Global Development: Will It Ever Succeed?

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Abstract: The United Nations' Summit on the Millennium Development Goals in September 2010 once again put the issue of development to the forefront. There was a strong push for advancing the development agenda in the early 1970s on the part of the Non-Aligned Movement; yet, during the Cold War, the dynamics of superpower politics dominated the issue of development. Likewise, politics continued largely to dominate the development agenda over the past two decades. This article builds on the theoretical framework of British historian Eric Hobsbawm and American political scientist Immanuel Wallerstein. Their work has identified certain structural constraints that can explain general failures in the advancement of global development, in particular, in the areas of investment and trade. A way to overcome these constraints is to shift towards the utilization of global partnerships as argued for in Antonio Gramsci's "hegemony theory."

Keywords: core and periphery, foreign aid, global development initiatives, global partnerships, investment and trade, millennium development goals

1. The 65th session of the United Nations (UN) General Assembly, which took place at the end of September 2010, underscored the problems of global development. World leaders and other high-level representatives gathered to take stock of the global process associated with the Millennium Development Goals (MDGs), which had been previously developed at the UN Summit in 2000 and were to be implemented by 2015. The record of achievement associated with the MDGs is, as of today, rather mixed. As the statements at the above event suggested, much has been done over the past ten years to advance the goals, yet a great deal remains to be accomplished in the remaining five years in order to bring this effort to fruition.

2. Development emerged as a key agenda of the international community in the 1960s as former colonial territories began acquiring political independence. For decades, the issue occupied global policymakers and academicians alike. According to the conventional narrative, both groups tried to figure out ways to spur rapid development of the Global South since underdevelopment was correctly perceived to pose a threat to international security and stability. Hence, the MDGs are just the latest attempt to help the Global South in its long-term effort to catch up with the more developed North. The figures on the disparity of development between the North and South are quite telling. Currently, 40 percent of the world population lives on less than $2 (USD) per day, approximately 1 billion people must survive on less than $1 per day.[1] More recently, there has also been a rise in internal inequality in developed countries.[2]

3. Why does this issue remain largely unresolved despite the decades-long attention to development on the part of the international community? This article aims to answer the above question. It will try to do this by a two-fold strategy. First, it will attempt to set up a theoretical framework, which provides guidance with regard to what should be done to spur development and whether it can be done at all. Second, it will trace actual progress in the area of global development during the Cold War and the two decades following the cessation of the global ideological contest between the U.S. and the Soviet Union. Finally, by juxtaposing the actual progress of development over the past five decades with the established theoretical framework, this essay attempts to
make inferences regarding the history of global development and offer recommendations for improvement in the efficacy of global development efforts.

The Theoretical Framework

4 The previous five decades have produced an abundant literature on global development. However, the most compelling theoretical frameworks on development can be found in the two approaches associated with the British historian Eric Hobsbawm and American social scientist Immanuel Wallerstein. While both authors are equally known for their left-leaning political inclinations, their deep insights into the problems of development produce rather different visions.

5 Let us first reference Eric Hobsbawm. In The Age of Revolution: 1789-1848 (1962), Hobsbawm identified a dual revolution, which took place in Europe on the eve of the nineteenth century, as the primary factor in precipitating the ensuing rapid development and modernization of Europe. The dual revolution, according to Hobsbawm, consisted of political and economic components. These were, respectively, the French Revolution of 1789 and the British Industrial Revolution, which began around 1780.

6 The most important context for the Industrial revolution, as Hobshawm argues, was generated by the transformation of British agriculture. It became largely based on middle-sized private enclosures, which needed substantially less labor than was the case in earlier periods. As a result, substantial numbers of peasants were freed from the land. These land-deprived rural laborers were left with few alternatives but to seek employment in urban centers.

7 Since the seventeenth century, Britain’s primary export product was wool. At the end of the eighteenth century, the country’s surplus served to establish the basis for Britain’s wool and cotton industry, while the peasants released from the land by the enclosures became the industry’s main workforce. What was important in this regard is that the industry has not confined itself to the domestic market, but sought international expansion. This required, in turn, developing efficient means of international transportation. As a result, Britain undertook the building of railroads, steamships, ports, etc. Thus, as Hobshawm pointed out, the revolutionary pace of change in economic development, triggered by the transformation of agriculture in Britain, became a norm, first in Great Britain and then in continental Europe. [3]

8 Another revolutionary process established a political framework for the Industrial Revolution. In general, it stipulated that economic development would be most effective if the state provides a political structure that is characterized by separation of power, transparency, accountability, enforcement of contracts, and freedom of enterprise. Since these conditions were to a certain extent already present in Britain before the French Revolution, the need to undertake such reforms was actually more relevant for the rest of Europe.

9 Let us now turn to Immanuel Wallerstein. In his three books on the modern world-system,[4] the author argued that the world economy, dating back to the mid-fifteenth century (the date when his analysis starts), has emerged via four major elements: 1) the “core,” 2) the “periphery,” 3) the “semi-periphery,” and 4) the “external areas.”[5] For instance, at the beginning of the Industrial Revolution the “core” has been composed of the most advanced European nations including Britain, France, Austria, Holland, and Prussia. The “periphery” included colonies and other parts of Asia, Africa, and Latin America. The “semi-periphery” was comprised of some countries somewhere in the middle between the above two categories in terms of economic development, for instance, economically backward European Spain and Portugal, while the “external” group included parts of the world that had the least impact on global economic interaction, for example, Japan during its period of self-isolation.

