CHAPTER-III
EMERGENCE OF GLOBAL ORDER OF ECONOMY

The world economy is globalising, in the sense that economic activity takes place increasingly on supranational scale, and often between entities of the same governance. There are many examples, products which are used to be manufactured in stand alone factories, are now fabricated with parts and materials – even services – sourced in several different geographical locations; there is the world car, the world aircraft and, of course, the world sneaker. Financial operations are conducted around the world, around – the clock, as matters of routine; not just by securities and trading houses, but by individuals through automatic teller machines. Perhaps the most familiar example, known to billions, is the satellite news broadcast, which can simultaneously be a bedtime story in China and an Englishman wake-up call (Hamdani 1997: 1).

These events signal the start of a new period of economic history – a new globalization – distinct from the recent post-war period which has been dominated by internationalism. In the four decades following the Second World War, the expansion of economic activity world-wide was led primarily by nation states activity in concert through the creation of an international economic system for trade and payments, and successive rounds of multilateral tariff reduction. That are of internationalization has run its course, and has given way to a period in firms, rather than nation states, are spearheading global economic inter-dependence (ibid : 1-2).

A key indicator of globalisation is the rapid expansion of international direct investment, which since the mid-1980s, has grown faster than world output and trade (UNCTC 1991). Throughout 1990s, transnational corporations (TNCs) are continuously increasing their role in the world economy, in the markets for goods and services, capital and technology. Their activities are both broadening and deepening the economic interdependence of nations, to a degree that it is now common place to refer to the aggregate no longer as the international economy, but as a “borderless” global economy’ (Hamdani 1997 : 2).
In other words, today the world economy is marching towards very different path, by encompassing almost all the nations of the world into its fold and through the process of uniform policies for all nations. This new path popularly known as path of globalization is indeed different from earlier economy- International Economy which was restricted to economic activities between few nations, mostly through bilateral approach and in some cases through multilateral approach and the concern governments were playing active role in designing their economic policies in relation to international economy. On the other hand, in globalization, the policies of economic activities are designed by the world body which claims to represent all member nations and asks all nations to comply with such uniform policies through structural adjustment process of their respective domestic economies.

"Globalization is therefore triggering a process of systemic convergence in which all governments face pressures to pursue more or less similar policies to enhance their national (or regional) competitiveness, vis-à-vis other countries, as location for international production, marketing and other competitive economic activities"* (Hamdani 1997 : 3). Although competitiveness enhancing policies are not necessarily market-distorting, they can be, and their danger has prompted calls for placing competition policy on the international policy agenda (Ibid : 3).

In this present chapter, various theories of international economy and other related issues relating to emergence and development of global world economic order have been discussed. For more smoother reading, effort has been made to divide main chapters into various sub headings.

A. Theories of International Economy

Peter Wilson (Wilson 1986) has discussed number of theories of international economics, some of which are briefly reviewed below.

* italic letters are not quoted, but added by the author of this thesis.
**Mercantilism**

This doctrine represents one of the earliest justifications for international trade and was primarily as international philosophy advocating government regulation and achieve a surplus on the balance of trade in order to accumulate precious metals. This was seen as means of increasing national wealth and prestige. As a result the mercantilists saw no virtue in a large volume of trade per se and recommended policies to maximize exports and minimize imports through tariffs and other import restrictions and export subsidization. An inherent inconstancy in mercantilist thinking was pointed out by the classical economist David Hume as long ago as 1752 (Hume 1969).

Hume based his explanation on terms of a simple quantity theory of money and the free mobility of gold between countries operating under fixed exchange rates. If England had a surplus on the balance of trade with France, i.e., it merchandise exports exceeded the value of its merchandise imports, the resulting inflow of gold would swell the domestic money supply, and in accordance with quantity theory, generate inflation in the domestic price level. In France, however, the outflow of gold would have the reverse effect. This change in relative prices between England and France would encourage the French to buy less English gold and the English to buy more French Gold, thus leading to a deterioration in the English balance of trade and an improvement in that of French until England’s surplus advantage was eliminated. Hence, in the long run, no country could sustain a surplus on the balance of trade and so accumulated gold and other precious metals, as the mercantilism had envisaged. (Wilson 1986: 10).

**Absolute Advantage**

The classical economist Adam Smith wrote a famous book in 1976 in which he established a basis for trade between countries on an extension of the principle of specialization and division of labour between individuals or household (Smith 1971). According to this principle, if one country could produce a good cheaper than a second country, and if the second country would produce a different good more cheaply than the first, then it would be to the advantage of both countries to specialize on the good which they could produce cheaper, and trade. This
principle, which has become known as absolute advantage, represents a fundamental attack on mercantilist idea that trade is a zero-sum game. The positive implication of this theory is that countries will tend to import things for which they have an absolute disadvantage. The principle of absolute advantage suffers from the drawback that it only applies when both countries have an absolute advantage in one commodity. But what if one country can produce both commodities abundantly cheaper than another?

**Comparative advantage**

It was Ricardo in 1817 who showed that there might be a basis for trade as long as such country had a comparative advantage, i.e., its advantage is greater in one commodity than in the other (Ricardo 1963). Ricardo theory of comparative advantage states that a country (or should) export a good for which it has a comparative advantage (where its relative cost of production is lowest) and import a good for which it has a comparative disadvantage. Trade will be mutually advantageous as long as there are difference in relation cost ratios between countries.

Although the new-classical generalization of comparative advantage present a useful standing point for studying international trade, it is by no means a complete explanation; among the post – Ricardo contributions to trade theory, Heckscher-Ohlin model has been influential. This model does not contradict Ricardo's principle, but offer a more detailed explanation of the factors which lies behind it, or extend it into new areas.

The Heckscher-Ohlin theory argues that comparative advantage arises from the different relative factors endowments of the countries trading. Consequently, a country will export those commodities which are relatively intensive in their most abundant factor. For example, if wheat farming is relatively intensive in land compared with cloth production, which is relatively labour intensive, and the USA is relatively land abundant compared to India, which is labour - abundant, then the Hecksher-Ohler theory predicts that the USA will export wheat to India in exchange for cloth (Wilson 1986 : 18-38).

**The New International Trade Theorists**

In the 1950s and early 1960s, many economists had expressed concern about the association of free trade policies with development and with apparent
lack of conflict between trade and development within the new-classical approach. This protest culminated in a meeting of the United Nations Conference on Trade and Development in 1969 and the publishing of a document outlining a 'New Trade Policy for Development'. Trade, they suggested, has not been an engine of growth' for most LDCs in the twentieth century despite specialization according to comparative advantage and, moreover, specialization and free trade would well conflict with other development objectives. A good example of these sentiments can be found in Nurkse (Nurkse 1967), who suggested that although trade in nineteenth century might have been an engine of growth, it had not been so in the twentieth century, with the exception of the oil-exporting countries. This attack on free trade can be seen as an amalgamation of a number of views on the relationship between trade and development (Wilson 1986: 41).

Economists such as Chenery (Chenery 1961) attacked the neo-classical approach from within economic theory by suggesting that it was starting from a model which was singularly inappropriate for LDCs. Although dynamic gains were talked about, the mainstay of the free trade approach was a static theory of resource allocation based upon given resources and tastes, and a model of perfect competition. The static bias of the model meant that it was more useful in showing where a country had been than in indicating where it might go, and the application of perfect competition was particularly unrealistic since imperfections in markets were a characteristic feature of these economies. The neo-classical model was, according to Chenery, inappropriate for countries involved in a process of rapid structural change and concerned with long-run development (Wilson 1986: 41).

Another facet of this protest, influenced strongly by the writings of Myrdal (Myrdal 1957) and Singer (Singer 1950), emphasized the cumulative 'back wash' effects that might bring to a country and the possibility of widening of the gap between the rich and poor countries of the world. Instead of trade generating dynamic gains or 'Spread effects', as the neo-classical model suggested, trade had often in practice exacerbated income disparities between countries and between regions within a country. For example, an enclave export sector, possibly dominated expatriates, might expand at the expense of traditional
agriculture by drawing away scarce skilled labour and other resources, leaving the traditional sector more underdeveloped than before. Similarly, the gains from trade in the form of export earnings could well be lost to domestic economy through 'leakages' of expatriated profits. The impact of the trade on development could, therefore, be highly uneven, with some regions and countries (usually the richer one) benefiting from trade whilst leaving other regions lagging further behind. These sentiments are also shared by neo-Marxist 'exploitation' theories stressing of unequal exchange between rich and poor countries associated with the historical experience of colonization, or the neo-colonial behaviour of multinational corporations in the modern world. Although these radical theories are not homogeneous and there are important difference between them, they stress the dependence of LDCs on trade with developed countries (DCs) and the essentially exploitative nature of this relationship as the 'surplus' is transferred from poor to rich countries (Wilson 1986: 41-42).

Another important dimension of the protest by the new trade theorists relates in the idea of 'unequal shares' closely allied to the concept of the terms of trade. Although the neo-Classical model never claimed that all countries would gain equally from trade, it becomes clear to some economist, such as Balogh (Balogh 1963) that the pattern of specialization open to many LDCs might be unacceptable on normative grounds, especially if it meant the perpetual production of primary products. The future was seen to be particularly bleak if LDCs were typically primary producers and their terms of trade were expected to deteriorate over time. This decline in the terms of trade for the 'periphery' (LDCs) vis-à-vis the 'central' (DCs) represented an important part of the new trade theorists' case, and was forcefully expanded by both Prebisch (Prebisch 1969) and Singer (Singer 1950). For Prebisch the prospects for exporting primary products would inevitably be poor compared with manufactures as a result of Engel's Law which postulated a decreasing proportion of income spent on basic food stuffs and raw material as countries become richer.

The idea that the benefits of specialization might well accrue to industrial countries rather than to primary producers in LDCs had also been given some theoretical height by Bhagwati under the case of 'immiserising growth' (Bhagwati 1958). He demonstrated within the neo-Classical framework that rapid technical
progress in the primary production could lower prices sufficiently to outweigh the real income gain from specialization. In this sense, the benefits of trade and specialization are transferred from the periphery to the centre.

A further potential conflict between trade and development refers to the idea of an ever-widening trade gap between developed and developing countries. This approach stresses the difficulties that many LDCs face when competing with DCs in manufactured goods. These difficulties arise from their initial technological inferiority and the lack of sufficient purchasing power in their domestic markets to provide a jump off to enable them to compete effectively with DCs. A balance of payments constraints on development can then arise if traditional export receipts are not enough to purchase essential imports from abroad necessary to fully utilize domestic resources and stimulate growth on manufactured exports. According to this approach, therefore, a conflict can emerge between short-run balance of payments stability, which may require the cutting back of imports (in the absence of protectionist measures or foreign assistance), and long-run development, for which some types of import may be essential (Wilson 1986 : 45). This school of thought, owing much to the work of the Swedish economists Linder (Linder 1967), thus adds a balance of payment dimension to the debates, and is part of the 'structuralist two-gap' approach to trade and development.

By explicitly incorporating a balance of payments constraint into models of growth and development, these models generate conclusions which justify protectionist policies as a means of changing the structure of production. One final ingredients in the new trade theorists case relates to the risk associated with concentrating on a narrow range of primary commodities. The argument is that primary products exhibit strong fluctuations in price compared with industrial goods; LDCs depend hierarchy for their export revenue on primary goods, and fluctuations in export revenue impose significant costs on the countries concerned (Wilson 1986 : 45).

Other scholars such as Weaver and Jameson (Weaver and Jameson 1991) categorized trade theories into three main approach: (i) the Orthodox approach, (ii) the Radical approach, and (iii) the Growth - with - Equity approach. The first approach goes on the line of Adam Smith's classical theory of free trade of
economic development while the radical approach sees free trade as exploitation by rich countries to poor nations. The growth – with – Equity approach adopts many of the capitalist institutions advocated by the orthodox approach since it believes these produce economic growth; it also emphasizes egalitarian values which are important in the radical approach, since it believes these values assure that the growth will benefit those who need the most. These theories are also beautifully reviewed by Seitz (Seitz 1988: 15).

These approaches are not free from criticisms. In fact orthodox approach and radical approach seems to be two polar opposite. The critics of the orthodox approach point to the high rates of unemployment that have existed at times in Western Europe and the USA. At the present times, high unemployment exists throughout the Third World, even in a number of nations that followed the orthodox approach and had impressive increase in their GNP. Much of the industry that has come to the Third World has been capital intensive; that is, it uses large amount of financial and physical capital but employs relatively few workers. Also, there is evidence that in countries such as Brazil, which has basically followed the Orthodox approach for the several decades, the distribution of income within the country became more unequal during the period the country was experiencing high rates of growth. The rich got a larger proportion of the total income produced in the country than before the growth began; and even worse than this the evidence that the poor in countries such as Brazil, probably become absolutely poorer during the period of high growth (Adelman and Morris 1973 : 189).

The similar phenomenon can also be found from other developing nations. Thus, the economic growth which occured to some developing nations following the Orthodox approach failed to trickle down the poor and, in fact, may have made their lives worse. According to the radical approach the root the international economic system where a few nations are rich and the majority of nations remain poor lies in the trade patterns developed in the sixteen century by Western Europe. ‘Dependency theory’ is the name given to this part of radical approach. This theory has been thoroughly discussed by Russett and Starr (Russet and Starr 1985).
The imperialistic European nations developed a trade pattern with colonies for its own development. The mother countries in the core became the manufacturing and commercial centers, and their colonies in 'periphery' became the suppliers of food and minerals. Railroads were built in the colonies to connect the plantations and mines to the ports. This transportation system, along with the discouragement of the local manufacturing which competed with that done in the mother countries, prevented the economic development of the colonies. The terms of trade – what one can obtain from one’s export-favoured the European nations, since the prices of primary products produced in the colonies remained low while the prices of the manufactured products sent back to the colonies continuously increased. When most of colonies gained their independence after Third World War, this trade pattern persisted. Many of the less developed countries still produce food and minerals for the world market and trade primarily with their former colonial masters. The world demand for the product from the poorer nations fluctuates greatly and the prices of their products remained depressed. The political and social systems which developed in the former colonies also serve to keep the majority within these developing nations poor. A local elite, which grew up when these countries were under colonial domination, learned to benefit from the domination of the western countries. In a sense, two sectors were created in these countries: one, relatively modern and prosperous, revolved around the export sector, while the other consisted of the rest of the people who remained in the traditional system and were poor. The local elite, which became the governing elite upon independence, acquired a taste for western products which the industrial nation were happy to sell them at good price (Seitz 1988 : 5-6). Beside through modeling to this dominant sections, other grown up middle class were also trapped to these goods. In fact the mass media creates hype for such goods as symbol of status and prestige.

Similarly, critics of the radical approach point to the suppression of individual liberties in the Soviet, China and other communist states as evidence that socialist model for development has costs which many people do not like to pay. In fact, most revolutions have huge costs, leading to much suffering and economic deterioration before any improvement in conditions is seen; even after
improvement do arrive, oppressive political and social controls are used by the leaders to maintain power. It is also likely that nations following this model will substitute dependence on Soviet Union, as Cuba has for example, for dependence on the West (Seitz 1988: 7-8). In similar fashion growth-with-equity approach too has been criticized from several quarters. The orthodox criticized it for its premature evaluation to orthodox approach with regard to emancipation of poor while revolutionaries argued against any room for free trade as for them very nature of such policy is appropriation and exploitation by rich from poor.

Whatever may be the policy of economic development, the basic purpose of economic growth is for welfare of human being and quite large number populations are poor. Hence, appropriate policy should be directed towards benefiting the poor of the fruits of economic growth. However, both policy of moderation as well as policy of revolution are equally dangerous for socio-economic development, as stated by Barington Moore, Jr. In his own words, "The costs of moderation have been at least as atrocious as those of revolution, perhaps a great deal more". One of the most revolting features of revolutionary dictatorship has been their use of terror against little people who were as much victims of the old order as were the revolutionaries themselves, often more so" (Moore, Jr 1966: 505 and 507)

B. Global Political Economy: Tell Final Round of GATT

Global political economy is attributed to its pre-order colonial policy by the European nations in which the unequal exchange policy gradually divided world into two poles: developed and under-developed. In other words, the emergence of the world market is the result of the spontaneous development. By promoting the exchange of commodities, the world market laid the foundation for the expansion of the division of labour, which, in turn, exercised, a stimulating effect on the further development of the productive forces, while drawing in the remotest countries and continents into the flow of international trade and transferring goods from the place of production to the distance to which the goods produced moneel from production to utilization. At the same time, the world market made it possible for the increased production (a) significantly to contribute to the reduction of the cost per unit; (b) to serve as a favourable basis for technical development (Benedeczki 1976: 62). With the expansion of
internationalization of production in massive scale, it was impossible to put those products in only domestic market. Hence, the role of external market gained increased significance in the development of capitalist economy. Gradually the developed nations started moving around the whole globe to capture market in hand and to exploit raw materials on the other. This has been stated by Marx and Engels in Communist Manifesto as follows “The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe...The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country till old established national industries have been destroyed or are daily being destroyed. They are destroyed by new industries .... that no longer work up indigenous raw material, but raw material, drawn from the remotest zones ; industries whose products are consumed not only at home but in every quarter of the globe ... In place of the old local and national seclusion of self-sufficiency we have intercourse in every direction universal interdependence of nations”(Marx and Engel 1952 : 46-47).

The world market or the global economy pre-supposes the exchange of commodities. Hence, capitalist try to dominate other remote areas, inside and outside for exchange of their commodities with profits. Marx and Engel have given following statement as a contribution to the critique of political economy “But (1) no exchange is possible without division of labour, whether this is naturally involved or is already the result of an historical process; (2) private exchange pre-supposes private production; (3) the intensity of exchange, its extent and nature, are determined by the development and structure of production, e.g. exchange between town and country, exchange in the country side, in the town etc” (Marx and Engels 197 : 204).

The development of capitalism gave birth to new forms of cooperation among countries in international economic life. Such are (1) the increased role of capital exports in relation to commodity exports; (2) greater mobility of labour among national economics as compared to earlier one; (3) the greater role of the
monopolies in the world market further increased the internationalization of production in the world economic system of imperialism (Nyilas 1976: 66).

This period of the international struggle for organisation or maintenance of markets and colonies demonstrated the process of uneven development among the leading capitalist countries as stated in Table I.

