and henceforth, defined the basic forms of capitalism. In contrast, the peripheries - progressively all of Asia (except Japan) and Africa, which were added to Latin America - remained rural, non-industrialized, and as a result their participation in the world division of labour took place via agriculture and mineral production. From the industrial revolution (after 1800) upto the end of the Second World War the world system was characterized by the classical form of polarization.
- (3) The postwar period (1945-90) witnessed the progressive erosion of the above two characteristics. It was a period of industrialization of the peripheries, unequal and uneven to be sure. It was the dominant factor in Asia and Latin America, with the national liberation movement doing its best to accelerate the process within peripheral states which had recently regained their political autonomy.
- (4) The most recent period (since 1990) in which the accumulation of these transformations has resulted in the collapse of the equilibria characteristic of the postwar world system.¹³

In 19th century, England emerged as the richest country in the world and London became the financial capital of the world. Wealth accumulated in England came from the colonies. India was probably the largest contributor of wealth to Britain during nearly two centuries (1757-1947) of colonial exploitation.

13 Samir Amin, **Capitalism in the Age of Globalization**, Delhi: Madhyam books, 1999, p. 2.

Exploitation of the Indian Economy

Economic Drain

The British rule in India robbed India of its wealth, injected a huge amount of capital into Britain and set it in motion within the British economy.

- * Between 1750 and 1800 alone, the drain was estimated to be 100 to 150 million pounds.
- * Between the years 1757 and 1765, Mir Jaffar and Mir Kasim paid more than 5 million pounds to the East India Company.
- * In 1801, 45.5% of India's budgeted expenditure was spent on the armed forces, 37.5% on civil administration.
- * In the 1880s, India spent, in absolute terms, more on its army than Britain, Germany or Russia, the cost per soldier in India being the highest in the world.
- * In 1891, 30% of India's revenues were spent on Europeans.
- * India's 'gift' to the British war efforts during World War I was 145 million pounds. Between 1914 and 1918, the tax revenues increased from 81 million pounds to 123 million. Direct military expenditure rose from 21,800,000 to 47,800,000 pounds. A total of 1,800 miles of railway track, 13,000 feet of bridge structures, 200 locomotives, 6000 units of rolling stock were removed from India during the war.
- * During the war period, 3 million tonnes of wheat were shipped to the entente countries. Exports of oil seeds and edible oils amounted to 2,500,000 tonnes valued at 31 million pounds.

Decline in Local Industry

The country had no control over what it produced. Local industry died a slow death. Craftsmen were forced to work for the company or raw materials were exported to be manufactured elsewhere.

- * The Company entered into forward contracts with the local weavers to supply stipulated quantities of cloth at fixed rates. Armed with the authority of the Company, the middlemen forced poor weavers, by resorting even to flogging, to sign the

most iniquitous bonds. In Bengal many weavers even cut their thumbs off, to avoid being forced to weave for the company.¹⁴

- * Whereas the British market was closed to Indian products, the Indian market was opened to the British manufacturers. The result was that the artisan class was virtually liquidated. They died in tens of millions. Speaking in this connection Lord Bentinck commented: "The misery hardly finds a parallel in the history of commerce. The bones of the cotton weavers are bleaching the plains of India."¹⁵ No wonder, several eminent writers, both Indian and English, have pointed out that the industrial revolution in England was itself "a consequence of the plundered wealth of India."¹⁶

Decline in Trade

One of the sad effects of the British rule in India was the decline in the thriving indigenous trade. The control of external trade and the monopoly over ocean and coastal shipping gave the British businessmen the lion's share of the profits from Indian commerce.

- * The exports of Dacca muslin which amounted to Rs. 3 million in 1787, had ceased altogether by 1817.
- * Between cotton manufacturers' exports to India rose from less than a million yards to over 51 million in the period 1814-1835 and doubled to 100 million by 1839.¹⁷ British supply of the total cloth consumption in India was 58.4% in 1880-1881 and 66.6% in 1887.

Of late many people are talking about the need for globalization. They point out that India cannot remain an island and its economy should get integrated with the world economy. They also argue that

14 R.C. Majumdar, H.C. Rayachaudhari and Kalinkar Datta, **An Advanced History of India**, London: Macmillan, 1970, p.2.

15 Cited in Jawaharlal Nehru, **The Discovery of India**, Calcutta: Signet Press, 1948, p. 247. 1966, p. 298.

16 Joseph Putti, **The Fair Deal: A Resource Book on Value Education in Social Justice**, Bangalore: KJC Publications, 1993, p. 63-65.

17 Ibid.

there is only one road to economic salvation of our country and that is the road towards the globalization of Indian economy.

What should be recalled to memory is that India was never an island in the past 3000 years! Dacca muslin was popular among the ruling classes in Egypt 3000 years back, when Europe was not aware of its history and geography - leave alone economic and industrial development. The 'mummies' were rolled with Dacca muslin in Egyptian pyramids. The pearls of India adorned the 'respectable ladies' of the then known western world - Greece and Rome - 2000 years back. India was never averse to exports!

In the beginning of the Nineteenth century our exports constituted 10% of global exports. In the beginning of the present century our exports were 5% of world exports! By 1950 our share in the global exports went down to just 2%! At present our exports do not constitute even 0.5% of the global exports! Why this degeneration? What are the causes for this fall in exports? Without analysing them, if decisions are taken with regard to foreign trade, they could land us in a mess!