10 The four-tier structure may not be present today, but the division along its two main elements, namely “core” and “periphery,” continues to persist. The “core” of today is the developed countries of the North whereas the states of the Global South arguably constitute Wallerstein’s “periphery,” although this division today is not only and exclusively about states, but also about the modes of production. According to Wallerstein, this division is structurally entrenched. He argues that the world economy simply cannot produce a sufficient added value to ensure that 30-40 percent of the world population is living at the income level of a country like Denmark.[6] Therefore, the “core” is interested in its own capital accumulation and in preserving the “periphery’s” subaltern position. This stance explains why economic development in the “core” remains capital intensive, while in the “periphery” it is overwhelmingly labor intensive.

11 Likewise, the “core” makes sure that it retains a monopoly on production of certain goods and services until it can become competitive, after which, production of these goods and services may be moved to the “periphery.” It was indeed the fate of the
area of manufacturing, which since the Industrial Revolution moved first from Britain to the rest of Europe, then to the United States and Japan, and later on even to Southeast Asia (Thailand, Hong Kong, Vietnam, etc.). The main inference from Wallerstein's world-system theory is that global development in the South is impossible given the existing system. On the one hand, the system does not produce enough global surplus to raise the South to the level of life that exists in the North, while, on the other hand, the dominant group, i.e., the “core,” appropriates the global surplus in the system.

Wallerstein considers the current world system as unsustainable in the end. In his view, such developments as the shrinking of areas for the outsourcing of production, global climate change, social welfare commitments in the “core” countries, as well as the general weakening of states through globalization will cause a transition to a new world structure, whose configurations are as yet undetermined and unpredictable.[7]

Therefore, we can infer two things with regard to the prospects for global development from the viewpoints of the above theorists. Firstly, success in global development requires countries of the South to replicate what had already been accomplished by the states of the North, namely, the transformation of agriculture, which, in turn, would free labor for industrial production. These developments require a proper political framework that is conducive to domestic political stability and efficiency, economic initiative and freedom, as well as to international trade. On the other hand, as the second viewpoint holds, the global development cannot succeed at all, because of the existing entrenched structural constraints caused by capital accumulation in affluent countries of the global “core.”

Development Initiatives During the Cold War

Development emerged as a perennial issue with the disintegration of the colonial system in the early 1960s, as decolonization gave rise to the emergence of dozens of newly independent states, primarily in Asia, Africa, the Caribbean, and Oceania. The initial decade of development efforts produced the first international aid agencies within the UN, namely the United Nations Development Program (UNDP) and the United Nations Conference on Trade and Development (UNCTAD). These were tasked with assisting post-colonial countries in their development efforts.

The first wave of development is generally characterized by widespread failure. The economic situation in the large number of newly independent countries often referred to as the “Third World” worsened as their population steadily increased. Their economic growth was either anemic or negative. The share of developing countries to the rest of Europe, then to the United States and Japan, and later on even to Southeast Asia (Thailand, Hong Kong, Vietnam, etc.). The main inference from Wallerstein's world-system theory is that global development in the South is impossible given the existing system. On the one hand, the system does not produce enough global surplus to raise the South to the level of life that exists in the North, while, on the other hand, the dominant group, i.e., the “core,” appropriates the global surplus in the system.

The developing countries came up with the idea of establishing a New International Economic Order (NIEO). The program aimed to achieve favorable conditions for Third World countries in the areas of world trade, technical assistance, investments, and technologies. It sought, among other measures, to provide a greater voice to developing countries in financial institutions, as well as relief of their debt levels. Likewise, the NIEO program encouraged developing countries to nationalize their natural resources and exercise greater control over transnational corporations (TNCs) operating within their territories. It also called for ensuring access to developed markets for agricultural products from developing countries.

In spite of these failures, a new round of global development was sparked by a combination of political developments that occurred in the early 1970s. The foundation for this push had been laid down in 1961, when a number of developing countries established an international forum of their own, which came to be known as the Non-Aligned Movement (NAM). In its first decade, this new organization was increasingly preoccupied with the political consolidation of post-colonial states and with the strengthening of its own intergovernmental structures. Established in Belgrade in 1961, the original twenty-five member organization grew to 75 member states by the Fourth NAM Summit, hosted by Algeria in 1973.

The growing gap in economic development in the 1960s between the West and the East (Soviet Bloc) on the one hand, and the South on the other, caused Third World policymakers and intellectuals to conclude that the problem was structural. Rather than the result of developing states’ policy failures, it resulted from the prevailing international institutions, rules, and norms that served only to entrench the subservient position of developing countries. Therefore, rectification of the situation required, in their view, structural changes.

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The NIEO program was formulated at the NAM Summit in Algeria in 1973 and adopted at the Sixth Special Session of the UN General Assembly, held in May 1974. Naturally, the question emerges how it could happen that all UN member states adopted such a radical program, at least from today’s perspective. Two factors are explaining the outcome.