Table I

<table>
<thead>
<tr>
<th>Year</th>
<th>Britain</th>
<th>Germany</th>
<th>USA</th>
<th>France</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1820</td>
<td>50</td>
<td>-</td>
<td>10</td>
<td>15-20</td>
<td>-</td>
</tr>
<tr>
<td>1870</td>
<td>32</td>
<td>13</td>
<td>23</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>1913</td>
<td>14</td>
<td>16</td>
<td>36</td>
<td>06</td>
<td>01</td>
</tr>
</tbody>
</table>


The development of the world economy experienced a significant setback owing to the first world war (1914-1918). This war led to the proletarian revolution in Russia in 1917, which put to an end to the uniform world capitalist system of economy. In 1917, the realization of socialism was begun in one country a new era – the general crises of capitalism opened.

Relations between the colonial process and colonies played an important part in the world imperialist system of economy and covered a large field of relationships among the national economies. The first world war waged for the redistributing of colonies and the economic sphere of interest. After the War, the colonial system of imperialism was marked by the following characteristics: (a) the colonies constituted a comprehensive system; (b) though temporarily, their number and once further increased; (c) as a result of the general crises of imperialism, the colonial system of imperialism began to weaken and if crises set in. The colonial powers and the countries under colonial rule constituted a comprehensive system in this stage of development. It is typically of this that in 1938 approximately 1.5 billion people i.e. 60 percent of the world population lived up in colonial bondage. The colonial powers controlled their colonies both economically and politically and exploited their populations (Nyilas 1976: 71). Similarly, they exploited brutally to the people of colonies. They have drained the
wealth from the colonies. On this context, Marx says about India ‘that between 1769 and 1770, the English manufactured a famine by buying up all the rice and refusing to sell it again except at fabulous prices’ (Marx 1867).

Under imperialism capital export became a very important form of the economic relations among natural economics. Under the circumstances of imperialism, capital export plays a paramount role in making the less developed countries developed on the more developed areas. The table 2 shows that the export of capital reached enormous dimensions only at the beginning of twentieth century. Before the war, the capital invested abroad by the three principal countries amounted to between 1,75,000 million and 2,00,000 million francs. At modest rate of 5 percent, the income from this sum should reach from 8,000 to 10,000 million francs a year, a sound basis for the imperialist oppression and exploitation of most of the countries and nations of the world for the capitalist parasitism of a handful of a wealthy states (Lenin 1968 : 213).

Table 2
Capital invested abroad by the three principal Countries
(000, 000, 000 francs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Britain</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>1862</td>
<td>3.6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1872</td>
<td>15.0</td>
<td>10(1869)</td>
<td>-</td>
</tr>
<tr>
<td>1882</td>
<td>22.0</td>
<td>15(1880)</td>
<td>2</td>
</tr>
<tr>
<td>1893</td>
<td>42.0</td>
<td>20(1890)</td>
<td>2</td>
</tr>
<tr>
<td>1902</td>
<td>62.0</td>
<td>27.37</td>
<td>12.5</td>
</tr>
<tr>
<td>1914</td>
<td>75-100.0</td>
<td>60.00</td>
<td>44.0</td>
</tr>
</tbody>
</table>


This principal spheres of investment of British capital are the British Colonies which is stated in table 3.

Table 3
Distribution of foreign capital (approximation) in different parts of the globe
(year 1910)

<table>
<thead>
<tr>
<th></th>
<th>Britain (000, 000, 000 marks)</th>
<th>France</th>
<th>Germany (000, 000, 000 marks)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Europe</td>
<td>4</td>
<td>23</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>B. America</td>
<td>37</td>
<td>45</td>
<td>4</td>
<td>10</td>
</tr>
</tbody>
</table>

79
As per the data shown by A Suman (which is quoted by Lenin in his work), the colonial territorial capital occupied by European countries including America is as in Table 4.

**Table 4**

| Percentage of territory belonging to the European colonial Powers (including the USA) |
|:---:|---:|---:|---:|
| | 1876 | 1910 | Increase/ Decrease |
| Africa | 10.8 | 90.4 | +79.6 |
| Polynesia | 56.8 | 98.9 | +42.1 |
| Asia | 51.5 | 56.6 | +05.1 |
| Australia | 100.0 | 100.0 | - |
| America | 27.5 | 27.2 | -0.3 |

Source: Lenin’s (1968), Selected Work. Moscow: Progress PP – 222-223.

The American written, Morris, in his book on ‘the history of colonialization’ made an attempt to sum up the data on the colonial possession of Great Britain, France, and Germany during the different period of 19th century quoted of which by Lenin is shown in following Table 5.

**Table 5**

| Colonial Possessions by Britain, France and Germany in 19th Century. |
|---|---|---|---|
| Year | Britain | France | Germany |
| | Area | Population. | Area | Pop. | Area | Pop. |
| 1815-1830 | ? | 126.4 | 0.02 | 0.5 | - | - |
| 1860 | 2.5 | 145.1 | 0.20 | 3.4 | - | - |
| 1880 | 7.7 | 267.9 | 0.70 | 7.5 | - | - |
| 1899 | 9.3 | 309.0 | 3.70 | 56.4 | 1.0 | 14.7 |

As stated already, as a result of the first world war capital export investment substantially changed. "Now development set in this field after the first world war as follow: (a) the geographical range of capital investments became narrower, (b) party for economic partly far political reasons, the safety of capital export dominated and its risk increased, (c) as a result, in the world economy as a whole, state capital export or taking of risks by the state came to the fore, compared with private capital export, (d) as a result of uneven development, substantial changes took place in the relationship among capital export countries.... In the period immediately preceding the first world war, 30 percent of foreign capital investment were concentrated in Russia. This was undoubtedly a heavy loss to main capital export countries, especially to France and Germany..... when first in history, the Soviet power proclaimed and practised the equality of individual national economy and their cooperation on the basis of mutual benefits the world capitalist system economy suffered an irreparable moral defect (Nyilas 1976:72-73).

The role and weight of the capital exporting countries changed in the period between the two world wars. Owing to her defect in the first world war, Germany particularly lost her foreign capital investment in tsarist Russia. It was at the same time that the leading role of the USA in capital export began to take shape. The United States became the mainstay of the capitalist world, and gradually took the lead in capital export. For comparison, the percentage of share in foreign capital investment in the main capital exporting countries for the year 1914 and 1929 is given in Table 6.

Table 6

<table>
<thead>
<tr>
<th>Countries</th>
<th>1914</th>
<th>1929</th>
</tr>
</thead>
<tbody>
<tr>
<td>Britain</td>
<td>40.9</td>
<td>36.3</td>
</tr>
</tbody>
</table>
More importantly, the liberalization of trade got serious blow after 1st world war. The free trade policy started got disrupted after the war of 1914-18. The catastrophe of the world depression during the 1930s put an end to the attempt to restore the pre-war liberal economic system. In September 1931 Britain abandoned the gold standard and introduced a system of floating exchange rates. This amounted to a drastic devaluation of Sterling and a whole series of associated currencies. The United States followed and after some years the remaining countries of Western Europe found themselves obliged to carry out drastic devaluations. Protectionism, in the old and new guises, reappeared on the world stage. In the United States, the Smoot-Hawley Tariff was enacted in 1930 and import duties rose from an average of 53 percent during the period 1992-9 to an average of 53 percent during 1930-3. Import duties were raised in Europe as well. In addition, direct measures were taken to reduce imports: quotas were imposed, import license introduced, and government subsidies given to domestically produced goods. Even Britain the traditional bulwark of free trade, announced in 1932 the creation of the Imperial Preference System, under Commonwealth countries enjoyed preferential treatment in their mutual trade relations (Wee 1986 : 346).

International trade, which had been slow to recover after the 1st world war, fell sharply during the crises. The movement to restore the liberal world system lost its significance. A nadir was reached in 1933. Britain no longer had the resources or authority to impose the rules of the liberal world system on other countries and the Unites States, which did have the resources and authority, refuse at the critical movement to accept the responsibility of world leadership. (Kindleberger : 199-231). Nevertheless, the free marked movement was not wholly dead. As early as 1934 in the Unites States, a first sign of it resurrection could be observed. The US Trade Agreement Act of that year gave President Franklin Roosevelt the power to reduce the tariff by as much as 50 percent of
the levels established by the Smoot-Hawley Act (Walter x). The new law applied only to non-agricultural products and could only be used if concessions were made by the country in question. This law stipulated that the 'most favourable nations' clause should still be applied: so any trading conceded to one 'favourable nation' were also conceded to other and thus gradually took on a multilateral character. In other words, the 1934 act made gradual rebirth of the commitment to free trade. After the second world war this use of Presidential powers, no longer confined to non-agricultural products, became the driving force behind the continued liberalization of American trade with the world. In the Europe and Japan of the 1930s, however, there was no comparable development in favour of free trade; there protectionism and neo-mercantilism continued to hold upper hand (Wee 1986: 347).

During the second world war, world economic relation became disrupted to a large extent and even discontinued in several areas in this great war in human history. 61 countries, 1700 million inhabitants and 110 million strong armed forces had taken part, immense damage was inflicted on productive equipments and other material goods besides killing and wounding millions of people. As a result of the war, new power relations came to be established. The changed power relations among capitalist countries can well be demonstrated by the distribution of handed output of the capitalist world 1938 and 1948 in Table 7.

Table 7

The share of the main capitalist countries in the industrial output

<table>
<thead>
<tr>
<th>Countries</th>
<th>1938</th>
<th>1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>36.6</td>
<td>55.8</td>
</tr>
<tr>
<td>Western Europe:</td>
<td>45.0</td>
<td>30.4</td>
</tr>
<tr>
<td>Germany</td>
<td>12.0</td>
<td>4.2</td>
</tr>
<tr>
<td>France</td>
<td>6.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Italy</td>
<td>3.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Great Britain</td>
<td>15.7</td>
<td>11.9</td>
</tr>
<tr>
<td>Japan</td>
<td>4.8</td>
<td>1.3</td>
</tr>
</tbody>
</table>
The disintegration of the colonial system of imperialism after the 2nd world war became an irresistible process. The victory of the Soviet Union in the second world war, emergence of other socialistic countries in Europe, their economic and later on the establishment of the peoples democracy in Asia, the victory of the revolution in China, gave an immense impetus to the colonial liberation of movement. During this stage, colonial powers were much weaker in the field of economic and military; Hence, the influence of the above to the various colonies for independence could succeed. After the third world war, therefore about 50 countries have been liberated from colonial bondage.

Immediately after the 1Ind world war, it was crucial importance for the system of imperialism not only to get over the disadvantaged consequences of the war but also to strengthen its weakened position in the world economy. To strengthen its influence in this stages, the USA took a major part in the reconstruction of Western Europe. The initiations taken by the USA in the new situation were: (a) uniting of forces opposed to socialism and politics; (b) adoption of discriminatory economic policy against countries outside the capitalist block and liberalization of capitalist cooperation; (c) to speed up reconstruction and economic revival by extending aid’s and to loans to the West Europe countries; (d) building up the system of neo-colonialism to off set the losses suffered in the colonial world (Nyilas 1976 : 78).

The process of reconstruction in the Western Europe nations could have certainly became slower without US aids and loans. They were effective because the United States extended them support at a time when the total Western European suffered from a serious shortage of capital. The sum total and grants extended to Western Europe between 1945-53, amounted to about 23 billion dollars. Hereby almost all capitalist countries of Western Europe were beneficiaries of US grants and/or loans (Nyilas 1976 : 78).

Large scale investments, international migration and technological advancement after the war stimulated the production of industries. The proportion of investment among the West European countries substantially
exceeded in comparison to the pre-war. Japan too progressed significantly. Hence, by the middle of the 1950s, the industrial output of the capitalist world war thrive its pre-war volume as shown in Table 8.

Table 8

The index of the industrial production of the capitalist world (avg. for 1901-1913=100)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<tr>
<td>Index</td>
<td>198</td>
<td>216</td>
<td>158</td>
<td>294</td>
<td>333</td>
<td>354</td>
<td>411</td>
</tr>
</tbody>
</table>

**SOURCE**: Nylas (1976). Pp-79

Role of USA after war

How the free trade economic relations revived after war is required a brief mention here. The United State emerged from the war a dominant world power and now seemed prepared to accept the responsibilities that this entailed. The American worked out a universal system for a new world order, one clearly based on traditional liberal principles. The Pax-Britanica of 19th century liberalization of trade, however, was replaced by Pax-Americana. The United States would now ensure that the rules of game were followed by all and to this end it designed a specific institutional framework which would guarantee its successful working.

On the political level the realization of the new world order was entrusted to the United Nation, the old dream of a Parliament of man (Calleo and Rowland x). On the economic front, the new world order consisted of arrangements for orderly finance and trade. The financial system was established with the Breton Woods Agreements of 1944. The countries represented at a mountain resort in Breton Woods, New Hampshire, opted for an world open economy and for multilateral free trade, based on fixed exchange rates and the gold convertibility of various national currencies. By way of support an International Monetary Fund was set up, supplemented by an International Bank for Reconstruction and Development (Popularly known as the World Bank).

In 1945, the US Trade Agreement Act of 1934 was renewed for a further three years and altered to permit further reciprocal trade concessions. In
keeping with the new free market spirit, the President was empowered to cut of tariff by up to 50 percent of the levels in force on 1st year 1945. This was a significant step towards a liberal world order; and the United States made use of its leading position in the world to bring other countries into line with New American Commercial Policy. In June 1945 the government brusquely terminated it's land-lease agreement with Britain. The British government, unable quickly to repay its war debts, was obliged to request on enormous loan. To this the US Congress acceded only partially and then on the the condition that Britain promise to dismantle gradually the Imperial Preference System and resume general free trade. During the Yalta Conference in Feb. 1945, President Roosevelt was even prepared to make Stalin important concessions relating to Soviet territorial expansion in Europe and Asia if in return the Soviet Union prepared to participate in the creation and functioning of United Nations.

President Harry Truman proposed that the Economic and Social Council of the United Nation call an international conference with a view to establishing an International Trade Organization (ITO) and discussing a charter that would enshrine the principle of the new liberal world order. The conference began work in 1947. At once disagreement arose between perfectionists and protectionists. The perfectionists desired a speedy realization of all fundamental principles of multilateral free trade, namely the reduction and later abdiction of all impart duties, ending of all preferential systems among particular countries, immediate generalization of most favoured nation clause, and termination all remaining trading restrictions. This met with fierce resistance from European Countries which felt themselves so economically weakened by the war that they were not willing to the short term to give up their protectionist policies. Furthermore, after the war, most of these countries had resolutely chosen the Keynesian policy of full employment. This implied a policy of active government intervention which ran counter to the idea of a restored liberal world order. European countries rejected any form of agreement that could hinder any existing or future prefential system. In view of the evolution of Sterling during 1947, Britain even refused to carry out its former promise to end the Imperial Preference system. Finally in March 1948 a labourious compromise was reached and 53 countuies signed the Havana Charter.
differed fundamentally from the original American point of departure: a whole
series of exceptions butchered the basic principle of multilateral free trade as
America wanted. The US not satisfied with ; therefore, refused to ratify it and

Despite these conflicts and failures, negotiation on tariff were held
simultaneously and were successful. As early as Nov.1946 the US government
announced that it wished to begin talks immediately concerning the reduction of
import duties within the framework of the Trade Agreement Act and it's resulting
Presidential powers. These talks, which took place in Geneva, involved 23
countries. Out of the talks came 123 bilateral trade agreements, some entailing
significant tariff reductions. Through the Most Favoured Nation (MFN) clause,
these trade concessions had world wide ramifications. The Economic and Social
Council of the United Nations (UN), which had organised the Geneva
discussions, proposed bringing the results together into a simple documents.
The concessions were supplemented by some language from Charter
Negotiations. And thus born the General Agreement on Tariffs and Trade (GATT).
The GATT consisted of lists of tariff concessions the contracting partners had
made to each other, an elementary code of behaviour relating to international
trade policy, and a handful of rules laying down the procedures for future
meetings and possible complaints.

The code was based on two main principles : The cornerstone was the
principle of non- discriminatory action. The Most-favoured-Nation clause
ensured the concrete application of this. If country A reduced tariffs on goods
from country B , then all other countries exporting an item to country A could
demand the same favourable tariffs. The second principle related to the
reciprocity; each party was expected to make concessions so that every body
benefited. The code also contained some exception clauses. In the first place, the
protocol of provisional application said that the signatories were only committed
to the agreement to the extent that it did not contravene existing legislation in
any of the participating countries. Furthermore, in some cases, it was
permissible to suspend the MFN clause- for example, in respect of customs
unions and free trade areas, and during phases of transition to such systems. If
any country for a particular reasons, such a balance of payment (BoP) problems,
was not able to respect its obligations, it could introduce a waiver procedure so that it could be relieved of its obligation at the next meeting. If necessary, emergency action could even be undertaken on an immediate basis.

A General Secretariat was established in Geneva to organise international bargaining sessions on import duties. In addition to the bargaining, complaints which had been submitted to the secretariat regarding non-observation of agreements and infringements of generally accepted rules could be examined in open discussion. The GATT with secretariat gradually became a substitute for an ITO and a formal charter (Wee 1986 :349-51). Indeed, during the 1960s a number of supplementary protocols were approved which, for example, took account of the problems of developing countries. By the end of the 1970s at the 'Tokyo Round' of negotiations, the number of participating countries had increased from 23 to 83, with a further 25 involved as official observers.

Cold War and the Marshall Plan:

The conflict between soviet expansionism and American world leadership was not only the cause of the political reorientation of the US. The economic recovery of Europe also demanded a new political approach. Recovery was a far slower process than had expected. Measures were urgently necessary to get Europe on its feet again. The USA initially hoped to solve Europe's difficulties by providing temporary, short-term loans. The loans, however, took on such wild proportions that situation soon appeared hopeless. The American believed that if European economic recovery was not attained within a short period, the Soviet Union would exploit the consequent social malaise to extend its hegemony over the whole continent. European economic reconstruction was also fully integrated into the strategy of American world policy. On 5th June 1947, General George C. Marshall, then secretary of state, expounded the new economic policy in a speech at Harvard University. The Famous Marshall plan came into being.

