Globalization: A Created Mechanism for the Restructuring of Developing States

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This essay argues that globalization, in the locale of the international political economy, is a created mechanism for the management of developing states (and their respective economies) by a global elite including financiers, international and national bureaucrats and corporate leaders. It argues that not only is that so but that it has tended to work, as in the case of colonialism, to the detriment of the developing states and their economies. This essay also stresses the influence of transnational companies and the transnational economy through corporatism in this context. Globalization has effectively been the rationale of the Neoliberal orthodoxy so influential in the United States in particular since the 1980s. There has been a proliferation of actors (with China becoming increasingly influential) and various alliances and convergences of nation-states up to the present time to complicate the dynamic and effects of globalization further into the future.

To determine whether globalization may be a created mechanism for restructuring developing states and their economies by a global elite, we must first define and then contextualise key terms. According to Ian Douglas (2009) 'globalization' entails the emergence of the "24-hour integrated global financial marketplace; … the proliferation of foreign direct investment"; an ever-changing "global information society", culminating in the "rise of neoliberal transnational technocracy" (p. 165). Douglas posits globalization as a conception or dynamic construct which is characterised by the features of "agility, rapidity and mobility" that is driven at the forefront by Nation-States, "markets and independent actors" (Douglas, 1997, p. 165). For Robert O'Brien and Marc Williams (2010) those actors guiding the globalization process belong to a 'transnational capitalist class (TCC)' (p. 265). They represent an elite grouping that continue to benefit from the US-dominated liberal economic system and profit from favourable public policy, market integration, liberalization, and the subordination and marginalization of developing economies. This elite grouping also comes to represents transnational company (TNC) executives; and "technical professionals …, merchants and media officials", all of which continue to increase political power and capital wealth at the expense of others living in poverty (O'Brien & Williams, 2010, p. 265). Philip McMichael also notes that economic (financial) management' by the TCC is prosecuted through the veneer of globalization, to restructure developing states and their economies (Pimental, 2015). And as such this essay argues that globalization is a course of action – with winners and losers both – resulting in the accumulation of capital wealth and influence in the interests of given transnational companies and the transnational capitalist class overall.

To further demonstrate that there is an effective and powerful elite financial mechanisms and arrangements affecting developing states, this essay argues that transnational corporations and financial institutions have emerged as a global bourgeoisie (transnational capitalist class) in the globalized political economy (Robinson & Harris, 2000, p. 11). The neoliberal turn of the 1980s and 1990s resulted in an overarching US-led capitalist bloc espousing economic structural reform for developing economies. TNCs as key actors, both behind the political scenes and at the forefront, dramatically inflated "foreign direct investments (FDIs), the proliferation of mergers and acquisitions across national [and international] borders", all in an effort to "open up new opportunities" in developing states (Robinson & Harris, 2000, p. 11). Such was the apparent economic need for expansion aimed at acquiring new markets, new trade opportunities and internationalization, that politicians and 'big firms' in the 1990s were investing to the tune of $33 billion in FDI outflows into developing countries (Tussie & Woods, 2000, p. 60). Increased investment and loan giving by US-influenced financial institutions, such as the International Monetary Fund (IMF) and

World Bank (WB), in league with big business, resulted in a comprehensible programme for economic structural reform that posited to "convert the world into a single unified field for global capitalism", and build on the foundation of market liberalization. Although rhetorically lurid the resulting 'Washington Consensus' was only effectual in deconstructing vulnerable Latin American economies to benefit short-term US trade and energy aspirations in the region (Robinson & Harris, 2000, p 11-18). Unfortunately this programme tended to lead to a cycle of unchecked privatization, increased poverty and inequality, and spiralling debt cycles for developing states all over the world. Hence, the role of TNCs, political institutions and even global financial institutions such as the IMF throughout the 1980s and 1990s, buoyed on by the openings relating to the globalisation process, saw the continuance of an existing world order effectively maintaining the preeminent TCC position.