First, the developing countries acquired a powerful political tool with the Non-Aligned Movement for advancing their interests in a collective manner. In the early 1970s, there was little fragmentation among NAM member states (though this would come later), which allowed them to collectively adhere to a common vision. NAM countries amply demonstrated their resolve in 1973 when OPEC (Organization of Petroleum Exporting States) imposed an embargo on oil exports to Western countries, which had supported Israel in a war against its Arab neighbors. The resultant four-fold hike in oil prices hit the developing countries as much as it did the Western states, but NAM stood strongly behind OPEC. This success in demonstrating NAM solidarity and political unity inspired the non-aligned countries to undertake further active action. Second, the early 1970s saw a rapprochement between the main antagonists in the Cold War, the United States and the Soviet Union. At this time of détente, both blocs were more receptive than ever to courting the interests of the third force in the world, namely NAM.

Yet the victory of developing countries proved to be illusory. Acquiring real economic independence, that is, structural economic change, turned out to be more difficult than establishing political independence. What was at issue is that economic success could not be achieved through resistance, whether violent or non-violent, as was primarily the case with acquiring political independence by Third World states. Their economic success, in contrast, was fully contingent upon the goodwill of developed countries. The West and East were not forthcoming with the required goodwill and concessions, instead, both recognized in the NIEO Program a threat to their political standing and influence, as well as to their economic prosperity. Redistributing global wealth from the West and East to the Global South was not in the interest of the developed world.

What is even more crucial, the NIEO program came in total contradiction to the new thinking in Washington, which, with the abandonment of the gold standard by President Richard Nixon in 1971, embarked on global policies of deregulation that came to be known as the “Washington Consensus.” In other words, with deregulation the United States and other Western states started doing even more to entrench the perceived structural problems that the NIEO was developed to eradicate. Unsurprisingly, the NIEO program had to be shelved.

Since the mid-1970s, developing countries increasingly emphasized the principle of self-reliance, which in practice signified expansion of cooperation among them along the South-South line. They hoped to improve their economic situation through internal resources and common action. Yet, such a vision was not destined to materialize as the Non-Aligned Movement began experiencing some degree of political and economic fragmentation at the end of the decade. Resource-endowed developing countries saw advocating common policies with the rest of the movement as less and less advantageous, while some other countries started building close affiliations with either of the two superpowers. For instance, Cuba and India viewed the Soviet invasion of Afghanistan in 1979 favorably; whereas NAM’s strong Muslim wing denounced this war categorically.

The failure of non-aligned countries to change the global rules of the economic game meant that the issue of development would stay to a certain extent within the scope of the superpowers. Consequently, development became highly politicized. In view of their bipolar confrontation, both the Soviet Union and United States were interested in acquiring political influence in Third World countries, which required from the superpowers to provide financial support to loyal regimes. As American political analyst Francis Fukuyama demonstrated in his book State Building (2004), the two superpower donors saw priority in channeling aid to loyal political elites rather than to bolstering national institutions and infrastructure in developing countries.

This situation created a fertile ground for corruption among empowered local political elites since there has hardly been any effective control over the use of aid. “Transparency International,” one of the world’s leading anti-corruption NGOs, claims that corrupt leaders from developing countries have stolen up to $180 billion over the past few decades. The politicized bilateral aid and corruption did not allow for the accumulation of human capital in developing countries, which, in the opinion of Nobel Prize winner in economics, Robert E. Lucas, is essential for successful development.

What about the aid provided by international organizations? As indicated above, the UN started establishing subgroups in the 1960s whose mandate was to provide assistance to developing countries. Interestingly, this early UN development architecture has managed to retain its organizational features to this day. In the 1960s, the main emphasis for international organizations in the area of development
was on mobilizing sufficient financing for infrastructure and industrial capital formation. This period stressed projects that would provide physical inputs to promote overall industrialization and development in all Third World countries.

In the 1970s, there was a shift to focus more on aid to the poorest countries. During these two decades, relevant international organizations and institutions used to bring foreign experts to developing countries to take charge of the implementation of projects. In the 1980s, aid institutions began to provide favorable incentives to the private sector in developing countries. At the same time, the international agencies started focusing more on the training of local personnel capable of handling international assistance.

Francis Fukuyama in his political thinking in the West associated with the "end of history" thesis articulated by The second major change regarding international aid was marked by a new dominant opening up to foreign markets, worsened the situation for the affected countries. Stiglitz claims that the IMF prescriptions were the precise opposite to what such raising interest rates, cutting social spending, pursuing fiscal retrenchment, and International Monetary Fund (IMF), which advocated harmful restrictive policies like The problem with that approach is, according to Walter Russell Mead, that the law.

The major lesson that bilateral donors learnt from the experience of aid provision during the Cold War was to exercise a much larger degree of control over aid distributed by bilateral donors as well as international organizations and institutions. This new thinking resulted in new aid policies. Specifically, the tool of "earmarked" (or as it is also called "non-core") financial resources emerged in contrast to the previous tool of "core" or "general purpose resources."

