

# Miseries and Fortunes: The Interface between Globalisation and Poverty

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## **Abstract**

The debate on globalisation and poverty has elicited polemic ‘face-offs’ between the neoliberal protagonists and the anti-globalisation forces. Both theoretical camps do not only subscribe to the causal connection between globalisation and poverty, they critically distil the ‘miseries’ and ‘fortunes’ in the interface between the two phenomena. However, beyond the parallel dynamics in the interface and given the practical realities in the developing world, the paper dwells more on the substance rather than the divergent intellectual engagements. The substance here directly relates to the general level of human hopelessness in the developing world as a result of horrible social conditions, which have been made worse by the globalisation wave and have persisted because of low State capability. By focusing on the substance, the paper concludes that globalisation can be made more pro-poor by pursuing the ‘capable State’ agenda in the developing world, without also discounting the need to redress the distortions in the global system.

**Key words:** Globalisation; Poverty; Developing World

## **Introduction**

Is there an interface between globalisation and poverty? If globalisation causes poverty, is there a chance that the phenomenon also accommodates a combination of therapies against poverty? These are germane issues that form the core of this research. A detailed study of these posers will explain why poverty persists in our world, its appalling trend in the developing world and the possibility of generating practical measures for making

globalisation more pro-poor. Before setting the study, it is necessary to examine the 'global' in the poverty conundrum. Is poverty a global problem?

We live in a world of shrinking borders and burgeoning needs, where people faced with rapid social, economic and political change are seeking new ways of controlling their lives and the future of their communities.<sup>1</sup> Given the increasing interrelationships between countries, globalisation necessitates a shift in the framework of poverty analysis so that poverty at the household, community, and national level is analysed in a global context.<sup>2</sup> By all standards, poverty qualifies as a global issue, which has the capacity of engendering conflict if not seriously addressed.<sup>3</sup> Furthermore, poverty has never been an isolated problem manifesting in a particular pocket, region, nation or continent. Poverty is of global significance because the phenomenon has assumed a global character.<sup>4</sup>

Poverty, a perennial and complex multi-dimensional problem, has therefore become a global challenge.<sup>5</sup> The compendia on this subject provide a revelatory insight into the situation. A quarter of the world's population, that is 1.3 billion, lives in severe poverty. Nearly 800 million people do not get enough food, and about 500 million are chronically malnourished. More than a third of the children of this world are malnourished. More than 840 million adults are illiterates of whom 538 million are women and about 1.2 billion people live without access to safe drinking water.<sup>6</sup>

In a world with enough for all, over one billion people are trying to survive on less than two dollars a day. These people lack food, shelter and water. They struggle for access to doctors and even a basic education.<sup>7</sup> The number of desperately poor people is increasing by approximately 25 million a year. Whereas the income ratio between the richest 20 per cent and the poorest 20 per cent of the world's population was 30:1 in 1960, it increased to 61:1 in 1991. 20 per cent of the world's population survive on a daily income of less than one dollar.<sup>8</sup> In addition, 50 thousand people die prematurely everyday from poverty related causes and more people have died in just the last 15 years because of poverty than died in all wars, genocides, and other government repressions of the twentieth century combined.<sup>9</sup> Looking at the current statistics on global poverty and the increasing number of organised bodies engaging in poverty research, there is a huge amount of data on global poverty that cannot be exhausted.

Pursuant to the foregoing, poverty amid plenty has become the world's greatest challenge.<sup>10</sup> Poverty is now a global phenomenon, which poses danger to the survival of humanity.<sup>11</sup> It therefore follows that no country of the world is completely insured from the scourge of poverty though with varying degrees.

From the poverty indicators identified by Maxwell,<sup>12</sup> which include income or consumption poverty, human (under)development, social exclusion, ill-being, (lack of) capability and functioning, vulnerability, livelihood unsustainability and lack of basic needs; the poorest people in a developed nation may well be richer than the average citizen of a less developed country. The point being made is that the scourge of poverty is a common denominator in the global community,<sup>13</sup> but with a higher degree of entrenchment in the developing world.