It is necessary to contextualise the elements of Neoliberal orthodoxy that pertain to the characterisation of globalization as a mechanism of global economic (financial) management. The current world order with its marked disparity and inequality between wealthy and poor states supports his assertion well. Neoliberal structural reforms, epitomised by the implementation of the Washington Consensus (WC) in Latin America, went beyond the policy ideals of "export promotion, liberalization, and privatization" (Strange, 1994, p. 105). Such structural reforms permeated a neoliberal orthodoxy thereby espousing development, but rather "submitted[ing] to the deference of the already-powerful" (Saurin, 1996, p. 657). Moreover, this neoliberal orthodoxy saw the widespread expansion and reconstruction of the global economy, but at "no time was the root cause of poverty addressed, nor was the notion entertained that economic growth itself generated poverty" (Saurin, 1996, p. 670). The perception of inevitability and irrevocability of the coupling between neoliberal economic theory with the globalization process has left an indelible mark on developing states and their economies. Moreover, it cannot be underestimated that influence by immense pressure groups from US political institutions, US-led financial institutions, TNCs and media conglomerates, all successfully contributed to structural reform being implemented throughout certain spheres of the world to meet their particular objectives. To illustrate how the neoliberal orthodoxy is affecting developing states it is arguable that nearly all Latin Americas, since the WC, have adopted neoliberal economic reform and since then "strong economic recovery is more the exception than the rule" (Biglaiser & DeRouen Jr, 2004, p. 562). Associated with the post-1980s neoliberal economic intervention was a severe economic downturn in Latin America. It saw economic depression, inflation and debt, with Latin America finding itself borrowing heavily from the very international institutions and organizations that were largely responsible for their economic mismanagement (Biglaiser & DeRouen Jr, 2004, p. 565). So with this in mind the neoliberal orthodoxy seen in structural reforms implemented through the WC, and facilitated by globalization, is the continuation of a world order serving the interests of an elite grouping intent on developing and maintaining a global north-south dualism.

To understand the global north-south dichotomy present in the international political economy, this essay delineates both what it is to belong to the industrialised and powerful elite 'north' and to the underdeveloped/developing and less powerful 'south' in an era of globalization. The centrality of global production is vital to understanding the global competition between north and south. According to Richard Worthington (2000) global production for an already industrialised 'north' is "plac[ing] severe stress on the political and economic consensus" whereby the "efficiency of production" has taken precedence by way of "free trade agreements, technology promotion, privatization, joint ventures with global corporations" (p. 7). So accordingly competition for resources, production and market share within elite nation-states and the financial/corporate sectors is driving inequality in developing states and their economies. The poverty of the global 'south' outwardly acts as potential for investment further development – something of a stimulant for elite economies and companies alike (Saurin, 1996, p. 668). In contrast, the global 'south' seems to be posited by the north as being economically tacit, politically expendable and easily manipulable for investment and trade (Stiglitz, 2003, p. 47-48). Furthermore, the capitalist emphasis on production naturally complements exploitation of 'cheap' workforces, seen in low wage labour pools (Fasenfest, 2010, p. 630). Particularly in Latin American and African developing economies, continued economic and financial meddling by the elite 'north' is still penalising millions of people by: increasing unemployment, depleting resources, and threatening the international economy generally (Zolo, 2007, p. 9). Despite the International Monetary Fund's assertion that "integrated markets place a premium on good macroeconomic policies, and on the ability to respond quickly and appropriately to changes in the international environment", the globalization effect on African economies does not convey the actual level of mismanagement and exploitation perpetrated by all the elite actors aforementioned (Ouattara, 1997).

