

# Development as a Global Process

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## **Globalization Process: a multidimensional perspective**

The contemporary process of internationalization dates back to the emergence of capitalism in Europe in the late Middle Ages, the new scientific and cultural thinking embodied by the Renaissance and the establishment of the great European nations and their empires. The expansion of capitalism is the only historical phenomenon to have been truly global, albeit incomplete, in scope.

The long process of globalization has been fuelled by successive technological revolutions and most of all by advances that have cut the costs of transportation, information and communications. Advances in transportation, information and communications are part of a wider range of technological innovations which have resulted in unprecedented leaps in productivity, economic expansion and increased international trade. These changes in the structure of production and trade have made major players of large corporations and business conglomerates. In fact, the development of integrated production systems and increased flows of trade and foreign direct investment go hand in hand with the growing influence of transnational corporations. The key factor has undoubtedly been the liberalization of trade, financial flows and investment in developing countries, whose pace has increased in the last two decades. Globalization has proceeded at a faster pace in the financial sphere than in trade and production.

In terms of ethical and cultural dimensions, globalization simultaneously undermines and fosters cultural diversity. Indeed, whole segments of the world population feel that their unique histories and the values that govern their communities are under threat. At the same time, however, globalization builds closer relationships among different cultural traditions and ways of life, and promotes a plurality of interpretations of the global order.

In the area of access to new technologies, as in the area of trade, the globalization of markets offers developing countries ample opportunity to integrate themselves more fully into the world economy. The sustained growth of international trade and the strengthening of multilateral rules and dispute settlement mechanisms within the framework of the World Trade Organization (WTO) are promising signs in this regard, as is regionalism when understood in the positive sense of open regionalism.

## **The economic dimensions of globalization**

The close relationship between international trade and FDI has been another salient feature of recent decades. In the literature on the subject, four factors have been proposed as determinants of the recent growth in international trade: the first two are the reduction of transport costs and trade barriers; the third is the increased demand for different brands of the same products among countries with similar income levels; and the fourth is the break-up of production chains (value chains), which has generated trade flows in intermediate products that cross national boundaries several times in the process of manufacturing a single product. Some recent studies have highlighted, in particular, the increased trade in intermediate products and services as part of a deepening of the international division of labour between industrialized and developing countries.

The restructuring of the international economy has reflected, on the one hand, the extension of the logic of business and industry to all sectors of the economy, and, on the other, the development of labour specialization in business and the growth strategies adopted over time. The trend towards globalization in some industries and the establishment of “global factories” represent an attempt to reproduce, at the world level, the specialization and outsourcing practised by individual firms in local markets.

Development of the institutional framework for international trade which sustained the globalization process. The establishment of three key institutions: the International Monetary Fund (IMF), which was to restore multilateralism in current operations and provide financial support in times of crisis; the International Trade Organization, which was to oversee the development of multilateral trade principles; and the International Bank for Reconstruction and Development or World Bank, which was to facilitate the reconstruction of countries devastated by war. When the attempt to create the International Trade Organization failed, following the Havana Conference of 1948, the role it was intended to perform passed to the General Agreement on Tariffs and Trade (GATT), which had fewer members.

### **Basic asymmetries in the global order**

Three asymmetries in the international structure fall into three basic categories:

1. The **extreme concentration of technical progress in the developed countries**, which is the factor that all schools of economic thought identify as the primary source of economic growth in those countries. This concentration means that not only are research and development (R&D) concentrated in the developed countries, but so are the production sectors that are most closely linked to technological change sectors which are highly dynamic components of world trade flows and of the international production structure and which receive high innovation rents.
2. The **greater macroeconomic vulnerability of the developing countries to external shocks**, which also strain these countries’ lesser and very limited means of coping with them. This vulnerability has tended to increase with the greater financial integration that has characterized the third phase of globalization, as have trade vulnerabilities, which have continued or intensified as a result of fluctuations in demand levels and the terms of trade. The increased instability of economic growth in developing countries during the third phase of globalization is a reflection of this fact.
3. The contrast between the **high degree of capital mobility and the limited international mobility of labour**, especially among low-skilled workers.

**Fundamental principles for the construction of a better global order** The three key objectives are:

1. supply global public goods
2. correct international asymmetries
3. firmly establish a rights-based global social agenda