Globalisation and Development

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Most of the industrialised countries are already deeply enmeshed in globalisation and are taking steps both to maximise its benefits and to ease the adjustments it demands. But there are wide differences in the readiness of developing countries to face global economic integration: they are increasingly heterogeneous in their degree of development, productive capacity, human-resource base and competitiveness. Some, particularly in Southeast Asia and Latin America, are moving into mainstream global trade and investment flows. Others have the potential to participate more actively in world trade but must persevere with their growing efforts to improve local conditions for entrepreneurship and expand domestic capacities to produce and export.¹

Many of the developing countries are a world apart from globalisation. Global trade and investment flows largely pass them by, despite the often considerable progress they have achieved in liberalising and deregulating their economies and opening their borders to international trade and investment. In the past decade, for example, net foreign direct investment (FDI) from OECD countries to the developing world increased by 270% – but the lion’s share of it was attracted by a handful of Asian and Latin American countries. Developing countries similarly have a growing share in trade, currently accounting for a quarter of world exports – but Africa’s share is a meagre 1.8% of the total, and has been falling steadily.

These imbalances give cause for broad concern. Evidence from recent World Bank studies show that integration in global markets through FDI and trade flows creates economic growth and employment.² Trade and investment are the principal mechanisms for the transmission of innovative ideas, marketing networks, more effective management practices, new production and packaging techniques, and consumer-friendly design – all prerequisites for competing in global markets.

The successful integration of the developing countries into a globalising world economy is logically a direct concern for the development co-operation efforts of OECD countries. Donors and their public in OECD countries are recognising that they have a stake in helping the less-advanced countries and their populations find their place in the global economy. Poverty, misery and marginalisation in large parts of the world threaten the prospects of rich and poor alike.

In the poorest developing countries (for instance, Sub-Saharan Africa and South-west Asia), human, institutional and industrial capacities are not adequate to produce on the demanding terms required by the global market-place. Trade and investment flows – essential for stimulating the growth necessary to absorb burgeoning labour forces – have considerable scope for expansion across the developing world. Yet many of them may find integration very difficult unless there are strong catalysts in the form of international support and co-operation.

OECD donors are committed to work with their partners to reduce by half the number of people living in poverty in the developing world – currently 1.3 billion – by 2015.² Strengthening the trade capacity and investment appeal of these countries is an important means to this end. Donors are increasingly turning their attention to how development co-operation can spread the benefits of globalisation to a larger proportion.

ion of the world’s population, by, for example, promoting joint ventures, stimulating technology acquisition and building trade capacity.

The obstacles are substantial. Many poorer developing countries are characterised by an undiversified export base limited to commodities (Ghana, for example, is heavily reliant on cocoa, Honduras on bananas, and Zaire on copper). They have limited or inefficient industrial capacity. Their infrastructure (transport, telecommunications and energy) is inadequate or dysfunctional. Their entrepreneurial forces are nascent or weak. They have a shortage of managers, engineers and technicians. Their institutions are weak, and human capital is poorly developed. Many of them also still face high prevailing tariffs and non-tariff barriers from OECD countries for their agricultural, textile and metal exports - the very sectors wherein their comparative advantage lies.

Yet the current context for drawing poorer countries into the global system is nonetheless extremely propitious:

• most developing countries are well-advanced in implementing structural adjustment and economic reforms geared to strengthening market forces through liberalisation and deregulation
• the basic conditions for good governance are receiving more attention from their governments, often under popular pressure for democratic reform
• the Uruguay Round of trade discussions has created new export opportunities, especially in agricultural, textile and metal products
• information and other technologies are spawning new services and products with lower barriers to entry
• strengthened regional integration/co-operation efforts among developing countries will help lock in reforms, create larger markets that allow economies of scale, and provide an intermediate step to the highly competitive global market-place.

Efforts must continue to help developing countries improve local business conditions and modernise/diversify their export sectors. Of equal importance are investment policies that are transparent, non-discriminatory and contain adequate safeguards for currency convertibility, the repatriation of profits and dividends and intellectual property rights. Indeed, a more strategic approach geared to creating and deepening global links is now necessary, including such elements as:

• developing new market and product niches, such as intra-regional and inter-developing country trade, agro-industry, and information services
• promoting access to and use of modern communications and information technologies more broadly in poorer developing countries
• establishing national centres for promoting product quality, diffusing information on international standards, and testing locally made export products
• encouraging local entrepreneurs, especially small- and medium-sized enterprises, to ‘think globally and act locally’, producing high-quality and attractive goods that can be marketed in both domestic and international markets
• helping local business associations and learning networks develop an international ‘window’ using outward-looking personnel who can share

The developing countries which are beginning to move into mainstream global trade and investment flows are mainly in South-east Asia and Latin America.
From Ideas to Action in Biotechnology