The Marshall plan proposed that in respect of European recovery a temporary suspension should be made on the principles of the liberal world economy and the existing system of short-term loans. Instead, a massive emergency programme would make the European economy self-supporting within a period of four years. The programme would be concentrated on a few
strategic objectives. These were the modernisation of infrastructure; dramatic increase in total production; a more balance distribution of heavy industries in the place of production in agricultural and manufacturing industry; and finally, mechanism to ensure monetary and financial stability. The USA would play an active role in execution of the programme. Marshal plan was offered to all European countries including Soviet Union. To promote the European vision, the Marshall plan proposed the creation of an Economic Commission For Europe (ECE) which would operate as a regional sub-organisation of the UN. The Commission was set up in Geneva in 1947 but in the end did not have a very important role. The Soviet Union rejected the offer of Marshall Aid and compelled all Eastern bloc countries to do the same. As a counter-move, the Soviet Union set up Commission in Belgrade on 5th October 1947, an organisation that would group all socialist countries. To facilitate recovery in the Eastern Block, Molotov Plan was launched (Wee 1986:351-54).

Sixteen European countries which were not under the influence of Soviet Union reacted positively to the Marshall plan and organised a conference in Paris in June 1947 to discuss its implications. A committee on European Economic Recovery was set up and this prepared the Paris convention, which was signed on 16th April 1948 by the sixteen countries plus West Germany. As a result, the Organization for European Economic Co-operation (OEEC) came into being. The OEEC prepared the establishment of institutions which would help to liberalize intra-European Payments and make them more multilateral in nature.

As the Marshal Plan took shape, the conflict between East and West grew still sharper. Those countries which worked together in the Marshall Plan evolved into the Western Block and those which joined Cominform formed the Eastern Block. When the Western allied powers decided unilaterally to restore the West German economy using the Marshall Plan for this purpose, the cold war began. The announcement of monetary reform, a basic element for the recovery of the West Germany economy, gave rise to the Russian blockade of Berlin and the famous American air lift from 24th June 1948 to 12th May 1949. A parallel development was the Brussels Treaty Organisation (1948), which was signed by Britain, France, and the Benelux countries. This was expanded in
1949 into the North Atlantic Treaty Organisation (NATO), of which the USA, Canada, Denmark, Norway, Portugal, Iceland, Italy were also members (Wee 1986:354-355)

Hopes for the recovery of the European economy were threatened by the American inflation after the great strike wave of 1946 and 1947, the increase in the European lost of living after the major harvest failure in 1947, and the high raw material prices at the start of the Korean War in 1950. Despite so many unfavourable circumstances, Marshall AID and the OEEC were nevertheless, crucial factors in the European reconstruction process.

Even during the first phase of Marshall plan (1947-9), the results were conspicuous. The modernization of infrastructure was apparent everywhere, industrial production grew on average by 30 percent and labour productivity rose to the level of 10 percent above that reached on the eve of war. During the next phase (1949-51), more attention was paid to increasing intra-European cooperation. It was this point the OEEC took vigorous measures to liberalize European trade (Wee 1986:355-56). In the early 1950s the nature of American policy towards Europe was the subject of much debate within the government (Calleo and Rowland....). According to the Department. of State, American aid should not be used just to help restore the European Economy and then be cut off. It was believed that European should serve as a lasting buttress.

European discrimination against American products and against Dollar, tolerated by GATT, should be regarded as a permanent necessary evil. In effect, the Department of State viewed the economic development of Europe in terms of American political interest. A strong European Economy was a necessary condition, on essential foundation, for a strong, politically united Europe, which was the only way to form a sturdy bulwark against the Soviet threat. The Treasury did not share this vision. For it, the purpose of American support for the European economy was not to serve the political strategy of cold war but rather to facilitate the construction of a liberal world order under American leadership. To
this end the Treasury was in favour of American Aid to Europe and it was also willing to accept European discrimination against American products and dollar. But the Treasury conceived these as only temporary measures which were necessary to establish Europe as an equal partner to the USA. As soon as Europe had achieved this status, American support should be discontinued and liberal would order without discrimination be re-imposed. Nevertheless the secretary of the Treasury recognized that the inevitable consequence of the cold war should be accepted.

The world was now divided into two opposing blocks and it was clear that the Eastern block wanted nothing to do with an American-led liberal world order. The dream of a universal free-market economy was, therefore, a bonded in favour of a western free market economy. The idea of a Pax-Americana continued but it now mainly had an Atlantic dimension (Sammel...). It was within these new limitations that the liberal world order was built. The representatives of the united States in the international organizations of the ‘free world’, such as GATT, the OEEC, and the International Monetary Fund (IMF), thus advocated not only lifting of trade restrictions and obstacles but also a return to the gold standard, based on fixed exchange rates and convertible currencies (Gardner...)

The Liberal world economy gained new branches outside its main Atlantic axis. First Australia and New Zealand sought links, and later, Japan. In 1949, the American government had decided to end the occupational regime in Japan and replace it with a special peace treaty and a military alliance. It had also decided to accelerate Japanese recovery through direct aid as had been done in Europe. During the Korean war of the early 1950s the support for Japan was further increased and this considerably speeded up the integration of Japan into the western world economy. In addition, most third world countries in Latin America,
Middle East and Africa were integrated into this system. The Atlantic nucleus thus expanded once more into a free market economy of world dimension (Wee 1986: 356-58)

Liberal would economy was evolved through the GATT, and, therefore, brief mention of GATT and its various round of talks are mentioned below.

**General Agreement on Tariffs and Trade (GATT):**

GATT was negotiated in 1947 and came into force on 1st Jan. 1948. Its original signatories were members of a Preparatory Committee appointed by the UN Economic and Social Council to draft the charter for proposed International Trade Organization. Since, this charter was never ratified, the General Agreement, intended as an interim arrangement, instead remained as the only international instrument laying down trade rules accepted by countries responsible for most of the world’s trade. It propounded the principle of transparency, multilateralism, and non-discrimination with willingness to reduce trade barriers on the basis of reciprocity. In this regard, as stated already USA played very significant role. The 107 nation GATT was not an organization, but a treaty with a secretariat at Geneva. GATT officials helped guide negotiations formulate agreements between and monitor their implementation. Rules arrived at periodically through multilateral negotiation between contracting countries. Eight rounds of GATT negotiation were held during its existence. Each rounds built on the work of those that came before it. The first five rounds of GATT held between 1947 and 1961 covered only tariffs on industrial products with countries agreeing to lower import duties in their domestic market in exchange for similar concessions by their trading partners. During these talks, developing countries were promised ‘special and differential treatment’ which was, however, never seriously put into practice.
First round: Held in Geneva on 1947. Members of GATT exchanged tariff cuts for 45000 products worth $10 billion trade on an annual basis.

Second round: Held in Annecy (Frame) in 1949. Another 10 countries joined in and custom duties were reduced to another 5000 items.

Third round: Held in Turquay (Britain), 1950-51. The 38 countries involved adopted 8,700 tariff reduction.

Fourth round: Again held in Geneva, 1955-6. The 26 countries participated decided to further cut duties for goods worth 2.5 billion of trade.


The sixth and seventh rounds held between 1965-1985 covered areas other than tariff also. The sixth round introduced rules against dumping exports. The seventh round made it harder for countries to manipulate technical standards, impart licenses and customs regulations in order to keep imports out. Some countries also signed agreements on government procurement, civil aircraft, beef and diary products.

Sixth round; Popularly known as “Kennedy round”, held in Geneva, 1964-67. More than 50 countries, accounting for 75 percent of world trade, cut tariff for industrial goods worth $ 40 billion by up to 50 percent. They also signed agreement on gains and chemical product, and a code on anti-dumping action.
Seventh round: Known as “Tokyo round” opened in Tokyo in 1973 and ended in Geneva in 1979. The 99 participants out custom duties by 20-30 percent for goods with a traded value tapping $3000 billion. They negotiated on improved trading framework made up of codes covering subsidies, technical carriers to trade, public procurement, customers, valuation rates, and other issues.

Eighth round (the Uruguay round): began in Dec. 1986 at Punta del Este (Uruguay) and was supposed to have concluded at Brussels in 1990. The talks, however, failed and reserved in Geneva in Jan. 1991 and finally ended on Dec. 15 1993. The round originally involved 105 participants but 117 countries were there at the end.

The Uruguay Round (UR) was the longest and the one is which most wide ranging negotiations took place. Tariffs on manufactures were, of course, covered, but the UR also covered agriculture (traditionally excluded from GATT) and textile (removed from GATT in the late sixties). The UR was special because it resulted in parts in two sectors that were completely new to GATT – services and intellectual property rights. When the Uruguay round talk broke down in Dec. 1990 owing a US–EC dispute over farm subsidies, the then Director General of GATT Secretaries, Arthurl Dunkel presented a package of compromise proposals in Due 1991. These proposals constituted the Dunkel Draft or Dunkel Text. Many of the proposals have been introduced into the GATT agreement after slight modification.

The final Act embodying the results of the UR of Multilateral Trade Negotiations, was signed in Marrakech, Morrocco, in April 1994. Apart from provisions on tariffs, agriculture, services intellectual property rights and protection for investments linked to trade, the UR called for the creation of the WTO (World Trade Organisation) that would replace GATT.
The various agreements of UR and the structure and functions of WTO would be disclosed later on this chapter. Now brief discussion of Pre-UR Liberal world economy would follow on following paragraphs.

A Critique To Global Political Economy

In the highly developed countries all indices point steadily upwards. On the average and in the longer span there are no signs of slackening of the momentum of economic development in those countries. Looking backwards, business slumps and big depressions and even severe set backs due to war, appear only as short-term waverings of the firmly rising long term trend. In the period after the Second World War these countries have seen their labour and other productive forces constantly in work at full capacity. It is on the whole the industrialized countries which are industrializing further. In the underdeveloped countries, on the other hand, where incomes are so very much lower, capital formation and investment tend generally to be smaller even relatively to their lower incomes. For equality in rate of development, they should instead be relatively bigger, since in the poorer countries the national population increases is normally faster. As a consequence of this — and of the tradition of stagnation which was entrenched itself in their entire culture, their economic development usually proceeds more slowly. Many of these countries have during recent decades even moved backwards in average income (Myrdal 1958 : 15-22).

The great differences between countries within both groups in actual economic levels, as well as in current development rates and development rates during different periods in the near past, do not invalidate the following broad generalization: (Myrdal 1958 : 18).

1. that there are a small group of countries which are quite well off and a much larger group of actually poor countries.

2. that the countries in the former group are on the whole firmly settled in a pattern of continuing economic development, while on the later group average progress is slower, as many countries are in constant danger of not being able to lift themselves out of stagnation or even of losing ground so far as average income levels are concerned, and
3. that, therefore, on the whole, in recent decades the economic inequalities between developed and underdeveloped countries have been increasing.

This trend towards international economic inequality stands out in contrast to what is happening within the rich countries individually. There is trend has, in recent generation, been towards greater equality of opportunity, and this development has been an accelerating one which is still gaining momentum. The contrary development for the world as a whole should be related also to the fact that as yet there has been no real parallel within the poorer countries individually to the equalization process now going on the rich countries. Most of the poorer countries have preserved a great internal inequalities between individuals, classes and regions as there have even been, in many of them the inequalities are still growing.

Not only the developed and under-developed nations differed through several traits, the under developed nations could hardly benefit out of International Trade rather than just helping the developed nations to develop her more and more through economic exploitation to developing and under-developed nations (Myrdal, 1958; Nyilas, 1976).

On the international as on the national level trade does not by itself, necessarily work for equality. It may, on the contrary, have strong backwash effects on the under-developed countries. A widening of markets often strengthens in the first instance the rich and progressive countries whose manufacturing industries have the lead and are already fortified by the surrounding external economies while the under-developed countries are in continues danger of seeing even what they have of industry and in particular, small scale industry and handicrafts priced out by cheap imports from the industrial countries if they do not protect them (Myrdal 1958: 63-64). Examples are easy to find of underdeveloped countries whose entire culture has been impoverished as trading contacts with the outside world have developed.

According to Myrdal the spread effect- the spread of development from developed nations to under developed through international trade, is very weak but the backwash effect-the moving of resources and income from the under-developed to the developed one via international trade, is very strong. He further
says that the exploitation is rooted in Colonialism and today cumulative development for developed nations and cumulative backwardness for underdeveloped nation is seen. His theory is not only applied to international trade or international development but to domestic development of any nation especially to developing or under-developing nations. Following paragraph is quoted to show his understanding of regional economic inequalities through backwash effects: “It is easy to see how expansion in locality has “backwash effect” in other localities. More specifically the movements of labour, capital, goods and services do not by themselves counteract the natural tendency to regional inequality. By themselves migration, capital movements and trade are rather the media through which the cumulative process evolves—upwards in the lucky regions and downwards in the unlucky ones. In general, if they have positive result for the former, their effects on the latter are negative” (Myrdal 1958:39).

As stated already in theory section, Myrdal out rightly rejected the notion of stable equilibrium postulated by classical theorists and the following quoted Para of his would clarified his position on international trade:

“All, the theory of international trade more than any other branch of economic theory has been dominated by the assumption of stable equilibrium implying the belief that normally a change will call forth as reaction secondary changes with an opposite direction. Only on this assumption—and, in addition, a number of other assumptions—does trade represent an element in the economic process which operates to bring about greater economic equality between regions and country. Under the contrary and more realistic assumption, that more often the economic process is cumulative because of circular causation, the role of international trade becomes, as we have seen, rather the opposite one of being one of the media through which the market forces tend to result in increased inequalities when, as regularly in underdeveloped countries, the spread effects are weak” (Myrdal 1958:164).

In broad terms, the global political economy can be divided into three major components. The market economics that have achieved a high level of industrialization, the centrally planned economics, and the developing economics of the third world. The first category includes the several states of Western Europe, the United States and Canada, and Japan, Australia and New
Zealand. It roughly coincides with the membership of the Organization for Economic Cooperation and Development (OECD). Although the extent of government intervention in the economics of these states varies greatly, all of the states rely substantially on the market forces of supply and demand to determine what shall be produced and how it shall be distributed, and all allow considerable private ownership of means of production. OECD states are basically capitalist in orientation. This is the group of states that are typically referred to as "the west".

The second category includes the states that rely on centrally planned economy (CPEs) rather than market forces to determine what shall be produced and how it shall be distributed and that have government ownership of the principal means of production. It includes the Soviet Union and the states in Eastern Europe with Communist governments, all of which have achieved a relatively higher level of industrialization, and the Peoples Republic of china and states in Asia and the Caribbean with communist governments, which are in the process of industrialization.

The third category, the developing states of the Third World, included more than half of the world's population in the late 1970s and received about 18 percent of the world product. Although this group of states is collectively often referred to as the Less developed countries (LDCs), or developing countries, it contains a wide variety of states.

Large inequalities existed between these various groups of countries. For example, though OECD group of states accounted for less than 20 percent of world's population in the 1970s, more than 60 percent of the world product accrued to them (IBRD 1980:110-111). Average annual per capita GNP (Gross National Product) of this group of countries was more than $7000. This group of states was collectively the richest in the world and it was the source of more than 60 percent of the exports in world trade. In the late 1970s, the states with centrally planned economies accounted for 32 percent of world's population and gained about 19 percent of world's product. Their average per capital GNP was about $1200; China's per capital GNP was $230, the lowest of the group. The per capita GNP of LDC vary from $100 per year to more than $3000. LDCs as a group were source of less than 30 percent of world's exports. These figures give
some dimensions of structure of global political economy (Jackabson and Sidjanski 1982:14-15). Table 9 shows the direction of international trade in 1977.

**Table 9**

<table>
<thead>
<tr>
<th>Origin</th>
<th>Western States</th>
<th>LDCs</th>
<th>CPEs</th>
<th>Unallocated</th>
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</thead>
<tbody>
<tr>
<td>Western States</td>
<td>65.7</td>
<td>28.7</td>
<td>5.2</td>
<td>0.5</td>
</tr>
<tr>
<td>LDCs</td>
<td>67.0</td>
<td>28.0</td>
<td>4.4</td>
<td>0.6</td>
</tr>
<tr>
<td>CPEs</td>
<td>27.2</td>
<td>14.9</td>
<td>54.5</td>
<td>3.4</td>
</tr>
</tbody>
</table>


The table shows the percentage of exports from each category of states going to each of three categories. One of the most important features of the table is that even LDCs' exports were heavily concentrated on western states. More than two-thirds of the experts of LDCs countries that are located in the South, go to western states. Hence, "The drive to promote the economic development of the LDCs has been a major feature of the post-world WarII global political economy. Given the strength of their economic ties with the western states, the LDCs can not pursue their drive for economic development without concern for these links"(Jacobson and Sidjanski 1982:17). More importantly, this shows the dependency of LDCs on western countries which was rooted since colonialism and this over dependency cumulatively adds their backwardness (Myrdal 1958).

Another important point to note is that 'the existing international economic order was largely shaped by the major western countries. When the key international institutions were created at the end of the world war, the majority of LDCs were still under colonial rule, and most of the countries that then had centrally planned economies chose not to participate in several of the nascent institutions. The western countries created an international economic order that followed modern neo-liberal prescriptions. It's purpose was to facilitate
international trade and hence international Specialization in production among countries (Jacobson and Sidjanski 1982: 18-19).

Another problem critics point is the emergence of gap between rich and poor nations is rooted into International trade. Various scholars have done volumes of research on this area (Marx & Engels 1970; Nyilas 1976; Lenin 1968; Myrdal 1958).

The gap between North and South is rather recent in historical terms. Prior to industrial revolution there was little difference between the living standard of peasants in Western Europe and that in Egypt or China. They were all poor, illiterate, malnourished and suffering from chronic and debilitating disease. Except for a few ruling elites, both were destined to live in poverty and accepted it. With the birth of the industrial revolution in Western Europe the living standard gradually began to rise, opening a gap, small and scarcely perceptible at first. By 1850 the ratio between incomes in the industrializing societies and those in the rest of the world was perhaps 2 to 1. In 1950 it had opened further to about 10 to 1, in 1960 to nearly 15 to 1. If trends of the post decade continue, it may reach 30 to 1 by the end of the century (Brown 1972: 42; Miller 1985: 129).

Brown, perhaps, was not wrong in his prediction. Because today the inequality between the richest and the poorest is extreme one. For example according to World development Indicators 2000 of world Bank a sixth of the world's population- primarily the people of North America, Europe and Japan - received nearly 80 percent of the world income, an average $70 per day, in 1998. At the same time, 57 percent of the world's population in 63 poorest countries received only six percent of world income, an average of less than $2 per day. The World Bank defines extreme poverty as income not exceeding $ 1 a day. It estimates that 1.2 billion people, about 20 percent of the total world population fit into that group (World Bank 2000).