Colonialism was on the rise during the last two centuries. The European colonialist regimes started exploiting the colonies and the industries in colonies were destroyed; colonies were made to supply the raw materials to the factories of Europe and the finished products of the European factories were sold in the colonies. The elite (with a few exceptions) in the colonies accepted this model to a great extent.

Lancashire, Manchester and New Castle became the centres of industrial activity at the expense of industrial development in colonies. The Indian rural artisans lost their market and later their skill, thanks to the systematic efforts of the colonial rulers and the supreme apathy of the ruling classes in India. The wealth transferred from Bengal to Britain alone constituted 30% of the latter's annual savings by the end of the 18th century. During the same period the one-third of Bengal's population perished due to the great famine! Most of the third world countries are erstwhile colonies. Today they are free politically! Are they free economically! They are given the same old prescription for their economic sickness. Export what you

have and import what you need! This is the slogan from the erstwhile masters. The terms of trade are fixed in such a way that the third world countries would continue to depend on the first world in the future also. A large part of our exports still consist of primary products like tea, coffee, coca, spices, minerals and ores. Prebisch, the great Latin American economist, focussed attention on the deteriorating terms of trade of primary products and how during the last one century, prices have fallen steadily in relation to industrial products.¹⁸ The United Nations Conference on the Trade and Development has estimated that between 1980 and 1988 primary commodity prices have declined on an average of 10% (in current dollar terms) while the prices of manufactured goods exported by developed countries have risen by 25%.

Although the governments of the West argue eloquently in favour of 'free trade', they resort to an increasing number of protectionist measures to safeguard their industries from foreign competitions. In just one year from Sept. 1987 to Sept. 1988, the GATT has recorded a sharp jump in the number of protectionist measures from 135 to 250 - two thirds of which were imposed by the developed countries. The Multifibre Agreement, Dunkel Proposals, Super 301 and Special 301 etc. severely limit the capacity of the underdeveloped world to produce and to export!

Everyday we are sought to be convinced of the need to reduce the subsidy for our agriculture. Fertiliser subsidies were cut, prices of diesel were raised and the prices of other inputs like pesticides, insecticides and power have been hiked - in order to globalize our economy. What is ignored is that the USA subsidises its agriculture to the tune of 50 billion dollars a year inspite of its massive budget deficit of 500 billion dollars. Total agricultural subsidies of industrialised countries add up to a whooping 300 billion dollars annually. Between 1982 and 1987 Japan extended 73% subsidy to its farmers. European community offered 37% - and we are told giving subsidy to our farmers is not good for the economy!

18 Victor Louis Anthuvan, *Global Debt Crisis*, p. 99.

III. Nation-State Marginalised

The forces of globalization articulate a vision of emerging global society based on a single pattern of economy (capitalism), culture (consumerism) and ideology (neo-liberalism). The collapse of the socialist model in the erstwhile Soviet Union and Eastern Europe, the end of cold war, change in the structure of international economy and technological advances particularly in the field of information sector has provided a great impetus to the emergence of the above worldview. The homogenizing thrust and hegemonic design of the forces of globalization have posed not only the most serious challenge ever to the plurality and diversity of human civilization but are also eroding the most fundamental institutional base of human society. The nation-state which since the sixteenth century till recently has not only served as the most powerful politicolegal and ideological instrument for the expansion and consolidation of capitalism in the world and for the achievement of social cohesion in different regions of the world, but has also been the main vehicle of social and economic transformation of majority of Third World countries. It appears that the phenomenon of globalization accompanied by hitech, well-knit communication and information system with its central thrust on integrating the national economies, particularly in the field of production, finance and commerce is rendering the nation-state redundant and is reducing it to the status of a "managerial agent" to represent and implement the "will of the corporate capitalist world."¹⁹

In 1974, Richard Bemet and Ronold E. Muller were already saying: "If we compare the annual sales of corporations with the gross national product of countries for 1973, we discover that General Motors is bigger than Switzerland, Pakistan and South Africa, and that Royal Dutch Shell is bigger than Iran, Venezuela and Turkey; and that Goodyear Tyre is bigger than Saudi Arabia."²⁰

19 Anwar Alam, 'Globalisation and Nation-State', *Third Concept*, Oct. 1998, p. 41.

20 Richard Bemet and Ronold Muller, *Global Reach: The Power of Multinational Corporations*, New York: Simon and Schuster, 1975, p. 15.

What is at Stake - Nation-State?

The process of globalization is undermining or eroding the autonomy, authority, sovereignty and legitimacy of nation-states. Firstly, over the last few decades, technology seems to be replacing politics and socio-economic factors in the functioning of modern society, this seriously affecting the role of state in civil society. It is leading to a process of depoliticization, displacement of the civil servant who was accountable to the elected bodies, by the technocrat who is accountable to only his peers and to the momentum generated by the rise of the micro chip and the computer by impersonal forces that were always there but were somehow held in check by ideological and political forces in a system that was competitive, pluralistic and open to debate and controversy. Naturally, in a technologically determined world where there is little scope for real choices of a socio-political kind, the state loses its importance and governance itself undergoes a radical transformation.²¹

Globalization can be accepted if it brings in capital and technology, which will create employment, generate incomes and eradicate poverty. Globalization can be encouraged if it can support the people at the bottom of the society, who have been marginalised in the process of economic development. Globalization can be promoted if it can bridge the disparity between the rich and poor nations, and rich and poor people.

If globalization is going to widen the gap between the peoples and the nations, if it is going to worsen poverty and deepen the misery of the poor and the downtrodden, it has to be studied, exposed and stopped.)

21 Anwar Alam, "Globalization," p. 41.