Some promising examples are emerging in Africa of the promotion of links between research activities and production. One North-South partnership has triggered the development of intra-African co-operation with the potential to accelerate the diffusion of biotechnology and its application in production. The initiative came from Monsanto Corporation, a large American chemical firm which had diversified into agro-biotechnology. It began a search for an African plant pathologist, an African country where a new technology could be readily disseminated, and third, an African crop with specific characteristics (it had to be part of the staple diet of that country, to be produced by peasant farmers so as to maximise its development impact, to have a problem which could not be solved through traditional methods; furthermore, given Monsanto’s commercial interests, it had to be preferably a root or tuber crop in which they had little expertise). The learning implicit in the partnerships would thus be two-way. USAID was enlisted to help find a researcher and fund part of the cost of training. In 1991, a woman plant-pathologist on the staff of the Kenya Agricultural Research Institute moved to Monsanto. She had been doing research on the aphid that transmitted the sweet-potato disease which had destroyed nearly half of Kenya’s yield. At Monsanto she undertook the research required to create a new transgenic, virus-resistant variety of sweet potato using Monsanto’s technology and a gene identified by the International Potato Research Centre in Peru. After this success, she went on to set up Afrinet, the Africa branch of the International Service for the Acquisition of Agri-Biotech Applications, a non-profit international organisation sponsored by a number of foundations and corporations and working to facilitate partnerships within Africa for the transfer and development of biotechnology.1

An earlier initiative by the International Institute for Scientific Research for the Development of Africa (IISDA), supported by Canada, France and the Ivorian government, focused on the improvement of yam varieties and the treatment of malaria, in close collaboration with the International Institute for Tropical Agriculture in Nigeria, which is active in tissue culture for germplasm conservation and the in vitro distribution of disease-free planting material for yams and other crops.2

Support for Trade and Investment

Support for the promotion of trade and investment has always been central to development co-operation. But now donors and developing countries alike are beginning to re-think their approaches and priorities - not least because of the pressure of globalisation and a commitment to results-oriented, sustainable development assistance. As a result, measures to support trade and investment are becoming even more important. Donor governments increasingly take the view that building trade capacity requires simultaneous action on two fronts: the strengthening of productive capacity for selling on global markets has to be accompanied by measures to expand and deepen market access. The World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) are therefore joining forces with a view to streamlining, re-focusing and better co-ordinating their technical assistance activities. As part of a new initiative, the ‘Integrated Programme for Technical Assistance’, they can cover the full spectrum of trade-related technical co-operation issues, from legal and analytical questions to trade and trade-related policy formulation, the strengthening of institutional and human capacities, and trade support and promotion.

More attention is also being given to helping developing countries make their voices heard in fora that deal with trade and investment. For example, donors can help strengthen the negotiating capacity of developing countries in multilateral fora and rule-making bodies and work as honest brokers for developing countries in trans-
actions between public and private sectors (in privatisations and divestitures, for example). Donors also stand ready to help developing countries bring their laws, policies and technical capacities into line with Uruguay Round agreements and international investment standards, including those to be established under the proposed OECD Multilateral Agreement on Investment (the MAI).  

Both donors and recipients are seeking to improve the qualitative participation of developing countries in the international economy, one that is in line with sustainable human development. Development strategies for trade and investment should therefore take account of residual potential for creating employment, alleviating poverty, bringing women into the mainstream of economic development and protecting the environment (box, left).

These new approaches are being translated into operations in the field. Many innovations take their cue from lessons of best practices distilled by the donor community from three decades of seeing what works and what doesn’t. Several principles emerge:

- enterprises must share in the cost of services provided and in the risks that must be borne
- promoting local identification and involvement with, and commitment to, assistance efforts requires a response to locally defined demands through locally created channels and instruments
- encouraging the spread of best practices requires the support of knowledge-networks (like the Internet, video-conferencing) linking research and academic institutions to exchange experience, on a regional and global basis, between entrepreneurs, institutions and authorities
- reinforcing the partnership between government and entrepreneurs calls for a strengthening of the institutions (chambers of commerce and professional associations, for example) through which a dialogue on policy issues and related concerns can take place. Such consultations inform government of the concerns of the business community while simultaneously building up in the private sector a sense of commitment to the government’s reform agenda.

Globalisation, to achieve its promise, will have to maximise the constructive interdependence among all nations—industrialised, developing and poorer alike. Marginalisation will impose avoidable costs, in human suffering, reduced choices and opportunities, excessive migratory pressures, damage to the global ecosystem or the spread of conflict. It is the actions of people in the developing countries themselves that will determine in large part the pace at which they can benefit from globalisation. But the policies and tools of the industrialised countries, including development co-operation, have their contribution to make.


A more strategic approach to globalisation should promote national centres for improving product quality, diffusing information on international standards and test locally made export products.

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