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The dark side of globalisation



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The rapid growth of global markets has not seen the parallel development of social and economic institutions to ensure balanced, inclusive and sustainable growth.

Although we may not have yet reached “the end of history,” globalisation has brought us closer to “the end of geography” as we have known it. The compression of time and space triggered by the Third Industrial Revolution – roughly, since 1980 – has changed our interactions with the international environment. For many, globalisation – the intensified cross-border exchange of goods, services, capital, technology, ideas, information, legal systems, and people – is both desirable and irreversible, having underwritten a rising standard of living throughout the world. Others recoil from globalisation as they feel it is the soft underbelly of corporate imperialism that plunders and profiteers on the back of rampant consumerism.

Globalisation is not uncontrolled. The movement of people remains tightly restricted. The flow of capital is highly asymmetrical. Over the last two decades, overseas development assistance from the rich to poor countries has totalled \$50-80 billion per year. In the same period, every year, \$500-800 billion of illegal funds have been sent from the poor to rich countries. That is, for every one dollar of aid money over the table, the West gets back \$10 under the table and, for good measure, lectures the rest on corruption.

The benefits and costs of linking and delinking are unequally distributed. Industrialised countries are mutually interdependent; developing countries are largely independent in economic relations with one another; and developing countries are highly dependent on industrialised countries. Brazil, China and India are starting to change this equation.

There is a growing divergence in income levels between countries and peoples, with widening inequality among and within nations. Assets and incomes are more concentrated. Wage shares have fallen. Profit shares have risen. Capital mobility alongside labour immobility has reduced the bargaining power of organised labour.

The deepening of poverty and inequality – prosperity for a few countries and people, marginalisation and exclusion for the many – has implications for social and political stability among and within states. The rapid growth of global markets has not seen the parallel development of social and economic institutions to ensure balanced, inclusive and sustainable growth.

Labour rights have been less sedulously protected than capital and property rights, and global rules on trade and finance are inequitable. This has asymmetric effects on rich and poor countries.

Even before the global financial crisis (GFC), many developing countries were worried that globalisation would impinge adversely on economic sovereignty, cultural integrity and social stability. “Interdependence” among unequals translates into the dependence of some on international markets that function under the dominance of others. The GFC confirmed that absent effective regulatory institutions, markets, states and civil society can be overwhelmed by rampant transnational forces.

Globalisation has also let loose the forces of “uncivil society” and accelerated the transnational flows of terrorism, human and drug trafficking, organised crime, piracy, and pandemic diseases. This is the subject of our new book, *The Dark Side of Globalization* (UNU Press, 2011). The growth of these transnational networks threatens state institutions and civil society in many countries.

What can developing nations do to manage the challenges of globalisation?

The outright rejection of globalisation and a retreat into autarky is neither practical nor desirable: who wants to be the next Myanmar or North Korea? As one wag has put it, opposing globalisation is like opposing the sun coming up every morning, and about as fruitful. Equally, though, who wants to be the next Iceland, Greece or Ireland? The notion that endless liberalisation, deregulation and relaxation of capital and all border controls (except labour) will assure perpetual self-sustaining growth and prosperity has proven to be delusional. The three Baltic nations that embarked on this course (Estonia, Latvia and Lithuania) – to which, for good measure, they added the flat tax – all had double-digit negative growth in 2009.

For developing countries, lowering all barriers to the tides of the global economy may end up drowning much of local production. Raising barriers that are too high may be counterproductive, if not futile. Countries that find the golden middle, like Chile and Singapore, tend to thrive, channelling the enormous opportunities offered by an expanding world economy for the benefit of their citizens. Those that do not, like many in Central and Western Africa, are marginalised and left behind.

Finding the right, if difficult, balance between openness and regulation requires keeping a watchful eye on trans-border crimes that thrive in the interstices of the national and the international. Illicit trade, accounting for 10 per cent of global economic product according to some estimates, could be growing at seven times the rate of growth of legal trade.

The growth in transnational flows has not been matched by an equivalent growth in global governance mechanisms to regulate them. And yet the very nature of the structure of globalised networks, which intertwine global actors and interests, ensures that no single power is able to maintain its position within the newly emerging global disorder without making compromises with other global players.

In Africa, home to 36 of the world's 50 least developed countries, state weakness often has opened the door to transnational crime and terrorism. Garth le Pere and Brendan Vickers highlight six pathologies that are particularly prevalent across Africa: illegal exploitation of natural resources, terrorism, the drug trade, illegal migration and human trafficking, gun running, and money laundering. According to some, Guinea Bissau has already become the world's first narco-state.

One response to *global* governance gaps that have made these illegal activities possible has been *regional* governance. The transfer of state functions to supranational forms of regional governance could enhance the capacity of individual states to combat uncivil society. The sharing of expertise, institutions, policy tools, personnel and other resources can go a long way in stemming the tide of unwanted activities.

Human trafficking is among the darkest sides of globalisation, turning human beings into commodities bought and sold in the international marketplace. Women and children are among the most exposed to it. NGOs from all continents attempt to cope with this nefarious activity and report on those involved in it.

Southern Africa has witnessed the rise of elaborate transnational crime organisations. The illegal trafficking in narcotics, mineral resources, ivory, counterfeit products and stolen property is thriving. International crime syndicates exploit government weaknesses to make huge profits. Illegal migration and money laundering rob the state of valuable human and material resources, in a region that desperately needs them.

A different kind of challenge is posed by insurgencies that thrive as a result of the inequalities created by globalisation. The “development dichotomy” explains why dramatic national-level progress in India has gone hand in hand with an ever greater gap between the prosperity of urban, middle-class Indians and the squalor still seen in many of its 600,000 villages where most Indians live. Uprooted from ancestral lands and unable to adapt to the demands of a modern economy, aboriginal populations (Adivasis) often see revolutionary redemption as the only way out of their predicament.

Sri Lanka's Tamil Tigers, on the other hand, might well have been one of the most globalised terrorist movements anywhere. Part of the reason for their considerable, if ultimately transient, success was the effective way they relied on the Sri Lankan Tamil diaspora both to obtain resources and to marshal political support for their cause.

Jihadists have excelled at using modern IT and telecom technology to promote their cause and foster their objectives, building on the link between the drug trade and terrorism pioneered by the CIA in Southeast Asia, Central America and Afghanistan. Jihadis have perfected into an art form the international transfer of funds in ways that are essentially untraceable, by relying on ancient mechanisms that replicate the old-fashioned way Osama bin Laden gets his information – through pieces of paper brought to him by hand by loyal messengers – which is one reason he remains at large.

It remains to be seen whether the GFC has brought to an end globalisation as we have known it for three decades. But there is little doubt that the “dark side” of globalisation is here to stay.

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