It is important to illustrate with some statistics. In the 1960s, the people in wealthy countries were 30 times better off than those in countries where the poorest 20 per cent of the world live. By 1998, this gap had widened to 82 times (up from 61 times since 1996). In sub-Saharan Africa, 'the region with the most horrible social condition',<sup>14</sup> 20 nations remain below their per capita incomes of the 1970s while among Latin American and Caribbean countries, 18 nations remain below their per capita incomes of the 1980s.<sup>15</sup> Of the estimated world population of 6.8 billion in 2010, 925 million people were hungry. Only 19 million came from the developed world while the remaining 906 million came from the developing world. The disaggregated figures include 37 million from Near East and North Africa, 53 million from Latin America and the Caribbean, 239 million from sub-Saharan Africa, and 578 million from Asia and the Pacific.<sup>16</sup> Due to this situation, it has been said that poverty is more endemic in the developing world.<sup>17</sup>

This situation raises a fundamental question. Does globalisation lack the control mechanism that should propel the same level of economic growth across regions to keep the poverty profile in the developing world low, in tandem with the general situation in the developed world? This question has elicited serious debates on the nature of the relationship between globalisation and poverty. While the anti-globalisation forces strongly articulate the negative connection, the neoliberal proponents articulate the poverty reducing effect of globalisation. This division describes the parallel dynamics in the interface between globalisation and poverty.

What appears to be real, however, is that the developing world is not on the same pedestal as the developed world with reference to the gains accruing from globalisation. It appears that the negative relationship, put forward by the anti-globalisation forces, best explains the practical realities in developing countries. If this argument holds, then it means that the current globalisation regime is defective both in scope and principle. To address the precarious situation in the developing world, the paper recommends that the global order must tend toward the poor and vulnerable through a more equitable and robust relationship, while also agitating greatly for the need to promote State capacities in the developing world

### **The Interface: Ongoing Debate**

The current debate has generated series of comments from scholars and observers alike. The world today is beset by widespread poverty and persistent inequality. While some countries have managed to advance in the face of these obstacles, many other developing countries have slipped back.<sup>18</sup> At present, the international system is crippled by design faults that render it unable to confront and control the volatility of contemporary globalisation. No doubt, we are in a period of crises and opportunity for change.<sup>19</sup> Gore<sup>20</sup> explains that the co-existence of globalisation with chronic poverty does not mean that the former is causing the latter. Rather globalisation implies that what is happening within countries is increasingly related to what is happening elsewhere. In the opposite, Onwuka and Eguavoen<sup>21</sup> observe that the process of globalisation encourages rising inequality among nations. To further refute Gore's claim, Martell<sup>22</sup> asserts that the effect of globalisation could be said to be uneven as States have gained as well as lost power. More so, Arias<sup>23</sup> submits that globalisation offers unimaginable prosperity to the well educated and well-born while doling out misery and despair to the world's poor.

Given the different submissions above, one thing is observable. There is a great deal of consensus that globalisation relates with poverty. The division, however, is in the direction of the relationship. Various studies prove that globalisation increases poverty, whereas other studies claim that globalisation reduces poverty. Those in favour of globalisation claim that there have been significant steps in the fight against global poverty, as well as a decrease in inequality in the last 20 years, and that liberalisation of economic policies has been responsible for the achievement. In contrast, there are critics who claim that globalisation has led directly to increases in poverty and inequality.<sup>24</sup>

In the literature, these arguments have been effectively marshalled by the globalisers/neoliberalists and the anti-globalisation forces/sceptics. For the globalisers, people are increasingly subjected to and integrated into the global market, and economies are increasingly denationalised through the establishment of transnational networks of trade, finance and production. The major instrument here is the adoption of neoliberal economic policies to promote competition in the world market.<sup>25</sup> Due to the rising density of economic integration between countries, the globalisers claim that the distribution of income between all the world's people has become more equal over the past two decades, and the number of people living in extreme poverty has fallen, for the first time in more than a century and a half.<sup>26</sup>

The neoliberal argument appears to contradict global reality. In truth, the share of the population of developing countries living below \$1.25 per day declined from 52 per cent to 25 per cent between 1981 and 2005, but this was mainly achieved by the substantial reduction of the poor in Asia, in particular China. Furthermore, over the period of 1981-2005, the total number of people living under two dollars per day has actually increased worldwide by about two million to 2.53 billion in 2005.<sup>27</sup> As official statistics revealed, the poverty headcount ratio remains very high in sub-Saharan Africa, a region that has become synonymous with poverty.<sup>28</sup> As observed by Martinelli,<sup>29</sup> the neoliberal argument only reshapes the traditional division of labour between centre and periphery of the world, and places it with more complex patterns of hierarchy of inequality and with new tacit transnational class allegiances.