The two patterns substantially differed on who was in control of international aid. From the 1960s through the 1980s, donors tended to give money to international organizations without any strings attached as to its further distribution to the countries in need. International organizations were generally free to allocate aid as they saw fit, primarily based on requests from developing countries. In contrast, under the post-Cold War pattern, donors started placing conditions as to how their financial assistance should be used. International organizations thus became mainly confined to the role of implementing agencies. During the 1980s, the "earmarked" resources hardly existed at all; today they account for about 70 percent of all resources for development. Some studies suggest that the purpose-delimitated aid reduces the value of assistance to up of 30 percent.

The second major change regarding international aid was marked by a new dominant political thinking in the West associated with the "end of history" thesis articulated by Francis Fukuyama in his *The End of History and the Last Man* (1992), which anticipated the triumph of Western capitalism and liberal democracy in the whole world. It is not surprising then that with the view to bringing closer the moment of the "end of history" Western donors in their aid policies started putting a high premium on areas related to democracy promotion, good governance, accountability, and rule of law.

The problem with that approach is, according to Walter Russell Mead, that the changes associated with the Industrial Revolution and subsequent economic development could be absorbed gradually over a period of two centuries by the Western countries, in particular, the Anglo-Saxon nations. However, these countries now insist that the Third World must implement all societal changes (including democracy, good governance and the rule of law) at once, which is unrealistic and causes resentment.

Thus, the 1990s were very bad for global development. International aid policies remained influenced to a very substantial extent by politics. In addition to the reduced volumes of international aid, the Asian economic and financial crisis of 1997-1998 undermined the prospects for development in a number of Asian states. American economist and Nobel Prize winner Joseph Stiglitz has pointed out that the International Monetary Fund (IMF), which advocated harmful restrictive policies like raising interest rates, cutting social spending, pursuing fiscal retrenchment, and opening up to foreign markets, worsened the situation for the affected countries. Stiglitz claims that the IMF prescriptions were the precise opposite to what such
At the turn of the millennium, the UN General Assembly adopted the Millennium Development Goals at the Millennium Summit of world leaders as a new push for global development. The MDGs are comprised of seven indicators in economic, social, and environmental areas, which the international community has set itself to achieve by 2015. The failed decade for development in the 1990s as well as the symbolism associated with the start of the new millennium created the momentum for this new push.

The years following the Millennium Summit saw some further initiatives in support of global development. In 2001, the United Nations launched the New Partnership for Development in Africa (NEPAD) with the focus on assisting the continent’s agriculture. NEPAD’s approach is essentially Hobsbawmean in nature – to organize effective agricultural production in the predominantly rural African communities, which would increase Africa’s agricultural export and set some part of its rural labor free for industrial work, which, in turn, could then be supported by surplus capital acquired from agricultural exports.

What was most crucial for NEPAD to trigger such kind of development in Africa was the issue of access for African agricultural produce to world markets. This issue became a major part on the agenda of the so-called Doha Round launched by the World Trade Organization (WTO) in 2001. The Doha Round’s aim was to remove trade barriers in a number of areas of particular interest to developing countries, including those that had resisted earlier efforts at reaching multilateral agreement, such as agriculture, services (potentially including international labor movements), non-agricultural trade (as in the practice of tariff escalation), and protection of intellectual property (by ensuring that it would not be carried out at the expense of public health in developing countries by restricting access to medicines).

In 2005, in the context of the first major assessment of MDGs implementation by the UN Summit, the G-8, steered at the time by the United Kingdom, made serious aid commitments in support of global development by pledging to double aid to Africa by 2010. Likewise, a move was made to alleviate debt burden substantially for the least developed countries. Five years later, the 2010 United Nations Summit made another assessment of the achievement of the goals. So, where does the international community stand on the issue of global development by the end of the first decade of the new millennium?

With the benefit of hindsight, it seems that centering the global development agenda on the Millennium Development Goals has its own pros and cons. The MDGs certainly served to raise awareness about global poverty and the need to tackle this challenge. Moreover, they helped mobilize donor response that almost doubled aid provision to developing countries in the first five years of their implementation, from around $60 billion in 2000 to $120 billion in 2005. Besides, the donor countries assumed an obligation to allocate on an annual basis 0.7% of their gross domestic product (GDP) for the purposes of Official Development Assistance (ODA). The European Union became a major donor of international aid providing 55 percent of the world’s total development assistance on an annual basis.

Furthermore, the goals improved the quality of aid as the focus in aid policies shifted from input accounting to results-based accountability. What is even more crucial, the MDGs became an integral part of national development policies as a large number of developing countries embarked on integrating the indicators in their own national strategies, programs, and plans of action. In this sense, the process of achieving the MDGs became irreversible. The MDGs have also achieved better and more effective coordination among international organizations and agencies working in the area of development than used to be the case in the past. The United Nations Development Program (UNDP) with its $4.7 billion in annual development activities became the lead agency on global development in the UN system. Yet, the MDGs are not only about success. Admittedly, the major downside of the MDGs process is that the indicators have not been made mandatory for developing countries, as neither were donor commitments to provide assistance to countries in need in the implementation of the goals. Besides, from today’s point of view the goals do not seem to be comprehensive since they failed to cover such vital global areas as, for instance, energy and migration.