In 1970 income per person in the USA was $ 4100 and in India $ 90. Three decade hence, they are projected to be $ 10,000 and $ 215, a ratio of nearly 50 to 1. The annual increase in the goods and services produced in the United states of $ 50 billion, assuming 5 percent ratio of economic growth, is equal to all the goods and services produced annually in India, country of 550 million
Brown 1972:43). The recent statistics also lend support to the above prediction of Brown.

Among various causes of such persistent gaps between rich and poor nations, such as educational, demographic, technological, political factor etc, the trading pattern between these two groups is one of the most important factors. Initially the European countries which achieved a lead over the rest of the world in terms of technology and organizational capacity used to establish their colonial empires throughout Asia, Africa and the New World. After the colonial era ended, a wide range of economic policies have been used by the industrial countries to preserve the favourable terms of exchange of their manufactures for industrial raw materials and foodstuffs. Policies affecting trade consistently discriminate against the export products of the poor countries. The tariff structure in force in the rich countries in 1960s, leads them to charge in effect, twice as much duty on goods they export from the poor countries as from other countries, thus tending to reinforce the existing economic stratification (Lewis 1970:14).

Tariff structure not only discriminates against import from poor countries, but places an inordinate cost on value added by processing. Unprocessed commodities often enter duty free, while tariffs are imposed on the same product if it has been processed. Researchers have illustrated this. Unprocessed copper is imported free of duty while a duty is levied on copper wire. Essentially this duty is imposed on the value added by processing, which in this instance amounts to a stiff 12 percent. Hides and Skins enter the USA duty free, while leather is liable to a 4 to 5 percent tariff and Shoes to an 8 to 10 percent tariff. In the European Economic Community the tariff on cocoa beans from nonassaiated countries is 3 percent while cocoa products bear an 18 percent tariff. Not only does this eliminate the comparative advantage of lower labour costs in poor countries but is also discourages industrial growth and reinforces traditional patterns of raw-material exports from poor countries (Brown 1972:45-47; Clifford and Osmond 1971:59).

Therefore, 'the gap between the level of economic development of the third world countries and that of the industrialized capitalist countries has not narrowed but actually grown wider. The era of political de-colonialization has
not been one in which the ex-colonies or dependent nations have victoriously pursued their former colonial masters or dominant nations; their economic backwardness is growing more severe and this situation calls for reflection and further study (Jalee 1968:11-13).

Before colonialism, so-called today's third world economy especially that of Asia was much superior to the so-called today's 1st and 2nd world economy. But it was after colonial exploitation that the Asian economy has been regarded as backward. This has been recently illustrated excellently by Andre Gunder Frank. Below brief review of his work in this contest is stated (Frank 1998).

This recent work demonstrates that the economy of the world was sino-centric and not Euro-centric, as is generally believed by European social and economic historians. Frank's perspective suggests that the rise of the West was concomitant with the decline of the East; He provides ample of evidences of intellectual integrity, boldness and change. His work also challenges the writings of social historians like Marx, Weber and other who treated Asia as an isolated entity with little stake in the world economy. Frank maintains that Europe was depended on Asia during early modern times, roughly up to 18th century, and before the invention of the ideology of European hegemony. In the context of world trade, between 1400-1800, his book gives a lucid account of how the world economy was dominated by Asia until 1800. This is evident from the patterns of trade imbalances and their settlement through payments which also flawed eastwards.

The major grouping of trade included America, Africa, Europe Western, Southern and South East Asia, Japan, China, Central Asia and Russia. Trade relations were not one sided but based on a world wide division of labour and intense competition between the participating nations and regions. The author suggests that the growing money supply which the Europeans brought from America and Japan was helpful in not only expanding production in Asia, but it also created a backlash on the European economy by pushing up prices there even more than in Asia. The movement of money towards Asia in the form of payments further pushed production in Asia. Historical evidence suggests that till the 1750s Asia, which had less than 66 percent of the world population, produced about 80 percent of the world GNP. Explaining the rise of the West,
Frank remarks that 'the west first bought a third class seat on the Asian economic train, then leased a whole carriage, and only in the nineteenth century managed to displace the Asians from the Locomotive' (Frank).

According to Lewis industrial revolution and evolution of the international economic order were the two important factors responsible for dividing the world between countries that industrialized and exported manufactures, and the other countries that exported agricultural products. (Lewis 1978 : 4-13), and the trade was unfavorable the later group of countries, and caused their continuance backwardness (Lewis 1970). International trade detrimental to the interest of developing nations has been explained by various other scholars too (Prebisch 1964; Emmanuel 1972; etc.)

Thus, the liberal economic orders designed by developed nations were not for global equity but rather creates gap and hostility and if not directly, it is indirectly responsible for misery of billions of poor. In Following section, the north-South battle is dealt in.

D. North-South debate:

In 1970s, the traditional perception of a world separated into East and West, focusing essentially on military, political, and diplomatic matters, has been supplemented by an alternative view of the world in terms of a North-South division, focused on a political economy of development (Kamrany 1978 :1). The new issues emerged into the international economic scene have become the basis of positions taken by various groups. The complementary and competing elements of various positions needed solutions with varying degrees of stability or instability (ibid :5).

The OPEC countries raised the price of oil as it appeared profitable to do so. The basic strategy of the OECD countries was to try to organise the oil importing countries, break the OPEC cartel and minimize the influence of the Soviet Block upon both the LDCs and the newly rich oil exporting countries (Kamrany 1978 : 6-7). LDCs aimed for higher commodity prices and indexation, debt relief, greater access to markets in the developed nations, more transfer of technologies, world wide dialogue on international economic matters, a common
fund for commodities, fuller access to capital markets, and easier import terms for manufactured goods and oil imports. In the absence of any substantive power, the LDCs strategy had been to work through the United Nations, making use of their majority vote to create specialized agencies that are sympathetic to its cause, such as UNCTAD (1964), UNIDO (1966), International Development Strategy (1970), and resolutions by the United Nation's General Assembly (ibid :7).

Many issues of North-South relations and the need for a new world economic order have been addressed in a number of conferences and volume of works. One such work of Molmgren argued as follows (Molmgren 1974).

1. There is a need to restore order and a high degree of collective discipline in world economic relations.
2. There is a need to provide sufficient flexibility in the international mechanisms of adjustment so that domestic economies may be managed effectively and be allowed to adopt on a continuing basis to the evolution of the global economy.

Similarly, Chichilnisky and Heal have highlighted various challenges emerged in 1970s in the world political economy which are central to an understanding of international economy. These are (Chichilnisky and Heal 1986 :2-6):

1. The recurrence of recession, the persistence and severity of unemployment in many industrial countries, and emergence of protectionism.
2. The emergence in industrial countries of new technologies that lead to structural change in domestic and international markets, and that challenge existing institutional arrangements and trading patterns.
3. The changing international environment facing the developed countries, and in particular the issues of international debt, of export strategies and of North- South trade armaments.
4. The pricing of exhaustible resources, including oil, as a major issues in North-South trade, and in the international financial system.
5. The perceived limitations of existing international financial institutions and the impact of declining transfers of wealth from industrial to developing countries.

The intellectuals of 1970s called for changing the existing structure of North-South relations for more equitable system. They criticized the existing order. They sought for more humanistic approach.

'Human needs have to be seen in a global framework. International cooperation has to be geared to these needs not only to overcome short-term problems of scarcity but to begin to come to grips with the long-term problem of more equitable distribution and use of resources.

The countries of Africa, Asia and Latin America can not accept any attempt by the industrial nations to freeze the present structure of international power. Developing countries need to establish control over the development of their own resources. Major changes are necessary in the present “rules of the game” governing trade and access to all resources- raw materials, manufactured products, capital, and technology. These reforms could make development cooperation a reality rather than a dominance-dependence relationship. For example, there must be real participation by the developing countries in international decisions affecting trade, investment, and monetary affairs (Erb and Kallab 1975: 167-68).

To increase their participation in international systems, developing countries will also require greater knowledge of the economic and political factors which shape foreign officials and private decisions. Hence, the improvement of knowledge through research and development, better information systems and training will be a significant components of any strengthening of their bargaining capacity. If international development cooperation continues to concentrate solely on the transfer of financial resources and is not buttressed by institutional changes which seek social justice- both within nations and at the international level- it will fall far short of its maximum contribution to the process of development in the poor countries. Indeed, in the absence of major changes in the conduct of international economic relations, the effectiveness of resource transfers will continue to be restricted by the inadequacy of the institutions that channel and absorb them (Erb and Kallab
1975 :168). Erb and kallab further say:“The inadequacies of international cooperation over the past twenty years point to a need for a new kind of complementarity: between social justice within nations and international economic justice. This complementarity should be the cornerstone of a new infrastructure of international economic relations- providing for more equitable sharing of resources and economic power through a system of social and political institutions... The present crises can also be an opportunity if all nations and international institutions begin to move in this direction”(Erb and kallab 1975 :169).

Various conferences were held and declarations were made by the intellectuals to reshape the new economic order in the light of the changing relationship between North and South. The Cocoyoc Declaration—which endorses the “very preliminary steps” taken by the UN General Assembly’s sixth special session—constituted an important personal statements by recognized experts from both developing and developed countries. It placed considerable emphasis on the feasibility of designing and implementing new system “more capable of meeting the inner limits’ of basic needs for all the world’s people without violating the ‘outer limits of planet’s resources and environment (Development Dialogue 1974).

Similary, the third world forum- worldwide association of leading social scientists and intellectuals from the developing countries of Asia, Africa and Latin America, had its inaugural meeting in Karachi from 5 to 10 Jan. 1975 to discuss critical elements in the national and international economic order as well as to discuss means of action to meet the continuing crises in the relationship between the industrialized and the developing countries. The participants to the Forums supported the objectives stated in the Santiago Declaration and agreed on the need for a continued intellectual revolution to overcome the dependence of the Third world and for profound change in the internal and external order that the developing countries face (today). They felt that they would but make a contribution to the promotion of these aims by organizing a Third World Forum on a permanent basis. The delegates accordingly considered and adopted a
constitution to found such a Forum (Erb and Kallab 1975: 178). The forum appealed to all intellectuals of the Third World to get organized behind these concerns of vital importance to their societies and to initiate action at all levels to create a climate for more equitable national and international orders (ibid: 182).

Similarly, Declaration on the Establishment of a New International Economic Order stated boldly for equitable developed (North) and developing LDCs (South) as follows:

"We, the members of the United Nations, Having convened a special session of the General Assembly to study for the first time the problems of raw materials and development, devoted to the consideration of the most important economic problem facing the world community. 

Bearing in mind the spirit, purposes and principles of the charter of the United Nations to promote the economic advancement and social progress of all peoples, 

Solemnly proclaim our united determination to work gently for the establishment of a new international economic order based on equity, sovereign equality, interdependence, common interest and cooperation among all states, irrespective of their economic and social systems which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations " (Erb and Kallab 1975:185-186).

Socialist schools argued that the western capitalization was responsible for the widening gap between rich and poor or more appropriately between developed nations and less developed nations. According to them it was because of calculative exploitation by capitalism that 'about half the population of the developing world live in the poorest countries and suffers from chronic undernourishment. The people in question consume less than 2000 kilocalories and 50 grams of protein per day, which is the bare minimum the organism need to survive' (Dadayan 1988:9). Capitalism was also responsible for various crises and tensions prevailed all over the world was what argued by them.
According to Dadayan, "Capitalism develops by array of crises. Capitation and crises are inseparable like the links in the chain of cause and effect that go to make our world what it is. Capitation had only just matured to become capitation at all when it began to reveal it's crises - generating nature. And it was this forerunner of all subsequent crises that demonstrated for all the world to see the main genetic feature of cyclical crises. It was over production crises" (Dadayan 1988:31).

The above statement may seem like extreme one with socialistic tone, but one thing which can not be ignored is that the basic purpose of economic growth should be to serve the need to people of society through equitable distribution rather than just concentration of wealth in fewer hand and depriving the poor mass even of basic necessities of life.

Bhagwati distinguished four different sets of power configuration of North-South negotiations which are briefly stated below: (Bhagwati 1984: 1-18).

**A: virtual Dominance of the North:**

At one end of spectrum the south has no bargaining power at all especially in 1950s when countries were still emerging into independent nationhood or struggling with manifold problems. In this situation south were expected to go along with the international economic management structure designed by the North led by USA. The South was simply supposed to fit into the LIEO (Liberal International Economic Order) to gain like every one else from the LIEO framework. The World Bank extended a small hand to the private sector in the southern nations and programmes were largely altruistic not the result of demands from a strong south that had to be accommodated.

**B: Northern Hegemony and the voice of the Non-hegemons:**

The Gramsci-Cox version of the post-war period of 'benign neglect' or the LIEO, however, went a step further toward endowing the South with some voice. 'A hegemon is a stability – seeking power that recognizes that its dominant ideology and the attendant institutional structure can not endure for long unless the non-hegemonic members of that structure accept it legitimacy. This legitimacy is served through incrementalist, gradualist, marginalist accommodation of non-hegemonic discontent. The voice of non-hegemons
therefore, does matter, for it can be stilled only at a price. The south is therefore not entirely powerless' (Bhagwati 1984: 3-4).

In other words accommodation in same respects was therefore prudent. In same respect, it was not even expensive, as in the granting of exemptions, from Most - Favoured-Nation(MFN) obligations and reciprocity requirement at the GATT, which given the blow interdependency at trade at the time, could be safely conceded without serious damage to the North’s own interests (ibid: 4). Consistent with presumed lack of strength on the part of the non-hegemonic South, these accommodations were made on a single issue basis at the specialized international agencies, the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the GATT. The United Nations Conference on Trade and Development (UNCTAD) was indeed created in 1964, over actual US hesitation. However, while it did evolve into an institution that increasingly adopted positions reflecting Southern aspirations and demands, it did not play an executive negotiation and implementing role in regard to any of the substantive matters falling traditionally within the jurisdiction of the Bretton Woods agencies. The action was still at these agencies, where hegemonic dominance was ensured.

C: North – South Interdependence and Mutual Gains:

If the hegemonic paradigm argues that the South has an element of strength simply because the hegemons seeks legitimacy, the interdependence school endows the South with a somewhat greater and more effective voice by suggesting that the world economy offers, in view of the multifarious interactions among the nations of the North and the South, general opportunities for creative ‘partnership’. Seizing these opportunities provides the rationale for international cooperation; failure to do so implies an opportunity cost in terms of benefits forgone. Indeed, failure to cooperation in certain areas, such as the human environment may imply a positive harm to all. This ‘super-functionalist’ view of the North-South relations according to Bhagwati is in contrast to the cow-eyed hegemonic conception which implies that the North ideologically opts for the LIEO and then modifies it’s institutional structure marginally to accommodate the South simply to secure legitimacy. On the other hand, the super functionalist view implies that the LIEO, while constructed to
every one's advantage, has to be modified and supplemented through institutional changes that benefit all. The contrast between the two viewpoints is evident if one consider foreign aid and institutions dispensing it. The hegemonic thesis would view such aid as a pacification device, a bribe to buy stability. The super functionalist, if they do not wish to regard it as an altruistic phenomenon, as they well might (in contrast to Coxian conception), will be inclined to look for a broader range of non-ideological arguments that show the North to have an indirect self-interest in parting with funds such that mutual gains follows:

\( \text{(d) Southern strength: Commodity power, NIEO, and Global Negotiations} \)

According to Bhagwati the 'South' has commodity power and OPEC's political support to it. Again he said "if the South were to set ambitious targets, it had to start together in solidarity; the bargains to be struck therefore would have to be to everyone's advantage, and hence the issue could not be taken up in isolation. Moreover, restructuring the LIEO into NIEO (New International Economic Order) also meant taking a comprehensive view. It was also, perhaps inevitable that eventually the South would consider the United Nations the ideal place to strike the ground bargain, that is where the South had the voting strength, not in the specialized agencies. Part of grand bargain would then also be the simultaneous, ongoing shift of the foci of control and operation of international economic management away from the specialized agencies to the United Nations (Bhagwati: 8-9).

Various scholars lamented for global negotiation not being properly taken care of the aspiration of Third world countries. In fact some of them even questioned very definition of global negotiation and put forward their own definition to look more comprehensive. Dubey has attempted to highlight global negotiation from Third World perspective in his article "A Third World Perspective (Dubey 1984: 65-86). According to him:

"The global approach to negotiating North-South issues can be defined as one covering all major North-South issues, designed to bring about a restructuring of international economic relations based on the principle of equity and mutual
benefit, involving the participation of all the member states of the United Nations and conducted in the global forum of the UN General Assembly in a simultaneous manner in order to ensure, a coherent and integrated approach the issues under negotiations”.

**Changing North-South relations**

'During the 1980s, following the most severe recession in 50 years, the major industrialized countries enjoyed the longest sustained recovery in just as long period. Oil prices returned to more 'normal' levels and seemed unlikely to be subject again to abrupt major price rises. Successive Western Economic Submit conference expressed satisfaction with the record of relatively low rates of price inflation and continuing, if somewhat modest, overall economic growth. Unemployment rates were higher than previously in the post – IIInd World War period – a source of concern to may – but OECD policy makers were typically satisfied that these were an inevitable by-product of labour market rigidities and overall price stability. The only shadows over global economic performance as perceived in the North, were continued US current account imbalances, and, for a time, the threat to the international financial system posed by Third World debt. The US deficit persists, but the Western countries have so far been able to contain its potentially damaging global effects, and there has been some limited progress towards its reduction' (Helleiner 1990 : 5-6).

At the same time, the major industrialized power have increased their macro-economic policy coordination and moved towards more effective joint exchange rate surveillance and management (Helleiner :5-6). Economic performance in the Third World during the 1980s varied enormously between groups of countries. The record of economic growth in most of Asia maintained, or even improved upon, the impressive record of the previous two decades. The newly industrialization economies of Hong Kong, Korea, Singapore and Taipei/China continued their previous remarkable rates of growth, slowing only a little at the end of the decade. In South-East Asia, while growth rates generally slowed a little in the 1980s, Thailand emerged as a 'star' performer in the latter half of the decade. Most significant of all, because of their sheer size, growth rate in India, Pakistan and People Republic of China significantly improved over their 1970s record (Asian Development Bank:178).
On the other hand, economic performance in most of sub-Saharan Africa and Latin America was disastrous. For them, the 1980s have generally been described as a ‘lost decade’ with per capita incomes declining. By the end of the decade sub-Saharan Africa per capita income probably averaged only about half that in 1980; and the 1970s had already been a decade of stagnant or decline in Africa. Nor, despite major domestic policy changes, are there many signs of improvement on the horizons: key primary commodity prices are likely to remain weak, the debt-service ratio continues to climb, real capital flows are stagnant, foreign exchange scarcities continue to generate severe underutilization of productive capacity and the skill base remains uniquely underdeveloped.