The anti-globalisation forces, on the other hand, argue that the continuing drift of the world economy into regional financial and trading blocs has promoted the concentration of trade and investments in industrialised countries. This practice reinforces poverty and inequality, and further reveals that the advanced capitalist countries have little interest in economic justice.<sup>30</sup> Although, we may argue that globalisation is not just trade and finance, but the false integration of the developing world into an unequal global system has produced harsh economic consequences. Due to fragile economic terrains, developing countries are mere spectators in the present global system and going by the general level of human hopelessness that pervades the socio-economic ambience of the developing world as a result of appalling poverty statistics, there is the tendency for me to sympathise with the anti-globalisation forces.

Although it is outside the scope of this paper to discuss in detail the parallel dynamics in the interface between globalisation and poverty, but the brief engagement with the opposing theoretical schools above does not represent a misplaced priority.

Despite its deleterious effects, globalisation, no doubt, offers some prospects in the area of poverty reduction. These prospects, however, appear to have been overwhelmed by the inherent limitations in the neoliberal idea, particularly with reference to the developing world. To a large extent, the vehemence with which the anti-globalisation forces pursue their claim has also obfuscated any meaningful developmental potential of the current global order. Given the substance of the negative and positive directions of causation between globalisation and poverty, it becomes necessary to examine how globalisation doles out both miseries and fortunes to developing nations. The next sections engage the practical realities in the developing world with a view to suggesting measures for making globalisation more pro-poor.

### **The Miseries in the Interface**

In order not to lose touch with reality, the approach here transcends the cosmetic nature of theories by focusing on the practical experiences of the developing world. From the historical period to the contemporary, using world development indicators, the Global South has repeatedly been the most miserable pole. As demonstrated in the previous sections, regions of Africa, Asia and Latin America have devastating poverty statistics. Going by recent development dynamics, the only exceptions are probably China and India. With 38 per cent of the world's population, China and India shape world trends in poverty and inequality. They have grown very fast over the past decades.<sup>31</sup> Poverty figures for the developing world would have been worst had China and India grown more slowly.

If the prevalence of poverty in developing countries has been blamed on globalisation,<sup>32</sup> how then does globalisation affect the poor in Asia, Latin America and Africa? Although Asia is a region regarded as having benefited most from the growth effect of the recent wave of globalisation, but developing countries in the region are still trapped by poverty. This is as a result of weak economic terrains occasioned by the 'inequality increasing' effect of globalisation. In Latin America, the intermediate position in its integration experience, the history of natural resource-based economy in its linkage to the global economy, its susceptibility to the 'global development cycle' dominated by external

shocks, have all aggravated the poverty situation in the region. Globalisation has therefore not delivered the promised benefits of sustained economic growth to these economies. The few exceptions here are Chile, Brazil and Mexico. They are the best performers in terms of growth and poverty alleviation.<sup>33</sup>

The experience in sub-Saharan Africa presents a clear example in support of the argument that the shift to an open policy regime alone is not sufficient to bring about economic growth and consequently poverty reduction. After two decades of reforms dominated by liberalisation, privatisation, and deregulation, the economies of sub-Saharan Africa have not yet been able to escape from the 'growth tragedy' syndrome, the term popularly used in characterising the regions dismal economic performance in the comparative growth literature.<sup>34</sup> As a result, it is very difficult to state that Africa, especially the sub-Saharan region, has benefited from globalisation. Inadequate domestic economic capacity to boost the continent's productivity, mono-cultural economic orientation and unfavourable terms of trade, have all hampered the growth potentials of the continent. Again, high demand for foreign exchange to pay for imports diverts available revenue for social service. Also, high imports of food have resulted in low incomes for domestic farmers, thus forcing them to explore other avenues for sustaining their livelihoods.<sup>35</sup> It is a tale of woe that Nigeria, which is supposed to push the development agenda for the region, still has over 70 per cent of her population living in abject poverty.<sup>36</sup>

Therefore, given the practical realities above, the argument that poverty is all pervasive and increasing in the least developed countries, particularly in Africa, because they are failing to share in global economic growth<sup>37</sup> does not hold. The fact remains that many developing countries were ill-prepared for the globalisation wave. Experiences have shown that there exists a minimum condition to be an active member of the global system. The developed world has already met this condition of economic industrialisation before the intensification of the current international diffusion, although it is correct to argue that the feat was achieved in part by the historical exploitation of developing economies. Instead of these economies to benefit from the purported fortunes of globalisation, they have been critically pulverised by the forces unleashed by the same global process.