Since the donor commitments were not obligatory, perhaps, it should come as no surprise that the Gleneagles commitments to doubling aid to Africa by 2010 have not been met. Indeed, the share of ODA in donors’ Gross Domestic Product stands today at 0.31 percent in 2009, well below the pronounced target of 0.7 percent, which has been reached and exceeded by only five donor countries. If this target were to be met by all donors by 2015, it would raise over $300 billion per annum for development (in 2009 prices and exchange rates).
With regard to Africa, the ODA to the continent is estimated to have reached almost $44 billion in 2009. However, in 2010, Africa is expected to receive only about $45 billion, leaving a gap of $16 billion relative to the Gleneagles target in 2009 prices. Assistance provided to Africa so far has clearly fallen short of what is needed for its sustained development. Africa is the only region that has made insufficient progress or worsened across every single MDG indicator over the last decade. What is also indicative of the trend is that its share of global GDP today is 2.4 percent, which is in fact unchanged from 1980. Furthermore, the income gap between Africa and other regions has increased between 1960 and 2003. If in 1960 an average Western European was 6.5 times richer than an average African, in 2003 the gap grew to 10.7 times.

When the United Nations Millennium Declaration was adopted in 2000, many developing country governments, especially those of low-income countries and a number of middle-income countries, were suffering from unsustainable external debt burdens. By that time, the international community had already established the Heavily Indebted Poor Countries (HIPC) Initiative in 1996 to address the debt problems of a group of low-income countries in a comprehensive manner. Enhanced in 1998, the initiative was still not providing sufficient relief by 2000. Ten years later, debt-relief initiatives apparently remain incomplete. What is more, the global economic and financial crisis that unfolded in 2008 has served to increase debt burdens in a large number of developing states, with a growing number of them at high risk or in debt distress. For example, a number of African countries pay in debt service as much as 40 percent of their government expenditures, whereas social spending stands at as little as 3-5 percent.

Many speakers at the UN 2010 Summit on MDGs identified the 2008 global financial and economic crisis and the food and energy crises that shortly preceded it as the major culprits for weaker aid policies and debt relief measures. However, to think that aid alone can solve the problem of development is certainly naïve since aid is only a supplementing measure to wider development policies based on trade and investments. The conventional wisdom holds that aid creates dependency, whereas trade encourages self-help. Renowned Austrian-born economist Friedrich Hayek believed that it was conceit to think that aiding Third World countries would bring them prosperity.

What about global trade policies and the Doha Round? Nearly nine years after its launch, the Doha Round is at an impasse. In general, there has been no significant reduction in the tariffs imposed by developed countries on agricultural products from developing states. Although the trade-distorting agricultural support provided by countries of the Organization for Economic Cooperation and Development (OECD) to national farmers waned somewhat in 2008 as a percentage of GDP, falling to 0.84 percent in 2008 from 0.88 percent in 2007, it was mainly the result of high market prices rather than policy reform. At $376 billion, such support is still high in absolute terms, and was even $12 billion higher in 2008 than in 2007. Western states sometimes apply tariffs of up to 500 percent on products from developing countries that include beef, dairy products, vegetables, fresh fruit, cereals, sugar, prepared fruit and vegetables, wine, spirits, and tobacco.

Furthermore, the subsidized agricultural products entering world markets drive world prices down, hurting developing country exporters, who are affected in two ways. First, agricultural support in OECD economies insulates local producers from world price changes, shifting the adjustment burden abroad. Second, OECD country exports take significant market shares away from more efficient developing-country exporters and local producers. In some developing countries, this situation is aggravating food security problems.

Last, but far from least, a very crucial issue to development is the level of investment inflows into developing countries. The standard neoclassical theory would predict in this regard that capital should flow from rich to poor countries on the ground of expected higher returns in the latter. However, in his now classic example, American Nobel Prize winner economist Robert E. Lucas, Jr. compares the U.S. and India in 1988 and demonstrates that, if the neoclassical model were true, the marginal product of capital in India should be about 58 times that of the U.S. In view of such return differentials, all capital should flow from the United States to India. In practice, this does not happen. Lucas questions the validity of the assumptions that give rise to these differences in the marginal product of capital and asks what assumptions should replace these. According to Lucas, this is the central question of economic development.

His major point, which is often called the “Lucas Paradox,” is that although capital has indeed a higher return in developing countries, it does not go there because of the market failures experienced by these countries. Corruption, poor education, and insufficient enforcement of contracts generally produce low institutional quality, which militates against investments inflows in developing countries, whereas domestic poverty prevents developing countries from achieving an accumulation of domestic...
savings that may be invested. According to Lucas, the situation with investments to poor countries is different today from the colonial period. International capital market failures, or “political risk” as he also puts it, cannot explain the lack of investment flows before 1945 since most of the Third World was subject to European legal arrangements imposed by colonialism during that time. Hence, investors in the developed countries such as the UK could expect contracts to be enforced equally in the UK and India.[33]

