

POLI 445

Politics of International Economic Relations

Session 13 – Globalization 2

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Session Overview

This session continues from the previous one. Here, we will pay particular attention to the disadvantages of Globalization and how states/countries have been shaped by Globalization.



Session Outline

- **Topic One:** Disadvantages of Globalization
- **Topic Two:** States and Globalization

Reading Materials

- Bossman E. Asare, 2016. *International Politics: The Beginner's Guide- Updated and Expanded*, Digibooks, Ghana. chapter 9
- Charles W. Kegley Jr. and Shannon L. Blanton, 2010. *World Politics: Trend and Transformation*, Wadsworth: Cengage Learning. Chapter 12
- Payne, Richard (2007) *Global Issues: Politics, Economics, and Culture*. Pearson Longman: New York

Topic One

Disadvantages of Globalization

1. **The gains from globalization** are not equally distributed between global north and global south countries. Many critics of globalization and leaders in a number of global south countries have noted that global north countries benefit more from globalization than global south countries. The reason is that global north countries have comparative advantage in the production of capital-intensive goods, such as cars, computers, television sets, and DVD players. On the other hand, global south countries have been used to producing raw materials like cocoa and timber. The basic difference is that capital-intensive goods do far better than raw materials in the global economy. Because raw materials perish they do not command higher prices in the global system. Moreover, many developing countries do not determine the prices of their raw materials, indicating that they depend on the international market for the prices. However, the goods from global north countries to the global south and elsewhere are durable so they command higher prices.

Take for example, cars and TV sets. If you do not sell them this year, you can sell them next year because they are not going to perish. Developing countries have comparative advantage in the production of raw materials and this seems to work against us in international trade. Developing countries are caught in **dependent development**, which means that our development is dependent on the global north countries. And since we are dependent on them for our development, it is not likely that we will get to their level of development.

Disadvantages of Globalization (Cont'd)

2. Globalization has also collapsed some local industries in some global south and global north countries. Globalization means goods and services can move from one country to another. Because of this dimension of globalization, goods from several countries are moving to other countries in droves. Here, the problem is that, countries that have cheap labor can easily export goods to other countries and kill the local industries in those countries (especially when labor costs are higher in those countries). As an illustration, let us assume the cost of labor in country A is \$100 and the cost of labor in country B is \$50. Let us also assume that both countries produce textiles (like Ghana and China). Since the cost of labor in country B is \$50, all things being equal, textile products in country B will be cheaper than textiles products in country A. With globalization country B will export textile products to country A, and since consumers are generally rational actors (they calculate the costs and benefits before they buy something), they will buy the textiles from country B. The implication here is that the industries in country A that produce textiles will struggle to compete. Unless the government comes up with some protectionist policies, the local industries will collapse.

This is the problem facing a number of developing countries and some global north countries. Because labor is cheap in China, goods from China are reducing the demand for goods produced domestically in many countries. Many industries in the global south do not have the technology, the managerial skills, and the financial resources to compete with those in the global north countries. And we are saying globalization is about the free movement of goods from one country to another. The problem is that developing countries that attempt industrialization find themselves competing with goods produced by established industries in the global north. In Ghana, some of our industries have been killed because these industries cannot compete with those in the global north for their products. Our shoe factory has been inactive essentially because it was not in a position to compete with shoes coming from countries like Italy.

Disadvantages of Globalization (Cont'd)

3. Globalization of diseases has become one of the problems of globalization. Globalization allows the movement of people from one country to another without a lot of restrictions. This movement of people also suggests that these people can move with them diseases that can affect people in the destination countries. A recent example is the *Swine Flu*, in which travelers to certain countries were alleged to have infected others with the disease. Other diseases like HIV/AIDS are easily transmitted by people who travel to other countries. Just as good things spread from one place to another, so do bad things.



Disadvantages of Globalization (Cont'd)

4. Globalization has made western culture dominant in the world. Most of the variables promoting globalization were initiated by the western world. Take communication and advances in technology as examples. Western way of life has become the norm in almost all countries that have integrated their economies to the global economy. You watch television and you realize that most of the activities and programs they broadcast have been influenced by the western world. How musicians sing nowadays in the developing world is largely a replica of what goes on in the advanced industrialized countries. The western media have penetrated the global south and there are many people in the global south who prefer the western media to their domestic ones. The western media have succeeded in promoting western culture to the detriment of cultures in Africa and other global south economies. Apart from the popular media in Africa and elsewhere, MTV, a leading television station in the US, now has MTV Africa. MTV Africa is promoting western culture in Africa. TV programs like *Idols West Africa* and *Who wants to be Rich* were copied from the US and the UK. The unfortunate thing is that, this is undermining the cultures in the developing world.