Bardhan<sup>38</sup> takes the argument further by providing an analytical account of the various processes through which globalisation affects the lives of the poor in low-income countries. His analytical levels consider the poor in their capacity as workers, recipients of

public services, and users of common property resources. The focus here will be to engage these analytical levels to determine the extent of their impact.

As workers, Bardhan argues that the poor are mostly either self-employed or wage-employed. At the first level, the major constraints that the self-employed face are in credit, marketing, extension services for new technology, infrastructure and government regulations. With these situations, it is difficult for them to withstand competition from large agribusiness or firms (foreign or domestic). Even when small producers are involved in export (like the coffee producers in Uganda, rice growers in Vietnam, garment producers in Bangladesh or Cambodia), the tradition of protectionism and subsidisation of farm and food products as well as manufactures like textile and clothing has severely restricted the export prospects for poor countries. At the other level, trade liberalisation, even when increasing the mean incomes of the poor, may heighten their vulnerability, particularly by increasing variance of prices on income sources. The practical exposition above represents Bardhan's appreciation of the predicament of the poor in low income countries. Since the necessary policy measures are not in place in the developing world, globalisation is bound to worsen the plight of the self-employed and wage-employed workers.

Considering the poor as recipients of public services, Bardhan argues that the poor in low income countries, especially those of the preponderant informal sector, do not receive much of effective attention from the State. Cuts in public budgets on basic services are often attributed to globalisation, as the budget cuts to reduce fiscal deficits often come as part of the package of macro-economic stabilisation prescribed by international agencies such as the IMF. As argued elsewhere,<sup>39</sup> the economic crises in the developing world have popularised the concept of development finance within the existing framework of international economic relations. Regrettably, the resulting debt burden has compounded the financing gap (defined as the growing margin between the needed, and the actual resources available for social investment) in the region. Given that the existing social infrastructure has been largely suffocated by the social demands of the poor, coupled with continuous shortfalls in budget, the poverty situation in the developing world has been aggravated. Until adequate funds are made available for social investments and other domestic issues such as poor governance and corruption are addressed, globalisation will continue to correlate negatively with poverty in developing economies.

As users of common property resources, Bardhan argues that the poor in low income countries experience short supply of environmental resources. This does not mean that the poor countries are not naturally endowed, but the forces of globalisation appear to be contracting the available environmental resources. The resources are declining due to trade liberalisation, which damages the poor by encouraging over-exploitation of the fragile environmental resources such as forestry, fishery, surface and ground water irrigation, grazing lands, etc, on which the daily livelihoods of particularly the rural poor crucially depend. Just like many other zones in poor countries, the Niger Delta zone in Nigeria has been experiencing widespread social deprivation and development disjointedness for decades. The continuous exploitation of the petroleum resources from the zone by multinational companies has produced harsh environmental effects. These include the displacement of the traditional occupations of the poor from the zone and environmental degradation.<sup>40</sup> The result is entrenched poverty. A common charge against multinational companies is that they flock to developing countries to take advantage of lax environmental standards, Bardhan argues. Until these environmental issues are addressed, the poverty profile in developing nations will continue to rise.

To a greater extent, therefore, the assertion that globalisation doles out misery to the poor in the developing world is far from being farcical. What is more worrisome, however, is the lack of capability on the part of national governments in the developing world to effectively address the issues raised above. To be sure, the forces unleashed by the globalisation wave have rendered several developing states incapacitated. This is why it is important to promote the 'capable State' agenda in the developing world. Haven juxtaposed the connection between globalisation and the appalling poverty situation in developing economies, the emphasis is now placed on the fortunes or opportunities that globalisation may accommodate against poverty and how effective are these therapies.