However, this theory started producing some internal cracks as evidenced by enhanced inflows of foreign investments into China and some other East Asian countries over the past few decades. What explains this emerging trend? China succeeded because it successfully went through the development stages outlined by Hobsbawm. China’s enormous poor rural population served as a constituency for a bottom up drive in agricultural development. Chinese leadership discerned and supported a momentum that took place three decades ago. As a result, its agriculture became based on efficient small and medium-sized units that rented land from the state. This transformation freed up large numbers of rural population from the land, which started flocking to urban coastal centers. These rural incomers created the basis for China’s industrial labor force in the country’s ever-expanding manufacturing sector. In addition, the relatively low cost of labor served to attract significant foreign investment.[34]

Cultural factors can be used to explain China’s economic success, too. As Fukuyama demonstrated in Trust: The Social Virtues and the Creation of Prosperity (1995), culture plays a key role in determining a country’s economic outcomes. Building on the thesis that Max Weber articulated in the 1920s in his seminal The Protestant Ethics and the Spirit of Capitalism, Fukuyama holds that economic success is stronger in societies, which produce what he called “spontaneous sociability” (an ability of people to socialize effectively in groups other than families).

Fukuyama argues that Japan, Germany, and the U.S. are best at “spontaneous sociability” because of their long traditions of voluntary associations and trust.[35] In contrast to these societies, the author identifies the so-called “familistic” societies, in which strong family ties preclude socialization with groups beyond families thereby also preventing the formation of effective big businesses, which are necessary in his view for effective economic development. The most obvious “familistic” societies, according to Fukuyama, are China, Korea, and Italy.[36] The author’s point is not that “familistic” societies are doomed to be economically backward, but that they should “compensate” for the lack of internal “spontaneous sociability” by strong state intervention.[37] That is exactly what actually happened in the case of South Korea and China, where the state assumed the primary role in creating big businesses. Consequently, a stronger role for the state in the majority of developing countries, which are also primarily “familistic,” seems necessary in order to spur their economic development. China’s sheer size along with its peculiar social and cultural traditions helped overcome the “Lucas Paradox.” Other developing countries do not have these multiple advantages and, hence, remain trapped by underdevelopment.

Official development assistance in the period after the end of the Cold War continued to be a political tool wielded by developed countries. It became even more difficult for developing countries to obtain ODA since Western donors started tying aid to “democracy promotion.” Furthermore, global development was not served well by global trade, which remains at an impasse. Developing countries do not yet enjoy a level playing field in this area, especially with regard to agricultural products. Finally, the overwhelming number of developing countries did not receive the necessary investments that might have helped their economies take off. This is generally explained by low institutional quality prevalent in a large number of developing countries.

Global Development Viewed through the Theoretical Framework

Let us take Wallerstein first. In terms of development, the world system today remains as divided along the line of “core” versus “periphery” as it was several decades ago when Wallerstein first developed his theory. The experience with global development over the past five decades suggests that the “core” has been doing its best to perpetuate the division. Indeed, markets in the “core” largely remain effectively closed to the competitive products from the “periphery” for agricultural products above all. Migration from developing to developed countries is blocked as well. The level of migration in the world is lower today than it was on the eve of World War I.[38] We continue to see capital intensive production in the “core” and labor intensive production in the “periphery.”

In an interesting corollary to the core-periphery theory, Thomas Barnett and Henry Gaffney in their article “Global Transaction Strategy,” expanded Wallerstein’s thesis taking into account the rise of some developing countries, namely, China, India, and Brazil. They made a similar division in the world system to that of Wallerstein, but their two major groups are somewhat different in their membership. For them,
developed states constitute the “Functioning Core,” whereas developing countries comprise the “Non-Integrating Gap.” The “Functioning Core” is not exactly Wallerstein’s “core.” The Functioning Core’ is composed of the “Old Functioning Core,” which includes Western developed states, and the “New Functioning Core” that admitted in its ranks a few successful emerging states like, for instance, Brazil, Russia, India and China (the group is called “BRIC”).[39]

The authors claim that the “Old Functioning Core” pursues a two-fold strategy. First, it seeks to firewall itself against the “Non-Integrating Gap.” Second, it is intent on supporting and integrating the “New Functioning Core.” This logic explains the trend of creating the so-called closed “elite” international clubs like G8, G20, Major Economic and Environmental Forum (MEF), which include countries of the “Functioning Core.” From the point of view of the “Functioning Core,” it is these closed clubs rather than classic multilateral forums like the United Nations that should govern the current multipolar world.

The American political analyst Fareed Zakaria was a bit premature with predicting the emerging significance of non-Western countries in The Rise of “the Rest” (2008) as a major trend of the current century to counter the hitherto Western, and in particular, U.S. domination of the world.[40] This domination, however, is not likely to be challenged because there is only the rise of a few among the so-called “Rest,” which the West seeks to integrate in its own structures, rather than the rise of all in the rest. This explains the pattern of Western investments, which are geared precisely to those few among the rest. At the same time, the strategy of the “Functioning Core” aimed at firewalling itself off against the rest of the world affirms Wallerstein’s vision that current Western policies on aid, trade, and investments are still part and parcel of the capitalistic world system.