It is increasingly evident in the light of such varying experience that major interests within the south diverge. In the run up to the multilateral trade negotiations under the GATT, for instance, the interests of the fast growing, middle-income and more trade-dependent developing countries (like Korea and Singapore) clearly diverged from those of the trade-dependent (like India and Brazil) and small primary exporters (like Tanzania). It even proved difficult to hold all of the South monetary members together in approaches to pressing internal debt problem. The Cartagena group of debtors in Latin America calculated its interests quite differently from the majority of sub-Saharan African debtors; even such similar debtors as Argentina, Brazil and Mexico had differently coordinated these positions via-a-vis commercial creditors (Helleiner 1990: 6-7).

Against this backdrop, North-south relations altered radically during the 1980s. In the mid-1970s the mood among developing country policy-makers was newly self-confident in international affairs. The industrialized countries were themselves at this time somewhat uncertain in their defence of existing international economic relationships. The Bretton Wood exchange rate regime had broken down, the oil price increase had demonstrated a new vulnerability on the part of the industrialized countries and precipitated a severe global recession; and new concerns over the environment and the appropriate use of common global resources were widespread (Helleiner 1990: 8-9). Among development analysts and policy makers in both North and South there had also
been a major rethink about the basic objectives of development and the most appropriate policies for meeting them (Ibid : 9).

The changes in the Northern political climate permeated in international development institutions. Despite severe deterioration in the availability of basic needs, market – oriented and 'productionist' ideologies rose into fashion in the World Bank as well as in most – official development assistance agencies. Most developing country governments, increasingly desperate, for finance, more forced on to the defensive as they searched for acceptable accommodation with the new purveyors of conservative policy conditions in official aid and credit institutions.

A key phrase in the development lexicon of the 1960s and 1970s was 'structural change': this meant positive change in the make-up of poor societies and economies – particularly in their productive structure – that would place them on a more rapid, equitable and sustainable growth path. In the 1980s the talk was instead of 'structural adjustment' – alteration of productive structure in response to the deterioration of the world economic development and, just as frequently, to the presence of powerful external actors with their own views as to what most needed reform. Where it still existed in official agencies at all, the humanitarian concern of 1970s reduced to a defensive advocacy of 'adjustment with a human face (Helleiner 1990: 11).

A new US administration promises "kinder, gentler' approach to economic policy, and a visibly more supportive of multilateral institutions. A somewhat slimmed down United Nation's system is winng new support from the formerly centrally planned economics, and greater respect all around. Having failed to deliver the promised goods, the extremist market enthusiasts are repairing to their accustomed and more appropriate relative position in the overall disposition of political influence (Killick 1989).

The World Bank (W.B.) shows a refreshing new humility in the assessment of its own advice and adjustment lending (World Bank 1988); and both it and the IMF also demonstrate renewed and new concern for the social dimensions of adjustment and the welfare of the poorest and most vulnerable groups in the developing countries. Although Third World debt problems are by no means resolved, Northern governments are no longer so rigid over the prospect of debt
reduction. Against all odds the Uruguay Round of GATT negotiations appear to be achieving progress even in some areas of previously greatest North-South difficulty, such as service trade. There seems a genuine and need international consensus that the problems of sub-Saharan Africa requires special international attention. And new technological possibilities in electronics and bio-engineering and elsewhere offer the prospects of accelerated global progress if only the world can lift itself from the 'rut' into which much of it stumbled during the 1970s and 1980s (Helleiner 1990: 11-12).

E. World Economic Performances

In this section, the data compiled by various scholars on world economic performance is stated. These data are mentioned below, because this will enable us to understand the volume, structure and process of world trade.

Table 10

Growth rates of the volume of world trade and world industrial/manufacturing production, 1705/20-1985 (annual average in percent)

<table>
<thead>
<tr>
<th>Year</th>
<th>World Trade</th>
<th>World Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1705-20</td>
<td>-</td>
<td>1.50</td>
</tr>
<tr>
<td>1720-80</td>
<td>1.10</td>
<td>-</td>
</tr>
<tr>
<td>1780-1830</td>
<td>1.37</td>
<td>2.60</td>
</tr>
<tr>
<td>1820-40</td>
<td>2.81</td>
<td>2.90</td>
</tr>
<tr>
<td>1840-60</td>
<td>4.84</td>
<td>3.50</td>
</tr>
<tr>
<td>1860-70</td>
<td>5.53</td>
<td>2.90</td>
</tr>
<tr>
<td>1870-1900</td>
<td>3.24</td>
<td>3.70</td>
</tr>
<tr>
<td>1900-13</td>
<td>3.75</td>
<td>4.20</td>
</tr>
<tr>
<td>1913-29</td>
<td>0.72</td>
<td>2.70</td>
</tr>
<tr>
<td>1929-38</td>
<td>-1.15</td>
<td>2.00</td>
</tr>
<tr>
<td>1938-48</td>
<td>0.00</td>
<td>4.10</td>
</tr>
<tr>
<td>1948-71</td>
<td>7.27</td>
<td>5.60</td>
</tr>
<tr>
<td>1971-74</td>
<td>8.31</td>
<td>6.84</td>
</tr>
<tr>
<td>1974-80</td>
<td>4.15</td>
<td>3.60</td>
</tr>
<tr>
<td>1980-86</td>
<td>2.94</td>
<td>2.65</td>
</tr>
</tbody>
</table>

Table 10 reveals that the growth rate of world trade lagged behind the growth of manufacturing production well into the early stages of industrialization. From 1820 to 1840, however, both the trade and industrial growth rate appeared 3 percent per annum. During the following three decades, world trade grew at around 5 percent per annum which was higher than industrial production. From 1870 to 1913 the world trade volume fell behind production growth again. This led Werner Sombart, who had observed the same trends as national relationships of domestic production and foreign trade growth, to formulate his 'historical law' of 'declining importance of international trade' (Haberler 1964 : 11), which was to be empirically disproved after the second world war by an unforeseen growth in intra-industry international trade (Holtfrerich 1989: 3).

The period from 1913 to 1948 was marked by the first world war, its consequences on monetary and trade relations, by brief recovery of international trade growth in the second half of the 1920s followed by the greatest economic collapse ever, by policies of autarky and bilateralism in the 1930s, and finally by the second world war. While despite interruptions, industrial production kept moving ahead overall, world trade fluctuated wildly and a no-growth trend during that period. As if to make up for its previous laggardly pace, world trade growth broke all records during the quarter century after 1948 and even outpaced the growth of industrial production, itself at record levels. After 1974 the rates of increase in the volume of world trade as well as world manufacturing production returned to the level of nineteenth-century growth rates. As in the period 1940-70, the trade outpaced production in the 1970s and 1980s. Both periods, however, exhibiting an increasing trend towards liberalization, the recent one showing a decreasing tendency, mainly due to the spreading of the so-called protectionist practices (Holtfrerich 1969 : 3).

Table 11 compares the ranking of countries in terms of total product. In 1870 China was the biggest economy, India the second, Russia the third and the United States fourth. In 1987, the United States was first, China second, USSR
third and Japan fourth. In 1840 our top group had only three-quarters of the
total product of our second group, by 1987 the situation had been reversed. The
relative size of the different economies in terms of GDP is not a good indicators
of their influence on world economic developments. This is better approximated
by the size of their trade, shown in Table 12. In 1870, the United Kingdom hold
first place, followed by France, Germany and the United States. In 1987, the
United States hold first place, followed by Germany, Japan and the United
Kingdom.

Table 11

Total GDP in 1870 and 1987 (boundaries of epoch)
(million dollars at 1965 US prices)

<table>
<thead>
<tr>
<th>Countries</th>
<th>1870</th>
<th>1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>15,978</td>
<td>209,507</td>
</tr>
<tr>
<td>Germany</td>
<td>13,949</td>
<td>220,735</td>
</tr>
<tr>
<td>Japan</td>
<td>6,035</td>
<td>505,971</td>
</tr>
<tr>
<td>UK</td>
<td>22,851</td>
<td>179,394</td>
</tr>
<tr>
<td>USA</td>
<td>20,645</td>
<td>1,194,551</td>
</tr>
<tr>
<td>Total five countries</td>
<td>79,458</td>
<td>2,310,158</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,063</td>
<td>166,372</td>
</tr>
<tr>
<td>China</td>
<td>41,491</td>
<td>7,24,096</td>
</tr>
<tr>
<td>India</td>
<td>39,239</td>
<td>2,25,466</td>
</tr>
<tr>
<td>Mexico</td>
<td>1,540</td>
<td>67,821</td>
</tr>
<tr>
<td>USSR</td>
<td>23,161</td>
<td>6,23,613</td>
</tr>
<tr>
<td>Total five countries</td>
<td>1,06,494</td>
<td>1,807,368</td>
</tr>
</tbody>
</table>

Table 12

Total exports in 1870 and 1985 (million US dollars in current prices)

<table>
<thead>
<tr>
<th>Countries</th>
<th>1870</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>541</td>
<td>97,726</td>
</tr>
<tr>
<td>Germany</td>
<td>424</td>
<td>1,83,406</td>
</tr>
<tr>
<td>Japan</td>
<td>15</td>
<td>1,75,683</td>
</tr>
<tr>
<td>UK</td>
<td>971</td>
<td>1,01,332</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>Total five countries</td>
</tr>
<tr>
<td>----------------</td>
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<tr>
<td></td>
<td>403</td>
<td>2,354</td>
</tr>
<tr>
<td></td>
<td>2,13,146</td>
<td>7,71,293</td>
</tr>
</tbody>
</table>

**Sources:** Lewis (1981); Meddison (1962 and National Sources for 1870.UN Monthly Bulletin of Statistics for 1985.
(Courtesy: Meddison 1989:27)

There are ample of data on various aspects of global economy compiled by various scholars. But without concerning much on such it is stated here that the so-called developed countries gradually improved their positions in the process of international trade for one or other reasons but the same period culminated declining strength of economy of the so-called under-developed country of today known as third world economy. In following section various problems, crises and tension of third world countries in relation to world economy is stated.

**F. Problems of Third World Countries**

According to various scholars on global economy there are number of problems and tensions of global economy and the third world countries are the most sufferers. In this section various problems are highlighted briefly in following sub-headings:

(a) **Balance of Payments (BoP):**

It has been observed by various social scientists that the global economic policy had been not protecting the interest of the third world countries. In fact, the world economy had worsened the BoP situations of third world nations due
to their lack of strong capital and technologies. Commonwealth report (1980) has concluded such as development and crises that is development for some well off nations (so-called North/West states) and crises for the so called third world nations.

According to such report the financing of BoP deficits of all importing developing countries will remain one of the most critical issues. There are doubts about the capacity and willingness of official and private sources of external finance to provide these countries with funds on the recognized scale.

If these deficits are not financed, there will be a serious compression of real imports and substantial cut-back in the already no growth rates of not oil-importing developing countries. This would have adverse affects not only for developing countries but for the developed countries as well. If the global economic activity is to be sustained, there is urgent need to provide additional financing mechanism to limit exchange stability, to facilitate large flows of commercial funds to non-oil countries, and to increase officials sources of financing for those not in a position to borrow from the commercial banks. According to reports, to meet immediate needs, it should be possible for the WB to make further use of programme lending and for the IMF to establish a new facility which would lend to the poorer developing countries on first credit tranche conditions.

BoP crises is not, however, merely related to oil import. It is, of course, one of the most important crises of third world countries. However, equally they suffer from trading with developed nations for one or other reasons. Moreover, the developed nations have derived global economy policy not for equitable distribution of resources but for enriching and enlarging economic base for themselves. This is not hypothetical but the history o global economy witness this reality, and number of critical theoreticians on world economy have highlighted this issue, and provided satisfactorily data to prove this view points (Sodersterten 1980; Nylias 1976; Lenin 1968; Myrdal 1958 etc.).

Table 13 suggests exports have been growing much more slowly for LDCs in post war period than Developed countries.
Table 13

The growth of exports in developed and developing countries, compared 1950-77(Average annual growth in the value of exports in term of percentages)

<table>
<thead>
<tr>
<th></th>
<th>1950-60</th>
<th>1960-70</th>
<th>1970-77</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Market</td>
<td>7.6</td>
<td>7.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Developed Socialist</td>
<td>8.0</td>
<td>8.0</td>
<td>10.4</td>
</tr>
<tr>
<td>Less Developed</td>
<td>4.0</td>
<td>5.0</td>
<td>3.0</td>
</tr>
<tr>
<td>World</td>
<td>7.0</td>
<td>7.1</td>
<td>7.3</td>
</tr>
</tbody>
</table>


Another fact is that “the share of the total values of world trade accruing to non-oil exporting LDCs fell from 27.33 percent 1951 to 15.64 percent in 1970 and 15.56 percent in 1980. Most trade, it seems, takes place in industrial goods between DCs (Wilson 1986 : 48).

Above mentioned data are just a small piece of the mounting crises of BoP faced by the third world nations whose people suffers from inequality of international economic relations in one hand and inequality of intra-social relations on the other hand.

b) Debt trap

The debt issue has been major problems in international economic relations, and one of direct concern to a large number of developing and under-developed
countries branded as the Third world nations. This issue has been highlighted by various scholars in various international fora. According to Commonwealth Secretariat (1990) not all debts countries face the same problem. Although there may be common features – the high cost of external borrowing and the adverse external factors which have weakened the borrower’s ability to service debt, there is a recognised distribution between the problems of those mainly middle income and those of low-income borrower’s whose loans have come from governments or official agencies, national or multinational.

The debt servicing difficulties of low income countries have been recognized for further longs. The practice of ‘Retroactive Terms Adjustment’ for aid loans from governments has been encouraged, under UNCTAD, since the late 1970s. ‘Recent year have, however, seen acute levels of debt distress especially in low-income African countries, with depressed commodity point prices and lower export earnings acting as major aggravating factor (Commonwealth Secretariat 1990 : 85).

According to economic historians after second world war, with capital markets effectively closed to them, developing countries received external finance from three other sources: official aid; direct foreign investment mainly from MNCs seeking new supplies of minerals; and trade finance. The last of these, in particular, contributed to debt problems in several countries; seven countries such as Argentina, Brazil, Chile, Ghana, Indonesia, Peru and Turkey were forced to rescheduled, mainly through Paris club between 1956 and 1970. Unsatisfactory macro-economic policies, adverse trends in commodity earnings, excessive short-term borrowing, unsatisfactory investment projects: all these played a part in particular cases. The prominence of the same countries in the debt crises of the 1980s (except Indonesia which avoided for further rescheduling) suggests that lesson were not learnt by creditors or debtors (ibid : 86).

Third world debt in 1980 is stated in Table 14. According to Elsenhans, ‘excepting the case of the low-income countries, the indebtedness of the Third world is the outcome of efforts to develop industry, of an indebted industrialization’ (Elsenhans – 1991 : 126-127). The increase in debt was attributable to high rates of growth in investment coupled with a steady rise in
the rising share of capital goods in the imports of these countries, this despite 
the increase in fuel prices. Only the more successful among the experts of 
manufactured goods, namely some South, East and East Asian countries, mere 
able to restrict debt services, payment of principal and interest as a percentage 
of export earnings to below 20 percent through a rapid increase in their exports. 
Brazil utilized 58 percent, p.a of it export earnings for debt services; Mexico 60 
percent and the two most heavily indebted OPEC Countries Algeria and 
Venezuela 20 percent and 27 percent respectively.

Table 14
Third World Debt in 1980 in Billion of $ (to be typed)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Debt</th>
</tr>
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The state in the third world is the chief promoter of indebted industrialization. 
Only 8 percent of the Eurocredit taken by the countries of the third world went 
to private parties, in contrast 54 percent went to the public sector and 34 
percent to governments. Low capital costs, resulting from a slump in the 
investment in the industrial countries, encouraged a good number of third world 
government to try and step up industrialization by importing capital goods from 
the west. The expansion of the public sector served as a means towards end. To 
some extent, considerable gains in production were achieved. In some countries 
like Malaysia, Brazil, Korea, Singapore, and Thailand, the rate growth in 
manufacturing production exceeded that of investment.

In all other cases the growth rates of production were substantially lowers; 
thus capital productivity in these countries declined with increasing investment 
efforts. Where these countries imitated the strategy of manufactured exports for 
which there was a great demand, their entry into the market with their product 
coincided with the rise in protectionism in the industrial countries. With the
introduction of quota restricting export opportunities, new comers are at a special disadvantages for they cannot lay claims by pointing to market shares secured.

In this connection, Elsenhans observes 'the debt crises clearly reveals that, instead of building up their own industrial base, the developing countries have propped up their industrial development not only on loans, but also on technology brought on credit, a policy prompted by certain politico-social reasons' (Elsenhans 1991 : 127). He further says "The debt crises, which started as a growth-induced disequilibrium of the balance trade and the balance of payment of the more advanced countries, turns out to be most detrimental for those economies of the South which are small and poor, and which have difficulty in adapting themselves (ibid : 128).

C. Poverty Education and Employment

People of the world are divided with respect to various life styles and life chances. It is usually the people of the third world whose life chances are not satisfactory so their life styles too. Among the important determinants of life chances are the poverty, education and employment. These factors are interlinked to each other and cause the cumulative addition of their misery.

In early international economic order the social issues like poverty were not highlighted much by the world leaders- as they mainly emphasized on the economic relationship between the so-called North and the South.' But in 1980s it started touching to the heart of intellectuals/leaders. For example Ian Fronk says:

"Fifteen years ago I considered the aim of poverty reduction quite independently from the issue of a New International Economic Order, because I considered poverty as much more related to domestic power structures than to change in international economic power relations. During the 1980s we experienced that the link between international structures and domestic poverty is quite close. There is close indirect relation, because domestic poverty is related to the economic fate of a nation which itself partly depends on the international environment. There is also a close direct relation between national poverty and international structures, because the character and direction of national adjustment to changing exogenous developments is affecting the poor
much more than other social classes. This is true both when adjustment is imposed by external institutions, and when the path of adjustment is deliberately chosen because there is no alternative" (Fronk 1994 : 230).