### **The Fortunes in the Interface**

In what appears to be a seeming awareness that poverty anywhere constitutes a danger to prosperity everywhere,<sup>41</sup> the globalisers are pushing the assertion that the strategies for tackling poverty have a universal applicability.<sup>42</sup> These strategies are rooted in the processes that give impetus to the globalisation wave. The dynamics of globalisation have naturally unleashed certain forces, which are potentially believed to dole out fortunes to the poor. What

then are these fortunes and how do they apply to the present framework of poverty? The limitations of these therapies are equally explored.

The canons or the tripartite forces of globalisation have been identified to include technology (including information technology), economic liberalisation and democracy. If we explore so deeply into the canons of the new order, we can see that what exist have been roundly classified as the propeller of fortunes, lack of which reveal damning poverty.<sup>43</sup> Through technology, Natufe<sup>44</sup> observes that the world has truly become a small village with a super highway where capital, goods, services and information travel at supersonic speed. Even though the main communication systems are operating among the more developed countries, Reyes<sup>45</sup> claims that these mechanisms are already spreading in their use to the less developed nations. This fact will increase the possibility that marginal groups in poor countries can communicate and interact within a global context using new the new technology and therefore can integrate themselves with the global village. No doubt, the cyberspace confers enormous power on its beneficiaries.

However, I have some reservations with the above presuppositions. How many poor people in low income countries are technologically informed? If by chance the number is significant, I doubt that the number of poor people economically empowered by information and communication technology will be any where close to that. This is a pressing area where empirical studies will need to be carried out. Surprisingly, a situation that appears to be spreading across developing economies is the phenomenon of cyber-crime. With the internet's rapid diffusion and the digitisation of economic activities, cyber-crime has gained momentum in the developing world. Many people in developing economies are attracted into cyber-crime because of high unemployment and low wages.<sup>46</sup> Therefore, the orientation basically from the advanced world that the internet impacts positively on poverty will need to be re-rationalised.

Again, economic liberalisation as a canon of globalisation is said to enhance competition and positive growth. Economic liberalisation promotes exposure to new ideas and products, greater specialisation and expanded opportunities for mergers and acquisitions, leading to growth in size of corporations. In addition to the huge capital that expansive market ideology will make available to combat poverty, private companies can help speed economic, provide better jobs for the poor, provide education and development of human potential.<sup>47</sup> in the area of trade, the liberalisation 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 Organisation (WTO) are promising signs in this regard.<sup>48</sup>

The bright prospects of economic liberalisation to accelerate the wheel of export trade and promote enhance growth notwithstanding, there are serious challenges. As it is presently, we live in a world of multiple asymmetries. International trade is just one area that reflects this asymmetry. International trade benefits only countries with more financial leverage that is the rich. In the absence of genuine equality of opportunity at the international level, global standards only generate great disparities. Also, the advances being made in the area of international trade reveal that even developed economies are not fully liberalised. This situation is explained by the protectionist practices that still predominate in the world today, as well as the oversupply of certain goods in international trade, particularly raw materials.<sup>49</sup> These practices may even have restrictive consequences than desired, especially on developing economies. We may want to ask, of what importance is international trade without access to developed world markets? The purported triple linearity between liberalisation, economic growth and poverty reduction has also been debunked. In countries where the distribution of income is stable, growth benefits the poor. But since the income distribution does not generally stay stable in developing countries, growth does not necessarily produce poverty reduction.<sup>50</sup>

The concept of remittances has equally received ample attention in the literature on globalisation. The amount of money sent by foreign workers to their native homeland is called remittances.<sup>51</sup> The flow of remittances remains a globalisation driven phenomenon. This flow is likely to have impact on economic planning and human development that would lead to institutional strengthening. It is commonly believed that heavy flow of remittances can help cushion the effect of poverty as increased money supply to stimulate the demand and raise consumption expenditures on goods and services would ultimately benefit the poor.<sup>52</sup> Experiences from Pakistan and Bangladesh appear to support this assertion.<sup>53</sup> Perhaps, the huge financing gap situation in the developing world will allow this assertion to hold as remittances can bring unprecedented opportunities to households that are not reached by public investments or are excluded. The aggregation of the household effects can also produce a positive macro effect at the national level. If the demand for cheap labour is not a

critical factor, and if the brain drain consequences would not produce substantial effects on developing economies, then the flow of remittances may constitute a therapy for reducing poverty.