China has validated Hobsbawm’s theory of development. The transformation of agriculture as a precursor to sustained industrial production worked for China; the countries that did not follow this path remained trapped in underdevelopment. Of course, the contemporary implementation of the Hobsbawmean path to development is more difficult for today’s developing countries than it was for European nations in the nineteenth century. The developing countries of our time face stiff resistance from the world’s “core,” a resistance that the industrializing European nations did not meet from the industrial champion of their own time, Great Britain.

The agricultural subsidies of the European Union to its members account for 40 percent of the overall EU budget. The United States provides between $10 billion and $30 billion each year in subsidies to its farmers.[41] The Doha trade round, which calls for Western concessions on agriculture in exchange for developing countries’ acquiescence with global policies on services and intellectual property rights, is stalled. Overall, this situation significantly narrows the window of opportunity for developing countries to be successful, first, in agriculture and, subsequently, in industrial development. From the perspectives laid out by both Wallerstein and Hobsbawm to the experiences over the past five decades, global development looks like a structural problem that cannot be easily solved by traditional aid.

**A Way Forward for Development**

Is there a way to overcome the structural constraints to global development as articulated by Wallerstein and Hobsbawm? After all, one should bear in mind that a strong push for development failed when there was a solid political momentum in the early 1970s – the Non-Aligned Movement and its agenda for establishing the New International Economic Order – when the two superpowers sought the cooperation of developing countries. Today, the prospects for development ostensibly look bleaker, because the “core” seems to be more consolidated than ever. Yet, what is encouraging in terms of advancing the issue of development at this time is that the “New Functioning Core,” while it seeks integration with the “Old Functioning Core,” it sees the problem of development in a somewhat different light than the latter.

Political scientist Parag Khanna supports a similar point in his concept of the so-called “Second World” (The Second World: Empires and Influence in the New Global Order, 2008). What Khanna subsumes under the notion of the Second World is a string of so-called second-tier countries like Turkey, Brazil, Saudi Arabia, Venezuela, Kazakhstan and others, which, in his view, constitute a specific group located between the First World of developed countries and the Third World of developing ones. This group in the middle has substantial human and resource potential. According to the author, it will play a key role in determining the future configuration of global power. What is interesting here in terms of global development is that the Second World sees its distinctive role in assisting the Third World. Khanna asserts that the efforts of the Second World will exert influence not only on power configurations in the First World, but also on the development of the Third World.[42] In fact, some emerging countries have actively started advancing the cause of global development.

Above all, China’s performance in the field of development is most impressing and
encouraging. This country is becoming an important donor of international assistance, as its bilateral aid to developing countries amounts to about $50 billion per annum. It is actively working to this end with international organizations. For example, China became a key donor to UNDP’s Voluntary Fund for the Promotion of South-South Cooperation. China’s investments in Africa from 2000 to 2006 totaled US$ 6 billion. Joseph Stiglitz states that China’s investment in Africa is larger than the combined investments on the part of the World Bank and the African Development Bank.

What is notable here is that China does not attach strings to its investments in developing countries, which overwhelmingly go into capacities like infrastructure and institutions that help create a stable developmental state. In this effort, it follows what Fukuyama suggested in his book State Building referred to earlier. In general, China’s aid policies are more responsive than those of traditional Western donors, more flexible and rapid in providing assistance to low-income countries. Brazil, India, Russia, Venezuela are also among the most important emerging donors.

Why are China and some emerging countries of the Second World doing this, especially given the fact that they assist developing nations at the time when their own development is still unfinished? The best explanation seems to come from the double identity of emerging countries. As rising major powers, they feel responsibility for addressing global matters, and as emerging nations that only recently started shaking off the burdens of underdevelopment, they feel a high degree of solidarity with other developing nations that have been less successful.

Yet, however important this new pattern may be in contributing to the alleviation of poverty in some developing nations, it is not likely to alter substantially the structural constraints on development described above. What may undermine these constraints is a new mode of the relationship between the “core” and the “periphery” that would make a combined advance on aid, trade, and investments possible. How can this be achieved? Some structural changes currently underway point out that this is not impossible.

In describing these changes, it would be useful to invoke Italian political theorist Antonio Gramsci’s “hegemony theory.” Gramsci argued that changes in an international system are caused by changes in social relationships at both domestic and international levels. For instance, the manufacturing class in Britain became first a hegemonic class at home in the first half of the nineteenth century, when other domestic social groups gave consent to its dominance. Then, with a solid domestic basis behind it, the British manufactures set out to establish hegemony abroad through the promotion of free trade and the creation of links with manufacturing groups in other key European countries. Social changes can explain the end of Britain’s world dominance by the early twentieth century likewise. It came about when the country’s leading economic class lost dominance at home. It resulted from Industrial Revolution, which produced a large working class that started demanding and obtaining the redistribution of productive surplus from the manufacture capitalists.

