Globalization and the Developing World: An Introduction
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Globalization is the defining characteristic of our time. The modern system of independent nation states and distinct national economies is being replaced by a single transnational political economy. Power and authority are steadily shifting to global institutions and corporations. National governments have seen their sovereignty and control over domestic political and economic affairs rapidly diminish.

While globalization clearly effects all countries, the degree of change has not been uniform throughout the world. A distinction should be drawn between the industrialized nations of the north and the developing nations of the south. Whatever sovereignty governments in the developing world managed to obtain with decolonization is now rapidly eroding. This is largely due to the rising supremacy of transnational corporations which are typically based in the North and supported by their home governments. The traditional model, where the nation state was perceived as the premier authority for maintaining security and promoting development, is now being replaced by a neoliberal model premised on the dictates of the market and the preferences of supranational organizations.

Throughout Latin America, Africa, the Middle East and Asia the state traditionally played a central role in the economic affairs of these nations. The largest industries were owned by the government, the state assumed primary responsibility for the provision of basic goods and services, and wages, prices and interest rates were tightly controlled. Governments also maintained highly restrictive foreign trade and investment regimes to protect domestic economies from global market forces. This state-centric model was deemed necessary to overcome a legacy of dependency and underdevelopment.

In recent years the state in developing countries has disengaged from the economy. Governments have sold off public corporations, delegated the provision of basic services to the private sector, and
deregulated their domestic economies. Governments have also jettisoned protectionist trade and investment policies by slashing import restrictions and creating incentives to attract foreign capital. Neoliberalism, reflected in the decline of the welfare state and the unfettered mobility of capital, has become the new orthodoxy.

The transition from states to markets in the developing world has not been a smooth process. Neoliberal reforms have clearly *intensified* inequality and division. Some social groups have profited from the movement towards free markets and have consistently supported the reform programme. Other groups have been adversely affected and attempted to block reform. Economic restructuring has heightened social polarization. Many scholars of the developing world have examined the causes and consequences of globalization. At the same time, less attention has been paid to the formidable *dilemma* which globalization poses for the Third World state. There are compelling pressures, largely emanating from the international environment, to carry out free market reforms. At the same time, these reforms often produce social resistance and political turmoil at home. Devising effective strategies for maintaining reform in the face of societal opposition is the single greatest challenge confronting these governments.

Governments in the developing world have two broad policy alternatives. The first is to rely on coercion. Military and police force could be deployed to deactivate popular sectors and eliminate all forms of independent political activity. The second alternative is to compromise with opposition groups. Governments could make concessions which slow the implementation of reform or soften the social costs. In most cases, some combination of these two strategies is deployed. The *primary objective* of this project is to understand and explain variation in strategic choice cross-nationally.

**GLOBAL IMPERATIVES**

The transition from state to market in the developing world is frequently traced back to the mid-1970s, when accumulating foreign debts and reduced export earnings led to chronic liquidity and foreign exchange shortages. New commercial lending also dried up as banks began to lose confidence in the ability of these nations to repay their past loans. In order to continue purchasing vital imports many developing nations turned to the International Monetary Fund (IMF) for assistance.