The third canon has to do with the spread of democratic structures and the increasing attention given to civil and political rights. This is popularly referred to in the literature as political globalisation. Omotola<sup>54</sup> defines political globalisation as ‘all efforts at political reforms engendered by the globalisation of democratic values.’ There is no doubting the fact that a wave of democratisation is sweeping the developing world. In the vast majority of nations, new issues, demands and alignments are emerging on the political terrain. Popular organisations and communities now found themselves sufficiently empowered to undermine authoritarian rule.<sup>55</sup> In my view, this is the high point of globalisation in the developing world. Given the history of developing nations, focusing particularly on their military and authoritarian orientations, the liberalisation of the political space appears to have ushered in the much anticipated political recovery. As observed, this democratisation wave was externally induced.<sup>56</sup>

The concern here should be on the impact of democratisation on poverty reduction. Democracy and indeed any form of government must deliver tangible economic benefits to the generality of the citizen to be credible and sustainable.<sup>57</sup> Again, one of the structural foundations of political globalisation emphasizes issues of socio-economic prosperity where poverty is kept to the barest minimum.<sup>58</sup> A dignified living condition can be effectively measured when we establish a nexus between a democratic State, economic performance and social welfare.<sup>59</sup> Although it may be difficult to state categorically that democracy promotes economic performance because of the inconclusive nature of some works in this aspect, but a host of other similar works recognises that democracy may be a more suitable apparatus for eliminating poverty and squalor.<sup>60</sup> There is therefore a positive direction of causation between democracy and poverty reduction, especially as the situation in advanced democracies suggest.

However, the ability of developing nations to achieve this momentous feat has for long been in doubt. This problem has both internal and external dynamics. Internally, the condition of underdevelopment in the developing world has been blamed on corruption.<sup>61</sup> Externally, the connivance between the international finance institutions and corrupt national governments, in which the former engages in continuous loan dealings with the latter, has led

to severe debt burden, which the developing world is yet to recover from. The fallout of this crisis include huge financing gap that leads to serious shortfalls in budget. If the delivery of democracy dividends is contingent on the resulting tight budget process, the goal of poverty reduction will continue to be elusive.

The nuts and bolts of this analysis reveal that globalisation may accommodate certain therapies against poverty but for the obvious attenuating strains. Therefore, the fortunes appear to be overwhelmed by the miseries. The question now is, how can make globalisation more pro-poor in the face of the stark realities that pervade the socio-economic landscape of the developing world? Aside from the distortions in the globalisation process, to a large extent, the inability of developing States to cope with the bruises unleashed by globalisation constitutes a plausible analytical barometer. To this end, the next section will seek to promote the 'capable State' agenda in the developing world. This is largely because the ability of developing States to cope with the strains and bruises of globalisation lies in their functional capacities.

### **Making Globalisation more Pro-poor: The 'capable State' Approach**

In the developing world, the challenges of globalisation have been found to be enormous. To address these challenges, there is the need to make globalisation more pro-poor. In this study, pro-poor globalisation is defined as a condition of inclusiveness that does not only give a voice to the poorer segments of the population on a global scale, but also creates a socio-economic ambience that enables national governments to effectively cope with the deleterious effects of globalisation. Since globalisation lacks adequate structures and systems to govern the process, national governments still represent the link between the poor and the policy makers. Due to the cogency of this reason, it is convenient for me to say I do not subscribe to the view that globalisation has eroded, or is eroding the national status of the State. If my position generates great sympathy then the idea that denationalisation constitutes a goal of globalisation needs to be approached with caution.