Similar social changes are underway today. First, states are weaker now than they were half a century ago. It is an inevitable development. Indeed, against the background of two world wars waged in the past century the “total” state came to be viewed as evil causing troubles. The international community found “remedies” against the “total” state at two levels. From the top down, it set out to establish supranational structures like the United Nations, which to a certain extent regulate and harmonize actions of states. While from the bottom up it encouraged the emergence of nongovernmental organizations that exert an ever-increasing amount of influence on state action. Thus, in a weaker domestic context it is more difficult than ever for a particular class or social group to emerge as a domestic hegemon in order to proceed in a Gramscian way toward international hegemony. Second, state sovereignty, “truncated” in this two-fold way today, has lessened the state’s ability to wage a major war, but served at the same time to expand the room for negative action by non-state actors like terrorists and transnational organized crime, which pose new threats to states not encountered in the centuries past. Third, the current phase of globalization produces multiple transnational challenges like climate change or pandemic diseases that are beyond any state’s ability to cope with. Fourth, the contemporary world is no longer a world of major powers as it used to be throughout the past, but is increasingly directed from multiple places and determined by multiple players.

Finally, the last two decades seem to have awakened the world’s population from its previous ostensible slumber. Globalization became socially massive. It has produced politics of populism that are transforming the domestic and international configurations of power. Never before has global social injustice been felt as sharply as today. Consequently, rationality and individualism, which triumphed because of the Hobshawmean dual revolution, are giving way to tradition, religion, and identity, which were purportedly pushed into the backseat of history two centuries ago.
These trends suggest that we live in a world of “diffused” actors and “diffused” threats. The key characteristic of this interdependent “diffused” world is that although there certainly remains an asymmetry of power between the world’s developed and developing states, there is symmetry of vulnerability for all of them to constantly growing global threats and challenges. Indeed, how can economic wealth and military power save people in developed countries from climate change and terrorist threats?

Therefore, this symmetry of vulnerability should undermine the Wallersteinean interest of the world’s “core” to perpetuate its dominant position over the global “periphery.” Interesting in this regard is the point of American political analyst Joseph Nye that the greatest threats to the U.S. in the next decades will emanate from transnational and non-state-actors rather than from states. The sooner the “core” gives up its previous intransient stance vis-à-vis the “periphery,” the better for everyone. The world has been pushed into a non-hegemonic form and the question emerges, how to organize cooperation in such a world?

It is clear that the emerging non-hegemonic world cannot be successfully “managed” with the traditional tools of the past like the balance of power, military alliances, and spheres of influence for the simple reason that the current world is more complex than its antecedents. For instance, how could the old tools ever solve one of the most acute challenges of our time, the problem of climate change? That is why it seems appropriate to try to solve persistent problems in our “diffused” world with a new tool – the tool of global partnerships. No one seems to object to the word partnership per se, because people associate it with something positive. Yet what is really meant with this catchy word? Like globalization, partnership seems to mean different things to different people. Indeed, we cannot find a binding definition of a global partnership anywhere. It is a concept in the making.

A global partnership can be identified as a new form of cooperation in terms of both its purpose and its membership. Global partnerships can acquire different forms, mandates, and composition depending on a problem, challenge, or threat they take upon themselves to address. Ideally, a global partnership should be all-inclusive in terms of membership, binding together in its ranks all positive stakeholders of today’s world, namely, states, international organizations, civil society, and the private sector. It makes sense to forge partnerships against all transnational threats and challenges.

A good example is the problem of human trafficking. In 2005, Belarus proposed to establish a global partnership against slavery and human trafficking from the rostrum of the United Nations General Assembly. The Vienna Forum on human trafficking has shaped and boosted this partnership. It was held in February 2008 and brought for the first time nearly two thousands participants together, representing governments, international organizations, civil society, global business, and celebrities. In July 2010, the UN General Assembly institutionalized the global anti-human trafficking partnership through the adoption of the Global Plan of Action to Combat Human Trafficking. This partnership is just taking its first steps in addressing the challenge in a genuinely comprehensive manner. That is the path for addressing all other global problems. Moving along this path will not be an easy stroll, because the Wallersteinean constraints and vested interests entrenched for centuries cannot be overcome overnight.

It is reasonable to contemplate the development of global partnerships as evolutionary. Indeed, global partnerships are likely to be forged initially in areas or on issues that prove easiest and least confrontational. So, next after human trafficking may be partnerships on issues like transnational organized crime, food security, energy, climate change. Setting up partnerships on security matters may prove more difficult as many states of the “core” continue to think in terms of their own parochial interests and at this time hardly contemplate sharing the fruits of mutual and indivisible security with smaller states and non-state actors. There is no easy fix on how to move ahead. It makes sense to believe that as global partnerships are established and effectively realized in non-security areas, the increasing logic of cooperation, interdependence, trust, and mutual confidence will make possible a cooperative outcome on global security, as well as on other intractable problems.

Global partnerships contain the best hope for global development, as underdevelopment underlies all threats and challenges today. Therefore, if global partnerships begin to deal with specific problems in a truly comprehensive manner with the engagement of all possible positive “players,” they will inevitably address the issue of development. Hence, each global partnership will assault underdevelopment from various sides and help break the centuries-old division between the global “core” and the “periphery.” Ultimately, that is the way for global development to succeed.
Notes


[2] Ibid, Joseph Stiglitz claims that the inequality in the U.S. is the greatest today for the past 75 years, p.193.


[36] Ibid, p.29.