At the beginning of the 1990s the analysis can carry even further. The changing character of world of today is not considered with merely technological and economic globalization reasons but also with political and other socio-political reasons especially after various events like Gulf War, and therefore 'poverty' can be well discussed only with reference to the global order issues. Poverty and conflict are very much related and there is no development conflict without international dimensions. One of the basic agenda of the new world order started in 1990s in form of globalization was human resources development especially providing food, shelter, education, health, good environment to the people all over the world. The purpose of the present thesis is mainly to evaluate the globalization of economy pertaining to the social justice.

The UNDP released its Poverty Report 2000 on April 2000. According to it, attempts to wipe out poverty around the world are often 'hot and miss' on the part of the donor and then badly handled, planned or organized by the government using the funds. Moreover, foreign assistance is channeled into specific prospects at the whim of donors rather than having governments integrate such programmes into a larger strategy. While criticising rich nations for releasing decreasing amounts of the aid, the report puts much of the blame on inept, corrupt or indifferent isolated programmes on the part of the receiving governments. Aid is isolated into one ministry at the national level and often not coordinated all with local groups. The report was equally critical to undemocratic and authorizations political regime in one hand and to the unresponsive central bureaucracy on the other hand.

According to report 'Until countries set targets to measure progress it is difficult to believe that they are mounting a concerted campaign to address poverty'.

Report is that poverty is multidimensional and not merely an expression of inadequate earnings as earlier understood. Poverty can mean not only low incomes and low consumptions but also lack of education and poor health and nutrition. Further, the report expands the definition of poverty to include powerlessness, voicelessness, vulnerability and fear. Giving statistics on world poverty the report says that at a time of unprecedented wealth for many countries, 2.8 billion people – almost half the world population – live in less than $2 a day. According to the report of these people, 1.2 billion live on the very margins of life, on less than $1 a day – a poverty line adopted by the World Bank. In high-income countries, fewer than one child in 100 die before reaching 5 years of age. On the other hand in the poorest countries the number is five times higher. In well-off countries, fewer than 5 percent of children under the age of five are malnourished while in poorer countries as many as 50 percent of the children suffer from eating too little food. According to report this destination persists even though human conditions have improved more in the past century than in the rest of the century. Global wealth, global connections and technological capabilities have never been greater. But the distribution of these gains is extraordinary unequal. The average income in the richest 20 countries is 37 times the average in the poorest 20 - a gap that has doubled in the past 40 years.

Progress in poverty reduction has varied widely across the region. In East-Asia the number of people living on less than $1 a day fell from around 420 million in 1987 to around 280 million in 1998. But in Sub-Saharan Africa, South Asia and Latin America the number of poor people have been rising steadily. In the countries of Eastern and Central Asia in transition to market economies the number of people living in poverty has been 20 fold. Within countries too, poverty rates vary enormously. In some African countries infant mortality rates are much lower among politically power ethnic groups. In Latin America, indigenous groups have far less schooling than non-indigenous groups. In South Asia, women have only about half as many years of education as men and middle school enrolment rates for girls are only two-third that of boys.
According to the report, major reductions in poverty are possible but achieving of these will require a more comprehensive approach that directly addresses the needs of poor people in three important areas:

(i) **Opportunity**: expanding economic opportunities for poor people by stimulating economic growth, making market works better for poor people and working for their inclusion, particularly by building up their assets such as land and education; (ii) **empowerment**: strengthening the ability of poor people to shape decisions that affect their lives and removing discrimination based on gender, race, ethnicity and social status; and (iii) **security**: reducing poor people's vulnerability to sickness, economic shocks, crop failure, unemployment, natural disasters and violence, and helping them cope when such misfortune occur.

The report says that action at national and local levels well often not be enough for rapid poverty reduction. There are many areas that require international action – especially by high income countries – to improve the prospects for poor countries and their people. An increased focus on debt relief and making development aid more effective are part of the story. Equally important are actions in other areas such as expanding the areas to developed country markets, promoting the public goods that benefit poor people such as vaccines for tropical diseases and agricultural research, combating HIV/AIDS, enhancing global financial stability, closing of the digital and knowledge divide, enabling the participation of poor countries in international discussions and fostering global peace, the report says.

It has also been observed that the global economy especially after 1990s is not contributing towards growth of employment rather helping growing unemployment worldwide. Though the problem of unemployment has been major issues for the last 100 years (approximately) all over the world, it was attracted the attention of various governments and forums after 1950s (Commonwealth Secretariat 1990). The issue of unemployment first figured in a substantive manner at the 1981 meeting of Heads of Government in Melbourne. Their decision at that meeting that Commonwealth Ministers of employment/labour should have regular meetings reflected the fact that tackling unemployment had by then become a preoccupation of governments. Concern
over persistent high unemployment was voiced at all meetings of Ministers of Employment/Labour from their inception, and it was on their recommendation that Heads of Government in 1985 decided that an expert group should study youth unemployment (Ibid: 212-227).

"The experts considered that the significantly higher unemployment rates for the youth could be explained partly in terms of the advantages of accumulated knowledge and experience which those who had held jobs over those joining the labour market. The disadvantage of the new comer was considerably increasing where the work was skilled and experience counted. In the developed countries, especially, the skill levels demanded of young people were rising as employment was growing largely in the service sector, particularly in countries making intensive use of information technology, considerable investment in education or vocational training were required. In developing countries the failure of wage and non-labour costs to adjust sufficiently to reflect the relative disadvantages – actual or perceived, of employing youth was seen as a further contributing factor. In the developing countries, the impact of high population growth was seen as a crucial problem. The very high number entering the labour market each year were likely to exceed the increase in jobs generated in these condition. In addition, expansion in the number of young people being educated led to rising aspirations as well as to mismatch, both between skills and work opportunities and between the location of those possessing the skills and the most favoured employment opportunities" (Commonwealth Secretariat 1990: 217).

Recently, after the policy of liberalization the debate has been restarted pertaining to its impact on employment. Increased trade linkage, mobile capital and technological changes are raising new questions over the attainment of old employment objectives. Debates in such countries on insecurity of work and unemployment of unskilled workers find strong echoes in recent evidence from some developing and transition countries (Diwan and Walton 1997: 1-15). The impact of liberalization on skilled-unskilled wage differential and other related problems are highlighted by various scholars (Pissarides 1997: 16-32; Wood 1997: 33-58).
According to the report entitled 'Income Security and Social Production in a Changing World' on 20th June 2000 in Geneva (ILO 2000). 75 percent of the 150 million unemployed people around the world lack any insurance protection while the vast majority of the population in many developing countries including the informal sector wage earners and self-employed persons have social protection whatever. The ILO insists that the major focus must be on the extension of coverage to these workers because societies which do not pay enough attention to security particularly of their weaker members, eventually suffer a destructive black cash. It also points out that even the world’s richest member in Europe and North America have reduced protection provided by unemployment insurance in the 1990s. However, of all ILO member countries, the report identifies Austria, Belgium, Denmark, Finland, Germany, Ireland, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland as providers of the “most generous unemployment protection system.

According to the report millions of people in the informal sector ‘earn very low incomes and have an extremely lowered capacity to contribute to social protection schemes. The report highlights the situation of rural and urban informal workers in developing countries – including 750 to 900 million underemployed workers – for whom hardly any unemployment protection exists. The ILO also makes various proposals to extend social protection which now covers less than half of the world population. The three main options towards meeting the global include: (i) extension of existing programmes; (ii) creation of new programmes which target informal sector workers and (iii) the development of tax financed social benefit systems.

Another ILO global report entitled “Your Voice at Work” released in May 2000 highlighted the crucial role of freedom of association and the effective right to collective bargaining in achieving decent work for all in today’s world. According to it the increasing globalization has led to significant representation gap in the world of work which is not acceptable because ‘achieving the ILO’s goal of decent work for all women and men in condition of freedom, equity, security and human dignity is possible only if they have a say in what this means for them’.
The Commission on Nutrition Challenge of the 21st Century, a panel of international experts set up by the UNO, released a report on March 20, 2000, warning that one billion children will be permanently handicapped over the next 20 years if the world does not adopt a new approach to tackle malnutrition. The report entitled 'Ending Malnutrition by 2020' said, in a world of plenty, malnutrition was "immoral". Malnutrition is most acute in North Africa, Sub-Saharan Africa, and South Asia. Over half the children in Bangladesh and South India are growing inadequately because of malnutrition.

UNICEF's annual global publication - Progress of Nations (PoNs) - 2000, was released in July 2000 and highlighted that India held the 'highest number of polio cases, HIV/AIDS cases, malnourished children and child labours in the world'.

The human development report (HDR) 2000 released by the UNDP in mid 2000 focused on the theme 'human right and human development for freedom and solidarity'. The report says there are new threats to human freedoms in the 21st century - conflicts within national boarders, economic and political transitions, global inequalities and marginalisation of poor countries and poor people etc. and calls for bold new approaches to tackle the threats. Similarly, the World Bank released the World Development Indicators 2000 (WDI), an annual statistical portrait of people and the state of their world on April 2000, and according to the report, a sixth of the world's population primarily the people of North America, Europe and Japan - received nearly 80 percent of the world income an average of $70 per day in 1998. At the same time 57 percent of the world's population in 63 poorest countries received only 6 percent of the world income, an average of less than $2 per day. The Bank defines extreme poverty as an income not exceeding $1 a day. It estimates that 1.2 billion People, about 20 percent of the total world population, fit into that group.

As stated already, the world economic order did not give much importance to human face till recently. And the recent trend of global competition on economic also put question mark on social development. However, it has become concern of international leaders. The United Nation's Department for Policy Coordination and Social Development, mandated by the UN General
Assembly, organized first ever World Summit for Social Development on March 1995 at Copenhagen (Denmark). The Summit aimed at making social development a major priority for the international community by means of global cooperation to eradicate poverty, generate employment and promote social integration. Negotiations among the participating countries resulted in a two a part agreement which was adapted by consensus by over 180 countries. The two parts of the agreement were the Copenhagen Declaration and the Programme for Action.

The non-binding Copenhagen Declaration contained a list of 10 specific commitments that the governments agreed to. The highlights of the declaration are as follows: (i) Rich nation of the world are urged to spend 0.7 percent of their GNP on foreign aid. Incidentally, only four countries, Norway, Sweden, Denmark and Holland fulfill this target at the time; (ii) A "20-20 compact" was approved under which the donor nations agreed to channelise 20 percent of their foreign aid towards basic social programs and recipient nations agreed to earmark 20 percent of their nationals budgets for such programs. The "compact" aim at mobilising the additional spending 30-40 billion dollars needed to achieve the basic needs of every human being. The 'compact' was to be a bilateral option and not an international requirement. The '20-20' idea was evolved by Mahbul Ul Haq, the brain behind the HDR; (iii) Rich nations were asked to cancel the debts of poor countries; (iv) Improvement in health care, sanitation, food production and literacy especially among women were urged so as to lower the rate of birth.

The word summit also adopted a five chapter- programs of action, for achieving social development objectives. The recommendation included measures to eradicate poverty, social integration and reduce unemployment. However, the recommendation did not envisage any clear plan. The solution to the problems needed greater initiative on the part of developed nation which was lacking. Thus, the summit was not much successful.

Large number people are illiterate and uneducated in the world. The worst picture is seen in Asia (especially South Asia) and Africa. The more severe is the problem of marginalised sections such as women, tribe and other of lower stratum. Hence, international leaders also gave attention on this issue. The
world conference on education for all, held in 1990 in Jomtien, Thailand, marked a joint commitment by 155 nations and the UNO to universalise basic education and eradicate illiteracy. The Jomtien Framework for Action articulated an expanded vision of basic education to include the following six-dimensions: (i) expansion of early childhood care and developmental activities, especially for poor, disadvantaged and disabled children; (ii) Universal access to and completion of primary education by the year 2000; (iii) Improvement of learning achievements; (iv) Reduction of the adult illiteracy rate by one of its 1990 level by the year 2000, with sufficient emphasis on female literacy; (v) expansion of basic education and training in other essential skills required by youth and adults; and (vi) increased acquisition by individuals and families of the knowledge, skill and values required for better living and sound and sustainable developments, made available through all education channels including the mass media, other forms of modern and traditional communications and social action.

The largest education conference of the past decade- the World Education Forum- was held at Dakar in Senegal from April 26 to 28, 2000. The conference reviewed the extent to which the national commitments made at the 1990 world conference education for all, held in Jomtien, Thailand, in report of all provision of education for all (EPA), by the year 2000, have been fulfilled, and discussed strategies for the future.

The Dakar Framework of Action was adopted by all the 182 of the world’s 193 countries that attended the forum. It recognizes the right to education as fundamental human right. It reaffirms the commitment to the expanded vision of education as articulated at Jomtien Conference. It calls for renewed action to ensure that every child, youth and adult should receive education by 2015. Apart from general commitment, in the face of the wider change in the last decade—the political, economic and social shifts in Eastern and Central Europe, the rapid development of information technology and the internet, the growth of poverty and increasing debt, the growth of inequalities with the swift advance of economic and cultural globalization—some thrust areas have been identified.

The Dakar Framework focuses attention on the excluded and marginal groups, countries and regions. South Asia, Sub-Saharan Africa and countries in
conflict have been mentioned as priority areas. UNO Secretary-General Kofi Annan formally launched a ten year Girl's Initiative - on educational intervention for girls – to be coordinated by UNICEF. In his opening speech he listed the excluded groups, the poor, minority, and ethnic groups, the disabled, refugees, street and working children, to name a few and called for careful targeting to ensure access to these groups.

The Director-General of UNESCO, Koichuro Matswira, made a resounding appeal in favour of education that is authentic, accessible to all without exclusion or discrimination, modern and universally affordable. He identified some major failures and pointed out that "in at least six respects, we have stayed from the original objectives: (i) formal schooling has been the main preoccupation- this entailed neglect of non-formal avenues of learning; (ii) Many countries have been slow in redifining their educational needs; (iii) Inqualities within educational systems have been increasing and this resulted in the marginalisation of the poor, minority groups and people with spacial learning needs; (iv) Early childhood education has not made much progress and tilts in favour of the better off, urbun population ; (v) The digital divide has marginalised the poorest social sectors even further; (vi) Basic education is chronically underfinanced by the government and the doner community.

The commintment to free and compulsory primary education of good quality emerged as the second major thrust area in Dakar. A major gain of Dakar was the commintment that no country with a noble plan for education would be allowed to fail for want of resources. Education in the past decade was under-financed by most countries and the donor community. One of the reasons why education did not get the neccessary status in the last decade was the lack of structures and mechanism to achieve the EFA goals post-Jomtien. At Dakar, the focus of EFA stuctures shifted from the international to the national level. National EFA plan are to be prepared by countries latest by 2002. Addressing all six EFA goals, these would be developed by national government in consultation with broad-based alliance of civil society groups. In fact, a major gain of Dakar was the emergence of groups-trade union and NGOs at national and international levels under the banner of the Global Campaign for Education. However, what is important is the implementation of action programes in latter
and spirit. In other words, past trend put question mark about it's probability of education for all by 2015.

In sum, it is good that the global leaders started action in various problems such as poverty, unemployment and illiteracy but how far there social sectors would withstand the acute competition posed by the globalisation of economy is remained to be seen.

Foreign AID and TNCs'

Aid flowing from the developed nation to third world amounts to very little. Moreover, the aid to the third world is not gratuitous, generosity, but with political or commercial motivations. According to various scholars it even happens that potential donors enter into secret competition to be the first to show their generosity to those newly admitted national sovereignty. Besides, nations without strategic importance get less than others (Jalee 1968:61-62). The United Nation's World Economic Survey 1962, recognizes that "the allocation of public money for aid is determined by political factors (UN 1962)

In Le Monde (Oct 25-26, 1964) Philippe Decraene reports that in African capitals no secret is made of the fact that economic and financial aid is granted by Europe and North America partly to preserve certain areas as privileged sources of raw materials and he concludes that this politicization of aid, and the concern felt to preserve certain economic privileges, go far to explain the incoherent and dispersed pattern of aid. In fact, the search for both prestige and profits prevents the drawing up a healthy plan for aid to the under-developed countries (Jalee 1968:62).

But because most of developing nations raised for multilateral public aid to replace the bilateral form, the multilateral aid is also taken place though it is relatively small: constituting about 1% of gifts and 20% of public loans from the imperialist countries as a whole (Jalee 1968:65). It is almost all dispensed from three sources: International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA) and the International Finance Corporation (IFC). Contribution on small scale come from the Inter-American Development Bank, the European Development Fund, the Common Market Countries, and from the African Development
Bank(ibid:65). Further, it is observed that the developed nations take back the financial flow from the under developed nations through various means, the important means being, interest of loans, profit of private investments etc. In other words the exploitation continues, and therefore the aid is just eye wash. It is something like giving from one hand and taking back from another hand which amounts to be bigger than what was given(Jalee 1969).

Apart from the above problems, the lack of coordination with developed nations, and lack of administrative means and other social maladies like corruption, social stigma etc. are responsible for inefficiencies in the recipient countries. This partly explains that why aid has performed less well in sub-Saharan Africa than in Asia and Latin America, since Central administrative agencies are simply lacking in the former (Jepma 1988:1-24).

Another thing to worry the third world nation is MNCs or TNCs and of course, FDI (foreign direct investment). TNCs are regarded as both saviors as well as destroyers of the third world. They were regarded saviors as they 1) bring Capital to under developed third world, 2) bring advanced technologies, 3) provide employment to third world people and 4) help social change and rationalize people. However it is also observed that: (i) though they bring initial capital, they add to it through the profit they make in the host country. Finally the profits are transferred to the parent country; (ii) usually they do not bring advanced technologies to host countries, but outdated one which of course is sufficient enough to suppress the domestic industries and capture the market of host nations. Moreover, if at all the advanced technologies are brought into host countries to face competition by other TNCs, their intention is very clear: not to modernize the host nations, but capture their market and earn more and more profits; (iii) though they provide employment, their indirect creation of unemployment to the host countries is much more than generation of employment through their MNCs. Because of strong competition of MNCs backed by advanced technologies, several domestic industries succumbed to death there by producing millions of unemployment, and therefore this new unemployment problem created by TNCs in host developing nations is one of tense, chaotic and serious maladies which really obstructs the countries' progress. Secondly, the well off sections of the host countries mostly get benefit out of it. Because the
required professional qualification for employment in TNCs or the required capital to join into partnership, or dealership etc. are generally provided by the so-called rich sections of under-developed nations. Similarly, the TNC’s general course to survival is a search for various forms of alliances with the local bourgeoisie, preserving their leading role in this partnership. For this purpose local entrepreneurs, depended on TNCs or loyal to them, are given subcontracts, part of subsidiary operations, functions of sales and service agents, shares, credit, etc. The same aim is achieved by the organization of “company trade unions” at TNC enterprises and every encouragement to “loyalty to companies” on the part of local citizens (Ivanov 1984: 64-76). “my first loyalty is to “Anglo”. ... I feel as though I belong to the company more than any country...” wrote one of the local employees of the Anglo-American Corporation in Zambia (Sklar 1975: 203). Naturally, this creates a sort of TNCs, “fifth column” in recipient countries and their support inside sovereign states. These circles “co-opt the elite of developing countries who become closely tied to multinational corporation” (Solomon 1978: 94). TNCs actively recruit new allies and brainwash the public with the help of mass media.