This argument makes more sense when adapted to the situation in the developing world. For globalisation to benefit the poor and vulnerable in developing nations, the functional capacity of the State has to be enhanced. As things appear at present, developing States demonstrate weak capacity in coping with the development demands of the populace, as well as addressing the deleterious effects of globalisation. This is one notable area of

difference between the developing and the developed worlds. While the former lacks the needed capacity, the latter has repeatedly demonstrated robust State capacity as evidenced by the presence of social security programmes and safety nets for the populace. Therefore, it has been argued that developing countries need to be encouraged and supported to equip themselves with the capacity for a more deliberate management of increasing global interdependence so they can maximise their net benefits from globalisation.<sup>62</sup> This is a factor ostensibly behind the 'capable State' agenda. How then do we define State capability? The concept refers essentially to the bundle of capacities or abilities that a State has or requires to perform its functions effectively and efficiently.<sup>63</sup> In this regard, capacities are defined in functional terms. Before focusing on what constitutes these capacities, it is imperative to understand the nature and functional role of government.

The concepts of 'State' and 'government' are used interchangeably here. The reason is that the State has no substance of its own; it cannot think, or act. It is a name attached to a group of activities, undertaken by people in a variety of settings. It is this arrangement interpreted as a unified structure that is referred to as government.<sup>64</sup> In effect, every act which we recognise as an act of the State is in the end an act by a government,<sup>65</sup> what now constitute the functional role of government? Ray<sup>66</sup> claims that a government has to fulfil certain basic tasks: keeping the nation alive, guiding its independence and preserving its cohesion, receiving political demands, converting these demands into authoritative rules, and enforcing these rules effectively and successfully. These tasks which can be achieved through articulation and aggregation of interests, coercion and compromise, and so on, represent a functional requirement of every modern government. In economic sense, the developmental State is one that acts authoritatively, credibly and legitimately in promoting industrialisation, economic growth and expansion of human capabilities.<sup>67</sup> Using the above measures, developed economies are highly rated.

How well have developing States been able to perform these functions? Assessed against the above functional tasks, developing States have obviously failed in their responsibilities. This failure accounts for why poverty is still pervasive in these States. The perversion of democratic good governance and sound economic discipline constitutes ignominious realities. As a result, the poor segments of the population have been made more vulnerable with the globalisation wave. Pro-poor globalisation has consequently been recommended as an antidote. Major strategies for pro-poor globalisation include addressing

the moral challenge of globalisation,<sup>68</sup> promoting general economic security for poor workers,<sup>69</sup> promoting pro-poor growth,<sup>70</sup> promoting decent work and wage,<sup>71</sup> and ensuring that the poor share in the distribution of assets and income generated by the forces of globalisation,<sup>72</sup> among others. However, these strategies can only work well if pursued within the framework and context of the 'capable State'. It is against this background that the capable State approach to making globalisation pro-poor is considered in this study.

I have identified two major parameters for promoting State capability in the developing world. These parameters include commitment to democracy and national development. The rating of developing countries on the scale of 'State capability' will determine how well they will be able to manage the integration process at the national level.

Given the values that democracy brings, I adjudge the system as a strong determinant of State capability. For this proposition to work however, developing States must intently adhere to the true spirit of democracy. For democracy to be deepened and well institutionalised, there are structural, behavioural and attitudinal foundations.<sup>73</sup> The structural foundations emphasise issues of socio-economic prosperity where poverty is kept to the barest minimum and institutional parameters such as periodic, competitive, free and fair elections, a multiparty system and the rule of law. The behavioural foundations are embedded in the proven capacity of 'democrats' to roll back the anti-democratic challenges. The attitudinal foundations encompass the basic normative, strategic and cognitive elements required to sustain democracy. Assessed against this background, the democracy project in the developing world is still very far off the mark. In the Arab World, there are still no visible signs that the foundations of democratisation are present. This accounts for the spontaneous political convulsions being experienced in the region (Yemen, Bahrain, Tunisia, Egypt, Lybia). The perversion of the democracy project has equally occurred in countries like Nigeria, Ivory Coast, Kenya and Senegal among others, at different times.

The political and economic crises arising from the above situation have further weakened the States in the developing world. What is needed for democracy to grow is responsible leadership that will be committed to the democracy project by building relevant institutions in this regard. The capacities of these institutions to guarantee the social, economic and political rights of the citizenry must also be enhanced. In the area of poverty reduction, these institutions will also enhance the economic performance of developing States. Although Przeworski<sup>74</sup> observes that democracy offers those who are poor and

oppressed an opportunity to seek redress via the State, he however does not hesitate to note that what seems to matter for economic performance and social welfare is not just 'democracy' in general but specific democratic institutions and policies. I believe these institutions and policies are context specific and may therefore vary from country to country depending on the prevailing domestic circumstances.