It is possible that such a powerful elite being able to prosecute change over developing nation-states would be need to be broadened beyond an elite of financiers, bureaucrats and corporate leaders. It is inevitable that globalization has diversified the TCC and that there is a proliferation of key actors of interest – all of which can and do affect change to restructure developing states. Such a proliferation of actors can be seen in the 'tripartite model' – incorporating non-government organizations (NGOs), international organizations (such as the United Nations) and the business/finance sector, culminating in global corporatism (Ottaway, 2001, p. 265-267). Global corporatism is the system of deploying interest and lobbyist groups that shape business agenda in buying political influence by way of 'democratic participation' particularly in developing countries (Ottaway, 2001, p. 268). By buying political persuasion in cash-poor developing nation-states such as many in Africa and Latin America, these interest groups by design influence, pressure and prosecute change that benefits the patrons of each respective corporatist group. Corporatist groups are frequently successful as their financial windfall often is "an attractive option for [any] state to express its authority and attempt to legitimise its existence" (Nyang'oro, 1989, p. 5). Many globalization analysts suggest that the influence of the nation-state is in decline due to globalized communication and capital outflow, however, according to O'Brien & Williams the "state as an institution [still] retains a pivotal role in creating and maintaining governance" because of its "connection between law and political authority" (p. 426). For example, whether through multilateral or unilateral action or inaction, the US remains at the forefront of global governance and still wields immeasurable influence over developing nations. China also is a global leader in its own right, asserting itself militarily whilst Chinese state-owned businesses are buying and investing heavily in commodity, infrastructure projects and political institutions throughout the developing world, particularly in Africa (Badkar, 2012). Thus the proliferation of actors belonging to a TCC or powerful elite can be seen in new avenues to exert influence (seen in the growth of the NGO sector) and new stratagems to influence (seen in corporatism). Whilst the traditional power of nation-state legitimacy and political authority still prosecutes adjustment and rearrangement over developing states through the dynamic of globalization the interactions between key players and methods of influence are not fixed or necessarily clear.

The continued standing of nation-states and the upsurge of non-Western nations belonging to an elite suggests that making it into the TCC is not hypothetically impossible for any particular developing state. There is evidence to suggest that despite historical failings and meddling by powerful Western-led elites, some selective albeit fortunate nations are resisting the trend and turning once 'basket case' economies into global GDP powers. This limited phenomenon adds some weight to the claim that globalization and continued integration of "less developed economies (of the South) into the world economy will lead to great increases in their rates of economic growth and levels of productivity" (Gilpin, 2000, p. 299). For proponents of neoliberal economic theory, the apparent rise of Brazil is a notable example of successful convergence by a once faltering Latin American colony to potential superpower. Brazil seems to have adhered to market liberalization; opened trade and investment opportunities, and importantly, allowed other nation-states and TNCs alike to tap into its vast natural resources at competitive cost (Trinkunas, 2014). It is likely that Brazil will become a success story, possibly even joining the powerful elite of market economies. However, there is a seismic difference between a large, commodity-based, influential nation such as Brazil and an equally large (in population), commodity-based state such as Nigeria which is a state without much international influence. It is true to assert that the former is nowadays off-limits to neoliberal interference, whilst the latter appears to have multiple outside parties vying for financial control over its assets. What is important to note is that Nigeria, like most African countries, has not been able to break the legacy of foreign interference, especially where commodities are concerned. Although some developing countries are finding a level of affluence, influence and convergence with other powerful nation-states in the modern setting, for others globalization is just the continuation of historical economic interference by foreign elites to their own detriment.

In summary, this essay illustrates the tendency for globalization to work to the detriment of the developing states of the 'south', to varying degrees of severity and with possible exceptions. Globalization is shown to have been underpinned by neoliberal economic theory prevalent from the 1980s and has indeed been a powerful tool and mechanism employed by the states of the 'north', historically United States in a leading sense. However, there has been a proliferation of modern players, notably China's own stratagem of heavy investing and buying influence throughout the developing world, and the emergence of different alliances to complicate the effects of globalization in the recent past into the future. The essay stresses the influential role of transnational companies and the transnational economy itself alongside changing geopolitical global circumstances to alter the character, if not the function of globalization and the broader international political economy.

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