The fact of today is that the MNCs is spreading in each and every part of the world. According to some scholars, multinational big business has established a new global meso-economic power between the micro capital of national economics and the global macro economy which is now spans like a colossus (Greek: Micros – small; Macros – large; Meso – intermediate). This has now flourished on such a scale that a few dozen companies dominate the world’s output, employment, pricing and trade. By the early 1980s, 200 such MNCs accounted for a third of global GDP, or one and half times the production of the world’s less developed economies including Latin America, Africa, India and China. Such MNC capital has profoundly changed the global framework of policies pursued by governments and international agencies (Holland 1987: 2).

World’s top four TNCs are stated in Table 15

134
Table 15
World Top four TNCs ranked by foreign assets, 1998 (Assets and sales in Billions of US dollars)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Corporation</th>
<th>Country</th>
<th>Industry</th>
<th>Foreign asset</th>
<th>Foreign sales</th>
<th>Foreign Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>General Electric</td>
<td>USA</td>
<td>Electronics</td>
<td>128.6</td>
<td>28.7</td>
<td>130.00</td>
</tr>
<tr>
<td>2.</td>
<td>General Motors</td>
<td>USA</td>
<td>Motors</td>
<td>73.1</td>
<td>49.9</td>
<td>N/A</td>
</tr>
<tr>
<td>3.</td>
<td>Shell, Royal Dutch</td>
<td>Netherlands/UK</td>
<td>Petroleum</td>
<td>67.00</td>
<td>50.0</td>
<td>61,000</td>
</tr>
<tr>
<td>4.</td>
<td>Ford Motors Co.</td>
<td>USA</td>
<td>Motor</td>
<td>N/A</td>
<td>43.8</td>
<td>1,71,27</td>
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According to the report (UNCTAD'S World Investment Report 2000) in the wake of globalization and its widespread implications, FDI has come to acquire a new dimension more important than general trade itself and its volume may exceed 1 trillion in the year 2000. This record volume of FDI flow has been largely driven by increasing cross-border mergers and acquisitions (M&As defined as the acquisition of more than 10 percent equity share) by TNCs including the purchase by foreign investors of privatized state-owned enterprises. FDI in the form of M&As has often been termed as 'brown-field investment' as opposed to FDI in the form of investment for a new enterprise or expansion of an existing one which has been termed as 'green-field investment.'

According to the report, FDI flows into developed countries rose to $636 billion in 1999 from $481 billion in 1998, while FDI to developing countries climbed to $208 billion in 1999 from $179 billion in 1998. The report said FDI was the largest source of external finance for many developing countries which were found to be stable in the face of financial crises than portfolio investment and bank lending. In South Asia, FDI inflows declined by 13 percent to $3.2 billion which is $1.7 billion lower than the peak level of $4.9 billion in 1997.
Inflows to India, which is the single larger recipient in the region were $2.2 billion in 1999 ($2.6 billion in 1998). Bangladesh received $0.15 billion, and Pakistan $0.5 billion in 1999.

China, the principal recipient in developing countries throughout the 1990s, retained its lead but saw a drop to just over $40 billion in 1999 compared to its $44 billion in 1998. The report contends that the world's top 100 non-financial TNCs in terms of foreign assets, controlling over $2 trillion worth of such assets and employing more than 6 million people in their foreign affiliates are the main drives of global production and they are increasingly using M & A's to boost their overall level of FDI. Across the world, M & A's have risen at an annual rate of 42 percent over the past 20 years and their completed value in 1999 stands at about $2.3 trillion, representing about 2400 deals. The value of cross-border M & A's rose from $100 billion in 1987 to $720 billion in 1999, involving about 6,000 transactions.

The report examines the driving forces behind the expression of M & A's as well as its effect on corporate performance and development in the host nations. The motivating forces include search for new markets and greater market power, access to proprietary assets, efficiency gains via synergies, larger size, diversification, technological changes (rising costs and risks in R & D, new info. technology) changes in policy and regulatory environment and capital markets, and other financial factors. Financial factors include increased use of such issuance of common stocks, the exchange of stocks and corporate debt. Venture capital funds have also been a significant source of finance, enabling many new firms or small and medium-sized enterprises to engage in M & A activity.

The report says that the impact of M & A on development could be double-edged and uneven. According to UNCTAD, FDI entry through the takeover of domestic firms (or brown-field investment) is less beneficial, if not harmful, for economic development than entry by setting up new facilities (green-field investment). This is because foreign acquisitions do not add to productive capacity but simply transfer ownership and control from domestic to foreign hands. This transfer is also accompanied more often by layoffs of
employees or the closing of some production or functional activities (For instance, R & D activities). It also entails the new owner in foreign exchange.

Further, if the acquirers are global oligopolists, they could dominate the local market and deliberately reduce competition in domestic market. They could lead to strategic firms or even entire industries (including key ones such as banking) falling under foreign control, threatening local entrepreneurial and technological capacity building.

From the perspective of foreign investors, cross-border M & A's provide two main gains compared with green-field investment as a mode of FDI entry: speed and access to proprietary assets. They often represent the fastest means of building up a strong position in new market, gaining market power—and market dominance—increasing the size of the firm or spreading risks.

The specific consequences of cross-boarder M & A's could be dealt by policy measures such as a sectoral reservations; ownership regulations, size criteria, screening and incentives. Efforts may be made to ensure that an anti-competitive practices of firms are averted by putting in place an effective competition policy.

The financial turmoil in Asia that erupted in 1997 (popularly known as East-Asian crises) and affected all other nations should also be kept in mind while globalising economy. "The largest downward revisions have been for three economies most affected by the crises – Indonesia, Korea and Thailand – where the drying up of foreign private foreign financing, together with the large currency depreciations and declines in asset prices that have occurred, is causing sharp contractions of domestic demands, which will be only partially counter-balanced by increased net exports. Similar forces, but on a smaller scale, have also lowered near-term growth prospects for Malaysia, the Philippines, and a number of other countries in East Asia. All these countries will experience sharp slowdowns of domestic demands and imports in 1998, with real GDP likely to decline in the countries worst hit." (World Economic and Financial survey 1998: 1). It has been pointed out by IMF about East Asian rises.

It further says "The advanced economies all be negatively affected by developments in Asia. The impact on individual economies and the implication
for policy will vary, however, depending on three sets of factors. The first is the importance of trade and financial links with the crises economies; these links are generally closest in the Asia-Pacific region. A second factor is the economy’s standing position. The contradictory effect of adjustment in the crises economies will be most damaging in economies where activity and confidence were already weak—notably Japan—but will contribute to the containment of inflationary pressures in countries operating close to full resource utilization, including the United States and United Kingdom. And third, the impact on any country will depend on how it is affected by the developments in foreign exchange and financial markets that have accompanied the crises—development stemming partly from market's anticipation of the economic effects of the crises but also related to the ways in which financial flows have been redirected. There development include the general decline in bond yields, and strength of the US dollars and pound sterling (ibid: 8). According to the survey “Developing countries in all regions are being adversely affected to varying degrees by the Asian crises. Although it seems unlikely that international investors will substantially reduce their exposure to emerging market countries that are not at or near the center of the crises, generally high risk pruning losses of competitiveness, lower commodity prices and stepped-up efforts to address domestic countries to imbalances are likely to cause most developing countries to experience at least moderate slowdowns in growth in 1998” (ibid: 15). In other words, the crises created through globalization often becomes unbearable for LDCs.

It does not mean that inter-dependence of various nations on economic front be sealed. But what is important is that the process of globalization should be non-discriminatory and be based on natural justice—that is to help the LDCs to overcome backwardness through some kind of positive adjustments. In this regard viewpoint of Onitiri can be stated (Onitiri 1987: 128-129):

“The central objective of an enlightened international economic policy should aim not to arrest the trends toward greater interdependence but to promote needed structural change and ease the pains of domestic adjustments, so that the benefit of international inter-dependence can be shared fairly by the world’s populations. What seems to be called for is a frameworks of
international agreements and global management which, while promoting the extension of beneficial inter-dependence in the world economy, will at the same time diminish avoidable shocks and improve the capacity of individual countries to adjust to changes in external situations. Greater certainty about trends in external markets, and greater room for individual countries to maneuver in response to external features, will certainly contribute to greater Feeling of national sincerity and independence, within a growing network of world interrelationships. Bring this about would require radically new approach to policy in three critical areas, namely: (i) policy for economic stabilization in the developed countries whose continued growth and stability is essential for the growth of world trade and the economic development of the developing countries; (ii) design of an international trade policy that will promote maximum efficiency in the utilization of the worlds resources, while at the same time contributing to fairer distribution of income between richer and poorer nations; (iii) Promotion of international arrangements for economic development in the developing countries.

Other humanistic scholars like Amartya Sen give more emphasis on human aspects of economic development. Amartya Sen argued that the process of economic development was best seen as an expansion of peoples 'capabilities'. This approach forces on what people can do or can be, and development is seen as a process of emancipation from the enforced severity to "to live less or be less'. The capabilities approach relates to, but fundamentally differs from, characterizing development as either (a) expansion of goods and services, or (b) increase in utilities, or (c) meeting basic needs. (Sen 1987: 153-54)

Another foundational issue concerns understanding the process of economic expansion and structural change through which capabilities can be expended. This involves focussing on the 'entitlement's of people, representing the command of households over commodity bundles. According to Sen, the conversion of entitlements into capabilities raises many difficult economic and social problems (Sen 1987: 154)

**G:URUGUAY ROUND AGREEMENT AND WTO**

The following were the agreements finalized at the Uruguay Round.
I. **Agreement on Manufactured Goods:** With regard to manufactured goods other than textiles the developed nations agreed to reduce their tariffs by 40 percent to an average of 3-8 percent from the pre-UR level of 6-3 percent.

II. **Agreement on Agriculture:** It was for the first time that agriculture was brought under the GATT purview and major areas were covered by the treaty.

   According to the treaty, countries with closed farms are to import at least three percent of domestic consumption of a product, raising the percentage to 5 over six years. Trade distorting support for farmers is to be cut by 20 percent in a period of six years for developed countries, and by 13.3 percent for the developing countries. All non-tariff barriers like quotas are to be converted into tariffs that would be reduced by 36 percent for industrialized countries, and by 24 percent for developing countries. The cuts will be implemented over six years for developed countries and 10 years for developing nations. The value of the direct export subsidies will be cut by 36 percent over six years, and volume by 21 percent. The base period is 1986-90 or 1991-92 if exports were higher in that period. The poorest nations, however, will be exempted from farm reforms.

III. **Agreement on Trade in textiles and clothing (Multi Fibre Arrangement):** The treaty allows for abolishing the Multi-Fibre Arrangement (MFA) in international textile trade which allows quota restrictions by importing countries largely, the developed nations – on export countries. Beginning in 1995, the MFA is to be erased within a decade so that textile and clothing is integrated into GATT. All parties to GATT must abide by its textile and clothing agreement to ensure market access, enforcement of policies favouring a fair international climate for trading activities and non-discrimination against imports. Special treatment is envisaged for member nations
that are not part of the MFA agreement and for new members and least-developed economies.

**IV. Agreement on Trade-related Investment Measures (TRIMS)**: The TRIMS agreement aims to remove any TRIMS that is inconsistent with Article III of GATT that provides for national treatment of foreign investment, and article XI that prohibits quantitative restrictions.

According to it, investment measures inconsistent with GATT provisions are imposing the foreign investors (i) to use local inputs, (ii) to produce for exports as a condition to obtain imported goods as inputs (iii) to balance foreign exchange outgo on importing inputs with foreign exchange earnings through export, and (iv) not to export more than a specified proportion of the local production.

According to Article 5 (2) of the TRIMS Agreement, the deadline for the elimination of TRIMS inconsistent with GATT terms is not the same for all countries: the industrialized countries have to eliminate them by July 1st 1997, the developing nations by 2000 A.D, and the least Developed countries (LDCs) by 2002 A.D

**V. Agreement on Trade-Related Intellectual Property Rights (TRIPS)**: The agreement on TRIPs aims at introducing fair trade by taking the different standards prevalent worldwide for protection and implementation of Intellectual Property Rights (IPRs) in the areas of *copyright, trade marks, trade secrets, industrial designs, integrated circuits, geographical indications* and *patents.* IPRs with respect to *copyright* calls for compliance with the Berne convention provisions for protecting literary/artistic productions. Computer programmes included under literary works are to be protected. The term of protection for copyrights and rights of performers and producers phonograms is to be no less than 50 years. In case of broadcasting organizations, however, the
term of protection is to be at least 20 years. Under the provisions on rental rights, which have been introduced, authors of computer programs and producer of sound recordings will be able to allow or stop commercial renting of their works with regard to the public.

The TRIPS agreement mentions the kind of rights that would be recognized as trade-mark or service mark capable of protection. It also details the rights of trade mark and service mark owners, the use and licensing of these marks and their protection. Regarding intellectual property rights for trade secrets, those having commercial significance must be given protection by parties to GATT against a breach of confidence and unfair commercial use. Test data for pharmaceutical and agricultural chemicals must also be given protection from unfair commercial exploitation.

**Industrial designs** will be entitled to a protection for 10 years. Independently created designs that are new or original shall be protected. There is an option to exclude from protection, those designs dictated by technical or functional considerations, as against aesthetic consideration which constitute the coverage of industrial designs. Protection to layout designs of integrated circuits, based on the Washington Treaty on Intellectual Property in report of integrated circuits administered by WIPO, is to be provided for at least 10 years. The rights concerned would be applicable for articles covering infringing layout designs. Under the geographical indications obligations, all parties are required to provide the legal means for interested parties to prevent the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin of the good.

The basic obligation in the area of patents is that inventions in all fields of technology, whether products or
processes, shall be patentable if they meet the three tests of being novel, involving an inventive step, and being capable of industrial application. The patent term provided for in the TRIPS agreement is 20 years. In respect of plant varieties, there is an obligation to provide for protection by patents or by an effective sui generis or by any combination thereof. The agreement does not spell out the elements of a sui generis system and it is left to each government to determine the elements which could be deemed to provide effective protection.

A country opting for patent protection for plant varieties will give monopoly on the varieties themselves to the owners of the patents. The farmers can not retain seeds and research organizations will use patented seed varieties after paying loyalty. But in sui generis form of protection, the patent holder does not have monopoly over the plant variety itself. So any protection variety can be used by a plant breeder or researcher for further breeding or to produce a different seed variety (breeder’s exemption). There is also the farmers exemption which allows farmers some rights. The rights provided for farmers allow them to (i) use all seeds and not only those patented by seed companies, and some parts of them for further use, (ii) exchange seeds amongst themselves as they desire. The researchers can freely use a patented seed to produce a different seed variety.

TRIPS provides for compulsory patenting of biotechnological inventions. Patents must also be made available for micro-biological processes. Thus, GATT treaty provides for patenting of drugs and chemicals. Micro-organisms for which patents are to be issued include minute lifeforms such as bacteria, virus, algae, fungi, as also genes which are used in different areas such as medicine, industry and environment. Under the GATT proposals, a mere discovery of naturally occurring gene sequence can not be patented.
The parties to GATT are required to comply with the provisions of 1967 Paris Convention. The issue of patents would be non-discriminatory.

However, in addition to the general security exemption which applies to the entire TRIPS agreement, exclusion from patent ability is permissible for inventions whose commercial exploitation is necessary to protect public order or morality, human, animal, plant life or health; or to avoid serious prejudice to the environment. Diagnostic, therapeutic and surgical methods for the treatment of humans or animals and plants and animals other than micro-organisms may also be excluded from patentability. The owner of the patent will have all rights to produce, use and sell the patented product. The patent-owner of a process will have full rights to use it and also use, sell, or import a product obtained directly by that process. However, a patented product or process can be used without the patent-owner's authorization under some conditions. In case of process patents, an identical product would be considered as having been obtained from the patented process if (i) the identical product is new (ii) there is much to indicate that it has been obtained as a result of the patented process, and (iii) the patentee fails to determine the actual process.

The TRIPS agreement endorses the creation of a Council for TRIPS to ensure that member countries comply with the provisions of the agreement, and its smooth operation. For its implementation, a transition period of one year has been granted to developed nations, of five years for developing nations and others in the pangs of an economic transition formation, and 11 years for LDCs. Countries that do not provide product patent in certain areas can delay the provisions of product patents for another five years. However, they have to provide exclusive marketing rights for products which obtain patents after Jan 1, 1995. The obligations of the TRIPS agreement will be valid for not
only the existing but new IPRs as well. All disputes would be settled under the integrated GATT dispute settlement procedures.

**VI. Agreement on Trade in Services:** The General Agreement on Trade in Services (GATs) brought, for the first time, trade in services like banking, insurance, travel, maritime transportation, mobility of labour, etc; within the ambit of negotiation. For the purpose of regulating trade in services, the trade has been defined to include four modes of supply: supply through cross-border movement; movement of consumers, commercial presence; and presence of natural persons. The agreement contains three elements: a framework of general rules and disciplines; annexes addressing special conditions relating to individual sectors; and national schedules of market areas commitment. It is adapted on the basic GATT principles such as MFN (Most Favored Nation) status to other member nations, non-discrimination, maintenance of transparency and a commitment for liberalization in general terms.

**VII. Agreement on anti-dumping:** The anti-dumping agreement allows anti-dumping measures which an item which is exported at a price much less than its normal value, as such imports would adversely affect the domestic industry concerned in the importing country. The agreement provides criteria to determine that a product is dumped and is responsible for affecting the domestic industry along with the rules involved in any anti-dumping investigation activity. The agreement specifies the valid time period of any anti-dumping action that is taken.