Kabemba<sup>75</sup> concurs with the above submission by asserting that democratisation goes beyond the essential former elements of a democracy, which may not sufficiently guarantee a broad-based participatory democracy. He explains that democratisation implies the empowerment of the broad majority of people who have been left out of economic, social development and decision making. In line with the foregoing, policy makers and State managers must be committed to building specific democratic institutions and ensure that the existing ones are legally and politically energised. In the long run, this will enhance the functional capacities of developing States.

The level of commitment to national development is another key determinant of State capability. Given the sorry state of developing economies, national governments have not demonstrated enough commitment to the goal of national development. Wealth creation and economic industrialisation, which correlate positively with strong State capacity, have not been given the due attention. Economic liberalisation in particular is a necessary condition to play an active role in the globalisation process. Therefore, this is a pressing area that requires the attention of policy makers. Achieving industrialisation requires that the economic base be diversified. To a large extent, mono-cultural economic orientation has been a bane of development and national transformation in developing countries. These countries are blessed with important export commodities such as oil (Nigeria, Algeria, Ecuador, Kuwait, Angola), Gold (South Africa), Diamond (Liberia), Jute (Bangladesh), Cotton (Pakistan), Cement (Brazil), and the list is endless. But the failure to diversify and undergo structural transformation has led to low economic growth and persistent poverty.

For developing economies to benefit from the gains of globalisation, there is the need for aggressive industrialisation that will cover all the productive sectors of the economy. There is the need for a discontinuity in the dependence on import of capital goods, industrial raw materials and a wide variety of consumer items. I am not advocating for the principle of autarky, but developing nations need to do more of inward looking. This will not only set the

economy on the path of recovery but will also reduce the effect of recurring trade deficits. Again, the problem of sharp income inequality will need to be corrected through sound redistributional policies in such a manner that the optimum welfare of the poor represents the crux of the effort. Also, national governments have to be more aggressive in the fight against corruption to prevent draining investible resources through illegal channels. There is the need to invest in human capital to enhance human capabilities and build the pool of technical resources.

A few countries in the developing world have pursued these measures and the results were rewarding. The Brazilian Bolsas and the Mexican Progresas and Oportunidades were major schemes put in place to redress income inequality in both countries.<sup>76</sup> Malaysia is a classic example of a State playing a central role in economic transformation. Malaysia's real per capita income increased dramatically from 1970 to 2007, and this was accompanied by an increase in the share of industry and manufacturing to GDP. Looking beyond East Asia, one can also find an example of a successful developmental State in Africa. In Mauritius, annual growth rates were about 4.61 per cent from 1970 to 2007 with an increase in the share of services to GDP from 51 per cent to almost 70 per cent during the same period.<sup>77</sup> Given the situation in developing economies, the 'minimal State' idea makes little sense. The State must institute adequate measures for protecting the poorer segments of the population, especially from the adverse effects of globalisation. To enhance the functional capacity of developing States in this regard, industrialisation, wealth creation and sound economic measures are key policy areas.

In the final analysis, the problem of low State capacity generally reflects long histories more than sudden crises.<sup>78</sup> These long histories capture the multiple distortions in the global order and the absence of a system of global governance. To a large extent, these forces have hampered the capacity of developing States to counteract the negative effects of globalisation. Addressing these issues will not come easy because of the unprecedented fortunes they have doled out to the more economically powerful and prosperous countries who may want to retain the status quo. But if globalisation must be seen to be pro-poor, these issues need to be addressed. Necessarily, instituting a system of global governance will be a positive step in this direction. The current regime of international trade has to be made more democratic to give developing countries a stronger voice. Greater fluidity of goods from developing economies into the developed world market needs

to be enhanced also. Besides providing more policy space to allow developing economies to manage the integration process at the national level, it is imperative to recognise that globalisation has also given rise to a set of cross border economic issues that can only be addressed at the global level. These include addressing global negative externalities such as greenhouse effects leading to dramatic climate change, prevention of global financial crisis or preservation of global security. All these require a more robust system of international coordination and cooperation, as well as cross-border regulations,<sup>79</sup> achieving the goal of an equitable global order and not a divided world depends critically on the above measures.

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