Disadvantages of Globalization (Cont'd)

5. Finally, globalization has reduced the welfare spending of governments in some rich and poor countries. Because companies generally want to operate in areas that have cheap labor, low taxes and consequently areas where they will contribute a lesser amount of money to welfare programs, countries are facing problems with their welfare programs. Once a country increases the taxes on businesses, these businesses threaten the governments with relocation to another country or jurisdiction. Now many companies are moving to China and India from the global north because of the cheap labor in these two countries. This has reduced the capacity of some rich countries to provide certain welfare services to their people. The reason is that they no longer get the money they used to get from these industries that have outsourced some jobs or relocated the entire production to other countries. The welfare state (it means guaranteeing certain benefits such as housing, hospital, and income to the vulnerable in society) in some rich countries has shrunk. This is worse in the global south. With the current credit crunch, governments are even finding it more difficult to support the vulnerable people in their countries.

Sample question

Discuss two of the problems associated with globalization.

Topic Two

States and Globalization

- There are scholars who argue that globalization has made states less important and there are some who also believe states are still important and dominant in this era of globalization. Our job here is to find out how globalization and states have influenced each other. The discussion will start by looking at how globalization has reduced the importance of states and the concluding aspect will give reasons why states are still important in the world.



How globalization undermines states

- **On the basis of the disadvantages of globalization** we discussed in section 5, it is clear that the importance of states has been undermined by business organizations. In the last disadvantage I noted that globalization has reduced the public welfare spending of governments in almost all countries. One reason is that globalization is largely influenced by business organizations or MNCs. These organizations can move to wherever they want because market liberalism allows them to do that. Governments are in many instances dependent on business organizations for taxes to pay their workers and provide certain services to their people. These organizations know that governments need them at times more than they need the governments. Because of this, some of these organizations threaten governments that if they do not reduce taxes on their profits or give them some incentives, they will move to another country where those incentives and low taxes will be provided.

How globalization undermines states (Cont'd)

- **Also, business organizations provide** a lot of jobs for many people in the global north and the global south. This makes them influential, both politically and economically, in the countries where they operate. All serious and concerned governments want to ensure that there are jobs for their people, indicating that governments all over the world want businesses to invest in their countries. This allows businesses or MNCs to dictate to some governments even in rich countries. Without jobs people will condemn their governments, so when dealing with business organizations, governments do everything possible to encourage them to stay in their countries. Just look at what will happen when the many MNCs in Ghana decide to move to another country.

- **Intergovernmental organizations have also** reduced the importance of states in the global system. Once a country becomes a member of an intergovernmental organization, that country agrees to comply with some directives. For instance, UN member countries are supposed to respect or abide by international law and other international regulations on refugees, diseases and etc. Countries benefit from being members of these intergovernmental organizations, so they are motivated to abide by the rules and regulations of these organizations. Even the most powerful countries in the world know that these organizations can help them accomplish a lot of things, so they usually respect their decisions. More importantly, all member countries of these organizations are constrained in their actions and inactions. And some scholars believe that, with this political globalization, the importance of states has reduced drastically. Some organizations like the IMF, the World Bank, and the WTO influence the domestic economic policies of their member countries, particularly those in the global south. Many global south countries allow this influence because they get some financial assistance from these organizations (the IMF and the World Bank particularly).

The Relevance of states

- **However, there are scholars who** argue that states are still important in the global system despite what have been listed above. Martin Wolf (2001), for instance, has noted that there are three areas in globalization which make states still important and dominant in the international system. The first reason given by Wolf is that states provide the collective goods which make globalization work. Collective or public goods are goods and services needed by almost everybody in the country. They are not profitable to provide, making countries/states the only ones who can provide them. Broadly, businesses will not provide something they will not profit from. Examples of public goods are the security agencies (the police as an example), honest civil service, and the judiciary. Without some of these public goods globalization will be negatively affected. For instance, when investors are going into a country, they want to be sure there is a police force that will protect them from criminals, a judiciary that interprets the law without any fear or favor to anyone and a civil institution where they can register their businesses without paying bribes. These things can only be provided by the state, not private individuals. This is one reason why countries that have impartial judiciaries, honest civil service and effective police force are likely to attract investors.

The Relevance of states (Cont'd)

- **Secondly, only states define identity** in the global system. There are many businesses and people moving from one place to another, yet all these businesses and people identify themselves with states. When businesses are moving to other countries, the destination countries will want to know where these organizations are coming from. Similarly, when individuals are travelling to other countries, the destination countries will want to know where these people are coming from. The position here is that only states can define the identity of organizations and people in the global system.

The Relevance of states (Cont'd)

- **Finally, states** guarantee the stability of intergovernmental organizations. We have established that these organizations influence states in profound ways. Nevertheless, intergovernmental organizations are what they are because states have made them so. In the absence of states there will be no IMF, the World Bank, UN, and the WTO. This also means that should states say they do not need these organizations, they will collapse. Whatever these organizations do have to be sanctioned or approved by the member countries. Martin Wolf's position here is that states are still important because they ensure that intergovernmental organizations are stable to be able to carry out their functions in the international system.

Sample question

- Examine the relevance of states in the midst of globalization.



Conclusion

- The session has extensively looked at the problems posed by globalization and the relevance of states amidst globalization. It is clear that globalization, although has promoted development in several parts of the world, poses some threats to especially the developing world.