In addition to the above, the Uruguay Round also reached agreements on pre-shipment inspection, rules of origin, import licensing, safeguards, etc.

**World Trade Organisation (WTO):**
The WTO, the legal and institutional foundation of multilateral trading system, was established on 1st Jan. 1995 by Marrakesh Agreement signed at Marrakesh, Morocco, on 15th April, 1995. It is the organization that succeeded the GATT.

Negotiated in 1947, GATT came into force as an interim arrangement on 1st Jan. 1998. Originally, it had only 23 signatories – members of the preparatory committee set up to detail guidelines for the then intended International Trade Organisation which, however, never came into being. GATT remained the only world body laying down trade rules. Eight rounds of negotiations were conducted under GATT to liberalise world trade and evolve a common code of conduct in world trade and trade relations between nations; between 1947 and 1993, tariffs were reduced from an industrial country average of 40 percent to less than 5 percent. In Dec. 1993, there were 111 contracting parties and 22 other countries applying GATT rules on a de facto basis. The eighth round, the last called the Uruguay Round, was concluded on 15th Dec-1993 by 117 countries accounting for about 90 percent of international trade. The largest ever agreement in history, known as the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, was signed on 15th Apr-1994 in Marrakesh, by trade ministers of 123 countries. The agreement, in the main, called for the creation of the WTO, with annexes stating terms of the understanding reached in agriculture, intellectual property rights, goods, services, market access and technical issues such as subsides, dispute settlement and import licensing procedures; Subsequently, the WTO came into being on Jan 1st,1995. GATT was formally dissolved only at the end of 1995. The Marrakesh Agreement gave until Dec.1996 for the contracting parties to GATT to join the new organization as original members.

The WTO came into existence 'to administer some 30 agreements (covering a wide variety of matters – ranging from agriculture to textiles, and from services to government procurement to intellectual property ) contained in the Final Act of the Uruguay Round of GATT; to provide conciliation mechanisms to resolve trade inflicts between members, and, of necessary adjudicate disputes, and to provide a forum for ongoing negotiations in pursuits of further lowering and/or
elimination of tariffs and other trade barriers'. The headquarters is at Geneva, Switzerland. There are 132 member countries.

The WTO succeeded GATT with stronger powers and procedures. It encompassed GATT, as modified by the Uruguay Round, all agreements and arrangements concluded under GATT auspices and the complete results of the Uruguay Round. While GATT was only a treaty, the WTO is a definitive world organization. The WTO was to take on from where GATT left off, that is, to complete the undertakings of the Uruguay Round. All provisions of the Uruguay Pact are to become part of global law by Dec. 1, 2004.

All members of the Organisation subscribe to all multilateral agreements (the single undertaking). However, four agreements, negotiated at the Tokyo Round and known as ‘plurilateral agreement’ are binding only on those countries which accept them. These agreements deal with trade in civil aircraft, government procurement, dairy products and bovine meat.

The main objective of the WTO is the liberalisation of world trade. Member countries are required to apply fair trade rules covering commodities, services and intellectual property. The Uruguay Round also commits the members to lowering of tariffs on industrial goods, abolition of import duties on a variety of items, progressive abolition of quotas on garments and textiles, reduction of trade distorting subsidies and import barriers, agreements on intellectual property and rules for civil aviation, telecommunications, financial services and the movement of labour. The WTO also encourages development and economic reform among the increasing number of developing countries and countries with economics-in-transition participating in the international trading system. The WTO operates a limited number of technical assistance programmes, related to training and information technology. The WTO has also recognized the need to protect the environment and to promote sustainable development.

The Principal organs of the WTO are the Ministerial Council, the General council, the Trade policy Review Body, the dispute settlement Body, the Appellate Body, the Council on trade in Goods, the Council on trade in Services, the Council on trade – Related Aspects of Intellectual Property Rights and a Secretariat.
The Ministerial council is the Supreme organ of the WTO, consisting of the representatives of all the member-states. It is the highest decisions-making body and meets at least once every two years to take decisions on all matters under any of the multilateral trade agreements.

The General Council is composed of delegates from all the member-states and is responsible for conducting the day-to-day work of the WTO. It supervises the operation of all agreements, oversees ministerial delegation at regular intervals and reports to the ministerial council. The General Council also convenes in two particular forms - as the Dispute Settlement Body (DSB) to oversee the trade dispute settlement procedure and as the Trade Policy Review Body (TPRB) to conduct regular reviews of the trade policies of WTO members. The DSB deals with disputes between countries. Before cases are heard by the Dispute Panel, there is a 60-days consultation period. Appeals against the verdict of the DSB are heard by a seven member Appellate Body sitting for 60 days a year. Each appeal is heard by three of the Appellate Body members. The decisions of the Appellate Body are binding and refused to comply at this stage leads to trade sanctions.

The General council delegates responsibility to three other sectoral councils: Council for trade-Related Aspects of Intellectual Property Rights, Council for Trade in goods and Councils for Trade in Services. All these councils are open to the participation of all WTO members and meet whenever required.

The Secretariat is, headed by a Director-General for a four-year term. The WTO is mandated to pursue cooperation with the IMF and world Bank and other multilateral organizations in order to achieve greater coherence in global policy-making. It cooperates with UNCTAD in research, trade and technical issues. The first Ministerial conference of the WTO was held in Singapore in Dec. 1996. to access the implementation of the UR commitments, review the ongoing negotiations and work programme, examine the developments in world trade and address the challenges of an evolving world economy. The conference was, to a large extent, polarized between the interests of industrialized world and those of the developing world. The four major and contentious issues discussed were core labour standards, a multilateral investment agreement, competition policy and government procurement. On the core labour laws issues the conference
rejected the suggestion of the developed nation to link core labour laws with trade. The final ministerial declaration called for a closer interaction between the ILO and WTO. On the investment and competition policies, the developing countries had to agree to incorporate policies into the 'built-in' agenda under article of the agreement on TRIMS. Now discussions on investment would be included within the framework of the WTO. The declaration on the issue read: 'we agree to establish a working group to examine the relationship between trade and investments, and establish a working group to study issues raised by members relating to the interaction between trade and competition policy, including anti-competitive practices, in order to identify any area that may merit further consideration in the WTO agreement' On the issue of government procurement, it was agreed to establish a working group to conduct a study on transparency in government practices, taking into account national policies, and based on this study, to develop elements for inclusion in an appropriate agreement.

The second Ministerial Conference of the WTO was held in Geneva in May 1998. The declaration at the end of the conference gave the go-ahead signal for the preparations to negotiate the 'built in' agenda covering global trade on agriculture and services as well as review and/or renegotiate some of the clauses of the Marrakesh Agreement (UR). It was agreed that the WTO should discuss the difficulties that developing countries have been facing in the implementation of the Marrakesh Agreement. This had been a counter-proposal of the developing countries to the agenda of the advanced nations to push on with liberalization. The idea was to review and possibly renegotiate certain clauses, particularly those relating to patents, foreign investment measures, technical barriers to trade and freeing trade in textiles. The trade ministers also agreed that the officials of the WTO member countries will examine the recommendations of the committees studying the links between foreign investment and trade, between competition policies (i.e., government rules on business practices) and trade and the issues in government procurement. This was a new battleground since some of the industrial countries are keen on global treaties on foreign investment, while many of the developing countries are not. Therefore, while there was no pact as such in this
declaration, the many elements on which it was decided to begin preparatory work added to a fairly ambitious and far-reaching agenda.

The third Ministerial Conference of the WTO was held at Seatle, USA from Nov.30 to Dec.3, 1999. The conference assumed importance and attracted wide publicity because of the efforts by a large number of member countries to seek an endorsement from the conference for the launch of a comprehensive round of negotiations, covering a wide range of subjects, including proposals to introduce regimes on investment, competition policy, transparency in government procurement, trade facilitation, trade and labour standards and trade and environment. There was also a move to get the conference to endorse a fresh round of industrial tariff negotiations; strengthen the 'coherence' between the working of the WTO and other international organizations; introduce involvement of NGOs in the functioning of the WTO Dispute Settlement Mechanism besides permitting the submission of amicus curiae briefs; and extend the duty standstill on electronic commerce, agreed to at the Geneva Ministerial Conference (1998).

The developing world highlighted its concerns arising out of the imbalances in several of the WTO agreements, including those related to anti-dumping, subsidies, intellectual property, trade related investment measures, and the non-realization of benefits to the extent expected from agreements such as those on textiles and agriculture. The developing world also emphasized the necessity of operationalising the special and differential treatment clauses in the WTO agreement and brought out the difficulties faced through the increase in anti-dumping and anti-subsidy investigations in the areas where the developing countries have begun to acquire trade competitiveness. The inclusion of non-trade issues like labour standards and linking trade with environment was also vehemently opposed. No consensus-based conclusions could be reached on most of the issues before the third Ministerial conference, and the work of the Ministerial conference was suspended.

Fourth Ministerial conference held in Dec-2001, at Doha, ended with a set of declarations that it indicated agreement among 144 member nations. But, the Doha also failed to answer a number of questions it generated.
The issues which literally failed to find transparent solutions were: first, opaqueness of the declaration and its persistent bias in favour of diplomatically powerful ones; the degree to which the inequalities were redressed.

The developed world believes that there is a need for more areas to be brought under global trade rules. This negotiations were also discussed at Seattle, but could not take place because of lack of agreement over the issues, especially due to blatant opposition it faced from developing world.

The three declarations that have come out of Doha are: (i) the 'Doha Development Agenda' for what is in essence a new round of trade talks; (ii) the declaration on a set of implementation issues raised by the developing countries; and (iii) a political statement on the patents and public health.

The Ministerial Conference decided on around 40 implementation issues including agriculture and services, industrial tariffs, anti-dumping duties, and certain aspects of trade and environment would be considered by the relevant WTO bodies whose main task would be to launch fresh negotiations. These negotiations would also consider issues like investment, competition, government procurement and measures facilitating trade. The Core labour standards have been referred to the ILO.

With regard to patents and public health, the Ministerial made a separate declaration clarifying that countries could license their domestic producers to manufacture patented drugs in the case of endemic. Apart from this, the transitional period to introduce the new drug patent regime was extended, but only for LDCs, excluding India.

H: GLOBALISATION:

The recent economic development in the world is regarded as globalization. Various scholars have defined globalization in various ways. More systematic definition may be that of Lewis's. According to him "Globalization refers to the multiplicity of linkages and interconnections between the states and societies which make up the present world system. It describes the process by which events, decisions and activities of one part of the world come to have significant consequences for individuals and communities in quite distant part of the globe. Globalization has two distinct phenomena: scope (or stretching) and intensity (or deepening). On the one hand, it defines a set of
processes which embrace most of the globe or which operate worldwide; the concept therefore, has a spatial connotation... On the other hand, it also implies on intensification of the levels of interaction, inter-connectedness (or inter-dependence) between the states and societies which constitute the world community; Accordingly, along side the stretching goes a deepening of global processes (McGrew 1992 :23).

Similarly, "Economic globalization is a process towards the widening of the extent and form of cross-boarder transactions, and of the deepening of the economic inter-dependence between the actions of global zing entities- be they private or public institutions or governments -located in one country, and those of related or independent entities located in other countries (Dunning 1997 : 13).

Dunning also distinguished between shallowest from of globalization and deepest form of globalization. The shallowest form of globalization is where an economic entity in one country engages in arm's length trade in single product with another economic entity in other country. On the other hand, the deepest form of globalization, most easily distinguished from other forms of internationalization, is where an economic entity transacts with a large number of other economic entities throughout the world; where it does so across a network of value-added chains; where these exchanges are highly coordinated to serve the world – wide interests of globalizing entity; and where they consists of a myriad of different kinds or forms of transactions.

The structure of world economy is very different today than it was even a generation ago. Dunning emphasizes, in particular three features: (i) the significance (and scope) of all kinds of cross-boarder transactions has greatly increased; (ii) the value of the foreign production of firms, that is production financed by foreign direct investment(FDI) and that arising from cross-boarder strategies alliances – both of which are deeper forms of internationalization than that of arm's -length trade, now considerably exceeds that of trade; and (iii) there are a variety of signs that the major institutional players are changing their ways of thinking and mode of operation, and are adopting a more systematic approach to their behaviors and activities (Dunning 1997:14).

The pace and pattern of globalization has been very uneven among firms, sectors, and countries. Moreover, while some markets, for example, financial
markets, are largely globalized, others for example, those for technology and most kinds of labour, still remains national or regional. Some scholars have agreed that the term regionalization better describes the current stage of development. Certainly, intra-regional production and transition of all kinds in Europe, America, Asia, have risen faster than inter-regional transactions. Certain parts of the world notably Sub-Saharan Africa, have been relatively unaffected. But like ripples in a pond, regionalization may spread outwards. Indeed with growth rates in advanced countries slipping, inter-national transaction involving developing countries have risen faster in recent years than those internal to the Triad countries (ibid: 14-15).

**Causes of globalization:**

According to Dunning the first cause of globalization is the pressure on business enterprises by both consumers and competitors. These process required continually to innovate new products and to upgrade the quality of existing goods and services, thereby escalating lists of research and development. Here, it compelled corporate to search for wider markets.

Second cause of globalization which in many way is better described as a removal of an obstacle. In the last five years (till 1997), while more than 30 countries have abandoned central planning as the main mode of allocating scarce resources, over 80 countries have liberalized their inward FDI policies. The privatization of state owned enterprises, the liberalization and de-regulation of markets-especially for services, - and the removal of a bevy of structural distortions, have all worked to stimulate cross-boarder corporate integration, both within TNCs and between independent firms or group of firms (Dunning 1997: 15).

Critiques of globalization, however, are of the view that the cause of globalization is exploitation- that is to export economically, interfere politically, and superimpose culturally to the lesser developed or under developed nations by the developed nations and maintain their top position through new method called globalization which is nothing but neo-colonialism.

**Consequences of globalization:**

According to optimistic view of globalization the structural transformation of the world now occurring does hold out great promise for the
future. The political changes and technological advances of the 1980s have provided a stronger basis for economic growth than at any other times since the mid 1940s. The world has necessary resources, knowledge and experience. It has the technical means by which there assets can be transmitted between countries. It has the economic systems, polices, institutions and structures capable of transplanting human and physical resources into goods and services which people want.

Already there are signs of fruits of alliance capitalism (Dunning 1997:31) is East Asia, where much of the expansion of cross-boarder authority has taken the form of networking by small and medium-sized firms. There is also a much greater willingness of the newly emerging TNCs from China, the Republic of Korea, Mexico and Thailand to collaborate with local firms, than was earlier demonstrated by their United States and European counterpart. One of the great promises for development which ranks at least as highly as regional integration and intra-southern hemisphere trade and investment is the emergence of a new brand of capitalism, which blends the richness of the Confucian ethos of cooperation with that of the staunch individualistic culture of the West( ibid:32).

Unfortunately however, there are down sides to globalization. There is in Naisbitt's words, “a global paradox” (Naisbitt 1994). The most immediate and visible consequences of the down-side, is the increase in structural unemployment brought about by competitive pressures, the implementation of new technologies and the introduction of more market oriented systems of governance. Across the globe, for developed and developing countries alike, change is bringing economic hardship.

This indeed, is one of the most daunting challenges of 1990s. For there can surely be little doubt that long term unemployment is one of the most socially divisive and destabilizing forces of modern times. While an innovation led-as opposed to a Fordist-production system offers more purposeful, responsible and rewarding job opportunities for those in work, it does not help reduce unemployment at least not in the short run. This is because the new system requires a different mix of labor skills than the one it is replacing; and to match those needs, not only do labor markets need to be more flexible, but quite
huge adjustment assistance and retaining programmers are needed (Dunning 1997:32-33). More generally, if global economic interdependence offers the prospects of higher productivity and living standards, it also more closely links national economies to exogenous financial and other disturbances. The world economy of the 1990s is intrinsically more fragile and vulnerable than that of 30, 40, or 50 years ago. Economic shocks originating in any one of the five or six leading economies are now electronically and instantaneously transmitted across the globe, with possibly devastating effects on nations which may have had nothing to do with the causes of the shocks.

Another point to be noted is that while the forces of globalization are leading to a convergence of the spending habits of the world consumers they are also exposing substantial differences in the way people think and behave. Indeed, not all countries welcome the efforts of globalization as they fear it may erode their traditional life styles. As has been observed, this leads to a global dilemma. On the one hand, the universality of such goods as the motor car, the T.V. set, hamburgers and jeans, and such services as tourism, sport and pop music is leading to cultural convergence, on the other hand, most people want to remain loyal to their distinctive customs and institutions.

There seems little doubt that the end of cold war, and the growing pressures towards economic “at-one-ness” are refocusing the attention of people toward cultural, ideological, and religious issues, over which most of the wars in history have been fought. We also sense that the battle-line are being drawn not primarily between the haves and have-nots, but between groups of nation with different ways of looking at the world (Huntington 1993). However, there is more in common among the ideologies and religions of these civilization at least what they preach about attitudes and conduct, then there are differences, and that a focus on these similarities, rather than on the differences, offers the best hope for global peace (Dunning 1997:34).

Regionalization:
Along with globalization, many regional blocks are being coming up in various parts of the world such as EU, NAFTA, OPEC, ASEAN, etc. The spread of regional arrangements well present both opportunities and threats to a liberal trade and investment order. If they entrench market-oriented institutions within their member, these arrangements would become building blocks for a more integrated global economy. On the other hand, extra-regional trade and investment flows will be sensitive not only to any new trade barriers these arrangements may erect, also to their rules of origin and right of establishment. If formulated in a protectionist manner, these measures would divert trade and investment and damage outsiders (Lawrence 1997).

Developing countries which join major regional arrangements will become more attractive features for foreign investors, but their participation will typically require:

i. Providing reciprocal access for developed country goods, services and investment;

ii. Moving more closely towards developed country regulatory standards; and

iii. Reducing structurally distorting industrial and related policies (Lawrence 1997: 527).

However, developing countries excluded from such arrangements could face investment and trade diversion, particularly if regions move in a protectionist direction (Katseli 1992). According to Thomson, "regional integration within a general liberalization of trade can play a strong role in stimulating investment into and, more important, within each region. By creating large, more open markets, regional integration may also have additional advantage of restraining any monopolistic tendencies on the part of investing firms. This competitive pressures, in turn, enhances the potential spillovers from FDI. Enhanced spillover effects should be one of the most important aims of any policy, and policy and certainly more significant than simply attracting footloose firms" (Thomson 1997: 214)